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

Condensed Financial Statements
as at March 31, 2023 (Unaudited)

This is a translation from the Hebrew. It has been made for convenience purposes alone.
In case of any discrepancy, the Hebrew version shall prevail.

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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, 2022, except as outlined in Note 1 to the financial statements. The statements herein should be read in conjunction with the 2022 Annual Financial Statements.

Main Developments in the Israeli Economy[1]

The Global Economy

On April 11, 2023, the International Monetary Fund (IMF) revised its global growth forecasts for 2023. Compared with the prior forecast from January 2023, there was no significant change in the IMF's global growth forecasts. The IMF anticipates a slowdown in the rate of expansion of global activity during 2023. The forecast reflects the moderating effect on growth of the process of raising interest rates among most central banks around the world, which was done in order to deal with the accelerated inflation, as well as the continued negative effects of the war between Russia and Ukraine. In addition, the IMF referred to the fact that a number of banks around the world have experienced significant difficulties in the first quarter of 2023, to the point of collapse, with authorities intervening in order to stabilize the markets. However, at present, these appear to be specific events rather than a systemic event. On the other hand, the reopening of the Chinese economy to activity, with the removal of the coronavirus restrictions, is expected to support China's growth as well as global growth. In addition, the latest assessments of the IMF include reference to the downward trend in the general inflation in many countries during the reporting period; however, the core inflation (excluding food and energy) remains high.

According to the current growth forecasts, the gross world product is expected to grow at a rate of 2.8 percent in 2023. As for the major western economies - the US economy is expected to grow by 1.6 percent (a 0.2 percentage point increase compared to the January 2023 forecast), with the Eurozone at 0.8 percent, a forecast reflecting a 0.1 percentage point increase, mostly due to the reduced effect of the Russia-Ukraine war on energy prices in Europe. As for the Israeli economy, the IMF anticipates growth of 2.5 percent in 2023, a forecast similar to that of the Bank of Israel.

Global growth/real change rate
Source: IMF - World Economic Outlook - April 2023

	2023	2022
World	**2.8%**	3.4%
USA	**1.6%**	2.1%
Eurozone	**0.8%**	3.5%
Japan	**1.3%**	1.1%
UK	**(0.3)%**	4.0%
China	**5.2%**	3.0%

Inflation rose in 2022 in many countries - to rates unseen for many years - partially due to excess aggregate demand, on the back of economic recovery following the coronavirus pandemic and with government support, and due to restrictions, which exacerbated the situation on the supply side and included significant effects of the war between Russia and Ukraine on commodity prices. During the second half of 2022, with the reduced effect of the factors mentioned, and against the backdrop of the worldwide contractionary monetary process, inflation began to moderate, a process which also continued during the first quarter of 2023. This is led by the United States, where the rate of increase in prices was 5.0 percent in March 2023, compared to 6.5 percent in December 2022 and 9.1 percent in June of last year. In the Eurozone and UK, inflation reached a peak of 10.6 percent and 11.1 percent in October 2022, respectively, and stood at 6.9 percent and 10.1 percent, respectively, in March 2023. On the other hand, the core

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

inflation rate (excluding food and energy) declined more moderately in the United States and in the Eurozone even increased in the first quarter of 2023.

As a result, multiple central banks - led by the US Federal Reserve - continued the process of raising interest rates during the first quarter of 2023, albeit at a slower pace. Starting in March 2022, the Federal Reserve's Open Market Committee decided, as it did in each subsequent meeting, to raise the short-term interest rate. In the interest rate decision of March 2023, the interest rate increase declined to 0.25 percent and remained at that level in the interest rate decision of May 2023, as a result of which the interest rose to a range of 5.00-5.25 percent, instead of the increases of 0.50-0.75 percent in previous meetings. In addition, the ECB continued the process of raising the interest rate, and in the decision of May 2023, the interest was raised by an additional 0.25 percent to 3.75 percent, and in May, the Bank of England raised the interest rate by 0.25 percent to a level of 4.50 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 for 2023 as well - 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. However, it should be noted that the effects on prices have decreased considerably. In addition, the growing uncertainty is adversely affecting financial markets globally as well as asset values and - as a result – households and businesses in Israel.

Growth in the Israeli Economy

The GDP was up 2.5 percent in the first quarter of 2023, annualized, compared to the a more rapid growth of an annualized 5.3 percent, in the fourth quarter of 2022. The level of the GDP in the first quarter of 2023 is 4.0 percent higher than in the first quarter of 2022. The increase in the GDP in the first quarter was partially supported by the increase in investments in fixed assets and in the export of services, and by the decrease in imports. On the other hand, the decrease in private consumption and in the export of goods adversely affected the growth rate in this quarter.

The labor market continued to reflect robust economic activity, and according to the Bank of Israel, the labor market continues to be tight and is nearing full employment rates. The unemployment rate, under the ordinary definition (unemployed aged 15 or older), was 3.9 percent in March 2023, compared to a level of 4.2 percent in December 2022 and 3.8 percent in March 2022.

Risk factor severity in the economy

During the first quarter of 2023, public legislative and social events began, for which there is uncertainty regarding the manner of their development and the degree of their impact on the Israeli economy in the mid- to long term, and as a result - on the Bank's results. As detailed, among other things, in the estimate published by the Bank of Israel's Research Department dated April 3, 2023, the events may have a negative impact on the Israeli economy, and as a result, on the Bank's performance.

On April 14, 2023, rating agency Moody's announced a change in the rating outlook of the State of Israel from positive to stable, while reiterating the rating at a level of A1. Moody's report noted that the change reflects assessments regarding the economic effects of the legislative and social public events in Israel.

In May 2023, S&P published a credit rating report on the State of Israel. The agency reiterated the credit rating and the rating outlook, at a level of AA- with a stable outlook. The report includes reference to the political, social and security risks that may affect the future rating outlook and/or credit rating.

Foreign trade and service export data

Israel's trade deficit reached USD 8.4 billion in the first quarter of the year, compared with USD 10.1 billion in the corresponding period last year. The decrease in the deficit stems from the more rapid decline in imports compared to exports. The decline in imports stems mainly from a decrease in imports of raw materials and a more moderate decrease in the import group of consumer products. This has occurred against the backdrop of the global decrease in commodity prices in the first quarter of the year, alongside expectations of a slowdown in activity in the manufacturing and commerce sectors, as shown by the Business Trends Survey of the Israel Central Bureau of Statistics.

The service export data for the first months of the year indicate continued decline compared with the corresponding period last year. This is due to the decrease in exports of transportation services; on the other hand, exports of business services, most of which are in the high-tech industries, recorded a moderate increase.

Exchange Rate and Foreign Exchange Reserves

In the first three months of 2023, the shekel depreciated against the US dollar by 2.7 percent, and depreciated 4.8 percent against the euro; a 3.3 percent depreciation was recorded against the currency basket. In addition, the Bank of Israel noted that in this period, exchange rates were characterized by high volatility. The depreciation is partially explained by the interest rate increases, mainly in the United States but also in the Eurozone, and by the increase in demand for currencies perceived as global “anchors” in terms of the risk level embodied therein, such as the US dollar, especially at a time when the financial markets are volatile. At the end of March 2023, the Bank of Israel's foreign exchange reserves stood at USD 200.5 billion compared to USD 194.2 billion as at the end of December 2022. The increase in balances is mainly explained by revaluation. In this period, the Bank of Israel did not purchase any foreign currency in the market.

Inflation and Monetary Policy

The “in lieu” consumer price index (CPI) was up 1.2 percent in the first quarter of 2023 and 5.0 percent in the 12 months ending in March 2023 - a deviation from the price stability target range (1-3 percent), but less than the peak recorded in January of 2023 (5.4 percent). The CPI, net of energy prices, was up 1.1. percent and 5.0 percent, respectively. The continued deviation of the inflation from the target range reflects price rises in a significant part of the CPI items, with emphasis on the service components in the index, similar to the current situation in other western countries. The main explanations for the rapid rise in inflation are horizontal price adjustments to the increase in the inflationary environment and other factors whose impact has moderated to a considerable extent in recent months, which include: 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.

The “known” Consumer Price Index was up 1.1 percent in the first quarter of 2023.

In the first quarter of 2023, the Bank of Israel interest rate was raised by 1.00 percent and it stood at 4.25 percent at the end of the quarter.

On May 22, 2023, the Monetary Committee decided to raise the interest rate by 0.25 percent to a level of 4.75 percent, which is the highest since January 2007. In this meeting, the Monetary Committee noted that the economic activity in the Israeli economy is at a high level and is accompanied by a tight labor market, although there is a certain moderation in several indicators. The inflation is broad-based and still at a high level. Therefore, the Committee decided to raise the interest rate. The interest rate trajectory is 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 5.4 percent in the first quarter of 2023, following a 15.5 percent decrease in 2022. The stock market was impacted in the reporting period by the effects of the inflation, which remained higher than the price stability target in Israel and in many countries in the developed world, which led to the continued process of interest rate increases by central banks around the world, including in Israel. In addition, the political uncertainty in Israel, against the backdrop of the public events - legislative and social, also appears to have contributed to the weakening of the stock market.

The average daily trade volume of shares and convertible securities in the first quarter of 2023 totaled NIS 2.136 billion, a decrease of 6.9 percent over the average level in 2022.

The CPI-Linked Government Bond Index was up 0.7 percent in the first quarter of 2023, while the Unlinked Government Bond Index was down 0.4 percent. Most of the decreases were in long-and mid-duration bonds.

The CPI-linked non-government bond market (corporate bonds) rose in the first quarter of 2023 by 0.3 percent.

Condensed Financial Information and Key Performance Indicators

Further to Note 15.A to the financial statements as of December 31, 2022, regarding the merger agreement between Bank Leumi Corporation (hereinafter - "BLC") and Valley National Bancorp (hereinafter - "Valley"). The comparative figures presented in this Report of the Board of Directors and Management include the results of BLUSA in the first quarter of 2022 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 16.A.

Following are the key performance indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2023	2022[i]	2022
Return on net income attributable to the Bank's shareholders to equity[c]	**7.8**	15.6	17.0[i]
Return on net income attributable to the Bank's shareholders to average assets[c][e]	**0.6**	1.0	1.2
Ratio of income[b] to average assets[c][e]	**2.92**	2.35	2.72
Efficiency ratio	**32.6**	46.6	37.5
Ratio of net interest income to average assets[c][e]	**2.30**	1.77	1.97
Ratio of fees and commissions to average assets[c][e]	**0.55**	0.57	0.53
Rate of tax provision from profit, before taxes	**30.0**	23.1	32.7
Net interest income to average balance of interest-bearing assets (NIM)[c]	**2.59**	1.96	2.21
Total income to total average assets under management by the Group[b][c][d]	**1.02**	0.72	0.89
Total operating and other expenses to average total assets under management by the Group[c][d]	**0.33**	0.33	0.33

	As at March 31		As at December 31
	2023	2022	2022
Common Equity Tier 1 ratio[h]	**11.23**	10.78	11.46
Total capital to risk-weighted assets[a][h]	**14.45**	13.54	14.29
Leverage ratio[g]	**6.63**	5.91	6.36
Liquidity coverage ratio[f]	**128**	120	131
Net stable funding ratio (NSFR)	**118**	127	128
Equity attributable to the Bank's shareholders to total assets	**7.3**	6.3	7.1

Please see comments below.

Key credit quality indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2023	2022[j]	2022
Loan loss expenses (income) out of the average outstanding balance of loans to the public[c]	**0.41**	(0.04)	0.13
Expenses in respect of a collective loan loss provision from the average balance of loans to the public[c]	**0.39**	0.14	0.25
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.30**	1.36	1.28
Percentage of non-performing loans to the public in arrears of 90 days or more out of outstanding loans to the public	**0.57**	0.78	0.51
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public[c]	**0.08**	-[k]	0.07

(a) Equity - including non-controlling interests and various adjustments.
(b) Total income - net interest income and noninterest income.
(c) Annualized.
(d) Including off-balance-sheet operations.
(e) 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.
(f) For more information regarding the liquidity coverage ratio, please see section entitled “Risk Exposure and Management Thereof”.
(g) For more information regarding the leverage ratio, please see “Equity and Capital Adequacy” under “Structure and Development of Assets, Liabilities, Equity and Capital Adequacy”.
(h) For more information, please see section entitled “Equity and Capital Adequacy”.
(i) Return on net income attributable to the Bank’s shareholders net of the profit from the merger transaction with Valley is 15.6 percent.
(j) Including balances classified as held-for-sale assets and liabilities.
(k) Rate of less than 0.01 percent.

Main income statement data

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	In NIS million		
Net income attributable to the Bank's shareholders	**981**	1,609	7,709
Interest Income, Net	**3,928**	2,899	13,211
Loan loss expenses (income)	**406**	(40)	498
Noninterest Income	**1,071**	950	5,018
Of which: fees and commissions	**948**	930	3,535
Total operating and other expenses	**1,629**	1,794	6,835
Of which: salaries and related expenses	**845**	1,005	3,935
Net earnings per share attributable to the Bank's shareholders (in NIS):			
Basic diluted net income	**0.64**	1.11	5.14

Main balance sheet data

	As at March 31		As at December 31
	2023	2022[b]	2022
	In NIS million		
Total assets	**682,477**	669,431	699,166
Of which: cash and deposits with banks	**134,381**	166,227	186,569
Securities	**99,374**	98,791	82,950
Loans to the public, net	**403,817**	368,690	384,782
Total liabilities	**632,681**	626,570	649,723
Of which: deposits by the public	**532,906**	539,247	557,084
Deposits by banks	**24,042**	26,570	22,306
Bonds, promissory notes and subordinated bonds	**28,288**	21,459	27,805
Equity attributable to the Bank's shareholders	**49,791**	42,433	49,438
Additional data:			
Price per share (in NIS)	**27.0**	34.5	29.3
Dividend per share (in agorot)[a][c]	**45.20**	40.48	111.52

(a) According to the declaration date.
(b) Including balances classified as held-for-sale assets and liabilities.
(c) Cumulative figure for the period.

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

The Report of the Board of Directors and Management includes, in addition to data relating to the past, information and assessments relating to the future, defined in the Securities Law, 1968 (hereinafter: the “Law”) as “Forward-Looking Information”. Forward-looking information relates to a future event or matter, the materialization of which is uncertain and not under the Bank's exclusive control.

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

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

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

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

Trends, Phenomena, Developments and Material Changes

Main Changes in the Reporting Period

Impairment of the investment in Valley's shares

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

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded in the first half of 2022. The Bank's investment in Valley is recorded in the financial statements according to the equity method.

For information on the transaction, please see the section entitled "Major Investee Companies" in the Report of the Board of Directors and Management for 2022.

In view of the significant decreases in the share prices of the banking segment in the United States in general and in mid-sized banks - including Valley in particular, the Bank examined the need to write down the value of the Valley shares recorded as an investment in the Bank's books. Therefore, the Bank recorded an impairment of the value of the investment in Valley as at March 31, 2023 in the amount of approx. NIS 1.1 billion, after tax. The impairment loss was recorded to the income statement under the "Bank's share in associates' profits (losses)" item.

The reduction in the value did not have a significant effect on the Bank's regulatory capital adequacy.

For additional information, please see Note 16.A.

The Bank continues to consider Valley a long-term strategic investment, which serves as a significant layer in the Bank's overall strategy.

Shortly before the publication date of the report, the value of Valley's shares held by the Bank was approx. NIS 1.9 billion.

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

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	In NIS million		
Interest income	**7,572**	3,156	18,590
Interest expense	**3,644**	457	5,579
Interest income, net	**3,928**	2,699	13,011
Loan loss expenses (income)	**406**	(55)	483
Interest income, net after loan loss expenses (income)	**3,522**	2,754	12,528
Noninterest income			
Noninterest finance income (expenses)	**25**	(6)	1,388
Fees and Commissions	**948**	882	3,487
Other income	**98**	5	74
Total noninterest income	**1,071**	881	4,949
Operating and other expenses			
Salaries and related expenses	**845**	912	3,842
Buildings and equipment - maintenance and depreciation	**341**	330	1,323
Other expenses	**443**	394	1,512
Total operating and other expenses	**1,629**	1,636	6,677
Profit before taxes	**2,964**	1,999	10,800
Provision for profit tax	**889**	456	3,537
Profit after taxes	**2,075**	1,543	7,263
The Bank's share in associates' (losses) profits, after tax*	**(1,094)**	66	446
Profit attributable to the Bank's shareholders	**981**	1,609	7,709
*Of which: The banking corporation's share in BLUSA's profits[(b)]	**-**	59	59

(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

	March 31		December 31
	2023	2022	2022
		In NIS million	
Assets			
Cash and deposits with banks	**134,381**	165,047	186,569
Securities	**99,374**	94,360	82,950
Loans to the public	**409,136**	354,578	389,768
Loan loss provision	**(5,319)**	(4,803)	(4,986)
Loans to the public, net	**403,817**	349,775	384,782
Loans to governments	**1,123**	1,153	1,109
Investments in associates	**3,786**[(c)]	1,027	4,947[(c)]
Buildings and equipment	**2,767**	2,640	2,735
Assets for derivatives	**26,959**	19,997	26,638
Other assets	**6,988**	6,727	6,402
Securities borrowed or purchased under reverse repurchase agreements	**3,282**	2,882	3,034
Investment in subsidiary BLUSA		2,267	
Total assets	**682,477**	645,875	699,166
Liabilities and capital			
Deposits by the public	**532,906**	516,711	557,084
Deposits by banks	**24,042**	26,651	22,306
Deposits by governments	**383**	316	247
Securities loaned or sold under repurchase agreements	**4,739**	2,055	3,952
Bonds, promissory notes and subordinated bonds	**28,288**	21,459	27,805
Liabilities for derivatives	**25,601**	20,445	23,311
Other liabilities	**16,722**	15,800	15,018
Total liabilities	**632,681**	603,437	649,723
Non-controlling interests	**5**	5	5
Equity attributable to the Bank's shareholders	**49,791**	42,433	49,438
Total capital	**49,796**	42,438	49,443
Total liabilities and equity	**682,477**	645,875	699,166

(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.
(c) As of April 1, 2022, the balance of the investment in associates includes the balance of the investment in Valley, which amounts to NIS 2,401 million and NIS 3,567 million as at March 31, 2023 and December 31, 2022. For more information on the Valley investment, please see Note 15.A to the financial statements as at December 31, 2022 and Note 16.A.

Sale of Beit Lin

On March 28, 2023, the Bank (through a wholly owned subsidiary) entered into an agreement with JTLV 3 (Beit Lin) Limited Partnership (hereinafter - the “Acquirer”) for the sale of 50 percent of its rights in an office tower at 35 and 37 Yehuda Halevy, Tel Aviv, known as “Beit Lin”, which is currently used by the Bank (hereinafter - the “Asset”) at a total asset value (100%) of NIS 650 million. The consideration to be paid to the Bank is NIS 325 million + VAT (hereinafter - the “Consideration”, the “Sale Agreement”). At the same time, the parties entered into an agreement to regulate the cooperation in the property for its improvement.

If and to the extent that the transaction will be completed, the Bank is expected to record a profit (pre-tax) in the amount of NIS 265 million, which will be recorded in the financial statements that are expected to be published close to the date of the property’s transfer, which is expected in the fourth quarter of 2023, upon completion of the transfer of the Bank’s headquarters and main management units to Lod, or at a later date, by no later than March 24, 2024, at the Bank’s discretion.

The information regarding the completion of the transaction, its effects on the Bank’s financial statements and the date of vacating the property and the transfer of the main management and headquarters units is considered forward-looking information, which may not materialize in whole or in part or on the dates mentioned above, under circumstances beyond the Bank’s control, including non-compliance with the Sale Agreement by the Acquirer or changes in the final data relevant to the calculation of the Bank’s profit.

Material Changes in Financial Statement Items

During April 2022 and March 2023, the Bank entered into agreements to sell its two headquarters buildings in Tel Aviv. The two sales are expected to generate for the Bank a pre-tax capital gain of NIS 524 million and NIS 265 million, respectively; the capital gains will be recorded in the Bank's books immediately prior to the date of delivery of the property, which is expected in the last quarter of 2023 upon completion of the Bank's management's relocation to Lod, or at a later date, no later than March 24, 2024.

For more information, please see the section entitled "Main Changes in the Past Period" and Note 16.B.

During the first quarter of 2023, public legislative and social events began, for which there is uncertainty regarding the manner of their development and the degree of their impact on the Israeli economy in the mid- to long term, and as a result - on the Bank's results.

For more information, please see the section entitled "Main Developments in the Israeli Economy".

On April 16, 2023, the Bank signed a special collective agreement with the Workers' Union for 2023-2026.

For additional information, please see Note 8.A.

Below are the results for the first quarter of 2023:

Net income attributable to shareholders (hereinafter - the "net income") in the first quarter of 2023 (hereinafter - the "first quarter") amounted to NIS 981 million compared to NIS 1,609 million in the corresponding quarter last year.

The return on equity in the first quarter was 7.8 percent, compared to a rate of 15.6 percent in the corresponding quarter last year.

Net interest income in the first quarter amounted to NIS 3,928 million, compared to NIS 2,699 million in the corresponding quarter last year, net of the results of Bank Leumi USA, an increase of approx. 45.54 percent. The increase in the interest income stems from the increase in the Bank's loan portfolio and from the differences in interest rates from one period to another.

Loan loss expenses (income) in the first quarter reflect an expense rate of 0.41 percent of the average outstanding loans to the public, compared to an income rate of (0.07) percent in the corresponding quarter last year, net of the results of Bank Leumi USA, the expense in the first quarter stems mainly from the increase in the collective provision. The specific loan loss expense rate in the first quarter of the year was 0.02 percent. The collective loan loss expense rate in the first quarter of the year was 0.39 percent. The rate of loan loss provision relative to the outstanding loans as at March 31 2023 is 1.30 percent.

Noninterest finance income (expenses) in the first quarter totaled approx. NIS 25 million, compared to expenses of NIS (6) million in the corresponding quarter last year, net of the results of Bank Leumi USA.

Operating and other fees and commissions were up in the first quarter compared with the corresponding quarter last year, net of the results of Bank Leumi USA in the amount of NIS 66 million. Most of the increase is on the back of fees and commissions from exchange rate differentials, financing activities, and account management. The increase was partly offset by an decrease in fees and commissions on securities.

Operating and other expenses in the first quarter were down compared with the corresponding quarter last year, net of the results of Bank Leumi USA, by NIS 7 million.

The efficiency ratio in the first quarter was 32.6 percent compared with 45.7 percent in the corresponding quarter last year, net of the results of Bank Leumi USA. The efficiency ratio stemmed from the Bank's business activity.

Basic earnings per share attributable to the shareholders in the first quarter totaled a gain of approx. NIS 0.64 compared to a gain of NIS 1.11 in the corresponding quarter last year.

The CET1 capital to risk-weighted components ratio as at March 31, 2023 was 11.23 percent. The total capital ratio as at March 31, 2023 was 14.45 percent.

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

On May 22, the Board of Directors approved a share buyback and dividend distribution totaling NIS 294 million, which represents approximately 30 percent of the profit for the first quarter of 2023. For more information, please see section entitled "Equity and Capital Adequacy".

Material Developments in Income, Expenses and Other Comprehensive Income

Further to Note 15.A to the financial statements as of December 31, 2022, regarding the merger agreement between BLC and Valley. The comparative figures presented in this Report of the Board of Directors and Management include the results of BLUSA in the first quarter of 2022 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 regarding the Valley investment, please see Note 16.A.

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

	For the three months ended March 31		Change	
	2023	2022		
	In NIS million		In NIS million	In %
Interest Income, Net	**3,928**	2,899	1,029	35.5
Loan loss expenses (income)	**406**	(40)	446	+
Noninterest Income	**1,071**	950	121	12.7
Operating and Other Expenses	**1,629**	1,794	(165)	(9.2)
Profit before taxes	**2,964**	2,095	869	41.5
Provision for tax	**889**	483	406	84.1
Profit after taxes	**2,075**	1,612	463	28.7
Bank's share in associates' (losses) profits	**(1,094)**	7	(1,101)	-
Net income attributable to non-controlling interests	**-**	(10)	10	100.0
Net income attributable to the Bank's shareholders	**981**	1,609	(628)	(39.0)
Return on equity (in %)	**7.8**	15.6		
Basic earnings per share (in NIS)	**0.64**	1.11		

Net income development by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Interest Income, Net	**3,928**	3,773	3,414	3,125	2,899
Loan loss expenses (income)	**406**	313	99	126	(40)
Noninterest Income	**1,071**	1,656	855	1,557	950
Operating and Other Expenses	**1,629**	1,729	1,671	1,641	1,794
Profit before taxes	**2,964**	3,387	2,499	2,915	2,095
Provision for tax	**889**	1,166	908	1,007	483
Profit after taxes	**2,075**	2,221	1,591	1,908	1,612
Bank's share in associates' (losses) profits	**(1,094)**	105	191	84	7
Net income attributable to non-controlling interests	**-**	-	-	-	(10)
Net income attributable to the Bank's shareholders	**981**	2,326	1,782	1,992	1,609
Return on equity (in %)	**7.8**	19.0	14.9	18.5	15.6
Basic earnings per share (in NIS)	**0.64**	1.51	1.15	1.36	1.11

The results of the first quarter of 2023 include an impairment in respect of the investment in associate Valley in the amount of approx. NIS 1.1 billion. For more information, please see Note 16.A.

Interest Income, Net

	For the three months ended March 31			
	2023		2022[(a)]	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)
	In NIS million	In %	In NIS million	In %
Interest income	**7,572**	**4.99**	3,156	2.23
Interest expense	**(3,644)**	**(3.51)**	(457)	(0.61)
Interest Income, Net	**3,928**	**1.48**	2,699	1.62
Net yield on interest-bearing assets (NIM)		**2.59**		1.91

(a) Net of the balances and results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

In the first quarter of 2023, there was an increase in the net interest income compared to the corresponding quarter last year, which stemmed mainly from the growth in the Bank's loan portfolio due to the interest rate increases.

The CPI in the first quarter of 2023 was a positive 1.1 percent, compared with a positive CPI of 1.2 percent in the corresponding quarter last year. Net interest income in the first quarter was positively affected by the positive CPI by NIS 374 million, similarly to the corresponding quarter last year.

The growth in the net interest margin (NIM) in the first quarter of 2023 mainly stems from the positive effect of the change in the interest rates on net interest income.

The total interest rate spread in the first quarter is 1.48 percent, compared to a 1.62 percent spread in the corresponding quarter last year, net of BLUSA's balances.

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

In the non-linked NIS segment, the interest rate spread was 2.03 percent, compared with 1.61 percent in the corresponding quarter last year, net of the balances and results of Bank Leumi USA. In the CPI segment, the interest rate spread was 1.73 percent, compared with 1.78 percent in the corresponding quarter last year, net of the balances of Bank Leumi USA. In the foreign exchange segment, the interest rate spread was (0.76) percent, compared with 0.80 percent in the corresponding quarter last year, net of the balances of Bank Leumi USA.

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

Loan loss expenses (income)

	For the three months ended March 31		Change	
	2023	2022[b]		
	In NIS million		In NIS million	In %
Loan loss expense (income) - specific	17	(188)	205	+
Collective loan loss expense	389	133	256	+
Total loan loss expense (income)	406	(55)	461	+
Of which:				
Loan loss expenses (income) for credit risk for commercial credit risk	351	(13)	364	+
Loan loss expenses (income) for credit risk in respect of housing loans	13	(8)	21	+
Loan loss expenses (income) for other credit risk in respect of for private individuals	74	(48)	122	+
Loan loss expenses (income) for credit risk for banks, governments and bonds	(32)	14	(46)	-
Total loan loss expenses (income)	406	(55)	461	+
Ratios (in %):[a]				
Percentage of the specific loan loss expense (income) out of the average outstanding loans to the public	0.02	(0.22)	0.24	+
Percentage of collective loan loss expense out of the average outstanding loans to the public	0.39	0.15	0.24	+
Percentage of loan loss expenses (income) out of average outstanding loans to the public	0.41	(0.07)	0.48	+
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	0.08	(0.05)	0.13	+
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	6.24	(3.25)	9.49	+

(a) Annualized.

(b) Net of the balances and results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

Development of loan loss expenses (income) by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1[c]
	In NIS million				
Loan loss expense (income) - specific	**17**	(21)	(134)	(111)	(164)
Collective loan loss expense	**389**	334	233	237	124
Total loan loss expense (income)	**406**	313	99	126	(40)
Of which:					
Loan loss expenses (income) for credit risk for commercial credit risk	**351**	218	(21)	42	1
Loan loss expenses (income) for credit risk in respect of housing loans	**13**	58	47	14	(7)
Loan loss expenses (income) for other credit risk in respect of for private individuals	**74**	27	70	63	(48)
Loan loss expenses (income) for credit risk for banks, governments and bonds	**(32)**	10	3	7	14
Total loan loss expenses (income)	**406**	313	99	126	(40)
Ratios (in %):[a]					
Percentage of the specific loan loss expense (income) out of the average outstanding loans to the public	**0.02**	(0.02)	(0.14)	(0.12)	(0.18)
Percentage of collective loan loss expense out of the average outstanding loans to the public	**0.39**	0.34	0.25	0.26	0.14
Percentage of loan loss expenses (income) out of average outstanding loans to the public	**0.41**	0.32	0.11	0.14	(0.04)
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.08**	0.18	0.03	0.07	-[b]
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**6.24**	13.80	2.29	5.07	0.16

(a) Annualized.
(b) Rate of less than 0.01 percent.
(c) Including the balances and results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

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

Noninterest Income

	For the three months ended March 31			
	2023	2022	Change	
	In NIS million		In NIS million	In %
Noninterest finance income[a]	**25**	14	11	78.6
Fees and Commissions[b]	**948**	930	18	1.9
Other income[c]	**98**	6	92	+
Total	**1,071**	950	121	12.7

(a) Based on the results net of Bank Leumi USA in comparative figures, noninterest finance income increased by NIS 31 million compared to the corresponding quarter last year.
(b) Based on the results net of Bank Leumi USA in comparative figures, fees and commissions increased by approx. NIS 66 million compared to the corresponding quarter last year.
(c) The results of Bank Leumi USA (BLUSA) in this item are immaterial in the comparative figures.

The weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first quarter was 21.4 percent, compared with 24.6 percent in the corresponding quarter last year and 27.6 percent in all of 2022, net of the results of Bank Leumi USA in the comparative figures.

Development of noninterest income by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Noninterest finance income (expenses)	**25**	762	(56)	688	14[(a)]
Fees and Commissions	**948**	861	872	872	930[(b)]
Other income (expenses)	**98**	33	39	(3)	6[(c)]
Total	**1,071**	1,656	855	1,557	950

(a) Net of the results of Bank Leumi USA, in the comparative results, noninterest finance income was up by NIS 31 million compared with the corresponding quarter last year.
(b) Net of the results of Bank Leumi USA, in the comparative results, fees and commissions were up by NIS 66 million compared with the corresponding quarter last year.
(c) The results of Bank Leumi USA out of this line item are immaterial in terms of the comparative results.

Breakdown of noninterest finance income

	For the three months ended March 31		Change	
	2023	2022		
	In NIS million		In NIS million	In %
Net income (expense) in respect of derivatives and net exchange rate differentials for not-for-trading activities	**130**	(55)	185	+
Losses on sale of available-for-sale bonds, net[(b)]	**(169)**	(7)	(162)	-
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**96**	15	81	+
Gain on sale of investees' equity	**-**	78	(78)	(100.0)
Gains on sold loans, net	**-**	15	(15)	(100.0)
Net (expenses) income for derivatives for trading activities[(c)]	**(6)**	24	(30)	-
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	**(26)**	(56)	30	53.6
Total	**25**	14	11	78.6

(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 and impairments.
(b) Based on the results net of Bank Leumi USA in comparative figures, the net losses from the sale of net available-for-sale bonds increased by NIS 152 million compared to the corresponding quarter last year.
(c) Based on the results net of Bank Leumi USA in comparative figures, the net expenses in respect of derivative instruments for trading activities increased by NIS 20 million compared to the corresponding quarter last year.

Breakdown of noninterest finance income by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Net income (expense) in respect of derivatives and net exchange rate differentials for not-for-trading activities	**130**	364	(76)	3	(55)
Losses on sale of available-for-sale bonds, net	**(169)**	(15)	(80)	(76)	(7)
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**96**	158	34	166	15
Gain on sale of investees' equity[(b)]	**-**	-	-	752	78
Gains on sold loans, net	**-**	42	-	-	15
Net income (expenses) for derivatives for trading activities	**(6)**	221	122	(113)	24
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	**(26)**	(8)	(56)	(44)	(56)
Total	**25**	762	(56)	688	14

(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 and impairments.

(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 in the first half of 2022, a gross profit of approx. NIS 782 million, was recorded, of which NIS 30 million are from income from derivative instruments activity as a result of economic hedging of the aforementioned transaction. For more information regarding an impairment recorded in the first quarter of 2023 in respect of the investment in Valley, see Note 16.A.

Breakdown of fees and commissions

	For the three months ended March 31			
	2023	2022[(a)]	Change	
	In NIS million		In NIS million	In %
Account management	**171**	150	21	14.0
Activity in securities and certain derivatives	**155**	185	(30)	(16.2)
Credit cards	**98**	92	6	6.5
Credit handling	**68**	57	11	19.3
Financial products distribution fees and commissions	**56**	65	(9)	(13.8)
Exchange rate differentials	**143**	120	23	19.2
Financing fees and commissions	**162**	130	32	24.6
Other fees and commissions	**95**	83	12	14.5
Total fees and commissions	**948**	882	66	7.5

(a) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

The 7.5 percent increase in fees and commissions over last year, net of the results of Bank Leumi USA, stems primarily from commissions on exchange rate differentials, fees and commissions on financing activities, and account handling fees. The increase was offset by an decrease in fees and commissions on securities.

Breakdown of fees and commissions by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million				
Account management	**171**	167	159	163	150
Activity in securities and certain derivatives	**155**	147	157	161	185
Credit cards	**98**	94	102	94	92
Credit handling	**68**	46	49	53	57
Financial products distribution fees and commissions	**56**	61	61	63	65
Exchange rate differentials	**143**	111	124	122	120
Financing fees and commissions	**162**	148	137	132	130
Other fees and commissions	**95**	87	83	84	83
Total fees and commissions	**948**	861	872	872	882

(a) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

Breakdown of other income

	For the three months ended March 31		Change	
	2023	2022[(a)]		
	In NIS million		In NIS million	In %
Losses on severance pay reserve	**(3)**	(3)	-	-
Other income[(b)]	**101**	9	92	+
Total	**98**	6	92	+

(a) The results of Bank Leumi USA are immaterial.
(b) The increase stems mainly from income from grants from international organizations and credit card companies.

Breakdown of other income by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million				
(Losses) gains on severance pay reserve	**(3)**	1	(6)	(4)	(3)
Other income, including on sale of buildings and equipment	**101**	32	45	1	9
Total	**98**	33	39	(3)	6

(a) The results of Bank Leumi USA are immaterial.

Operating and Other Expenses

	For the three months ended March 31		Change	
	2023	2022[(a)]		
	In NIS million		In NIS million	In %
Salaries and related expenses	**845**	912	(67)	(7.3)
Depreciation and amortization	**147**	157	(10)	(6.4)
Maintenance expenses for buildings and equipment	**194**	173	21	12.1
Other expenses	**443**	394	49	12.4
Total operating and other expenses	**1,629**	1,636	(7)	(0.4)

(a) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

In the first quarter, there was a decrease of NIS 7 million in operating and other expenses compared with the corresponding quarter last year, net of the results of Bank Leumi USA; the decrease in salary expenses stems mainly from a decrease in bonus expenses. The increase in other expenses stems mainly from an increase in expenses for the cost of interest in respect of pension liabilities due to the interest rate increase.

The efficiency ratio in the first quarter was 32.6 percent compared with 45.7 percent in the corresponding quarter last year, net of the results of Bank Leumi USA. The substantial improvement in the efficiency ratio arises mostly from an increase in income, among other things as a result of interest rate increases.

Total (annualized) operating and other expenses constitute 0.95 percent of total assets, compared with 1.01 percent in the corresponding quarter last year, net of the balances and results of Bank Leumi USA.

Operating and other expenses by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million				
Salaries and related expenses	**845**	971	998	961	912
Depreciation and amortization	**147**	161	138	137	157
Maintenance expenses for buildings and equipment	**194**	194	185	178	173
Other expenses	**443**	403	350	365	394
Total operating and other expenses	**1,629**	1,729	1,671	1,641	1,636

(a) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

Salary Expenses

	For the three months ended March 31		Change	
	2023	2022[(a)]		
	In NIS million		In NIS million	In %
Salaries and related expenses	**754**	829	(75)	(9.0)
Pension, severance and retirement expenses	**91**	83	8	9.6
Total salary expenses	**845**	912	(67)	(7.3)

(a) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

For more information regarding the new collective agreement signed, please see Note 8.A.

Salary expenses by quarter

	2023	2022			
	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million				
Salaries and related expenses	**754**	882	918	882	829
Pension, severance and retirement expenses	**91**	89	80	79	83
Total salary expenses	**845**	971	998	961	912

(a) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.

Following is the condensed comprehensive income statement

Comprehensive income for the first quarter totaled NIS 1,050 million compared to NIS 1,890 million in the corresponding quarter last year.

In the first quarter of 2023, positive adjustments were recorded in respect of available-for-sale bonds in the amount of NIS 253 million before tax; part of these positive adjustments were offset by negative adjustments of the liabilities for employee benefits in the amount of NIS 176 million before tax, which mainly stem from actuarial changes which were partially offset by an increase in the discount interest rate. 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. Regarding the manner of measuring the pension liabilities and assets designated for hedging, for regulatory capital purposes, as of July 1, 2022, see the section entitled Capital and Capital Adequacy.

For the three months ended March 31 2023 and 2022 and for the year ended December 31 2022

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	In NIS million		
Net income attributable to the Bank's shareholders	981	1,609	7,709
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	**253**	(2,006)	(4,265)
Adjustments of liabilities for employee benefits	**(176)**	2,434	3,133
Other adjustments[(a)]	**21**	(66)	417
Related tax effect	**(29)**	(102)	335
Less other comprehensive income (loss) attributable to non-controlling interests	**-**	(21)	96
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**69**	281	(476)
Comprehensive income attributable to the Bank's shareholders	**1,050**	1,890	7,233

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

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

The total assets of the Leumi Group as of March 31, 2023 amounted to NIS 682.5 billion, compared to NIS 699.2 billion as of the end of 2022 - a decrease of 2.4 percent, and compared to March 2022 - an increase of 5.7 percent, excluding the balances of Bank Leumi USA (which are presented as held-for-sale assets and liabilities in a separate line as of March 31, 2022.

The value of financial assets denominated in, and linked to, foreign currency out of the Group's total assets as of March 31, 2023 is NIS 121.2 billion, 17.8 percent of the total assets. In the first quarter of 2023, the shekel devalued against the US dollar by 2.7 percent, depreciated by 4.8 percent against the euro, and depreciated by 5.4 percent against the pound sterling. The change in the shekel's exchange rates against all foreign currencies during the reporting period contributed to a 0.5 percent increase in the Group's total consolidated assets.

Total assets under the Group's management – total assets and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,937 billion as at March 31, 2023, compared with a total of NIS 1,969 billion as at the end of 2022.

1. Following are the changes in the main balance sheet line items

	March 31	December 31	Change	
	2023	2022	From December 2022	From March 2022[a]
	In NIS million		In %	
Total assets	**682,477**	699,166	(2.4)	5.7
Cash and deposits with banks	**134,381**	186,569	(28.0)	(18.6)
Securities	**99,374**	82,950	19.8	5.3
Loans to the public, net	**403,817**	384,782	4.9	15.5
Buildings and equipment	**2,767**	2,735	1.2	4.8
Deposits by the public	**532,906**	557,084	(4.3)	3.1
Deposits by banks	**24,042**	22,306	7.8	(9.8)
Bonds, promissory notes and subordinated bonds[b]	**28,288**	27,805	1.7	31.8
Equity attributable to the Bank's shareholders	**49,791**	49,438	0.7	17.3

(a) Net of the balances of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.
(b) For additional information, please see section entitled "Bonds, capital notes and subordinated bonds".

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

	March 31	December 31	Change	
	2023	2022	From December 2022	From March 2022[a]
	In NIS million		In %	
Documentary credit, net	**1,154**	1,150	0.3	(28.4)
Guarantees and other commitments, net	**70,198**	69,003	1.7	24.1
Unutilized credit card credit facilities, net	**9,800**	8,377	17.0	16.0
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**17,799**	16,420	8.4	6.5
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**78,664**	75,291	4.5	11.8
Derivative instruments[b][c]	**1,211,776**	1,076,372	12.6	24.9
Options - all types[c]	**216,817**	170,427	27.2	33.8

(a) Net of the balances of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.
(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

Outstanding net loans to the public in the Leumi Group as of March 31, 2023 totaled approx. NIS 403.8 billion compared to approx. NIS 384.8 billion as of December 31, 2022, an increase of 4.9 percent, and compared to March 2022, net of the balances of Bank Leumi USA, an increase of approx. 15.4 percent.

The loan loss provision balance in the Leumi Group totaled approx. NIS 5.3 billion compared to approx. NIS 5.0 billion as of December 31, 2022.

In addition to loans to the public, the Group invests in corporate securities, which total NIS 22,471 million as at March 31, 2023, compared to a total NIS 22,315 million as at the end of 2022, and which also embody credit risks.

Development in loans to the public, after loan loss provision by main economic sector

	March 31	December 31		
	2023	2022	Change	
	In NIS million		In NIS million	In %
Private individuals - housing loans	**121,494**	119,302	2,192	1.8
Private individuals - Other	**30,021**	29,724	297	1.0
Construction and real estate	**107,202**	98,368	8,834	9.0
Commercial	**33,685**	31,856	1,829	5.7
Industry	**24,000**	22,969	1,031	4.5
Other	**87,415**	82,563	4,852	5.9
Total	**403,817**	384,782	19,035	4.9

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

	March 31			December 31		
	2023			2022		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
	In NIS million					
Non-performing credit risk, net	**1,684**	119	1,803	1,466	93	1,559
Performing credit risk, net	**3,423**	567	3,990	3,191	621	3,812
Total	**5,107**	686	5,793	4,657	714	5,371

	March 31	December 31
	2023	2022
	In NIS million	
Troubled credit risk - Commercial	**6,062**	5,435
Troubled credit risk - retail	**1,374**	1,395
Total	**7,436**	6,830
Balance of loan loss provision	**1,643**	1,459
Troubled loans after loan loss provision	**5,793**	5,371

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

Securities

As of March 31, 2023, the Leumi Group's investments in securities amounted to NIS 99.4 billion, compared to NIS 83.0 billion as of the end of 2022, a 19.8 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.

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

	March 31, 2023					December 31, 2022				
	Held-to-maturity bonds[e]	Available-for-sale bonds[a][e]	Not held-for-trading equity securities and mutual funds[b]	Held-for-trading securities[c]	Total	Held-to-maturity bonds[e]	Available-for-sale bonds[a][e]	Not held-for-trading equity securities and mutual funds[b]	Held-for-trading securities[c]	Total
	In NIS million									
Bonds										
Of the Israeli Government	9,732	37,018		2,408	49,158	9,631	21,842		1,263	32,736
Of foreign governments[d]	-	16,188		676	16,864	-	16,995		-	16,995
Of Israeli financial institutions	-	46		488	534	-	46		580	626
Of foreign financial institutions[f]	1,362	8,959		20	10,341	1,321	9,627		53	11,001
Asset-backed (ABS) or mortgage-backed (MBS)	3,366	8,661		32	12,059	3,256	7,710		33	10,999
Of other Israeli entities	-	698		249	947	-	670		257	927
Of other foreign entities	330	4,714		58	5,102	320	4,919		71	5,310
Equity securities and mutual funds			4,367	2	4,369			4,353	3	4,356
Total securities	14,790	76,284	4,367	3,933	99,374	14,528	61,809	4,353	2,260	82,950

(a) Including unrealized losses from fair value adjustments of NIS 3,407 million recorded in other comprehensive income (December 31, 2022 - losses of NIS 3,812 million).
(b) Including unrealized gains from fair value adjustments in the amount of NIS 304 million recorded in profit and loss (December 31, 2022 - gains of NIS 256 million).
(c) Including net unrealized losses from fair value adjustments in the amount of NIS 69 million recorded in profit and loss (December 31, 2022 - net losses of NIS 113 million).
(d) The US government - NIS 12.7 billion (December 31 2022 – NIS 12.5 billion).
(e) The outstanding balance of held-to-maturity bonds are presented net of a NIS 3 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 at March 31, 2023, approx. 76.8 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 4.0 percent as held-for-trading, approx. 4.3 percent as equity securities and mutual funds not held-for-trading and approx. 14.9 percent - as held-to-maturity. Approximately 4.4 percent of the securities' value is investments in corporate equity securities or mutual funds that are not equity-accounted, but rather stated at cost or according to the listed share and listed mutual funds' prices.

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

The available-for-sale portfolio, net of the balances and results of BLUSA, in comparative results[(a)]

1. In the first quarter of 2023, there was a NIS 253 million increase (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with an decrease of NIS 1,771 million (before tax) in the corresponding quarter last year.
2. In the first quarter of 2023, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 169 million (before tax), compared with net losses of NIS 7 million (before tax) in the corresponding quarter last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds held in the available-for-sale portfolio as at March 31, 2023 totaled minus NIS 1,783 million (after tax), which represents a net realized loss as at the reporting date, compared with a negative NIS 1,944 million (after tax) as at the end of 2022, which represents a net unrealized loss as at the reporting date.

(a) As from April 1, 2022 BLUSA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.

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

Held-for-trading portfolio

As at March 31, 2023, the held-for-trading portfolio has approximately NIS 3.9 billion in bonds, compared with NIS 2.3 billion as at December 31, 2022. As at March 31 2023, the held-for-trading portfolio constitutes 4.0 percent of the Group's total nostro portfolio, compared with 2.7 percent as at December 31 2022.

Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 26 million were recorded net in the income statement in the first quarter, compared with net losses of NIS 58 million in the corresponding quarter last year.

Investments in equity securities and mutual funds

As at March 31, 2023, investments in equity securities and mutual funds totaled NIS 4,369 million, of which NIS 2,002 million was marketable and NIS 2,367 million - non-marketable.

Of the total investment, NIS 4,367 million is classified to the not held-for-trading portfolio and NIS 2 million - to the held-for-trading portfolio.

As at March 31 2023, the regulatory capital required in respect of these investments was NIS 364 million.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of NIS 96 million were recorded net in the income statement in the first quarter of 2023, compared with net gains of NIS 17 million in the corresponding quarter last year.

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

Investments in foreign securities

A. Investments in foreign asset-backed securities, excluding BLUSA's balances in the comparative results[(a)]

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, investment-grade, amounted to NIS 12.1 billion (about USD 3.3 billion) as at March 31 2023, compared to NIS 11.0 billion as at the end of 2022. Out of the above portfolio, as at March 31 2023, NIS 8.7 billion (about USD 2.4 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of March 31 2023, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 4.8 billion. 93.4 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of March 31 2023, the total net cumulative impairment from the mortgage-backed bonds portfolio charged to shareholders' equity was NIS 478 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total NIS 337 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 5.26 years (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio also includes other non-mortgage asset-backed bonds totaling approx. NIS 3.9 billion, of which CLO bonds account for NIS 2.6 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 5.1 years.

(a) As from April 1, 2022 BLUSA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.

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

B. Investments in foreign non-asset-backed securities

As of March 31 2023, the Group's securities portfolio includes NIS 43.1 billion (USD 11.9 billion) in foreign non-asset-backed securities. NIS 35.0 billion (approx. USD 9.7 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 97.90 percent of the total securities are investment-grade and include mainly securities of the US Government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli Government.

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

As of March 31 2023, the cumulative decrease in shareholders' equity in respect of foreign non-asset-backed bonds which are in the available-for-sale portfolio was NIS 1,715 million (NIS 1,129 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. 98.40 percent of the securities in the held-for-trading portfolio are investment-grade.

As at March 31, 2023, the value of the non-asset-backed held-for-trading portfolio was NIS 755 million (USD 208.9 million).

Investments in bonds issued in Israel

As at March 31 2023, investments in bonds issued in Israel amounted to NIS 43.0 billion, of which NIS 41.5 billion was in NIS-denominated bonds issued by the Israeli Government and the remainder - corporate bonds. Approx. 50.2 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 61 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 March 31, 2023 totaled NIS 532.9 billion compared to NIS 557.1 billion as of December 31, 2022, a decrease of 4.3 percent, and compared to a total of NIS 516.7 billion as of March 31, 2022, net of the balances of Bank Leumi USA, an increase of 3.1 percent.

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

	March 31	December 31		
	2023	2022	Change	
	In NIS million		In NIS million	In %
Securities portfolios[a]	**894,689**	907,086	(12,397)	(1.4)
Assets for which operating services are provided:[a][b][c]				
Provident and pension funds	**197,866**	198,329	(463)	(0.2)
Advanced study funds	**162,141**	164,214	(2,073)	(1.3)

(a) Including changes in the market value of securities and value of securities of mutual funds and provident funds in the Group's custody, for which operational management and custody services are provided.

(b) The Group does not manage mutual funds, provident funds or study funds in Israel.

(c) Assets of customers to which the Group provides operational management services, including provident fund balances of customers who receive consulting services from Leumi.

Bonds, Commercial Securities, Capital Notes and Subordinated Bonds

Shelf Prospectus and Issuance of Bonds and Commercial Securities

On May 27 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. On May 18 2023, the Israel Securities Authority approved the application to extend the issuance period under the Bank's shelf prospectus to May 26, 2024.

On January 18, 2023, the Bank issued a total of USD 500 million in par value “Green” Subordinated Notes Series Leumi $ 2033 TACT Institutional. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

Subordinated Notes Series Leumi $ 2033 TACT Institutional are repayable in one lump sum, 10 years and six months after their issue date, with the Bank having an early repayment option exercisable in the period from 5 years and three months to 5 years and six months after the issue date, subject to certain terms and conditions.

Subordinated Notes Series Leumi $ 2033 TACT Institutional bear a fixed annual interest rate of 7.129 percent per year to be paid semi-annually until July 18, 2028. At that time and if early redemption has not been made, the interest rate will be updated according to the government yield in the United States on the same date plus the margin agreed in the issue, as detailed in the issue documents.

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 Leumi $ 2033 TACT Institutional Subordinated Notes shall be converted into 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 (translated into USD according to the exchange rate as of that date) was issued or according to the set minimum rate (USD 4.21053, subject to adjustments), the highest of the two.

Subordinated Notes Series Leumi $ 2033 TACT Institutional are eligible for inclusion in Tier 2 capital as of the issue date.

For more information, please see the immediate reports dated January 11, 2023 and January 18, 2023.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 49,791 million on March 31 2023 compared with NIS 49,438 million as at the end of 2022.

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

The shareholders' equity to total assets ratio as of March 31, 2023 is 7.3 percent.

Capital Adequacy Structure[a]

	March 31		December 31
	2023	2022	2022
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments[c]	**50,205**	42,563	48,797
Tier 2 capital, after deductions	**14,428**	10,903	12,020
Total capital	**64,633**	53,466	60,817
Balances of risk-weighted assets			
Credit risk[c][d][e]	**413,535**	365,454	392,658
Market Risks	**5,778**	6,178	6,610
Operational risk	**27,907**	23,147	26,375
Total balances of risk-weighted assets	**447,220**	394,779	425,643
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted components	**11.23%**	10.78%	11.46%
Total capital to risk-weighted assets	**14.45%**	13.54%	14.29%
Minimum CET1 capital ratio set by the Banking Supervision Department[b]	**10.21%**	10.19%	10.21%
Minimum total capital ratio set by the Banking Supervision Department[b]	**13.50%**	13.50%	13.50%

(a) For more information regarding the capital adequacy structure, please see Note 9.A.

(b) 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 more information, please see Note 1.X.1 to the financial statements as of December 31, 2022.

(d) Credit risk was calculated after implementing the revisions to Proper Conduct of Banking Business Directives 203 and 203A, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk". Comparative figures as at March 31, 2022 were not restated. For additional details, see directives pertaining to the attribution of capital for derivative financial instruments in this chapter.

(e) These figures include adjustments in respect of high-risk loans for the purchase of land. For additional details, see under "Regulatory and other changes in measuring the capital requirements" in this section.

The capital adequacy ratios in the first quarter of 2023 were mainly affected by the increase in the loan portfolio and by the issuance of "green" subordinated bonds at the beginning of the quarter. The impairment recorded this quarter in respect of the investment in Valley shares had an immaterial effect on the Bank's capital ratios.

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

Regulatory capital structure

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

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

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

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

Common Equity Tier 1 capital

Common Equity Tier 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.

In addition to these, the following are included: adjustments to Common Equity Tier 1 capital, which arise from the implementation of operational efficiency programs, measurement of the pension liabilities and assets designated for hedging, for regulatory capital purposes, as of July 1, 2022, as outlined above, as well as the application of various regulatory provisions, as outlined below.

A breakdown of the minimum Common Equity Tier 1 capital regulatory requirement 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 includes equity instruments and the outstanding balance of the collective loan loss provision, subject to the ceiling prescribed by the directives.

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

For a description of the main features of issued regulatory capital instruments, please see the Bank's website at: https://english.leumi.co.il.

Capital Adequacy

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

The Bank of Israel's capital adequacy targets

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

In addition to the Common Equity Tier 1 capital, there are capital requirements of 1 percent of the outstanding housing loans as of the financial statements dates, excluding housing loans for which a relief was granted as part of the temporary order for dealing with the coronavirus crisis.

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

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). As at March 31, 2023, the additional capital requirement for housing loans, is 0.21 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as at March 31, 2023 are 10.21 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 for coping with the coronavirus crisis, 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 December 31, 2023. A corporation which will utilize the easement until that date will be required to once again meet the required leverage ratio that was in place prior to the temporary order in two quarters' time, by June 30, 2024. It was also determined that taking advantage of the easement shall not prevent the distribution of dividends, subject to an 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, 2022.

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.

For more information regarding the easement in the Common Equity Tier 1 capital internal target under the temporary directives for dealing with the coronavirus crisis, please see the section entitled "Equity and Capital Adequacy" in the Report of the Board of Directors and Management as at December 31, 2022.

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.

On May 22, 2023, the Board of Directors approved a dividend distribution in the amount of NIS 294 million, which represents 30 percent of the net income for the first quarter of 2023; the approved dividend amount per share of NIS 1 p.v. is 19.07 agorot. The final dividend amount per share is subject to changes due to the share buyback. The Board of Directors set June 7 2023 as the record date for dividend payment purposes and June 15 2023 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend
		In agorot	In NIS million
August 12 2021	September 2 2021	43.36	630
November 15 2021	December 12 2021	94.11	1,367
March 9 2022	April 6 2022	40.48	588
May 24, 2022	June 15, 2022	22.14	322
August 16, 2022	September 6, 2022	25.82	399
November 29, 2022	December 19, 2022	23.08	356
March 14, 2023	April 4, 2023	45.20	698

The Bank's share buyback plan

On May 22, 2023, the Bank's Board of Directors approved the Bank's share buyback plan at a maximum of NIS 800 million, from May 24, 2023 to May 15, 2024, or until the entire amount will have been purchased, whichever is earlier.

The buyback plan will be carried out as part of the trading on the TASE and/or in off-exchange transactions, through an external and independent TASE member who will act under an irrevocable power of appointment, in accordance with the safe haven protection mechanism published by the Israel Securities Authority. The buyback plan will be carried out in three separate steps, each of which will be irrevocable, in accordance with the terms and conditions of the safe haven mechanism (hereinafter - "Step A", "Step B" and "Step C").

Step A will begin on May 24, 2023 and end on (a) August 2, 2023; or (b) completion of the Bank's share buyback plan in the amount of NIS 300 million, whichever is earlier. After the end of Step A, if the Bank decides to carry out Step B, the Bank will give the TASE member an irrevocable order to begin to carry out Step B on the second trading day from the date of publication of the first financial statements after the date of the decision to carry out Step B. In that case, Step B will end on (a) November 2, 2023; or (b) completion of the Bank's share buyback in the amount of NIS 300 million, whichever is earlier. After the end of Step B, if the Bank decides to carry out Step C, the Bank will give the stock exchange member an inseparable order to begin to carry out Step C on the second trading day from the date of publication of the first financial statements after the date of the decision to carry out Step C. In that case, Step C will end on (a) May 15, 2024; or (b) completion of the Bank share buyback in the amount of NIS 800 million, whichever is earlier, net of the total buybacks carried out in Step A and Step B. If after the end of Step A or Step B, a decision is made not to carry out Step B or Step C, as relevant, the Bank will publish an immediate report to that effect.

Approval of the Banking Supervision Department to carry out the buyback plan, as required under Proper Conduct of Banking Business Directive No. 332, was received on May 17, 2023, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 capital ratio of at least 10.9 percent.

Adjustments to Common Equity Tier 1 capital

Measurement of the employee benefits liability and hedging assets

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

For information regarding the 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.

As part of the understandings regarding the special collective agreement signed with the Workers’ Union in July 2019, the Bank’s Board of Directors approved a voluntary retirement plan, which amounted to NIS 167 million (after tax). As of March 31 2023, 75 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. Implementation of the various standards included in the revision, as determined by the Basel Committee, was January 1, 2023, but in the EU the implementation is expected to begin in 2025.

In accordance with the policy for the adoption of accepted international standards, the Banking Supervision Department is adopting the Basel Committee provisions from 2017 on the calculation of capital requirements in respect of operational risk. On December 29, 2022, the Banking Supervision Department published a draft update to the Proper Conduct of Banking Business Directive 206 “Measurement and Capital Adequacy - Operational Risk”. The draft established an updated definition of the calculation of the capital allocation in respect of operational risk so that it is based, among other things, on the business indicator components stipulated in the draft and on the internal loss multiplier based on the average historical losses of the banking corporation. Implementation of the Directive will become effective on January 1, 2026. However, according to the draft revision to the Directive of March 13, 2023, until December 31, 2027 the internal loss multiplier will be set at one.

Directives pertaining to the attribution of capital for derivative financial instruments

On December 1, 2021, the Banking Supervision Department published a circular revising directives on capital allocation for derivative financial instruments (application of the provisions of Proper Conduct of Banking Business Directives Nos. 203A and 208A), in an effort to adjust the directives of the Bank of Israel to the revised Basel Committee provisions regarding counterparty credit risk.

As of July 1, 2022, the Bank applies Directive No. 203A, Treating Counterparty Credit Risk.

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

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

As of January 1 2022, the Bank applies the transitional provisions published by the Banking Supervision Department - “Regulatory Capital - Effect of Application of GAAP on Expected Credit Losses” as of December 1 2020, as well as additional revisions, as part of adjustments to additional Proper Conduct of Banking Business Directives adjusted to the new rules on expected credit losses. Among other things, since January 1 2022, the Bank is applying Proper Conduct of Banking Business Directive No. 202, “Capital Measurement and Adequacy - Regulatory Capital”, and deducts from Common Equity Tier 1 amounts to cover for housing loans classified over time as non-performing.

According to the transitional provisions published by the Banking Supervision Department, and since following the first-time application there was a decrease in the Common Equity Tier 1 capital of the Bank as at January 1, 2022, the Bank partially added to the Common Equity Tier 1 capital 75 percent of the decrease in the Common Equity Tier 1 capital as of the first-time application (as a result, at the beginning of each year from the first-time application, the addition to the Common Equity Tier 1 capital will decrease by 25 percent, until 0 percent is added on January 1 of the fourth application year). Accordingly, on January 1, 2023, 50 percent of the decrease in Common Equity Tier 1 capital on the date of first-time application was added to the Common Equity Tier 1 capital.

For more information regarding the effect of the application on the Bank’s financial statements and on the Bank’s capital ratios, please see Note 1.X.1 to the financial statements as of December 31, 2022.

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

The Bank applied, for the first time, the circular amending Proper Conduct of Banking Business Directive 203, The Standardized Approach - Credit Risk in its financial statements as at December 31, 2022, according to which the weight of the risk attributable to credit provided for the sale of land for development and construction purposes at a loan to value (LTV) ratio of over 80 percent, was increased to 150 percent. The effect of the first-time application on the Common Equity Tier 1 capital ratio was a decrease by a rate of 0.15 percent. As clarified by the Banking Supervision Department clarified that the change will be implemented starting from the third quarter of 2022, over 4 quarters, so that in the quarter ending on June 30, 2023, the capital requirement will be fully reflected.

For more information, please see the section entitled "Equity and Capital Adequacy" in the Report of the Board of Directors and Management as at December 31 2022.

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

- Change in the volume of risk-weighted assets – Leumi's risk-weighted assets amounted to NIS 447.2 billion as at March 31, 2023. Every NIS 1 billion increase in risk-weighted assets will reduce the CET1 capital ratio and total capital ratio by approx. 0.03 percent.
- Common Equity Tier 1 - Common Equity Tier 1 as of March 31, 2023 totals NIS 50.2 billion. A NIS 100 million decrease in CET1 capital will decrease the CET1 capital 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.
- A 1 percent increase in the risk-free interest rate curve across all currencies for the regulatory capital exposure signifies a 0.07 percent decrease in the Common Equity Tier 1 capital ratio and total capital ratio.

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.

	March 31		December 31
	2023	2022	2022
	In NIS million		
Consolidated data			
Tier 1 capital[(c)]	**50,205**	42,563	48,797
Total exposures[(b)]	**756,692**	720,542	766,895
Leverage Ratio			
Leverage Ratio	**6.63%**	5.91%	6.36%
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 under "Capital adequacy targets" as set by the Bank of Israel above.

(b) Total exposures was calculated after implementing the revisions to Proper Conduct of Banking Business Directive 218, "Leverage Ratio", following the revision of Directives 203 and 203A, "Measurement and Capital Adequacy - the Standardized Approach - Credit Risk". Comparative figures as at March 31, 2022 were not restated. For more information, please see directives pertaining to the attribution of capital for derivative financial instruments above.

(c) When calculating the leverage ratio, the effect of implementation of the efficiency plan and adjustments in respect of the implementation the new measurement method in respect of certain actuarial liabilities, were taken into account. For additional details regarding the effect of the transition to the new method, see Note 9B.

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, 2022.

Condensed results of operations according to management approach

	For the three months ended March 31, 2023											
	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	(252)	320	68	1,633	376	410	772	440	86	30	113	3,928
Inter-segmental	1,674	249	1,923	(1,241)	371	(130)	(442)	(336)	(84)	3	(64)	-
Interest Income, Net	1,422	569	1,991	392	747	280	330	104	2	33	49	3,928
Noninterest income (expense)	492	147	639	20	169	97	99	(5)	(5)	51	6	1,071
Total income	1,914	716	2,630	412	916	377	429	99	(3)	84	55	4,999
Loan loss expenses (income)	127	88	215	25	66	15	92	(21)	2	7	5	406
Total operating and other expenses	634	219	853	91	171	68	37	82	239	52	36	1,629
Profit (loss) before taxes	1,153	409	1,562	296	679	294	300	38	(244)	25	14	2,964
Provision for tax (benefit)	394	140	534	101	232	101	103	12	(205)	8	3	889
Net income (loss) attributable to the Bank's shareholders	759	269	1,028	195	447	193	197	(1,083)[(a)]	(39)	32	11	981
Balances as at March 31, 2023												
Loans to the public, net	31,748	25,930	57,678	123,305	63,010	59,422	61,527	24,291	6,233	1,123	7,228	403,817
Deposits by the public	209,443	53,510	262,953	-	95,370	35,180	10,543	128,852	8	-	-	532,906

(a) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 16.A.

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

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

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

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

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

	For the year ended December 31, 2022											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private Indivi-duals	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	786	1,254	2,040	5,168	1,535	1,336	1,776	741	14	121	480	13,211
Inter-segmental	2,480	314	2,794	(3,745)	539	(471)	(659)	1,642	(5)	6	(101)	-
Interest Income, Net	3,266	1,568	4,834	1,423	2,074	865	1,117	2,383	9	127	379	13,211
Noninterest Income	1,592	533	2,125	87	612	298	406	125	778[(a)]	484	103	5,018
Total income	4,858	2,101	6,959	1,510	2,686	1,163	1,523	2,508	787	611	482	18,229
Loan loss expenses (income)	131	126	257	114	115	(16)	(57)	113	(21)	(7)	-	498
Total operating and other expenses	2,697	1,006	3,703	377	723	278	148	415	682	199	310	6,835
Profit before taxes	2,030	969	2,999	1,019	1,848	901	1,432	1,980	126	419	172	10,896
Provision for tax (benefit)	694	331	1,025	348	632	308	490	677	(63)	101	46	3,564
Net income attributable to the Bank's shareholders	1,336	638	1,974	671	1,216	593	942	1,612	189	396	116	7,709
Balances as at December 31, 2022												
Loans to the public, net	32,498	26,688	59,186	120,927	60,820	54,807	54,669	21,310	5,747	871	6,445	384,782
Deposits by the public	202,991	55,415	258,406	-	95,839	39,617	14,423	148,773	7	-	19	557,084

(a) Including income in the amount of NIS 782 million in respect of the Valley merger.

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, 2022.

Summary of activities by regulatory operating segment

	For the three months ended March 31, 2023										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	383	1,010	107	996	521	727	183	(56)	8	49	3,928
Noninterest Income	11	326	40	247	99	212	49	83	(2)	6	1,071
Total income	394	1,336	147	1,243	620	939	232	27	6	55	4,999
Loan loss expenses (income)	13	74	-	227	(22)	123	(8)	(6)	-	5	406
Total operating and other expenses	91	541	22	370	101	122	54	72	220	36	1,629
Profit (loss) before taxes	290	721	125	646	541	694	186	(39)	(214)	14	2,964
Provision for tax (benefit)	100	251	43	224	186	240	65	(56)	(167)	3	889
Net income (loss) attributable to the Bank's shareholders	190	470	82	422	355	454	121	(1,077)[(a)]	(47)	11	981
Balance as at March 31, 2023											
Loans to the public, gross	121,697	30,945	376[(b)]	65,877	41,394	137,474	4,087	-	-	7,286	409,136
Deposits by the public	-	131,993	31,136	101,113	68,206	90,586	109,872	-	-	-	532,906

(a) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 16.A.

(b) Including outstanding housing loans as at March 31 2023 in the amount of NIS 151 million.

Summary of activities by regulatory operating segment (cont.)

	For the three months ended March 31, 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest Income, Net	309	352	11	470	217	451	21	818	2	248	2,899
Noninterest Income	12	242	44	223	99	158	52	50	(3)	73	950
Total income	321	594	55	693	316	609	73	868	(1)	321	3,849
Loan loss expenses (income)	(7)	(48)	-	(16)	20	-	(2)	24	-	(11)	(40)
Total operating and other expenses[d]	85	577	27	384	111	126	59	79	159	187	1,794
Profit (loss) before taxes	243	65	28	325	185	483	16	765	(160)	145	2,095
Provision for tax (benefit)	86	26	10	116	66	171	5	270	(308)	41	483
Net income attributable to the Bank's shareholders	157	39	18	209	119	312	11	502	148	94	1,609
Balance as at March 31, 2022											
Loans to the public, gross	107,701	28,691	450[a]	60,338	37,399	105,229	9,058	-	-	24,899[b]	373,765
Deposits by the public	-	121,895	26,620	89,821	63,410	93,504	118,674	-	-	25,323[c]	539,247

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

Summary of activities by regulatory operating segment (cont.)

	For the year ended December 31, 2022										
	Activity in Israel									Foreign operations	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	1,365	2,423	206	2,720	1,365	2,430	335	1,964	24	379	13,211
Noninterest Income	49	947	148	894	344	700	186	798	849[b]	103	5,018
Total income	1,414	3,370	354	3,614	1,709	3,130	521	2,762	873	482	18,229
Loan loss expenses (income)	112	111	-	184	(12)	20	(1)	84	-	-	498
Total operating and other expenses	377	2,307	91	1,626	435	511	254	358	566	310	6,835
Profit before taxes	925	952	263	1,804	1,286	2,599	268	2,320	307	172	10,896
Provision for tax (benefit)	320	334	93	634	451	907	95	777	(93)	46	3,564
Net income attributable to the Bank's shareholders	605	618	170	1,170	835	1,692	173	1,930	400	116	7,709
Balance as at December 31, 2022											
Loans to the public, gross	119,495	30,683	440[a]	65,803	39,473	126,628	759	-	-	6,487	389,768
Deposits by the public	-	128,394	29,612	100,557	70,077	97,741	130,685	-	-	18	557,084

(a) Including outstanding housing loans as at December 31 2022 in the amount of NIS 195 million.
(b) Including income in the amount of NIS 782 million in respect of the Valley merger.

Main changes in the operating results of the regulatory segments

Households segment

Net income attributable to shareholders in respect of the households segment in the first quarter of 2023 totaled NIS 660 million, compared to NIS 196 million in the corresponding quarter last year. The increase stemmed mainly from an increase in net interest income, which was partially offset by an increase in loan loss expenses, among other things, in view of the deterioration in the macroeconomic forecasts.

Net interest income in the first quarter of 2023 totaled NIS 1,393 million, compared to NIS 661 million in the corresponding quarter last year. The increase stems mainly from the increase in interest rates.

Noninterest income in the first quarter of 2023 totaled NIS 337 million, compared to NIS 254 million in the corresponding quarter last year; most of the increase is due to an increase in income from fees and commissions.

In the first quarter of 2023, a loan loss expense was recorded in the amount of NIS 87 million, compared to income of NIS 55 million in the corresponding quarter last year. The increase stems from the collective expense and from the specific expense.

Operating and other expenses for the first quarter of 2023 totaled NIS 632 million compared to NIS 662 million in the corresponding quarter last year.

Outstanding loans to the public as of March 31, 2023 totaled NIS 152.6 billion compared to NIS 150.2 billion as at the end of 2022. Most of the increase stems from growth in the housing loan portfolio.

Balance of deposits by the public as of March 31, 2023 totaled NIS 132.0 billion compared to NIS 128.4 billion at the end of 2022.

Retail banking segment

Net income attributable to shareholders in respect of the retail banking segment in the first quarter of 2023 totaled NIS 82 million, compared to NIS 18 million in the corresponding quarter last year. The increase stems mainly from net interest income.

Net interest income in the first quarter of 2023 totaled NIS 107 million, compared to NIS 11 million in the corresponding period last year. The increase stems mainly from the increase in interest rates.

Noninterest income in the first quarter of 2023 totaled NIS 40 million, compared to NIS 44 million in the corresponding quarter last year.

Micro- and small-business segment

Net income attributable to shareholders in respect of the micro- and small business segment in the first quarter of 2023 totaled NIS 422 million, compared to NIS 209 million in the corresponding quarter last year. The increase stemmed mainly from an increase in net interest income, which was partially offset by an increase in loan loss expenses.

Net interest income in the first quarter of 2023 totaled NIS 996 million, compared to NIS 470 million in the corresponding quarter last year. The increase stems mainly from the increase in interest rates.

Noninterest income in the third quarter of 2023 totaled NIS 247 million, compared to NIS 223 million in the corresponding quarter last year.

In the first quarter of 2023, loan loss expenses were recorded in the amount of NIS 227 million, compared to income of NIS 16 million in the corresponding quarter last year.

Operating and other expenses for the first quarter of 2023 totaled NIS 370 million compared to NIS 384 million in the corresponding quarter last year.

Outstanding loans to the public as of March 31, 2023 totaled NIS 65.9 billion similarly to the balance as at the end of 2022.

Balance of deposits by the public as of March 31, 2023 totaled NIS 101.1 billion compared to NIS 100.6 billion at the end of 2022.

Mid-market segment

Net income attributable to shareholders in respect of the mid-market segment in the first quarter of 2023 totaled NIS 355 million, compared to NIS 119 million in the corresponding quarter last year. The increase stemmed mainly from an increase in net interest income.

Net interest income in the first quarter of 2023 totaled NIS 521 million, compared to NIS 217 million in the corresponding quarter last year. The increase stems mainly from the increase in interest rates.

Noninterest income in the third quarter of 2023 totaled NIS 99 million, similarly to the corresponding quarter last year.

Outstanding loans to the public as of March 31, 2023 totaled NIS 41.4 billion compared to NIS 39.5 billion as at the end of 2022.

Balance of deposits by the public as of March 31, 2023 totaled NIS 68.2 billion compared to NIS 70.1 billion at the end of 2022.

Corporate segment

Net income attributable to shareholders in respect of the corporate segment in the first quarter of 2023 totaled NIS 454 million, compared to NIS 312 million in the corresponding quarter last year. The increase stemmed from an increase in net interest income and from an increase in income from fees and commissions. This increase was partially offset by an increase in loan loss expenses.

Net interest income in the first quarter of 2023 totaled NIS 727 million, compared to NIS 451 million in the corresponding quarter last year. The increase stems mainly from the increase in interest rates and from growth in the credit activity, mainly in the building and real estate sectors.

Noninterest income in the first quarter of 2023 totaled NIS 212 million, compared to NIS 158 million in the corresponding quarter last year. The increase stems mainly from fees and commissions from financing business and fees and commissions from handling credit, in view of the increase in the volume of activity.

In the first quarter of 2023, a loan loss expense of NIS 123 million was recorded, compared to the corresponding quarter last year, in which the loan loss expenses were zero. The increase stemmed mainly from the collective expense, among other things, in view of the deterioration in the macroeconomic forecasts.

Operating and other expenses for the first quarter of 2023 totaled NIS 122 million compared to NIS 126 million in the corresponding quarter last year.

Outstanding loans to the public as of March 31, 2023 totaled NIS 137.5 billion compared to NIS 126.6 billion as at the end of 2022.

Balance of deposits by the public as of March 31, 2023 totaled NIS 90.6 billion compared to NIS 97.7 billion at the end of 2022.

Financial management segment

The loss of the financial management segment attributable to the Bank's shareholders in the first quarter of 2023 totaled NIS 1,077 million, compared to a net income of NIS 502 million in the corresponding quarter last year. The results of this segment this quarter include the provision for impairment of the investment in associate Valley (for more information, please see Note 16.A), compared to profit in the amount of NIS 7 million in the corresponding quarter last year.

Total interest income, net in the first quarter of 2023 totaled NIS 56 million, compared to interest income, net of NIS 818 million in the corresponding quarter last year.

Operating and other expenses for the first quarter of 2023 totaled NIS 72 million compared to NIS 79 million in the corresponding quarter last year.

Major Investee Companies

As of the report’s publication date, the Leumi Group is mainly active in Israel, through the Bank and subsidiaries which serve as financial services companies. In addition, the Group continues to invest both in financial and 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, see the section “Major Investee Companies” in the Report of the Board of Directors and Management for 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 March 31, 2023, was NIS 15.9 billion, compared with NIS 13.7 billion as of December 31, 2022; the increase in this quarter stems mainly from the issuance of a capital note in the amount of GBP 701 million to LABL of the Leumi UK Group, which was offset by the impairment of the Bank’s investment in associate Valley (for more information, please see Note 16.A) and the contribution of the investees in the first quarter of 2023 to the Group’s net income, which amounted to a loss of NIS 978 million, compared to a profit of NIS 196 million in the corresponding quarter last year. The loss is due to the impairment of the Bank’s investment in Valley, as stated above.

Consolidated Companies in Israel

The Bank’s total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 8,341 million as at March 31, 2023, compared with NIS 8,292 million as at December 31, 2022. The contribution of the consolidated companies in Israel to the Group's net income in the first quarter of 2023 was NIS 32 million, compared with NIS 107 million in the corresponding quarter last year.

Leumi Partners Ltd.

Leumi Partners is the Leumi Group’s investment and merchant banking arm.

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.

Foreign Consolidated Companies (Offices)

The Bank’s total investments (including in capital notes) in its foreign offices as of March 31, 2023 was NIS 5,014 million, compared with NIS 1,772 million as at December 31, 2022.

In the first quarter of 2023, the foreign offices’ contribution to the Group's shekel net income was NIS 99 million, compared with NIS 88 million in the corresponding quarter last year.

The Bank’s Subsidiary in the UK

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. For this purpose, BLUK’s activity will be merged into LABL, a subsidiary of BLUK (hereinafter - “Leumi UK Group”).

Leumi UK Group provides credit primarily in the fields of real estate, hotels and ABL, only to commercial customers in the UK and Europe, including Israeli customers active in these geographic areas, including investments and development of residential real estate and financing for commercial real estate (retirement homes and student dormitories). Funding is extended both to customers in and outside the UK (mainly Israeli).

On March 31, 2023, all the conditions required for the organizational change process were met, including the transfer of all business activity from BLUK to Leumi UK Group and an announcement of voluntary liquidation of BLUK. During May 2023, approval was received from the UK regulator regarding the revocation BLUK’s banking license, which completed the restructuring process.

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, 2022 and the 2022 Risk Management Report.

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

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

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

Credit Risks

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

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

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

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

As part of its credit risk management, the Bank monitors the quality of its credit portfolio, including the overall adequacy of its loan loss provision to cover losses embodied in the loan portfolio; the credit portfolio concentration level and activity by main products, such as: credit granted to the construction and real estate sector; housing loans; credit granted to private individuals; housing loans and leveraged credit.

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

In the first quarter of 2023, there were no material changes in the corporate governance structure related to credit risk.

Macroeconomic effects

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

The economic activity in the local economy continues to grow, but at a slower pace. The slowdown is reflected, among other things, in a real decrease in the pace of new apartment sales, as well as in the consequences of the increase in the interest on borrowers, with an emphasis on leveraged borrowers and private individuals. There is also a decrease in Israel's high-tech export activity.

The Bank monitors - on a regular basis, across all business lines - risk focus areas and also regularly examines the effect of the increase of the interest rate in the economy on portfolio credit risk, including through various sensitivity scenarios.

Israel is undergoing public legislative and social events, regarding which there is uncertainty as to their development and the degree of their impact on the Israeli economy in the mid- to long term, and as a result - on the Bank's results. The longer the macroeconomic effects and public legislative and social events continue, the greater the concern of a negative impact.

In addition, a number of banks around the world experienced significant difficulties, to the point of collapse, and the authorities intervened in order to stabilize the markets. These appear to be specific events and not a systemic event.

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 and for the macroeconomic risk, please see the section "Other Risks" below.

The loan loss expense in the first quarter of 2023 was NIS 406 million, of which an expense of NIS 17 million - in the specific provision and an expense of NIS 389 million in the collective provision. The collective expense in the reporting period was affected by the continued growth in the credit portfolio and as a result of the worsening macroeconomic forecasts described above. A loan loss provision is an estimate based on significant judgment, which was exercised during the first quarter of 2023 in a changing environment.

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 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.

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, 2022.

State-backed loans (the Coronavirus Fund)

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 crisis. The loan covenants were determined by the Ministry of Finance and were uniform for all 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.

As of March 31, 2023, the outstanding balance of state-guaranteed loans is NIS 3,123 million.

Credit risk and non-performing assets

	March 31, 2023			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	267,877	120,485	28,358	416,720
Off-balance-sheet credit risk[b]	131,610	5,036	14,366	151,012
Total credit risk in credit performance rating	399,487	125,521	42,724	567,732
Credit risk not in credit performance rating				
a. Non-troubled	1,268	906	1,574	3,748
b. Total troubled	5,273	532	812	6,617
Troubled performing	3,878	18	557	4,453
Troubled non-performing	1,395	514	255	2,164
Total on-balance-sheet credit risk	6,541	1,438	2,386	10,365
Off-balance-sheet credit risk[b]	1,063	-	163	1,226
Total credit risk not in credit performance rating	7,604	1,438	2,549	11,591
Of which: Performing debts, in arrears of 90 days or more	74	-	74	148
Overall credit risk incl. of the public	407,091	126,959	45,273	579,323
More information on non-performing assets				
a. Non-performing debts	1,395	514	255	2,164
b. Assets received for settled loans	9	-	-	9
Total non-performing assets of the public	1,404	514	255	2,173
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.53%

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

Credit risk and non-performing assets (cont.)

	March 31, 2022			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	267,682	105,502	26,932	400,116
Off-balance-sheet credit risk[b]	113,230	4,275	12,743	130,248
Less balances classified as held-for-sale assets[c]	(25,567)	(50)	(299)	(25,916)
Total credit risk in credit performance rating	355,345	109,727	39,376	504,448
Credit risk not in credit performance rating				
a. Non-troubled	2,342	1,892	1,272	5,506
b. Total troubled	4,923	570	626	6,119
Troubled performing	2,800	52	439	3,291
Troubled non-performing	2,123	518	187	2,828
Total on-balance-sheet credit risk	7,265	2,462	1,898	11,625
Off-balance-sheet credit risk[b]	1,235	-	209	1,444
Less balances classified as held-for-sale assets[c]	(1,499)	-	-	(1,499)
Total credit risk not in credit performance rating	7,001	2,462	2,107	11,570
Of which: Performing debts, in arrears of 90 days or more	33	-	48	81
Overall credit risk incl. of the public	362,346	112,189	41,483	516,018
More information on non-performing assets				
a. Non-performing debts	2,123	518	187	2,828
b. Assets received for settled loans	12	-	-	12
Less balances classified as held-for-sale assets[c]	(281)	-	-	(281)
Total non-performing assets of the public	1,854	518	187	2,559
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.76%

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(c) As from April 1, 2022 BLUSA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.

Credit risk and non-performing assets (cont.)

	December 31, 2022			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	251,751	118,050	28,305	398,106
Off-balance-sheet credit risk[b]	127,164	5,140	13,089	145,393
Total credit risk in credit performance rating	378,915	123,190	41,394	543,499
Credit risk not in credit performance rating				
a. Non-troubled	1,295	1,044	1,394	3,733
b. Total troubled	4,629	626	739	5,994
Troubled performing	3,502	67	517	4,086
Troubled non-performing	1,127	559	222	1,908
Total on-balance-sheet credit risk	5,924	1,670	2,133	9,727
Off-balance-sheet credit risk[b]	1,285	-	116	1,401
Total credit risk not in credit performance rating	7,209	1,670	2,249	11,128
Of which: Performing debts, in arrears of 90 days or more	31	-	44	75
Overall credit risk incl. of the public	386,124	124,860	43,643	554,627
More information on non-performing assets				
a. Non-performing debts	1,127	559	222	1,908
b. Assets received for settled loans	8	-	-	8
Total non-performing assets of the public	1,135	559	222	1,916
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.49%

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

Change in Non-Performing Loans to the Public

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

	For the three months ended March 31, 2023		
	Commercial	Private(b)	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	1,127	781	1,908
Loans classified as non-performing debts during the period	533	225	758
Debts reclassified as performing	(106)	(138)	(244)
Written-off non-performing debts	(60)	(35)	(95)
Repaid non-performing debts	(108)	(64)	(172)
Exchange rate differentials in respect of subsidiary's customers	9	-	9
Outstanding balance of non-performing debts at the end of the period	1,395	769	2,164

	For the three months ended March 31, 2022(c)		
	Commercial	Private(b)	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(a)	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	225	159	384
Debts reclassified as performing	(80)	(113)	(193)
Written-off non-performing debts	(88)	(17)	(105)
Repaid non-performing debts	(283)	(132)	(415)
Outstanding balance of non-performing debts at the end of the period	1,842	705	2,547

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". See Note 1.H to the financial statements as at December 31, 2022.

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

(c) Net of the balances of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.

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

	For the three months ended March 31, 2023		
	Commercial	Private[b]	Total
	In NIS million		
Outstanding balance of non-performing debts under restructuring at the beginning of the period	617	284	901
Restructuring of non-performing debts carried out during the period	69	110	179
Restructured debt reclassified as performing	(102)	(42)	(144)
Written-off non-performing debts under restructuring	(26)	(21)	(47)
Repaid non-performing debts under restructuring	(41)	(18)	(59)
Outstanding balance of non-performing debts under restructuring at the end of the period	517	313	830

	For the three months ended March 31, 2022[c]		
	Commercial	Private[b]	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[a]	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	67	78	145
Restructured debt reclassified as performing	(75)	(49)	(124)
Written-off non-performing debts under restructuring	(58)	(15)	(73)
Repaid non-performing debts under restructuring	(195)	(24)	(219)
Outstanding balance of non-performing debts under restructuring at the end of the period	1,310	269	1,579

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". See Note 1.H to the financial statements as at December 31, 2022.
(b) Including outstanding debts of private individuals - other and housing loans.
(c) Net of the balances of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

For loan loss expenses and classification of troubled debts, the Bank applies the Banking Supervision Department's directives, which became effective on January 1 2022 and adopt US GAAP for loan loss expenses (CECL) as well as additional specific directives regarding housing loans and additional revised directives of the same date on debt classification. According to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank's estimates are based on past losses after adjustment due to credit characteristics, adjustment for current economic conditions and reasonable future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, current economic and expected conditions, etc. The Bank's estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time. For more information on the application of the new accounting rules, please see Note 1.X.1 to the financial statements as of December 31, 2022.

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

	March 31 2023[a]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing loans (NPL) to the public out of outstanding loans to the public	0.54	0.42	0.83	0.53
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	0.57	0.42	1.07	0.57
Percentage of troubled loans to the public out of outstanding loans to the public	2.06	0.44	2.64	1.62
Credit risk not in credit performance rating out of outstanding loans to the public	2.55	1.18	7.76	2.53
Analysis of expenses for loan losses for the reporting period[a]				
Percentage of loan loss expenses out of the average outstanding balance of loans to the public	0.58	0.04	0.96	0.41[b]
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	0.03	0.01	0.80	0.08
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	1.63	0.35	2.34	1.30
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	298.92	83.46	282.35	245.79
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	283.87	83.46	218.84	230.06
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[c]	52.13	53.63	2.95	16.02

(a) Annualized.
(b) Including loan loss expenses for loans to the public, banks, governments and bonds.
(c) In NIS million.

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

	March 31 2022[d]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing loans (NPL) to the public out of outstanding loans to the public	0.84	0.48	0.65	0.72
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	0.86	0.48	0.82	0.74
Percentage of troubled loans to the public out of outstanding loans to the public	1.93	0.53	2.19	1.52
Credit risk not in credit performance rating out of outstanding loans to the public	2.64	2.28	6.65	2.86
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	(0.03)	(0.03)	(0.71)	(0.07)[c]
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.08)	-	0.03	(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	1.74	0.29	2.38	1.35
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	206.62	60.81	364.17	188.54
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	202.99	60.81	289.79	182.72
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[b]	(23.21)	-	85.13	(30.78)

(a) Annualized.
(b) In NIS million.
(c) Including loan loss expenses for loans to the public, banks, governments and bonds.
(d) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.

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

	December 31, 2022			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing loans (NPL) to the public out of outstanding loans to the public	0.47	0.47	0.73	0.49
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	0.48	0.47	0.87	0.51
Percentage of troubled loans to the public out of outstanding loans to the public	1.93	0.52	2.43	1.54
Credit risk not in credit performance rating out of outstanding loans to the public	2.47	1.39	7.01	2.50
Analysis of expenses for loan losses for the reporting period(c)				
Percentage of loan loss expenses for the public out of the average outstanding balance of loans to the public	0.10	0.10	0.38	0.13(a)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	0.03	0.02	0.44	0.06
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	1.61	0.35	2.34	1.28
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	342.24	74.78	320.27	261.32
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	333.07	74.78	267.29	251.44
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public(b)(c)	49.41	24.53	5.51	22.24

(a) Including loan loss expenses for loans to the public, banks, governments and bonds.
(b) In NIS million.
(c) Net of the results of Bank Leumi USA, which as 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 Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.

Total Credit Risk to the Public by Economic Sector

	March 31, 2023						
					Loan losses[c]		
	Overall credit risk[a]	Of which: credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
For borrowers activity in Israel							
Public-commercial							
Industry	36,030	34,831	1,099	141	65	(3)	(545)
Construction and real estate - construction[f]	109,529	107,983	1,227	187	105	7	(1,184)
Construction and real estate - real estate activity	47,626	46,923	654	59	44	(2)	(886)
Commerce	41,303	40,673	592	172	74	-	(561)
Financial services	51,012	50,919	92	52	21	-	(240)
Other sectors	58,377	56,897	984	347	39	18	(1,075)
Commercial - total	343,877	338,226	4,648	958	348	20	(4,491)
Private individuals - housing loans	126,881	125,443	532	514	13	2	(430)
Private individuals - Other	45,204	42,657	841	255	74	61	(744)
Total loans to the public - activity in Israel	515,962	506,326	6,021	1,727	435	83	(5,665)
Banks and governments in Israel	52,323	52,322	-	-	(2)	-	(2)
Total activity in Israel	568,285	558,648	6,021	1,727	433	83	(5,667)
For borrowers activity outside Israel							
Total, public - activity outside Israel	63,361	61,406	1,415	612	(5)	-	(266)
Foreign banks and governments	55,907	55,907	-	-	(22)	-	(15)
Total activity outside Israel	119,268	117,313	1,415	612	(27)	-	(281)
Total activity in and outside Israel	687,553	675,961	7,436	2,339	406	83	(5,948)

(a) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy), including in respect of derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk (on-balance sheet and off-balance sheet) 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 420,031, 95,008, 3,282, 41,694 and 127,538 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.

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

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

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 367,227, 90,171, 2,882, 19,869 and 135,643 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks (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) As from April 1, 2022 BLUSA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see Note 15.A to the financial statements as at December 31, 2022.As of March 31, 2022, Bank Leumi USA is classified as held-for-sale. For more information, please see the section entitled "Main Changes in the Reporting Period" and Note 16.B to the financial statements as at March 31, 2022.
(h) The comparative figures as of March 31, 2022 were not restated according to the new disclosure format of the definitions for on-balance sheet credit risk and off-balance sheet credit risk, which were revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy).

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

	December 31, 2022						
					Loan losses[c]		
	Overall credit risk[a]	Of which: credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
For borrowers activity in Israel							
Public-commercial							
Industry	35,409	34,410	903	143	106	(24)	(471)
Construction and real estate - construction[f]	102,609	101,088	1,259	154	217	(2)	(1,041)
Construction and real estate - real estate activity	45,236	45,000	151	67	(188)	(122)	(884)
Commerce	39,513	38,946	545	128	148	51	(501)
Financial services	45,990	45,916	73	54	64	(15)	(219)
Other sectors	57,579	55,919	1,082	435	(83)	54	(1,056)
Commercial - total	326,336	321,279	4,013	981	264	(58)	(4,172)
Private individuals - housing loans	124,827	123,158	626	559	112	17	(419)
Private individuals - Other	43,572	41,326	768	222	111	129	(732)
Total loans to the public - activity in Israel	494,735	485,763	5,407	1,762	487	88	(5,323)
Banks and governments in Israel	35,329	35,329	-	-	-	-	(3)
Total activity in Israel	530,064	521,092	5,407	1,762	487	88	(5,326)
For borrowers activity outside Israel							
Total, public - activity outside Israel	59,892	57,736	1,423	300	(11)[g]	176[g]	(260)
Foreign banks and governments	53,523	53,523	-	-	22	-	(39)
Total activity outside Israel	113,415	111,259	1,423	300	11	176	(299)
Total activity in and outside Israel	643,479	632,351	6,830	2,062	498	264	(5,625)

(a) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy), including in respect of derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk (on-balance sheet and off-balance sheet) 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 397,991, 78,597, 3,034, 38,804 and 125,053 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) Regarding the results without Bank Leumi USA, loan loss income from total foreign operations - public amounted to approx. NIS 25 million and net charge-offs amounted to approx. NIS 136 million.

Risks to the construction and real estate industries

Activity and risk boundaries in the construction and real estate industry

The construction and real estate sector is an area of activity to which the Bank has a significant credit exposure. As with other economic sectors, the bank's credit policy outlines internal methodologies and criteria for financing transactions in each of the real estate industry's sub-industries.

Credit granted to the real estate sector is in line with the Bank's risk appetite, in accordance with 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 light of the macroeconomic forecasts.

The Bank closely monitors the real estate credit portfolio, while following macroeconomic trends and the development of the segment's risk characteristics.

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

In accordance with competition conditions in the market, in recent years, growth in the real estate credit portfolio at Leumi was accompanied by a certain increase in financing rates, mainly in the financing of land and of housing projects in high-demand areas.

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

Starting from December 31, 2021, the Bank also insures part of the financial credit portfolio for the financing of land, and starting from the fourth quarter of 2022, the Bank also insures part of the performance and formalities guarantee portfolio associated with the construction and real estate sectors.

As of March 31, 2023, 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.

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, 2022.

Macroeconomic effects

In 2020-2021 and in the first half of 2022, the residential construction industry was characterized by a significant surge in transactions for the purchase of apartments as a result of the relatively stable demand stemming from the population growth, the supporting macroeconomic environment (strong recovery from the coronavirus crisis and low interest rate environment) and regulatory easements.

However, during the second half of 2022 and first quarter of 2023, there was a significant decline in demand for housing purchases, on the back of a macroeconomic environment which is growing less supportive of demand for real estate properties as a result of a rapid rise in inflation and interest rates and expectations for lower growth rates. Moreover, it is estimated that the high growth rate of the population in Israel will continue to drive demand in the mid- to long-term. On the supply side, the number of finished apartments continued to be relatively low in the past year for the yearly ongoing housing needs of the economy, while housing starts and building permits exceeded the amount of apartments required according to these current yearly needs.

The weakening of demand, alongside the increase recorded until recently in housing starts, resulted in a halt to the increase in apartment prices and even to a decrease in the prices of new apartments in the "free market" (i.e. not including "Apartment at a Discount" transactions). Further to this, in our assessment, a single-digit decrease in apartment prices is expected in the coming year. The concern about the adverse effect resulting from political-legislative and social events may also weigh on the activity in the housing market and on prices therein in the near future.

The Bank is reviewing the effects of the rise in interest rates and slowdown in demand for housing in the past months on real estate companies' liquidity. It is currently believed that the effect will be immaterial for most companies.

In the commercial real estate domain, since the beginning of 2022, there has been 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" once the coronavirus restrictions have been lifted. Looking forward, the deterioration in the macro environment (the damage from inflation and rising interest rates on the public's purchasing power, along with the increasing economic uncertainty and the weakening consumer sentiment), the entry of a wide supply of commercial space and continued expansion in the share of online commerce) may lead to a continued slowdown in the growth of the commercial centers' activity in the coming year. Most of the slowdown is expected in large shopping centers, while neighborhood shopping centers may continue to fare well.

In the office sector, starting from the second half of 2022, a slowdown was felt in market activity, including a decrease in rental prices in Tel Aviv. This slowdown is expected to continue in the coming year, along with the deterioration of the macro environment, especially in the high-tech service industry. It is expected that the supply of new office space will continue to grow substantially (especially in the Tel Aviv suburbs), while the economy continues to slow down; these factors are expected to put pressure on continued rise in prices and occupancy rates in the coming year and even result in their decrease. In this context, the report published by global credit rating agency S&P in May 2023 also warned of the effects of the slowdown in the high-tech sector on the real estate sector, and indicated a risk of excess supply of office space.

As mentioned at the beginning of the Credit chapter, Israel is undergoing public legislative and social events, regarding which there is uncertainty as to their development and the degree of their impact in the medium and long term on the Israeli economy in general and on the construction and real estate sectors in particular, and as a result, on the Bank's customers.

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

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

	March 31		December 31	Change compared to December 31 2022	
	2023	2022[b]	2022		
			In NIS million	In NIS million	In %
On-balance-sheet credit risk	109,637	99,806	100,500	9,137	9.1%
Guarantees for apartment buyers[a]	10,418	8,418	9,767	651	6.7%
Off-balance-sheet credit risk[a]	47,190	41,498	47,127	63	0.1%
Total overall credit risk	167,245	149,722	157,394	9,851	6.3%

(a) In credit risk terms.
(b) Net of the balances of Bank Leumi USA, the balance sheet credit risk amounted to NIS 90,442 million and the other off-balance sheet credit risk was NIS 40,135 million.

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

	March 31, 2023			
	Overall credit risk[(a)]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[(b)(e)]				
Up to 45%	1,617		11,165	12,782
More than 45% to 65%	4,699		12,294	16,993
More than 65% to 80%	18,109		12,266	30,375
More than 80%	12,499 [(d)]		6,792	19,291
Absorption capacity[(c)]				
Absorption capacity from 25 to 50		11,103		11,103
Absorption capacity from 50 to 75		5,599		5,599
Absorption capacity of 75 or more		12,275		12,275
Project starts		6,474		6,474
Other[(f)]				41,777
Total credit risk for construction and real estate in Israel				156,669

Please see comments below.

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

	December 31, 2022			
	Overall credit risk[(a)]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[(b)(e)]				
Up to 45%	1,378		10,848	12,226
More than 45% to 65%	4,523		12,018	16,541
More than 65% to 80%	12,755		12,041	24,796
More than 80%	14,224 [(d)]		5,598	19,822
Absorption capacity[(c)]				
Absorption capacity up to 25		883		883
Absorption capacity from 25 to 50		6,959		6,959
Absorption capacity from 50 to 75		4,346		4,346
Absorption capacity of 75 or more		13,011		13,011
Project starts		6,278		6,278
Other[(f)]				42,984
Total credit risk for construction and real estate in Israel				147,846

(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) Financing rate - the ratio between the balance of total credit risk as of the reporting date and the value of the real estate security guaranteeing the credit risk as of the reporting date.
(c) Absorption capacity – an indicator reflecting the maximum rate of erosion of apartment inventory prices such that it provides adequate coverage to the project's costs, taking into account own capital invested and presale.
(d) Most of the outstanding balance is in respect of credit that is also backed by non-land collateral and/or another repayment source.
(e) Starting from the financial statements for 2022, the Bank is implementing the revision of the Bank of Israel circular on the subject of credit risk, with reference to the calculation of the financing rates of land. For more information, please see Regulatory and other changes in measuring the capital requirements.
(f) Other credit refers to all credit that does not meet the definition above and includes, among other things, credit provided against collateral that is not real estate and that is non-residential real estate under construction and real estate under construction that is not available for sale.

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

	March 31	December 31
	2023	2022
	Overall credit risk[(a)]	
	In NIS million	
Housing	74,891	69,002
Office space	21,991	20,803
Industry	7,083	6,542
Commerce and services	23,848	23,200
Total overall credit risk secured by real estate collateral in Israel	127,813	119,547

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

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

	March 31	December 31	
	2023		2022
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	164,744	155,309	6.1
Credit risk not in credit performance rating			
Non-troubled	368	407	(9.6)
Troubled performing	1,792	1,363	31.5
Non-performing	341	315	8.3
Overall credit risk with no performance rating	2,501	2,085	20.0
Total	167,245	157,394	6.3

Borrower Groups[1]

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

As of March 31 2023, the Bank meets the regulatory restrictions prescribed by the directive.

In accordance with the policy for the adoption of accepted international standards, the Banking Supervision Department is adopting the Basel Committee provisions from 2014, which was revised in 2019 regarding supervision of large-scale exposures. On November 17, 2022, the Banking Supervision Department published a draft revision of Proper Conduct of Banking Business Directive No. 313, "Limitations on the Indebtedness of a Borrower and of a Group of Borrowers". In accordance with this draft, new definitions will be established for a borrower / borrower group, and also adjustments were made to measure the exposure. In accordance with the Banking Supervision Department's requirement, the Bank conducted a quantitative survey, which was reported to the Banking Supervision Department and is in the process of examining the consequences of implementation of the provisions regarding exposures to counterparties or to a group of related counterparties.

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

Exposure to Foreign Countries

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

	March 31, 2023		
	Exposure[(a)(b)(c)(h)]		
	On-balance-sheet	Off-balance-sheet[(d)]	Total
	In NIS million		
USA	32,060	12,029	44,089
UK	17,119	18,118	35,237
France	738	1,540	2,278
Switzerland	3,690	4,187	7,877
Germany	7,289	4,044	11,333
Other	23,884	6,971	30,855
Total exposure to foreign countries	84,780	46,889	131,669
Of which: total exposure to GIPS countries[(e)]	363	189	552
Of which: total exposure to LDC countries[(f)]	1,184	1,700	2,884
Of which: total exposure to countries with liquidity issues[(g)]	335	400	735

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

Please see comments below.

Exposure to Foreign Countries (cont.)

	December 31, 2022		
	Exposure[(a)(b)(c)(h)]		
	On-balance-sheet	Off-balance-sheet[(d)]	Total
	In NIS million		
USA	30,031	9,930	39,961
UK	16,860	21,602	38,462
France	748	1,582	2,330
Switzerland	2,942	3,880	6,822
Germany	6,334	3,590	9,924
Other	22,019	6,402	28,421
Total exposure to foreign countries	78,934	46,986	125,920
Of which: total exposure to GIPS countries[(e)]	427	170	597
Of which: total exposure to LDC countries[(f)]	1,175	1,445	2,620
Of which: total exposure to countries with liquidity issues[(g)]	250	317	567

(a) Exposure to foreign countries is presented based on the final risk.
(b) On-balance sheet credit risk and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of deductible collateral for the purpose of restricting indebtedness of individual borrowers and borrower groups.
(c) On balance-sheet credit risk and off-balance-sheet credit risk for derivatives are presented after deducting credit risk.
(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(e) Exposure to the GIPS countries includes: Greece, Italy, Portugal, and Spain.
(f) The Exposure to LDCs line item includes total exposure to countries defined as Less Developed Countries (LDCs), which are classified by the World Bank as low- or mid-income countries.
(g) The Bank set several criteria, according to which a list of several countries was drawn, where the current conditions may reflect liquidity problems and which may have an effect on their solvency. The balance applies to 21 country (as of March 31, 2022 - 12 countries; as of December 31, 2022 - 16 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.
(h) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative figures as at March 31, 2022 were not restated.
(i) Includes off-balance-sheet balances totaling NIS 1,823 million and off-balance-sheet balances of NIS 4,803 million in respect of held-for-sale assets.

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 and as a rule, adequately distributes exposures among the various banks.

The geopolitical events, as well as the measures taken by central banks across the world, may impact the financial stability of financial institutions with whom the Bank operates, with emphasis and against the backdrop of the collapse of three banks in the United States and Credit Suisse in Europe. These events led to sharp drops in the shares of banks globally and to concerns of additional bankruptcies.

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 in accordance with changes in the risk environment and assessment of the effect of these changes on the various financial institutions.

Credit exposure to foreign financial institutions[(a)]

	As at March 31, 2023[(e)]		
	On-balance-sheet credit risk[(b)(f)]	Current off-balance-sheet credit risk[(c)]	Current credit exposure
	In NIS million		
Current credit exposure to foreign financial institutions[(d)]			
AA- to AAA	29,111	1,308	30,419
A- to A+	3,361	1,158	4,519
B- to BB+	77	183	260
B- to BB+	32	20	52
Lower than: B-	12	-	12
No credit rating	346	-	346
Total current credit exposure to foreign financial institutions[(h)]	32,939	2,669	35,608

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

	December 31, 2022[(e)]		
	On-balance-sheet credit risk[(b)(f)]	Current off-balance-sheet credit risk[(c)]	Current credit exposure
	In NIS million		
Current credit exposure to foreign financial institutions[(d)]			
AA- to AAA	28,509	1,233	29,742
A- to A+	3,605	1,247	4,852
B- to BB+	204	221	425
B- to BB+	31	21	52
Lower than: B-	10	-	10
No credit rating	572	-	572
Total current credit exposure to foreign financial institutions	32,931	2,722	35,653

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities, as well as entities under their control.
(b) On-balance-sheet credit risk includes: Deposits with banks, loans to the public, securities borrowed or purchased under reverse repurchase agreements, other on-balance sheet credit risk in respect of derivatives, and investments in bonds, including bonds of banks rated "subordinated" total NIS 648 million as of March 31, 2023 (as of March 31, 2022 - NIS 576 million and on December 31, 2022 - NIS 603 million).
(c) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).
(d) The Bank uses ratings of well-known rating agencies (ECAIs).
(e) As of March 31 2023, March 31 2022, and December 31 2022, there is no troubled credit risk vis a vis foreign financial institutions.
(f) On-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative figures were not restated.
(g) Including balances of held-for-sale assets in the amount of NIS 197 million.
(h) Of which: to the US - on-balance sheet credit risk of NIS 5,158 million and off-balance sheet credit risk of NIS 377 million. The vast majority of institutions for which there is credit risk are rated A- and higher and they are not regional banks.

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

Housing Loans Portfolio Risks

Credit risk developments

The trend of the interest rate increase in the last year and the high inflation, combined with the high housing prices, led to a decrease in activity in the Israeli housing market in recent months.
The first to moderate their market activity were investors, followed by other households, with emphasis on young couples who are waiting for new government programs.
Accordingly, in the first quarter of 2023, new housing loan performance in Israel decreased compared with the corresponding quarter last year.

The mortgage market is characterized by significant competition that escalated in this period in view of the market's "contraction".

Despite the changes in the market and the interest rate increase, as of the date of publication of the Report, the portfolio's risk level remains low. The Bank continues to adhere to a balanced underwriting policy that takes into consideration the borrower's repayment capacity, linkage base and interest, loan-to-value ratio (LTV), etc., while complying with all of the requirements of the Banking Supervision Department.

The housing loan portfolio is monitored and the trends in its characteristics and risk centers analyzed on a regular basis, including analysis of the effect of the rising interest rate and expected inflation.

In order to assist customers in view of the increase in the interest rate on the monthly payments, a proactive appeal was made to the customers in a public advertisement and in targeted contact with customers for whom the change in the interest rate affected the amount of their payments, with a proposal to consider a freeze/recycling. As a result, there is an increase in the number of freezes. However, in absolute terms, the amount is not large (NIS 1.1 billion as of the end of March 2023).

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

	For the three months ended March 31		Rate of change
	2023	2022	
	In NIS million		In %
By the Bank	5,322	7,747	(31.3)
By the Government of Israel	41	30	36.7
Total new loans	5,363	7,777	(31.0)
Old recycled loans, from the Bank's funds	181	903	(80.0)
Total performance	5,544	8,680	(36.1)

The average loan extended by the Bank in the first quarter of 2023 was NIS 959 thousand, compared to NIS 971 thousand in the fourth quarter of 2022, NIS 988 thousand in 2022 and NIS 900 thousand in 2021.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS million	In %
December 31 2021	103,109	15.1
December 31, 2022	119,272	15.7
March 31, 2023	121,418	1.8

As mentioned above, in 2021, there was an increase in the volume 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 2022 although, as of the fourth quarter of 2022, a moderation in the increase in housing loans amounts is evident.

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		Total loans portfolio, in NIS million
	Balance in NIS million	Percentage of the loans portfolio	Balance in NIS million	Percentage of the loans portfolio	Balance in NIS million	Percentage of the loans portfolio	Balance in NIS million	Percentage of the loans portfolio	Balance in NIS million	Percentage of the loans portfolio	
December 31 2021	23,325	22.6	42,655	41.4	15,203	14.7	21,440	20.8	486	0.5	103,109
December 31, 2022	29,061	24.3	49,991	41.9	16,050	13.5	23,694	19.9	476	0.4	119,272
March 31, 2023	29,689	24.4	50,519	41.7	16,550	13.6	24,183	19.9	477	0.4	121,418

Variable interest loans are exposed to an increase in interest and inflation rates, which could affect borrowers' repayment capacity.

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):

	2023				2022	2021
	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance					
	In %					
Fixed - linked	16.8	12.7	9.1	8.6	9.2	13.9
Variable every 5 years or more - linked	9.8	6.0	5.9	9.3	12.4	15.3
Variable up to 5 years - linked	6.9	9.8	8.9	6.6	4.5	1.2
Fixed - non-linked	25.0	29.0	30.8	32.4	32.4	28.2
Variable every 5 years or more - non-linked	5.3	1.7	0.6	1.0	1.3	1.5
Variable up to 5 years - non-linked	35.9	40.6	44.6	42.0	40.0	39.8
Variable - Foreign currency	0.3	0.2	0.1	0.1	0.2	0.1

The percentage of new variable-interest housing loans granted by the Bank during the first quarter of 2023 was 58.2 percent, compared to 58.9 percent in 2022.

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

	Recorded outstanding debt	Amount in arrears or non-performing	Percentage of recorded outstanding debt
	In NIS million		In %
December 31 2021	103,599	609	0.59
December 31, 2022	119,690	559	0.47
March 31, 2023	121,848	514	0.42

As of March 31, 2023, the outstanding loan loss provision for the housing loans portfolio is NIS 430 million, constituting 0.35 percent of the housing loans' outstanding balance as of that date, compared with NIS 419 million as at December 31, 2022, which also constitutes 0.35 percent of the outstanding housing loan balance as of that date.

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):

	2023				2022	2021
	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio			In %[a]			
Over 60 and up to 70, inclusive	20.9	21.9	22.4	22.7	23.2	21.6
Over 70 and up to 75, inclusive	25.0	24.4	25.6	25.8	25.4	23.1
Over 75	0.2	0.3	0.3	0.2	0.2	0.1

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

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

The average LTV of the outstanding loan portfolio as at March 31, 2023 stands at 48.6 percent, similar to that of 2022.

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

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.
In Q1 2023, the percentage of loans with a repayment ratio of less than 2.5 on the loan approval date was 0.54 percent of total number of new loans granted compared with 0.36 percent in 2022.
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 first quarter of 2023, 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 59.1 percent of the total new loans, compared with an average of 49.6 percent in 2022.

For more information, please see the section entitled “Credit Risks” in the Report of the Board of Directors and Management as at December 31 2022.

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.

In view of the private consumption trends in the Israeli economy, the return to the pre-coronavirus crisis consumption patterns and in the context of the macroeconomic changes that affect households, especially due to the increase in interest and inflation rates, the Bank closely monitors, on an ongoing basis, the credit portfolio and the effects of these developments on the portfolio’s risk profile.

The longer the macroeconomic effects continue, there is concern of a negative impact on the repayment ability of borrowers, mainly leveraged borrowers and borrowers at variable interest who have more exposure to interest increases.

For more information and details regarding macroeconomic effects, please see the section Macroeconomic effects at the beginning of this chapter.

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, 2022.

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 2021	40,121
December 31, 2022	43,561
March 31, 2023	45,191

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

	March 31, 2023		December 31, 2022	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	6,072	19.8	5,443	17.9
Over one year to 3 years	5,002	16.3	5,113	16.8
Over 3 years to 5 years	7,552	24.6	7,675	25.3
Over 5 years to 7 years	6,396	20.9	6,618	21.8
Over 7 years	2,896	9.4	2,624	8.7
No repayment term[(a)]	2,760	9.0	2,896	9.5
Total	30,678	100.0	30,369	100.0

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

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

Credit risk amount in NIS thousands		March 31, 2023		December 31, 2022	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	6,984	15.4	6,654	15.2
25	50	6,430	14.2	5,990	13.8
50	75	5,221	11.6	5,077	11.7
75	100	4,185	9.3	4,027	9.2
100	150	6,584	14.6	6,471	14.9
150	200	5,007	11.1	4,992	11.5
200	300	5,789	12.8	5,644	12.9
Over 300		4,991	11.0	4,706	10.8
Total overall credit risk		45,191	100.0	43,561	100.0

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

	March 31, 2023		December 31, 2022	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	6,979	15.5	6,669	15.3
Car purchase loans (secured)	1,404	3.1	1,440	3.3
Other loans	22,295	49.3	22,260	51.1
Total on-balance-sheet credit risk	30,678	67.9	30,369	69.7
Unutilized current account credit facilities	7,341	16.2	7,172	16.5
Unutilized credit card facilities	6,760	15.0	5,636	12.9
Other off-balance-sheet credit risk	412	0.9	384	0.9
Total off-balance-sheet credit risk	14,513	32.1	13,192	30.3
Total overall credit risk	45,191	100.0	43,561	100.0

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

	March 31, 2023				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans[a]	28,355	34	100	28,489	92.9
Fixed interest loans	2,126	11	52	2,189	7.1
Total on-balance-sheet credit risk	30,481	45	152	30,678	100.0

	December 31, 2022				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans[a]	28,069	33	97	28,199	92.9
Fixed interest loans	2,121	11	38	2,170	7.1
Total on-balance-sheet credit risk	30,190	44	135	30,369	100.0

(a) Variable interest loans are exposed to an increase in interest rates, which could affect borrowers' repayment capacity.
As stated above, the Bank monitors the private individuals loan portfolio on an ongoing basis, including analysis of the expected effects in case the interest rate continues to rise.

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

	March 31	December 31
	2023	2022
	In NIS million	
Deposits by the public	108,248	104,855
Securities portfolios	51,553	51,419
Total financial asset portfolio	159,801	156,274
Total indebtedness to customers with financial asset portfolios	32,996	31,779

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

	March 31, 2023		December 31, 2022	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	3,508	11.4	3,258	10.7
Of which: loan accounts[(b)]	1,784	5.8	1,786	5.9
Less than NIS 10 thousand	6,835	22.3	7,091	23.4
More than NIS 10 thousand and less than NIS 20 thousand	10,509	34.3	10,381	34.2
NIS 20 thousand or more	9,826	32.0	9,639	31.7
Total	30,678	100.0	30,369	100.0

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

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

As aforesaid, the Bank's credit policy towards private individuals is based on a borrower's repayment capacity in relation to his/her income. As a result, over 80 percent of balance-sheet credit is from fixed-income earners.

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

	March 31	December 31
	2023	2022
	In NIS million	
Non-troubled credit	29,867	29,631
Troubled performing loans	556	516
Troubled non-performing loans	255	222
Total on-balance-sheet credit risk	30,678	30,369
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	2.6%	2.4%
Charge-offs, net (for the period ended)	61	129
Balance of loan loss provision	722	711

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 2022.

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 2022.

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, 2022.

Outstanding aggregated credit granted to leveraged borrowers

	March 31						December 31		
	2023			2022			2022		
	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								
Mining and quarrying	267	-	267	-	-	-	-	-	-
Commerce	639	330	969	-	-	-	372	319	691
Transportation and storage	1,540	28	1,568	868	46	914	1,511	33	1,544
Hotels, accommodation and food services	433	-	433	558	59	617	413	-	413
Construction and real estate	276	419	695	103	347	450	152	334	486
Financial services and insurance services	-	-	-	238	-	238	-	-	-
Water supply, sewage services, waste and garbage treatment and purification services	253	-	253	263	-	263	256	270	526
Provision of power, gas, steam and air conditioning	288	319	607	5	519	524	234	343	577
Total	3,696	1,096	4,792	2,035	971	3,006	2,938	1,299	4,237

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

For additional qualitative and quantitative information regarding credit risks, please see the Risk Management Report as at March 31, 2023.

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. For a description of the organizational structure and responsibility for the risk management, please see the Additional Information regarding the Exposure to Risk and its Assessment in the Risk Management Report.

During the first quarter of 2023 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, 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 inflation rates and inflation forecasts has resulted in central banks launching sharp interest rate increases in order to slow down price increase rates, even at the cost of a significant slowdown in economic activity. During March 2023, three banks in the United States, focused on the high-tech and crypto-currency industries, collapsed and declared bankruptcy after incurring significant losses, due to the sharp declines in the markets and interest rate increases, and customers’ swift withdrawal of deposits. At the same time, in Europe as well, Credit Suisse continued to report losses along with the withdrawal of deposits, in addition to new disclosures regarding irregularities in the financial statements. These events led to sharp drops in the shares of banks globally and to concerns of additional bankruptcies.

Along with significant events that occurred in the global banking system in the first quarter of 2023, the interest rate increases by the central banks in Israel and around the world, there was an expansion in the marketable credit spreads.

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

Market Risk Management Policy

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

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

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

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

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

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

Exposure to market risks arising from the employee pension liabilities

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

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. In the context of the sharp interest rate increases in 2022, which continued in the first quarter of 2023, there is ongoing monitoring and examination of the need to update these models.

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.

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

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

On March 12, 2023, the draft Proper Conduct of Banking Business Directive 333, Interest Rate Risk in the Banking Portfolio was published. The Bank is studying the directive and preparing for its implementation. The directive is expected to enter into effect in June 2024.

For more information, please see the section entitled Interest Rate Risk, please see the Risk Management Report as at December 31, 2022.

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 Proper Conduct of Banking Business Directive No. 250A, “Transitioning from LIBOR”. 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. to the financial statements as at December 31, 2022.

Following is a breakdown of outstanding balances of contracts at the Group level, as of March 31 2023, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	March 31, 2023
	In NIS million
Loans	3,619
Securities	3,601
Derivatives (gross) - par value	78,555

* LIBOR transactions were converted in all currencies after December 2021, and in USD - they will be converted after June 2023.

Quantitative information about interest rate risk - sensitivity analysis

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

	March 31, 2023		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	40,485	(6,403)	34,082
Of which: banking portfolio	39,972	(6,923)	33,049

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

	December 31, 2022		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	40,072	(7,824)	32,248
Of which: banking portfolio	38,933	(7,823)	31,110

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

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

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

	March 31, 2023		
	NIS	Foreign currency	Total*
		In NIS million	
Simultaneous changes			
Simultaneous increase of 1 percent	(731)	(391)	(1,122)
Of which: banking portfolio	(722)	(398)	(1,120)
Simultaneous decrease of 1 percent	272	370	642
Of which: banking portfolio	258	378	636
Non-simultaneous changes			
Steepening[(b)]	(257)	(340)	(597)
Flattening[(c)]	152	87	239
Short-term interest rate increase	112	(190)	(78)
Short-term interest rate decrease	(96)	204	108

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

	December 31, 2022		
	NIS	Foreign currency	Total*
		In NIS million	
Simultaneous changes			
Simultaneous increase of 1 percent	(697)	(475)	(1,172)
Of which: banking portfolio	(613)	(474)	(1,087)
Simultaneous decrease of 1 percent	235	398	633
Of which: banking portfolio	147	398	545
Non-simultaneous changes			
Steepening[(b)]	(317)	(368)	(685)
Flattening[(c)]	236	(41)	195
Short-term interest rate increase	157	(323)	(166)
Short-term interest rate decrease	(152)	165	13

(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

	March 31, 2023		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,026	75	1,101
Of which: banking portfolio	1,026	75	1,101
Simultaneous decrease of 1 percent	(1,026)	(72)	(1,098)
Of which: banking portfolio	(1,026)	(75)	(1,101)

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

	December 31, 2022		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,098	(150)	948
Of which: banking portfolio	1,098	(69)	1,029
Simultaneous decrease of 1 percent	(1,098)	153	(945)
Of which: banking portfolio	(1,098)	69	(1,029)

* After netting effects.

The sensitivity of the income in the above table is a theoretical estimate calculated based on a parallel change in all the interest rate curves using assumptions regarding changes in the spreads in deposits and credit, and changes in the asset and liability structure under a scenario.

For more information, please see the Risk Management Report as at December 31, 2022.

Foreign exchange rate risk

During the first quarter of 2023, 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 and Financial Risk

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

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 also 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 is intended to ensure that a banking corporation will hold an adequate inventory of high quality unencumbered liquid assets, comprised of cash or assets that can be converted into cash in private markets with little or no loss of value, in order to meet the banking corporation's liquidity needs in an extreme liquidity scenario lasting 30 days.
The regulatory requirement is compliance with the liquidity coverage ratio of at least 100 percent.

Proper Conduct of Banking Business Directive No. 222, Net Stable Funding Ratio, demands that banking corporations maintain a stable funding profile according to their asset composition and off-balance sheet operations. Maintaining a sustainable financing structure over time is intended to reduce the chances that disruptions in the banking corporation's permanent sources of financing will erode its liquidity situation in a way that will increase its risk of default and lead to a broader systemic scenario.
The regulatory requirement is to meet an NSFR of at least 100 percent.

Starting January 1, 2023, for the first time the Bank has applied revisions to Proper Conduct of Banking Business Directives 221 and 222 regarding the treatment of currency swap transactions that are not transactions of differences in all currencies (according to the revision, the cash flow is presented from the first quarter of 2023 on a gross basis) and a renewable line of credit.

There was a decline in the average liquidity coverage ratio for the three months ended March 31, 2023, compared to the average liquidity coverage ratio for the three months ended December 31, 2022, mainly as a result of the first-time application of Proper Conduct of Banking Business Directive No. 221 regarding a renewable line of credit. This effect was partially offset as a result of the effects of the business activity during the quarter.

In early May, 2023, as part of completing the implementation of revisions to Proper Conduct of Banking Business Nos. 221 and 222, the Bank received the Bank of Israel's approval to recognize operating deposits for liquidity ratio purposes. This approval by the Bank of Israel became effective upon its receipt. The model's application has a positive effect on the Bank's liquidity ratios.

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

The Bank has a contingency plan in place for early identification handling of a liquidity crisis, which includes a system of warning signs that can indicate a change in the Bank's liquidity status.

In the first quarter of 2023, the LCR in foreign exchange and across all currencies was above the regulatory requirement.

Liquidity coverage ratio

	For the three months ended		
	March 31		December 31
	2023	2022	2022
	Average in %		
a. Consolidated data			
Liquidity coverage ratio	128	120	131
Minimum liquidity coverage ratio required by the Banking Supervision Department	100	100	100
b. Banking corporation's data			
Liquidity coverage ratio	125	118	129
Minimum liquidity coverage ratio required by the Banking Supervision Department	100	100	100

Comment: Based on an average of daily observations.

For more information, please see the section entitled Liquidity Risk in the Risk Management Report as at March 31, 2023 and Note 9.B.

Net stable funding ratio

	As at March 31		As at December 31
	2023	2022	2022
	In %		
a. Consolidated data			
Net stable funding ratio	118	127	128
Net stable funding ratio set by the Banking Supervision Department	100	100	100
b. Banking corporation's data			
Net stable funding ratio	117	127	127
Net stable funding ratio set by the Banking Supervision Department	100	100	100

In the first quarter of 2023, the NSFR in foreign exchange and across all currencies was above the regulatory requirement. The decrease in the NSFR as of March 31, 2023 in relation to December 31, 2022 stems from the effect of the application of Proper Conduct of Banking Business Directive 222, regarding a renewable line of credit and from the effect of the business activity during the quarter, which was reflected in the provision of high credit from the raising of deposits by the public.

The Bank set internal Net Stable Funding Ratio restrictions, in addition to the Liquidity Risk Management restrictions.

Operational Risks

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

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

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

During the first quarter of 2023 there were no material changes in the corporate governance structure, policy and operational risk management framework.

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

For more information on regulatory changes in the first quarter of 2023 and anticipated changes regarding the measurement of capital adequacy, please see under Equity and Capital Adequacy in this report.

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 by customers and extensive and remote work by employees and suppliers.

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

During the first quarter of 2023, 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 implements a new product policy, which outlines the risk management processes involved in introducing new products, including new technological initiatives and innovation.

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

Fraud

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

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, among other things, due to the need to adjust and preserve the work force, while motivating and engaging the employees. Leumi uses various means to address the risk.

On April 16, 2023, the Bank signed a special collective agreement with the Workers' Union for the years 2023-2026.

For more information, please see Note 8.A.

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 2022.

Climate and 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 three types:

- Physical risks.
- Transition risks.
- Liability risk.

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

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

Leumi recognizes the economic, social and environmental responsibility assigned to it in accompanying and supporting our customers in the transition process through the provision of credit and supporting investments. Focus on the management and assessment of exposure to climate-related risk along with identification of the opportunities is an integral part of the process.

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.

On May 1, 2023, the Banking Supervision Department published a draft Proper Conduct of Banking Business Directive, Principles for Effective Management of Climate-Related Financial Risks, which establishes 12 "fundamental principles" for effective management and supervision of climate-related financial risks, according to which the banking corporations are required to operate to optimally manage their exposure to climate-related financial risks. The directive is based on a document published by the Basel Committee in June 2022. The directive will be effective 24 months from its publication. The Bank is studying the directive and preparing for its implementation.

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

For more information, please see the section entitled "Climate and Environmental Risk" in the Report of the Board of Directors and Management as of December 31, 2022 and the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2022.

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, 2022.

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, 2022.

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, 2022.

Reputational Risk

Reputational risk is the risk of compromising the trust of various stakeholders of Bank Leumi (such as customers, bondholders, shareholders, etc.) in the Leumi Group, as a result of conduct, an act, or an omission by the Group, officers in the Group, its employees or other involved parties.
Reputational risk refers to the perceptions of the shareholders, stakeholders, the public, influencers and the media, whether they are based on facts or otherwise. Reputational risk is dynamic and changes depending on various topics and populations.

Strategic Risk

The financial industry and banking sector are experiencing significant changes affecting strategic risk and requiring adjustment to the business model, including:

Entry of new players, such as BigTechs (Google, Amazon, Facebook, Apple), FinTechs (such as Revolut), insurance companies, non-banking credit companies and digital banks, which often enjoy regulatory arbitrage compared to the regulation applicable to banks, as well as agile business systems.

The Bank's strategic plan is for three years, and has been approved by management and the Board of Directors. The strategic plan is set following an extensive process of examining trends and changes in the business environment, competitive environment, technological environment and customer preferences, in an effort to identify threats and opportunities. In addition, an annual refresher process is undertaken, in which the key external trends are examined, as well as their potential impact on Leumi. The strategic risk is managed by the Bank's Board of Directors and management, with the assistance of the Strategy, Digital and Data Division.

Macroeconomic Risk

The main macroeconomic changes currently relate to the cumulative effects of the contractionary monetary process that took place in most countries around the world, in response to the acceleration of inflation. The main risks relate to the extent to which the course of monetary tightening, which appears to have reached its peak, will moderate economic activity. An additional risk is in connection with failures discovered in the banking systems in the United States and in Switzerland. These appear to be events specific to certain banks rather than a systemic event. In response to these failures, the various authorities responded decisively in order to stabilize the situation.

Nevertheless, the weakening of activity in various areas, and, in particular in commercial real estate around the world, along with the decline in the public's trust in some of the banks, may lead to a renewed deterioration in the global banking situation and negative macroeconomic consequences, which may result in a lack of liquidity and a tightening of credit terms and conditions. In addition, there are significant risks arising from climate change and various geopolitical risks, including the Ukranian-Russian crisis, which increase the potential for volatile global economic processes.

During the first quarter of 2023, public legislative and social events began, for which there is uncertainty regarding the manner of their development and the degree of their impact on the Israeli economy in the mid- to long term, and as a result - on the Bank's results. As detailed, among other things, in the estimate published by the Bank of Israel's Research Department dated April 3, 2023, the events may have a negative impact on the Israeli economy, and as a result, on the Bank's performance.

On April 14, 2023, rating agency Moody's announced a change in the rating outlook of the State of Israel from positive to stable, while reiterating the rating at a level of A1. Moody's report noted that the change reflects assessments regarding the economic effects of the legislative and social public events in Israel.

In May 2023, S&P published a credit rating report on the State of Israel. The agency reiterated the credit rating and the rating outlook, at a level of AA- with a stable outlook. The report includes reference to the political, social and security risks that may affect the future rating outlook and/or credit rating.

For more information regarding model risk, reputational risk, and conduct risk, please see under "Other Risks" in the Report of the Board of Directors and Management dated December 31 2022.

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 at December 31, 2022.

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, 2022.

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.

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.

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. 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.

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.

As a rule, a commercial debt with a contractual balance of NIS 1 million or more is examined on an individual basis by the competent functions at the Bank regarding their classification as troubled debts, including recording a charge-off if relevant. As a rule, other Bank customers are examined for the purpose of their classification on the basis of their extent of arrears and according to certain automated defined negative indicators.

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

The methodology for dealing with troubled debts requires, among other things, a methodical assessment of the adequacy of the loan loss provision for debts classified as non-performing. The provision is assessed according to the difference between the recorded outstanding debt and the present value of the future cash flows expected to service the debt from the customer's activity and the realization of collaterals and other assets, discounted at the effective interest rate of the debt. For debts the repayment of which relies on collaterals (collateral-contingent debts) and there are no other available and reliable sources of repayment, the provision is determined based on the fair value of the collateral less costs of disposal and after triggering buffers for the collateral's value so that it will be possible to realize the collateral and have the debt repaid therefrom. In this context, it should be noted that the Bank is implementing the requirements of the Bank of Israel, according to which debts are classified based on the debtor's repayment capacity; i.e. – the expected strength of the primary repayment source of the debt, despite support by secondary and tertiary repayment sources, such as collateral and guarantors.
Similarly, to examining the adequacy of the classifications, the liability adequacy was also tested 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 accounting policy for the collective loan loss provision and the classification of troubled debts, please see the section entitled Critical Accounting Policies and Estimates in the financial statements as at December 31, 2022.

For more information regarding first-time application of the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), please see Note 1.X.1 to the to the financial statements as at December 31, 2022.

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 if the fair value of the security is lower than its amortized cost. In any such case, the Bank examines whether there is an intent 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 yes - the entire difference between the carrying amount and the fair value is recognized in profit and loss. If not - the Bank examines whether the impairment arises from loan losses or other factors, and if the Bank believes that the impairment stems from loan losses, it is recognized under the loan loss provision, while other types of impairments are recognized against other comprehensive income. A loan loss exists when the Bank does not expect principal and interest inflows to adequately recover the entire amortized cost of the security. The loan loss provision is limited to the amount in which it exceeds the security's amortized cost over its fair value. The provision amount is updated upwards or downwards according to changes in assessments in subsequent periods.

As part of the Bank's assessment regarding the existence of a loan loss, the Bank examines data, assessments and various information items.

According to the new rules, the Bank does not take into consideration the time during which the security's fair value was lower than its cost.

If the Bank decides to carry out a quantitative test, the latter shall be done using the PD LGD method. As part of the test, a comparison is made between the discounted cash flows and the fair value and amortized cost. If the expected discounted cash flow amount is lower than the amortized cost, the difference is recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, the provision is recognized up to the minimum fair value.

For more information regarding first-time application of the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), please see Note 1.X.1 to the to the financial statements as at December 31, 2022.

Impairment of investments in equity-accounted associates

Each period, the Bank examines the need to record losses in respect of impairment of an other-than-temporary nature for its investment in associates.

An investment in an associate is tested for impairment when events or changes in circumstances indicate that the impairment is of an other-than-temporary nature.

In that case, impairment of an other-than-temporary nature is tested for.

Testing for impairment of an other-than-temporary nature is carried out while taking into account, among other things, the following indicators:

- The length of time that the fair value of the investment is lower than its book value and the severity of the impairment.
- The financial position of the investee, including the quality of the investee's assets, its profit and profitability and its liquidity.
- Changes in the investee's credit rating.
- Legal or regulatory events related to the investee.
- Analysts' assessments and valuations of the investee.
- Legal or regulatory changes that affect the investee's operating segment.
- Significant change in the market environment that may affect the value of the investee's assets and securities (for example, a decrease in real estate prices).
- Significant changes in economic conditions related to the investee.
- Changes in the investee's business model as a result of changes in technology or new competitors in the industry.
- The intention and ability of the banking corporation to hold an investment until a date when it is expected that the investment will not be sold at a loss.

An impairment of an other-than-temporary nature is recognized in the income statement according to the fair value of the investee, and the book value after the impairment constitutes the new cost basis. The loss recognized will not be reversed in subsequent periods if there will be an appreciation.

In the wake of significant decreases in the share prices of the US banking segment in general, and the mid-sized banks in particular, the Bank examined the need for recognition of impairment in respect of its investment in Valley.

The Bank examined indicators related to Valley's performance and to the state of the shares, taking into consideration the general situation in the markets, and in the US banking system in particular with emphasis on mid-sized and small banks.

Accordingly, as of March 31, 2023, the Bank recorded an impairment of an other-than-temporary nature in respect of its investment in the associate Valley; for more information, see Note 16.A.

Liabilities for Employee Benefits

As at March 31 2023, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 1,511 million, compared to a negative post-tax reserve of NIS 1,397 million as at December 31 2022.

The outstanding liability for employee benefits as at March 31 2023, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is lower by NIS 1,548 million more 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, 2022.

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 2023, 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 March 31 2023, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

The Board of Directors

From January to March 2023, Leumi's Board of Directors held 13 plenum meetings and its committees held 16 meetings.

At a Board meeting held on May 22 2023, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at March 31 2023 and for the period then ended.

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

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

May 22, 2023

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M. (hereinafter - the “Bank") for the quarter ended March 31, 2023 (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 regarding “Report of the Board of Directors and Management"). In addition:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;
   B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;
   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our assessment; and
   D. The Financial Statements discloses any change in the Bank’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and
5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ Audit Committee, based on our most recent assessment of the internal control over financial reporting, the following:
   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank’s ability to record, process, calculate and report financial information; and
   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

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

May 22, 2023

Hanan Friedman

President and Chief Executive Officer

Certification

I, Hagit Argov, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi Le-Israel B.M. (hereinafter - the “Bank") for the quarter ended March 31, 2023 (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 regarding “Report of the Board of Directors and Management"). In addition:
    A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;
    B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;
    C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our assessment; and
    D. The Financial Statements discloses any change in the Bank’s internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and
5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ Audit Committee, based on our most recent assessment of the internal control over financial reporting, the following:
    A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank’s ability to record, process, calculate and report financial information; and
    B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

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

May 22, 2023

Hagit Argov

Executive Vice President
Chief Accounting Officer
Head of Finance and Accounting
Division

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"), which includes the condensed consolidated interim balance sheet as at March 31, 2023 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department's directives and guidance. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

Review scope

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

Conclusion

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

Somekh Chaikin

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A Firm in the Deloitte Global Network
Certified Public Accountants

Joint Independent Auditors

May 22, 2023

Condensed Consolidated Income Statement For the Period Ended March 31, 2023

	Note	For the three months ended March 31		For the year ended December 31
		2023	2022	2022
		Unaudited		Audited
		In NIS million		
Interest income	2	7,572	3,361	18,795
Interest expenses	2	3,644	462	5,584
Interest income, net	2	3,928	2,899	13,211
Loan loss expenses (income)	13, 6	406	(40)	498
Interest income, net after loan loss expenses (income)		3,522	2,939	12,713
Noninterest income				
Noninterest finance income	3A	25	14	1,408
Fees and commissions		948	930	3,535
Other income		98	6	75
Total noninterest income		1,071	950	5,018
Operating and other expenses				
Salaries and related expenses		845	1,005	3,935
Buildings and equipment - maintenance and depreciation		341	364	1,357
Other Expenses		443	425	1,543
Total operating and other expenses		1,629	1,794	6,835
Net income before taxes		2,964	2,095	10,896
Provision for profit tax		889	483	3,564
Profit after taxes		2,075	1,612	7,332
The Bank's share in associates' profits (losses), after taxes		(1,094)	7	387
Net income				
Before attribution to non-controlling interests		981	1,619	7,719
Attributable to non-controlling interests		-	(10)	(10)
Attributable to the Bank's shareholders		981	1,609	7,709
Basic and diluted earnings per share (in NIS)				
Diluted basic earnings attributable to the Bank's shareholders	3B	0.64	1.11	5.14

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

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

Hagit Argov
Executive Vice President
Chief Accounting Officer
Head of Finance and Accounting Division

Date of approval of the financial statements: May 22, 2023

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

Condensed Consolidated Statement of Comprehensive Income For the period ended March 31, 2023

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Net income before attribution to non-controlling interests	981	1,619	7,719
Less net income attributable to non-controlling interests	-	10	10
Net income attributable to the Bank's shareholders	981	1,609	7,709
Other comprehensive income (loss), before taxes			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	253	(2,006)	(4,265)
Adjustments from translation of financial statements, net,[a] after the effect of hedges[b]	-	15	436
Net losses for cash flow hedges	(5)	(74)	(3)
Adjustments of liabilities for employee benefits[c]	(176)	2,434	3,133
The Bank's share in other comprehensive income (loss) of associates	26	(7)	(16)
Other comprehensive income (loss), before taxes	98	362	(715)
Related tax effect	(29)	(102)	335
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	69	260	(380)
Less other comprehensive income (loss) attributable to non-controlling interests	-	(21)	96
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	69	281	(476)
Comprehensive income before attribution to non-controlling interests	1,050	1,879	7,339
Net of other comprehensive income (loss) attributable to the Bank's non-controlling interests	-	(11)	106
Comprehensive income attributable to the Bank's shareholders	1,050	1,890	7,233

(a) Adjustments from translation of the financial statements of a foreign operation the functional currency of which is different from the Bank's functional currency.

(b) Hedges - net gains (losses) in respect of hedging of a net investment in foreign currency.

(c) Mostly reflects adjustments in respect of actuarial estimates, as at the end of the period, of defined benefit pension plans and a deduction of amounts previously recorded in other comprehensive income.

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

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

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

Condensed Consolidated Balance Sheet as at March 31, 2023

		March 31		December 31
		2023	2022	2022
		Unaudited		Audited
	Note	In NIS million		
Assets				
Cash and deposits with banks		134,381	164,974	186,569
Securities:				
Held-to-maturity bonds		14,790	9,710	14,528
Available-for-sale bonds		76,284	78,149	61,809
Equity securities not held for trading		4,367	4,191	4,353
Held-for-trading securities		3,933	2,310	2,260
Total securities[(a)(b)]	5	99,374	94,360	82,950
Securities borrowed or purchased under reverse repurchase agreements		3,282	2,882	3,034
Loans to the public	6, 13	409,136	354,578	389,768
Loan loss provision	6, 13	(5,319)	(4,803)	(4,986)
Loans to the public, net		403,817	349,775	384,782
Loans to governments		1,123	1,153	1,109
Investments in associates		3,786	1,027	4,947
Buildings and equipment		2,767	2,640	2,735
Assets in respect of derivatives	11	26,959	19,997	26,638
Other assets[(a)]		6,988	6,727	6,402
Held-for-sale assets[(d)]		-	25,896	-
Total assets		682,477	669,431	699,166
Liabilities and equity				
Deposits by the public	7	532,906	516,711	557,084
Deposits by banks		24,042	26,482	22,306
Deposits by governments		383	316	247
Securities loaned or sold under repurchase agreements		4,739	2,055	3,952
Bonds, promissory notes and subordinated bonds		28,288	21,459	27,805
Liabilities for derivatives	11	25,601	20,445	23,311
Other liabilities[(a)(c)]		16,722	15,797	15,018
Held-for-sale liabilities[(d)]		-	23,305	-
Total liabilities		632,681	626,570	649,723
Shareholders' equity	9	49,791	42,433	49,438
Non-controlling interests		5	428	5
Total equity		49,796	42,861	49,443
Total liabilities and equity		682,477	669,431	699,166

(a) For more information regarding amounts measured at fair value, please see Note 15A.

(b) Of which: securities totaling NIS 17,445 million (March 31, 2022 - NIS 19,848 million, December 31, 2022 - NIS 17,405 million) pledged to lenders.

(c) Of which: Loan loss provision for off-balance-sheet credit instruments, NIS 607 million (as at March 31, 2022 - NIS 515 million; as at December 31, 2022 - NIS 585 million).

(d) For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

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

Condensed Statement of Changes in Equity For the Period Ended March 31, 2023

	For the three months ended March 31, 2023 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From share-based payment and other benefits[a]
	In NIS million		
Balance as at December 31, 2022 (audited)	7,132	2,829	56
Net income for the period	-	-	-
Other comprehensive income, net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	2
Balance as at March 31, 2023	7,132	2,829	58

	For the three months ended March 31, 2022 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From share-based payment and other benefits[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	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at March 31, 2022	7,041	184	53

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

(b) Including NIS 5,344 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (March 31, 2022 - NIS 4,441 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". See Note 1.X.1. in the financial statements as at December 31, 2022.

Total share capital and capital reserves	Accumulated Other Comprehensive Income (Loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
10,017	(3,353)	42,774	49,438	5	49,443
-	-	981	981	-	981
-	69	-	69	-	69
-	-	(699)	(699)	-	(699)
2	-	-	2	-	2
10,019	(3,284)	43,056	49,791	5	49,796

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

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

Condensed Statement of Changes in Equity (cont.)

For the Period Ended March 31, 2023

	For the year ended December 31, 2022 (audited)		
		Capital reserves	
	Share capital	From premiums	From share-based payment and other benefits[(a)]
	In NIS million		
Balance as at December 31, 2021	7,041	184	53
Cumulative effect for first-time application of US GAAP[(c)]	-	-	-
Net income	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Issuance of shares	91	2,645	-
Employee benefit for stock-based compensation transactions	-	-	3
Sale of equity of a consolidated company to non-controlling interests[(d)]	-	-	-
Balance as at December 31, 2022	7,132	2,829	56

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

(b) Including NIS 5,287 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.

(c) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". See Note 1.X.1. in the financial statements as at December 31, 2022.

(d) For more information, please see Note 15.A to the financial statements as at December 31, 2022.

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)
-	-	7,709	7,709	10	7,719
-	(921)	-	(921)	(21)	(942)
-	-	(1,665)	(1,665)	-	(1,665)
2,736	-	-	2,736	-	2,736
3	-	-	3	1	4
-	445	-	445	(423)	22
10,017	(3,353)	42,774	49,438	5	49,443

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

Condensed Consolidated Statement of Cash Flows For the Period Ended March 31, 2023

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Cash flows from operating activities			
Net income for the period	981	1,619	7,719
Adjustments:			
Group's share in undistributed losses (income) of associates[(a)]	1,290	11	(282)
Depreciation of buildings and equipment (including impairment)	147	162	598
Loan loss expenses (income)	406	(40)	498
Gains on sale of loan portfolios	-	(15)	(57)
Net losses on sale of available-for-sale bonds	136	7	136
Realized and unrealized losses, net from fair value adjustments of held-for-trading securities	26	56	164
Gain on sale of investees' equity	-	(78)	(830)
Gains on disposal of buildings and equipment - net	1	-	(52)
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	(90)	(10)	(338)
Provision for impairment of available-for-sale bonds	33	-	42
Provision for impairment of equity securities not held-for-trading	2	-	5
Expenses for stock-based compensation transactions	2	-	4
Deferred taxes - net	(125)	(282)	(312)
Severance pay and pension – increase in excess of provision over fund	125	141	48
Excess of interest received over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds over interest	(65)	199	(127)
Accrual differences and rate in respect of bonds and subordinated bonds	365	99	934
Effect of exchange rate differentials on cash and cash equivalent balances	(514)	(198)	(740)
Other, net	-	(4)	(1)
Net change in current assets:			
Assets in respect of derivatives	(321)	(6,053)	(12,667)
Held-for-trading securities	(1,699)	756	698
Other assets	(183)	(792)	(603)
Net change in current liabilities:			
Liabilities for derivatives	2,121	5,217	8,728
Other liabilities	1,048	1,806	2,527
Net cash provided to operating activities	3,686	2,601	6,092

(a) Net of dividend received.

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

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

Condensed Consolidated Statement of Cash Flows (cont.)

For the Period Ended March 31, 2023

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Cash flows from investing activities			
Net change in deposits with banks with original maturities of more than three months	2,872	1,551	(2,699)
Net change in loans to the public[(a)]	(19,444)	(25,922)	(62,038)
Net change in loans to the Israeli Government	(14)	(213)	(171)
Net change in securities borrowed or purchased under reverse repurchase agreements	(248)	(440)	(592)
Purchase of held-to-maturity bonds	(384)	(3,554)	(8,550)
Proceeds from redemption of held-to-maturity bonds	63	137	418
Purchase of available-for-sale bonds and equity securities not held-for-trading	(50,492)	(56,448)	(114,657)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	25,950	41,090	96,945
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	10,526	3,169	19,487
Purchase of associates' equity	(2)	(11)	(285)
Cash derecognized from disposal of investments in a deconsolidated subsidiary (Appendix B)	-	-	(904)
Proceeds from disposal of investment in associates	-	158	158
Proceeds from sale of loan portfolios	-	437	562
Purchase of buildings and equipment	(177)	(181)	(765)
Proceeds from disposal of buildings and equipment	-	1	112
Central severance pay fund	1	2	91
Net cash for investing activities	(31,349)	(40,224)	(72,888)
Cash flow from financing activities			
Net change in deposits by banks with original maturities of more than three months	1,736	1,197	(3,149)
Net change in deposits by the public	(24,261)	1,449	41,560
Net change in deposits by the government	136	16	(53)
Net change in securities loaned or sold under repurchase agreements	787	(232)	1,665
Proceeds from issue of bonds and subordinated bonds	1,691	5,941	11,435
Redemption of bonds and subordinated bonds	(1,556)	(9)	(61)
Dividend paid to shareholders	(699)	(588)	(1,665)
Issuance of shares	-	-	2,736
Net cash from financing activities	(22,166)	7,774	52,468
Decrease in cash and cash equivalents including in respect of available-for-sale cash[(b)]	(49,829)	(29,849)	(14,328)
Net of change in cash and cash equivalents classified as held-for-sale assets and liabilities[(b)]	-	1,210	-
Decrease in cash and cash equivalents	(49,829)	(31,059)	(14,328)
Balance of cash and cash equivalents as at the beginning of the period	180,637	194,225	194,225
Effect of exchange rate fluctuations on cash and cash equivalent balances	514	198	740
Balance of cash and cash equivalents as at end of period	131,322	163,364	180,637

(a) Including operating activities from invoice factoring.

(b) For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

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

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

Condensed Consolidated Statement of Cash Flows (cont.)

For the Period Ended March 31, 2023

Interest and taxes paid and/or received and dividends received

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Interest received	6,938	2,784	15,821
Interest paid	(2,490)	(515)	(3,462)
Dividends received	46	23	145
Income tax paid	(1,317)	(867)	(2,508)
Income tax received	6	199	200

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

For the year ended December 31, 2022

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.

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 15.A to the financial statements as at December 31, 2022.

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

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

(a) For more information, please see Note 15.A to the financial statements as at December 31, 2022.
(b) Including goodwill totaling NIS 14 million.
(c) Profit after elimination of capital reserves and taxes totaling NIS 752 million.

List of Notes

Note 1 - Significant Accounting Policies

Basis of Preparation of the Financial Statements

1. Reporting principles

The condensed consolidated interim financial statements as at March 31, 2023 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, 2022, 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, 2022 and their accompanying notes (hereinafter - the "Financial Statements").

On May 22, 2023, the Bank's Board of Directors approved the condensed consolidated interim financial statements for publication.

2. Use of estimates

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

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

With the exception of what is detailed under item b. below, the policy applied by the Bank in using assessments and estimates is consistent with that used in the annual financial statements as at December 31, 2022. 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.

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, 2023, the Bank applies the following accounting standards and directives:

1. 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 circular's guidelines shall apply as of January 1, 2023. The ASU provisions that enable new hedging relationships will be implemented prospectively. The application of the provisions has had no material effect on the financial statements.

Note 1 - Significant Accounting Policies (cont.)

2. 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 USD 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.

Following is a breakdown of outstanding balances of contracts at the Group level, as of March 31, 2023, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR:*

	March 31, 2023
	In NIS million
Loans	3,619
Securities	3,601
Derivatives (gross) - nominal value	78,555

*LIBOR transactions which transitioned in all currencies after December 2021, and in USD - after June 2023.

C. New accounting standards, revised accounting standards and new directives of the Banking Supervision Department in the period before their application

1. ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures

On March 31, 2022, the Financial Accounting Standards Board (FASB) published ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures (hereinafter - the "ASU").

The ASU revokes the provisions relating to restructuring of troubled debts by lenders, while improving disclosure requirements regarding borrowers in financial difficulties. The ASU also adds a disclosure requirements of gross write-offs, by credit granting year.

The provisions of ASU 2016-13 will be applicable to entities which have adopted it as of the annual and interim periods commencing after December 15, 2022. At this stage, a date has not yet been set for the start of implementation in banks in Israel. The Bank is studying the standard's requirements and assessing the effect of the new provisions on its financial statements.

2. 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").

Note 1 - Significant Accounting Policies (cont.)

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. The ASU will be implemented prospectively while attributing the adjustments made in its respect to profit or loss.

Note 2 - Interest Income and Expenses

	For the three months ended March 31	
	2023	2022
	Unaudited	
	In NIS million	
a. Interest income[a]		
From loans to the public	5,642	3,023
From loans to governments	10	9
From deposits with the Bank of Israel and from cash	1,074	35
From deposits with banks	167	15
From securities borrowed or purchased under reverse repurchase agreements	34	1
From bonds[b]	645	278
Total interest income	7,572	3,361
b. Interest expenses		
For deposits by the public	(3,226)	(264)
For deposits by governments	(1)	-
For deposits by banks	(21)	(2)
For deposits by the Bank of Israel	(3)	(3)
For securities loaned or sold under repurchase agreements	(67)	(2)
For bonds, promissory notes and subordinated bonds	(326)	(191)
Total interest expenses	(3,644)	(462)
Total interest income, net	3,928	2,899
C. Details on the net effect of hedging derivatives[c]		
From interest income	37	(17)
From interest expenses	(5)	-
d. Details on interest income from bonds, on accrual basis		
Held-to-maturity	77	41
Available-for-sale	544	225
Held-for-trading	24	12
Total included in interest income	645	278

(a) Including the effect of hedge relationships.

(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 79 million for the three-month period ended March 31, 2023 (NIS 55 million for the three-month period ended March 31, 2022).

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

Note 3A - Noninterest Finance Income

	For the three months ended March 31	
	2023	2022
	Unaudited	
	In NIS million	
a. Noninterest finance income for non-trading activities		
A.1. Derivatives activity[(a)]		
Net income in respect of ALM derivative instruments[(b)]	1,144	1,244
Total from derivatives activity	1,144	1,244
A.2. From investment in bonds		
Gains on sale of available-for-sale bonds, net[(g)]	7	22
Losses on sale of available-for-sale bonds[(g)]	(143)	(29)
Provision for impairment of available-for-sale bonds	(33)	-
Total from investment in bonds	(169)	(7)
A.3. Exchange rate differentials, net	(1,014)	(1,299)
A.4. Gains (losses) on investment in shares		
Gains on sale of equity securities not held for trading	66	91
Provision for impairment for equity securities not held for trading	(2)	-
Losses on sale of equity securities not held-for-trading	(4)	(38)
Dividend from not held-for-trading equity securities	8	5
Unrealized gains (losses), net from not held-for-trading equity securities[(h)]	28	(43)
Gain on sale of investees' equity	-	78
Total from investment in equity securities	96	93
A.5. Gains on sold loans, net	-	15
Total noninterest finance income for equity securities not held-for-trading	57	46
b. Noninterest finance income (expenses) for trading activities		
(Expenses) income in respect of held-for-trading derivatives, net	(6)	24
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net[(c)(f)]	(26)	(58)
Realized and unrealized gains from fair value adjustments of held-for-trading shares, net[(d)(f)]	-	2
Total from trading activities[(e)]	(32)	(32)
Details of noninterest finance income from trading activities, by risk exposure		
Interest rate exposure	(296)	(91)
Foreign exchange exposure	248	57
Equity exposure	16	2
Total	(32)	(32)
Total noninterest finance income	25	14

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: NIS 7 million in gains on the three-month period ended March 31, 2023 in respect of held-for-trading bonds held as at the balance sheet date (losses of NIS 33 for the three-month period ended March 31, 2022).
(d) There were no gains or losses in respect of held-for-trading equity securities that are still held as of the balance sheet date in the three-month period ended March 31, 2023 (gains lower than NIS 1 million in respect of held-for-trading shares still held as of the balance sheet date in the three-month period ended on March 31, 2022).
(e) For 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 March 31	
	2023	2022
	Unaudited	
Basic earnings		
Net income attributable to the Bank's shareholders (in NIS million)	981	1,609
Weighted average of the number of shares (in thousands of shares)		
Balance as at beginning of period[a]	1,543,805	1,452,896
Weighted average of number of shares	1,543,805	1,452,896
Basic earnings per share (in NIS)	0.64	1.11

(a) Balance at the beginning of the period less share buyback until December 31, 2021, and 2022.

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 March 31	
	2023	2022
	Unaudited	
Diluted earnings		
Net income attributable to the Bank's shareholders (in NIS million)	981	1,609
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	1,543,805	1,452,896
Weighted effect of the issuance of options to employees[a]	-	-
Weighted average of the number of shares, fully diluted	1,543,805	1,452,896
Diluted earnings per share (in NIS)	0.64	1.11

(a) There are instruments with dilution potential, but they were not included in the calculation in the reporting period since their effect is anti-dilutive. Please see Note 8.A.

C. Share capital

As at March 31, 2023, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,543,805,097 ordinary shares of NIS 1 p.v. each. (As of March 31, 2022, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each).

Note 4 - Accumulated Other Comprehensive Income (Loss)

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31, 2023 and 2022 (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 adjust-ments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other comprehen-sive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other comprehen-sive income (loss) attributable to non-controlling interests	Other comprehen-sive income (loss) attributable to the Bank's share-holders
	In NIS million							
Balance as at December 31, 2021 (audited)	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the period	(1,328)	30	(49)	(6)	1,613	260	(21)	281
Balance as at March 31, 2022[d]	(454)	(313)	(49)	(32)	(1,865)	(2,713)	(117)	(2,596)
Balance as at December 31, 2022 (audited)	(1,944)	-	(2)	(10)	(1,397)	(3,353)	-	(3,353)
Net change during the period	161	-	(3)	25	(114)	69	-	69
Balance as at March 31, 2023	(1,783)	-	(5)	15	(1,511)	(3,284)	-	(3,284)

2. Changes in accumulated other comprehensive income (loss) for the year ended December 31, 2022 (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, 2021	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the year	(2,999)	30	(43)	16	2,054	(942)	(21)	(921)
Sale of equity in subsidiaries to non-controlling interests[e]	181	313	41	-	27	562	117	445
Balance as at December 31, 2022	(1,944)	-	(2)	(10)	(1,397)	(3,353)	-	(3,353)

(a) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(b) Net gains (losses) for hedging a net investment in foreign currency.
(c) Adjustments for employee benefits are net of adjustments for plan assets.
(d) Including balances classified as held-for-sale assets and liabilities in the amount of NIS (153) million for adjustments made in respect to presentation of available-for-sale bonds according to net fair value in the amount of NIS (34) million, in respect of a loss on cash flow hedges, and in the amount of NIS (24) million in respect of adjustments for employee benefits. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.
(e) For more information, please see Note 15.A to the financial statements as at December 31, 2022.

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

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

	For the three months ended March 31 (unaudited)					
	2023			2022[f]		
	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 gains (losses), net, from fair value adjustments	84	(34)	50	(2,013)	680	(1,333)
Net losses in respect of available-for-sale bonds reclassified to the income statement[a]	169	(58)	111	7	(2)	5
Net change during the period	253	(92)	161	(2,006)	678	(1,328)
Translation adjustments:[b]						
Adjustments from translation of financial statements	-	-	-	59	-	59
Hedges[c]	-	-	-	(44)	15	(29)
Net change during the period	-	-	-	15	15	30
Cash flow hedges						
Net losses for cash flow hedges	(5)	2	(3)	(74)	25	(49)
Net change during the period	(5)	2	(3)	(74)	25	(49)
Investee companies accounted for using the equity method						
Bank's share in capital reserves of investee companies accounted for using the equity method	110	(30)	80	(7)	1	(6)
Hedges[c]	(84)	29	(55)	-	-	-
Net change during the period	26	(1)	25	(7)	1	(6)
Employee benefits:[d]						
Net actuarial loss (gain)	(286)	99	(187)	2,306	(777)	1,529
Net losses reclassified to the income statement[e]	110	(37)	73	128	(44)	84
Net change during the period	(176)	62	(114)	2,434	(821)	1,613
Total net change during the period	98	(29)	69	362	(102)	260
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	-	-	-	(36)	15	(21)
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	98	(29)	69	398	(117)	281

(a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
(b) Adjustments from translation of financial statements of foreign operations whose functional currency is different than the Bank's functional currency.
(c) Net gains (losses) for hedging a net investment in foreign currency.
(d) The adjustments for employee benefits are net of adjustments for plan assets.
(e) The before-tax amount is reported in the income statement under the other expenses for employee benefits line item. For more information, please see Note 8.
(f) Including balances classified as held-for-sale assets and liabilities. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

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, 2022 (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	(4,719)	1,603	(3,116)
Net losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	178	(61)	117
Sale of equity in subsidiaries to non-controlling interests[(f)]	276	(95)	181
Net change during the year	(4,265)	1,447	(2,818)
Translation adjustments:[(b)]			
Adjustments from translation of financial statements	59	-	59
Hedges[(c)]	(44)	15	(29)
Sale of equity in subsidiaries to non-controlling interests - Hedging effect[(f)]	421	(108)	313
Net change during the year	436	(93)	343
Cash flow hedges			
Net losses for cash flow hedges	(65)	22	(43)
Sale of equity in subsidiaries to non-controlling interests[(f)]	62	(21)	41
Net change during the year	(3)	1	(2)
Investee companies accounted for using the equity method			
The Bank's share in other comprehensive income of equity-accounted associates	246	(58)	188
Hedges[(c)]	(262)	90	(172)
Net change during the year	(16)	32	16
Employee benefits:[(d)]			
Net actuarial gain	2,826	(949)	1,877
Net losses reclassified to the income statement[(e)]	269	(92)	177
Sale of equity in subsidiaries to non-controlling interests[(f)]	38	(11)	27
Net change during the year	3,133	(1,052)	2,081
Total change during the year, net	(715)	335	(380)
Less changes in other comprehensive income components attributable to non-controlling interests			
Total change during the year, net	101	(5)	96
Changes in other comprehensive loss attributable to the Bank's shareholders			
Total change during the year, net	(816)	340	(476)

(a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
(b) Adjustments from translation of financial statements of foreign operations whose functional currency is different than the Bank's functional currency.
(c) Net gains (losses) for hedging a net investment in foreign currency.
(d) The adjustments for employee benefits are net of adjustments for plan assets.
(e) The before-tax amount is reported in the income statement under the other expenses for employee benefits line item. For more information, please see Note 8.
(f) For more information, please see Note 15.A to the financial statements as at December 31, 2022.

Note 5 - Securities

	As at March 31, 2023 (unaudited)					
	Balance sheet value	Amortized cost	Balance of loan loss provision	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	9,732	9,732	-	-	(705)	9,027
Of foreign financial institutions	1,362	1,362	1	-	(41)	1,322
Asset-backed (ABS) or mortgage-backed (MBS)	3,366	3,366	1	2	(381)	2,988
Of other foreign entities	330	330	1	-	(11)	320
Total held-to-maturity bonds[(e)]	14,790	14,790	3	2	(1,138)	13,657

	As at March 31, 2023 (unaudited)					
				Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Balance of loan loss provision	Gains	Losses	Fair value[(a)]
	In NIS million					
2. Available-for-sale bonds:						
Of the Israeli Government	37,018	38,916	-	74	(1,972)	37,018
Of foreign governments	16,188	16,355	-	65	(232)	16,188
Of Israeli financial institutions	46	50	-	-	(4)	46
Of foreign financial institutions	8,959	9,279	-	22	(342)	8,959
Asset-backed (ABS) or mortgage-backed (MBS)	8,661	9,233	-	14	(586)	8,661
Of other Israeli entities	698	753	2	5	(62)	698
Of other foreign entities	4,714	5,103	-	6	(395)	4,714
Total available-for-sale bonds:[(e)]	76,284	79,689	2	186[(c)]	(3,593)[(c)]	76,284

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31, 2023 (unaudited)					
	Balance sheet value	Cost	Balance of loan loss provision	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	4,367	4,063	-	319	(15)	4,367
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	2,367	2,367				2,367
Total not held for-trading equity securities and mutual funds	4,367	4,063	-	319[(d)]	(15)[(d)]	4,367
Total not held-for-trading securities	95,441	98,542	5	507	(4,746)	94,308

	As at March 31, 2023 (unaudited)					
	Balance sheet value	Amortized cost (in equity securities - cost)	Balance of loan loss provision	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	2,408	2,406	-	4	(2)	2,408
Of foreign governments	676	661	-	15	-	676
Of Israeli financial institutions	488	533	-	-	(45)	488
Of foreign financial institutions	20	23	-	-	(3)	20
Asset-backed (ABS) or mortgage-backed (MBS)	32	35	-	-	(3)	32
Of other Israeli entities	249	279	-	-	(30)	249
Of other foreign entities	58	63	-	-	(5)	58
Total bonds	3,931	4,000	-	19	(88)	3,931
Equity securities and mutual funds	2	2	-	-	-	2
Total held-for-trading securities	3,933	4,002	-	19[(d)]	(88)[(d)]	3,933
Total securities	99,374	102,544	5	526	(4,834)	98,241

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31, 2022 (unaudited)					
	Balance sheet value	Amortized cost	Balance of loan loss provision	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million					
1. Held-to-maturity bonds						
Of the Israeli Government	6,209	6,209	14	96	(75)	6,244
Of foreign financial institutions	629	629	1	-	(1)	629
Asset-backed (ABS) or mortgage-backed (MBS)	2,798	2,798	4	1	(156)	2,647
Of other foreign entities	1,767	1,767	6	14	(235)	1,552
Less balances classified as held-for-sale assets[(f)]	(1,693)	(1,693)	(9)	(13)	239	(1,476)
Total held-to-maturity bonds[(e)]	9,710	9,710	16	98	(228)	9,596

	As at March 31, 2022 (unaudited)					
				Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Balance of loan loss provision	Gains	Losses	Fair value[(a)]
	In NIS million					
2. Available-for-sale bonds:						
Of the Israeli Government	29,798	29,852	-	526	(580)	29,798
Of foreign governments	27,035	27,287	-	9	(261)	27,035
Of Israeli financial institutions	51	48	-	3	-	51
Of foreign financial institutions	10,797	10,915	-	22	(140)	10,797
Asset-backed (ABS) or mortgage-backed (MBS)	7,285	7,591	-	5	(311)	7,285
Of other Israeli entities	578	582	-	12	(16)	578
Of other foreign entities	5,296	5,545	-	26	(275)	5,296
Less balances classified as held-for-sale assets[(f)]	(2,691)	(2,951)		(5)	265	(2,691)
Total available-for-sale bonds:[(e)]	78,149	78,869	-	598[(c)]	(1,318)[(c)]	78,149

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31, 2022 (unaudited)					
	Balance sheet value	Cost	Balance of loan loss provision	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million					
3. Investment in not held-for-trading equity securities and mutual funds:						
Equity securities and mutual funds	4,238	4,099	-	243	(104)	4,238
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,877	1,877	-			1,877
Less balances held-for-sale[(f)]	(47)	(47)	-			(47)
Total not held for-trading equity securities and mutual funds	4,191	4,052	-	243[(d)]	(104)[(d)]	4,191
Total not held-for-trading securities	92,050	92,631	16	939	(1,650)	91,936

	As at March 31, 2022 (unaudited)					
	Balance sheet value	Amortized cost (in equity securities - cost)	Balance of loan loss provision	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million					
4. Held-for-trading securities: bonds -						
Of the Israeli Government	1,455	1,461	-	3	(9)	1,455
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	461	471	-	1	(11)	461
Of foreign financial institutions	52	55	-	-	(3)	52
Asset-backed (ABS) or mortgage-backed (MBS)	36	38	-	-	(2)	36
Of other Israeli entities	207	214	-	1	(8)	207
Of other foreign entities	85	86	-	1	(2)	85
Total bonds	2,296	2,325	-	6	(35)	2,296
Equity securities and mutual funds	14	15	-	-	(1)	14
Total held-for-trading securities	2,310	2,340	-	6[(d)]	(36)[(d)]	2,310
Total securities	94,360	94,971	16	945	(1,686)	94,246

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31, 2022 (audited)					
	Balance sheet value	Amortized cost	Balance of loan loss provision	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	9,631	9,631	-	2	(670)	8,963
Of foreign financial institutions	1,321	1,321	2	-	(56)	1,267
Asset-backed (ABS) or mortgage-backed (MBS)	3,256	3,256	1	-	(432)	2,825
Of other foreign entities	320	320	1	-	(19)	302
Total held-to-maturity bonds[e]	14,528	14,528	4	2	(1,177)	13,357

	As at December 31, 2022 (audited)					
				Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Balance of loan loss provision	Gains	Losses	Fair value[a]
	In NIS million					
2. Available-for-sale bonds:						
Of the Israeli Government	21,842	23,691	-	63	(1,912)	21,842
Of foreign governments	16,995	17,291	-	2	(298)	16,995
Of Israeli financial institutions	46	49	-	-	(3)	46
Of foreign financial institutions	9,627	10,001	24	11	(409)	9,627
Asset-backed (ABS) or mortgage-backed (MBS)	7,710	8,353	-	7	(650)	7,710
Of other Israeli entities	670	717	2	7	(56)	670
Of other foreign entities	4,919	5,486	7	2	(576)	4,919
Total available-for-sale bonds:[e]	61,809	65,588	33[c]	92[c]	(3,904)[c]	61,809

	As at December 31, 2022 (audited)					
	Balance sheet value	Cost	Balance of loan loss provision	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	4,353	4,097	-	290	(34)	4,353
Of which: equity securities and mutual funds for which there is no available fair value[b]	2,333	2,333				2,333
Total not held for-trading equity securities and mutual funds	4,353	4,097	-	290[d]	(34)[d]	4,353
Total not held-for-trading securities	80,690	84,213	37	384	(5,115)	79,519

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31, 2022 (audited)					
	Balance sheet value	Amortized cost (in equity securities - cost)	Balance of loan loss provision	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	1,263	1,274	-	1	(12)	1,263
Of Israeli financial institutions	580	627	-	-	(47)	580
Of foreign financial institutions	53	59	-	-	(6)	53
Asset-backed (ABS) or mortgage-backed (MBS)	33	36	-	-	(3)	33
Of other Israeli entities	257	296	-	-	(39)	257
Of other foreign entities	71	78	-	-	(7)	71
Total bonds	2,257	2,370	-	1	(114)	2,257
Equity securities and mutual funds	3	3	-	-	-	3
Total held-for-trading securities	2,260	2,373	-	1[(d)]	(114)[(d)]	2,260
Total securities	82,950	86,586	37	385	(5,229)	81,779

Comments:

(a) In most cases, fair value inputs are based on quoted share prices, which do not necessarily reflect the price that can be obtained from selling large blocks of securities.

(b) Shares for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer.

(c) Included in equity under the “Adjustments in respect of the presentation of available-for-sale bonds at fair value, net” under other comprehensive income, except for securities designated to be hedged at fair value.

(d) Carried to the income statement but as yet unrealized.

(e) Total of NIS 12.8 billion out of total foreign currency securities are rated SSA (Super-nationals, Sovereign and Agencies) (March 31, 2022 - NIS 12.9 billion, December 31, 2022 - NIS 12.8 billion).

(f) Balances classified as designated for sale assets - For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

General comments:

Loaned securities in the amount of NIS 52 million (as at March 31, 2022 - NIS 561 million; as at December 31, 2022 - NIS 52 million) are presented under the Loans to the public line item.

Securities pledged to lenders totaled NIS 17,445 million (as at March 31, 2022 - NIS 19,848 million; as at December 31, 2022 - NIS 17,405 million).

For more information on the financial performance of investments in bonds, equity securities and mutual funds, please see Note 2 and Note 3A.

The distinction between Israeli and foreign bonds was made according to the issuer’s country of residence.

Note 5 - Securities (cont.)

More Information on Amortized Cost and Unrealized Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in a Deferred Loss Position

	March 31, 2023 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-[c]20%	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-[c]20%	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	7,512	397	-	-	397	2,220	86	222	-	308
Asset-backed (ABS) or mortgage-backed (MBS)	546	20	-	-	20	2,553	312	49	-	361
Of foreign financial institutions	433	12	-	-	12	929	29	-	-	29
Of other foreign entities	330	11	-	-	11	-	-	-	-	-
Total held-to-maturity bonds	8,821	440	-	-	440	5,702	427	271	-	698

	March 31, 2022 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-[c]20%	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-[c]20%	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	1,452	54	-	-	54	182	21	-	-	21
Asset-backed (ABS) or mortgage-backed (MBS)	1,649	77	-	-	77	937	79	-	-	79
Of foreign financial institutions	508	1	-	-	1	-	-	-	-	-
Of other foreign entities	1,344	235	-	-	235	-	-	-	-	-
Less balances classified as held-for-sale assets[f]	(1,368)	(239)	-	-	(239)	-	-	-	-	-
Total held-to-maturity bonds	3,585	128	-	-	128	1,119	100	-	-	100

(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) Balances classified as designated for sale assets - please see Note 16.B to the financial statements as of March 31, 2022.

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, 2022 (audited)									
	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- [c]20%	20%-40%[d]	Over 40%[e]	Total	Amor-tized cost	0- [c]20%	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	9,417	467	166	-	633	183	29	8	-	37
Asset-backed (ABS) or mortgage-backed (MBS)	1,541	121	14	-	135	1,715	217	80	-	297
Of foreign financial institutions	1,321	56	-	-	56	-	-	-	-	-
Of other foreign entities	320	19	-	-	19	-	-	-	-	-
Total held-to-maturity bonds	12,599	663	180	-	843	1,898	246	88	-	334

(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 Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position without Loan Loss Provision

	March 31, 2023 (unaudited)									
	Less than 12 months[(a)]					12 months or more[(b)]				
		Unrealized losses[(f)]					Unrealized losses[(f)]			
	Fair value	0- [(c)]20%	20%-40%[(d)]	Over 40%[(e)]	Total	Fair value	0- [(c)]20%	20%-40%[(d)]	Over 40%[(e)]	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	16,874	377	27	-	404	24,036	1,631	515	-	2,146
Asset-backed (ABS) or mortgage-backed (MBS)	2,036	44	-	-	44	5,069	400	142	-	542
Of others	1,990	87	2	-	89	3,128	312	56	-	368
Total available-for-sale bonds	20,900	508	29	-	537	32,233	2,343	713	-	3,056

	March 31, 2022 (unaudited)									
	Less than 12 months[(a)]					12 months or more[(b)]				
		Unrealized losses[(f)]					Unrealized losses[(f)]			
	Fair value	0- [(c)]20%	20%-40%[(d)]	Over 40%[(e)]	Total	Fair value	0- [(c)]20%	20%-40%[(d)]	Over 40%[(e)]	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	46,632	850	-	-	850	1,600	131	-	-	131
Asset-backed (ABS) or mortgage-backed (MBS)	4,570	174	-	-	174	1,805	137	-	-	137
Of others	3,403	210	-	-	210	735	81	-	-	81
Less balances classified as held-for-sale assets[(g)]	(2,530)	(265)	-	-	(265)	-	-	-	-	-
Total available-for-sale bonds	52,075	969	-	-	969	4,140	349	-	-	349

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.
(g) Balances classified as designated for sale assets - please see Note 16.B to the financial statements as of March 31, 2022.

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 without Loan Loss Provision (cont.)

	December 31, 2022 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0- [c]20%	20%-40%[d]	Over 40%[e]	Total	Fair value	0- [c]20%	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	31,823	1,741	441	-	2,182	5,240	367	61	12	440
Asset-backed (ABS) or mortgage-backed (MBS)	4,004	160	4	-	164	3,163	301	185	-	486
Of others	3,881	282	69	-	351	1,582	148	133	-	281
Total available-for-sale bonds	39,708	2,183	514	-	2,697	9,985	816	379	12	1,207

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds in an Unrealized Loss Position

	March 31, 2023 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	398	(11)	1,688	(310)	2,086	(321)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBSs)	328	(8)	1,269	(159)	1,597	(167)
Asset-backed bonds (ABS)	1,310	(25)	2,112	(73)	3,422	(98)
Total	2,036	(44)	5,069	(542)	7,105	(586)

	March 31, 2022 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	2,127	(138)	687	(61)	2,814	(199)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBSs)	994	(22)	532	(60)	1,526	(82)
Asset-backed bonds (ABS)	1,449	(14)	586	(16)	2,035	(30)
Less balances classified as held-for-sale assets[(b)]	(972)	68	-	-	(972)	68
Total	3,598	(106)	1,805	(137)	5,403	(243)

	December 31, 2022 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]	Fair value	Unrealized losses from adjust-ments to fair value[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	691	(46)	1,438	(300)	2,129	(346)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBSs)	886	(39)	755	(142)	1,641	(181)
Asset-backed bonds (ABS)	2,427	(79)	970	(44)	3,397	(123)
Total	4,004	(164)	3,163	(486)	7,167	(650)

(a) Amounts carried to the capital reserve as part of other comprehensive income, net of tax.
(b) Balances classified as designated for sale assets - For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 5 - Securities (cont.)

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

	March 31, 2023 (unaudited)			
	Amortized cost[(a)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through type held-to-maturity securities	3,075	-	(380)	2,695
Of which: GNMA-backed securities	1,820	-	(219)	1,601
Securities issued by FNMA or FHLMC	1,255	-	(161)	1,094
Other mortgage-backed bonds (including CMOs and stripped MBSs)	50	-	(1)	49
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	50	-	(1)	49
Total mortgage-backed bonds (MBS)	3,125	-	(381)	2,744
Asset-backed bonds (ABS)	242	2	-	244
Of which: Loans to other than individuals - CLO-type bonds	242	2	-	244
Total mortgage-backed held-to-maturity bonds	3,367	2	(381)	2,988

(a) Including a provision balance for credit differences in the amount of NIS 1 million.

	March 31, 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 (MBS)				
Pass-through held-to-maturity bonds	2,558	1	(151)	2,408
Of which: GNMA-backed securities	1,555	1	(88)	1,468
Securities issued by FNMA or FHLMC	1,003	-	(63)	940
Other mortgage-backed bonds (including CMOs and stripped MBSs)	25	-	(4)	21
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	25	-	(4)	21
Total mortgage-backed bonds (MBS)	2,583	1	(155)	2,429
Asset-backed bonds (ABS)	219	-	(1)	218
CLO-type bonds	219	-	(1)	218
Less balances classified as held-for-sale assets[(b)]	(22)	-	4	(18)
Total mortgage-backed held-to-maturity bonds	2,780	1	(152)	2,629

(a) Including a loan loss provision balance of NIS 4 million (of which NIS 3 million for balances classified as held-for-sale assets).

(b) Balances classified as designated for sale assets - For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 5 - Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Bonds (cont.)

	December 31, 2022 (audited)			
	Amortized cost[(a)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,968	-	(426)	2,542
Of which: GNMA-backed securities	1,807	-	(246)	1,561
Securities issued by FNMA or FHLMC	1,161	-	(180)	981
Other mortgage-backed bonds (including CMOs and stripped MBSs)	51	-	(2)	49
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	51	-	(2)	49
Total mortgage-backed bonds (MBS)	3,019	-	(428)	2,591
Asset-backed bonds (ABS)	238	-	(4)	234
Of which: Loans to other than individuals - CLO-type bonds	238	-	(4)	234
Total mortgage-backed held-to-maturity bonds	3,257	-	(432)	2,825

(a) Including a provision balance for credit differences in the amount of NIS 1 million.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds

	March 31, 2023 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,096	5	(321)	2,780
Of which: GNMA-backed bonds	1,989	4	(216)	1,777
Bonds issued by FNMA or FHLMC	1,107	1	(105)	1,003
Other mortgage-backed bonds (including CMOs and stripped MBSs)	2,143	5	(167)	1,981
Of which: bonds issued or guaranteed by GNMA, FNMA, or FHLMC	1,827	1	(160)	1,668
Total mortgage-backed bonds (MBS)	5,239	10	(488)	4,761
Asset-backed bonds (ABS)	3,994	4	(98)	3,900
Of which: Loans to other than individuals - CLO-type bonds	2,639	3	(66)	2,576
Loans to non-individuals - SBA-guaranteed securities	1,087	1	(23)	1,065
Total available-for-sale mortgage-backed and asset-backed bonds	9,233	14	(586)	8,661

	March 31, 2022 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,103	-	(199)	2,904
Of which: GNMA-backed securities	1,466	-	(86)	1,380
Securities issued by FNMA or FHLMC	1,637	-	(113)	1,524
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,822	1	(82)	1,741
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	1,437	-	(79)	1,358
Total mortgage-backed bonds (MBS)	4,925	1	(281)	4,645
Asset-backed bonds (ABS)	2,666	4	(30)	2,640
Of which: Loans to other than individuals - CLO-type bonds	1,957	3	(16)	1,944
Loans to non-individuals - SBA-guaranteed securities	552	1	(11)	542
Less balances classified as held-for-sale assets[(b)]	(1,041)	-	68	(973)
Total available-for-sale mortgage-backed and asset-backed bonds	6,550	5	(243)	6,312

(a) Amounts carried to the capital reserve as part of other comprehensive income, net, after the tax effect.
(b) Balances classified as designated for sale assets - For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds (cont.)

	December 31, 2022 (audited)			
		Accumulated other comprehensive income (loss)[a]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	2,663	1	(346)	2,318
Of which: GNMA-backed securities	1,957	1	(231)	1,727
Securities issued by FNMA or FHLMC	706	-	(115)	591
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,939	4	(181)	1,762
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	1,615	-	(174)	1,441
Total mortgage-backed bonds (MBS)	4,602	5	(527)	4,080
Asset-backed bonds (ABS)	3,751	2	(123)	3,630
Of which: Loans to other than individuals - CLO-type bonds	2,460	2	(84)	2,378
Loans to non-individuals - SBA-guaranteed securities	1,042	-	(27)	1,015
Total available-for-sale mortgage-backed and asset-backed bonds	8,353	7	(650)	7,710

(a) Amounts carried to the capital reserve as part of other comprehensive income, net, after the tax effect.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Held-for-Trading Securities

	March 31, 2023 (unaudited)			
	Amortized cost	Unrealized profits from fair value adjustments[(a)]	Unrealized losses from adjustments to fair value[(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 CMOs and stripped MBSs)	25	-	(1)	24
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	26	-	(1)	25
Total asset-backed securities (ABS)	9	-	(2)	7
Total mortgage-backed and asset-backed held-for-trading securities	35	-	(3)	32

	March 31, 2022 (unaudited)			
	Amortized cost	Unrealized profits from fair value adjustments[(a)]	Unrealized losses from adjustments to fair value[(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 CMOs and stripped MBSs)	26	-	(1)	25
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	-	-	-	-
Total mortgage-backed securities (MBS)	27	-	(1)	26
Total asset-backed securities (ABS)	11	-	(1)	10
Total mortgage-backed and asset-backed held-for-trading securities	38	-	(2)	36

(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, 2022 (audited)			
	Amortized cost	Unrealized profits from fair value adjustments[(a)]	Unrealized losses from adjustments to fair value[(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 CMOs and stripped MBSs)	25	-	(1)	24
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	-	-	-	-
Total mortgage-backed securities (MBS)	26	-	(1)	25
Total asset-backed securities (ABS)	10	-	(2)	8
Total mortgage-backed and asset-backed held-for-trading securities	36	-	(3)	33

(a) Gains (losses) carried to the income statement.

Note 5 - Securities (cont.)

Change in outstanding loan loss provision for available-for-sale bonds

	For the three months ended March 31, 2023			
	Governments and financial institutions	Asset-backed (ABS) or mortgage-backed (MBS)	Of others	Total
	In NIS million			
Balance of loan loss provision as at the beginning of the reporting period	24	-	9	33
Additions in respect of loan losses for which loan losses were not previously recorded	-	-	-	-
Amortization in respect of securities sold during the period	-	-	(7)	(7)
Net increase in current expected credit losses in respect of past loan losses	(24)	-	-	(24)
Outstanding loan loss provision as at the end of the reporting period	-	-	2	2

	For the year ended December 31, 2022[a]			
	Governments and financial institutions	Asset-backed (ABS) or mortgage-backed (MBS)	Of others	Total
	In NIS million			
Balance of loan loss provision as at the beginning of the year	-	-	-	-
Additions in respect of loan losses for which loan losses were not previously recorded	24	-	9	33
Balance of loan loss provision as at year end	24	-	9	33

a. As of January 1, 2022, for the first time, the Bank has applied new rules regarding the current expected credit losses (CECL). For more information, please see Note 1.N.1. to the financial statements as at December 31, 2022.

Note 6 - Credit Risk, Loans to the Public and Loan Loss Provision

A. Debts,[(a)] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision

	March 31, 2023 (unaudited)					
	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	229,990	-	502	230,492	111,802	342,294
Examined on a collective basis	26,482	121,923	30,239	178,644	-	178,644
Total[1]	256,472	121,923	30,741	409,136	111,802	520,938
Of which:[1]						
Non-performing debts	1,395	514	255	2,164	-	2,164
Debts in arrears of 90 days or more	74	-	74	148	-	148
Other troubled debts	3,804	18	483	4,305	-	4,305
Total troubled debts	5,273	532	812	6,617	-	6,617
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,512	-	187	3,699	22	3,721
Examined on a collective basis	658	429	533	1,620	-	1,620
Total loan loss provision[2]	4,170	429	720	5,319	22	5,341
[2]Of which:						
For non-performing debts	283	61	136	480	-	480
For other troubled debts	765	2	263	1,030	-	1,030

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

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

A. Debts,[(a)] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision (cont.)

	March 31, 2022 (unaudited)					
	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	193,631	-	397	194,028	104,914	298,942
Examined on a collective basis	43,347	107,964	28,426	179,737	1,254	180,991
Less balances classified as held-for-sale assets[(b)]	(18,844)	(50)	(293)	(19,187)	(5,643)	(24,830)
Total[1]	218,134	107,914	28,530	354,578	100,525	455,103
Of which:[1]						
Non-performing debts	2,123	518	187	2,828	-	2,828
Debts in arrears of 90 days or more	33	-	48	81	-	81
Other troubled debts	2,767	52	391	3,210	-	3,210
Less balances classified as held-for-sale assets[(b)]	(716)	-	-	(716)	-	(716)
Total troubled debts	4,207	570	626	5,403	-	5,403
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,309	-	143	3,452	43	3,495
Examined on a collective basis	769	316	538	1,623	-	1,623
Less balances classified as held-for-sale assets[(b)]	(272)	-	-	(272)	(9)	(281)
Total loan loss provision[2]	3,806	316	681	4,803	34	4,837
[2]Of which:						
For non-performing debts	517	76	150	743	-	743
For other troubled debts	430	7	116	553	-	553

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

(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. For more information, please see Note 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. 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.)

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, 2022 (audited)					
	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	213,711	-	460	214,171	95,502	309,673
Examined on a collective basis	25,902	119,720	29,975	175,597	22	175,619
Total[1]	239,613	119,720	30,435	389,768	95,524	485,292
Of which:[1]						
Non-performing debts	1,127	559	222	1,908	-	1,908
Debts in arrears of 90 days or more	31	-	44	75	-	75
Other troubled debts	3,471	67	473	4,011	-	4,011
Total troubled debts	4,629	626	739	5,994	-	5,994
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,286	-	163	3,449	54	3,503
Examined on a collective basis	571	418	548	1,537	-	1,537
Total loan loss provision[2]	3,857	418	711	4,986	54	5,040
[2]Of which:						
For non-performing debts	250	77	115	442	-	442
For other troubled debts	633	9	253	895	-	895

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

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

B. Change in Balance of Loan Loss Provision

	For the three months ended March 31, 2023 (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	4,420	419	732	5,571	54	5,625
Loan loss expenses (income)	351	13	74	438	(32)	406
Charge-offs	(95)	(2)	(134)	(231)	-	(231)
Collection of debts written off in previous years	75	-	73	148	-	148
Net charge-offs	(20)	(2)	(61)	(83)	-	(83)
Outstanding loan loss provision as at the end of the reporting period[1]	4,751	430	745	5,926	22	5,948
[1]Of which: in respect of off-balance-sheet credit instruments	581	1	25	607	-	607

	For the three months ended March 31, 2022 (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	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application[(a)]	804	(165)	22	661	26	687
Balance as at January 1, 2022	4,569	324	749	5,642	29	5,671
Loan loss expenses (income)	1	(7)	(48)	(54)	14	(40)
Charge-offs	(167)	-	(78)	(245)	-	(245)
Collection of debts written off in previous years	167	-	76	243	-	243
Net charge-offs	-	-	(2)	(2)	-	(2)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances classified as held-for-sale assets[(b)]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,299	317	699	5,315	34	5,349
[1]Of which: in respect of off-balance-sheet credit instruments	493	1	18	512	-	512

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". See Note 1.H to the financial statements as of December 31, 2022.

(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. For more information, please see Note 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Non-interest bearing deposits[c]	183,042	247,166	197,264
Interest-bearing deposits[c]	102,912	121,553	121,951
Total demand deposits	285,954	368,719	319,215
Fixed deposits	246,952	145,205	237,851
Total deposits in Israel[1]	532,906	513,924	557,066
Outside Israel			
Demand deposits			
Non-interest bearing deposits	-	15,013	-
Interest-bearing deposits	-	6,874	18
Total demand deposits	-	21,887	18
Fixed deposits	-	3,436	-
Less balances classified as held-for-sale liabilities[a]	-	(22,536)	-
Total deposits outside Israel	-	2,787	18
Total deposits by the public	532,906	516,711	557,084
Of which:[1]			
Deposits by private individuals	163,129	148,305	158,006
Deposits by institutional entities	109,872	118,674	130,685
Deposits by corporations and others	259,905	246,945	268,375

B. Deposits by the Public, by Amount

	March 31		December 31
	2023	2022[b]	2022
	Unaudited		Audited
Maximum deposit in NIS million	In NIS million		
Up to 1	122,721	118,220	119,053
Over 1 and up to 10	120,576	107,973	117,207
Over 10 and up to 100	92,552	84,010	91,492
Over 100 and up to 500	63,383	59,687	68,403
Over 500	133,674	146,821	160,929
Total	532,906	516,711	557,084

(a) For additional information, please see Note 16.B to the financial statements as of March 31, 2022.
(b) Excluding balances classified as held-for-sale liabilities in the amount of NIS 22,536 million.
(c) Reclassified.

Note 8 - Employee Benefits

A. Signing of a collective agreement

On April 16, 2023, the Bank signed a special collective agreement with the Workers' Union for 2023-2026.

Below is additional information regarding the main points of the collective agreement:

1. Annual budget for pay raises - The salary update basket for each of the years 2023-2026 will be the number of employees multiplied by NIS 723 for a manager and NIS 381 for a clerk.
   1.1. In order to motivate all Bank employees to achieve the Bank's return on equity targets in accordance with the Bank's business strategy, a mechanism was established according to which the annual salary update budget will be able to increase up to a maximum annual amount of NIS 950 per manager and NIS 500 per clerk (hereinafter - the "Maximum Amount"), subject to achieving a return on equity of at least 15 percent. A mechanism was established regarding the budget between the minimum and maximum amounts in case of a return of between 10 percent and 15 percent. In addition, a compensation mechanism - payable as a bonus rather than as a pay raise - was established for 2025-2026, in the event that there will not be an entitlement to the maximum budget but the annual inflation exceeds 3 percent. The pay raise budget will be divided differentially between those entitled to it, based on the contribution of each employee to achieving the Bank's targets (excellence indicators).
   1.2. In view of the return achieved in 2022 (17 percent) and the return expected for 2023, a pay raise will be paid at the beginning of 2023 and at the beginning of 2024 according to the maximum amount.
2. Employment period without permanent employee status - In order to increase the Bank's managerial flexibility, on the back of the changes in the banking market, the Bank may employ employees under the collective agreement without giving them permanent employee status for a period of up to 10 years gradually, according to the employee's seniority, and no more than 6 additional years.
3. In order to enable further progress in the Bank's digital-technological transformation, in accordance with the Bank's strategy, it was agreed to significantly increase the number of employees that the Bank may employ under the technological agreement, which will provide the Bank with managerial flexibility in the recruitment and management of the human capital in these areas - without giving permanent employee status.
4. On the back of the continuing transition to the use of digital tools based on data and advanced models, which creates redundancies of various positions at the Bank, an outline has been established to regulate the treatment of employees whose position has become redundant in a way that will enable the Bank to continue its accelerated streamlining trend.
5. In order to motivate the employees each year to achieve the work plan targets, at the beginning of each year, management will publish the targets for which a bonus will be paid on the basis of the annual results. To encourage excellence and a direct connection between contribution and compensation, the bonus will continue to be paid differentially according to the contribution of each employee to the Bank's success.
6. The agreement includes improved social and related benefits for the various population groups at the Bank.
7. New employees recruited to the Bank will be employed under Section 14 of the Severance Pay Law throughout their entire employment period at the Bank.
8. Management and the Workers' Union will negotiate agreements for the adoption of a new promotion format, according to the occupation of each employee (instead of seniority and hierarchy as the main considerations) and an outline for time-limited terms of office.
9. As part of the agreements and to celebrate the Bank's 120th anniversary in 2022, the Bank paid employees a special one-time bonus of NIS 10,000 per employee.

The effect of the engagement in a collective agreement is an expected decrease in the Bank's net income in 2023 by NIS 70 million, before efficiency measures taken by the Bank's management each year, which are expected to offset most of the increase. In addition, there was a one-time immaterial increase in the Bank's actuarial liabilities.

Note 8 - Employee Benefits (cont.)

B. Issuance of the option warrants

On August 16, 2022, the Bank published an outline for a securities offering to officers (other than directors or the President and CEO) and employees of the Bank group totaling up to 5,000,000.

For more information, please see Note 24.A. to the financial statements as at December 31, 2022.

On March 30, 2023, 239,502 additional option warrants, that are not listed for trading on the Tel Aviv Stock Exchange Ltd., were allocated to 13 employees of the Bank, of which 3 are senior officers at the Bank (other than directors or the President and CEO), including options out of the said amount, which shall be allocated and shall expire or for which the right of the offeree shall be revoked and shall not be exercised into shares and shall be returned to the option pool, all as detailed in the Outline.

At the vesting date of the option warrants, offerees shall be entitled to exercisable shares in an amount to be determined according to the benefit value component only. For this purpose, the “benefit value component” is the difference between the closing price of an ordinary share of the Bank on the TASE on exercise date and the exercise price. The option warrants shall vest in three equal annual tranches (each tranche shall be $33^1/_3$% of the amount of option warrants allocated to each offeree) as of the allocation date, as follows:

The first tranche shall vest after one year will have elapsed from the allocation date and shall expire 24 months later. It is clarified that the exercise of the first tranche is also subject to a lockup period and to the provisions of Section 102. The second tranche shall vest after two years will have elapsed from the allocation date and shall expire 24 months later. The third tranche shall vest after three years will have elapsed from the allocation date and shall expire 24 months later.

After the exercise of each tranche period ends, the option warrants for that tranche shall expire (if they have not expired or have not been exercised prior to that in accordance with the provisions of the option plan) and the option warrants shall not be exercisable as from that date.

The option warrants are offered to the offerees free of charge, as part of their employment terms and conditions with the Bank. The exercise price of the option warrants effectively allocated is NIS 29.53 per share, according to the average closing price in NIS of the Bank’s stock in the thirty trading days that preceded the Board of Directors’ approval for the option warrants’ allocation.

In respect of the issuance of the abovementioned option warrants, the Bank shall record payroll expenses according to the fair value of the option warrants. This expense shall be recorded in the Bank’s financial statements over the options’ vesting period.

The fair value estimate of the option warrants as of their vesting date, performed by an external appraiser according to the binomial model, is NIS 1.5 million.

The Bank received approval from the Israel Tax Authority to designate the plan as a “plan to allocate options through a trustee”, under Section 102 of the Income Tax Ordinance, using the capital gains taxation track.

Note 8 - Employee Benefits (cont.)

C. Composition of Benefits

1. Employee benefits

	As at March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay(a)			
Liability amount	17,351	18,399	17,214
Fair value of plan assets	8,654	9,240	8,816
Excess liability over plan assets	8,697	9,159	8,398
Accrued jubilee vacation leave			
Liability amount	19	26	19
Fair value of plan assets	-	-	-
Excess liability over plan assets (included in "other liabilities")	19	26	19
Other benefits			
Liability amount	524	599	513
Less balances classified as held-for-sale assets	-	(24)	-
Fair value of plan assets	-	-	-
Excess liability over plan assets	524	575	513
Total			
Excess liability included in "other liabilities"[1]	9,256	9,773	8,946
[1]Of which: for benefits to employees abroad	-	-	-
Excess assets included in "Other Assets"[2]	16	13	16
[2]Of which: for benefits to employees abroad	2	1	2

(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 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 8 - Employee Benefits (cont.)

C. 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 March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Obligation in respect of expected benefit as at the beginning of the period	17,214	21,261	21,261
Service cost	31	47	142
Interest cost	198	156	717
Contributions by planholders	6	7	27
Actuarial loss (gain)	116	(2,595)	(3,449)
Changes in foreign exchange rates	6	2	4
Paid benefits	(220)	(392)	(1,401)
Other	-	69	69
Less balances of the subsidiary in the United States that was sold[a]	-	(156)	(156)
Obligation in respect of expected benefit as at the end of the reporting period	17,351	18,399	17,214
Obligation in respect of cumulative benefit as at the end of the reporting period	16,499	17,635	16,594

(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 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

2. Change in the fair value of plan assets and plan's funding status

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million`		
Fair value of plan assets as at the beginning of the period	8,816	9,803	9,803
Actual return on plan assets[a]	(81)	(228)	(293)
Plan contributions by the Bank	15	18	248
Contributions by planholders	6	7	27
Changes in foreign exchange rates	8	2	1
Paid benefits	(110)	(261)	(869)
Other	-	69	69
Less balances of the subsidiary in the United States that was sold[b]	-	(170)	(170)
Fair value of plan assets as at the end of the reporting period	8,654	9,240	8,816
Funding status - net liability recognized at the end of the reporting period	8,697	9,159	8,398

(a) Including the effect of the transition to a paying fund in respect of the retirees. See Note 23.D to the financial statements as at December 31, 2022.

(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. For more information, please see Note 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 8 - Employee Benefits (cont.)

C. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

a. Obligation and funding status (cont.)

3. Amounts recognized in the consolidated balance sheet

	As at March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other assets" item	16	13	2
Amounts recognized in the "Other liabilities" item	8,713	9,172	8,400
Net liability recognized at the end of the reporting period	(8,697)	(9,159)	(8,398)

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

	As at March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Net actuarial loss	2,293	2,786	2,109
Closing balance of accumulated other comprehensive income	2,293	2,786	2,109

b. Expenditure for the period

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

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Service cost	31	47	142
Interest cost	198	156	717
Expected return on plan assets	(96)	(110)	(402)
Amortization of unrealized amounts - net actuarial loss	109	126	265
Total benefit cost, net	242	219	722
Total expense for defined contribution pension plan	58	49	199
Total expenses included in profit and loss	300	268	921

Note 8 - Employee Benefits (cont.)

C. 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 March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Net actuarial loss (gain) for the period	293	(2,257)	(2,754)
Amortization of unrealized amounts - net actuarial loss	(109)	(126)	(265)
Changes in foreign exchange rates	-	1	6
Less balances of the subsidiary in the United States that was sold[a]	-	-	(46)
Total recognized in other comprehensive income	184	(2,382)	(3,059)
Total benefit cost, net	242	219	722
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	426	(2,163)	(2,337)

(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 15.A to the financial statements as at December 31, 2022.

3. Assumptions[a]

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

1. The main assumptions used for calculating the benefit obligation

	As at March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In %		
Discount rate	2.12	1.20	2.06
Rate of increase in the CPI	2.75	2.63	2.67
Departure rate[b]	0-36.4	0.1-7	0-36.4
Rate of compensation increase	0-6.81	0-6.3	0-6.81

(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.

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

	As at March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In %		
Discount rate	2.06	0.55	1.45
Expected long-term return on plan assets	4.50	4.50	4.50
Rate of compensation increase	0-6.81	0-6.3	0-6.81

Note 8 - Employee Benefits (cont.)

C. Composition of Benefits (cont.)

3. Assumptions[a] (cont.)

b. The effect of a one percentage point change on the expected benefit obligation before tax effect

	Increase by one percentage point			Decrease by one percentage point		
	As at March 31		As at December 31	As at March 31		As at December 31
	2023	2022	2022	2023	2022	2022
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	(2,115)	(2,349)	(2,126)	2,590	2,885	2,609
Rate of increase in the CPI	(351)	(411)	(346)	392	458	387
Departure rate	201	246	192	(229)	(269)	(215)
Rate of compensation increase	383	445	378	(344)	(400)	(339)

(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), 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 at March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	66	89	136
Shares	1,127	1,557	1,095
Government bonds	219	351	334
Corporate bonds	504	809	579
Other[a]	6,738	6,434	6,672
Total	8,654	9,240	8,816

(a) Including the effect of the transition to a paying fund in respect of the retirees. See Note 23.D to the financial statements as at December 31, 2022.

Note 8 - Employee Benefits (cont.)

C. Composition of Benefits (cont.)

4. Plan assets (cont.)

B. Fair value of plan assets by type of asset and allocation target for 2023

	Allocation target	Percentage of plan assets		
	As at December 31	As at March 31		As at December 31
	2023	2023	2022	2022
	Unaudited		Audited	
	In %			
Cash and deposits with banks	1	1	1	2
Shares	13	13	17	12
Government bonds	2	3	4	4
Corporate bonds	8	6	9	7
Other	76	77	69	75
Total	100	100	100	100

5. Cash flows

a. Contributions

	Forecast[(a)]	For the three months ended March 31		For the year ended December 31
	2023	2023	2022	2022
	Unaudited		Audited	
	In NIS million			
Contributions	63	21	25	275

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2023.

B. Benefits the Bank expects to pay in the future[(a)]

Year	In NIS million
2023	614
2024	857
2025	765
2026	818
2027	820
2028-2032	4,827
2033 and onwards	13,762
Total	22,463

(a) In discounted values.

Note 9A - Equity

Changes in the Bank's Equity

Allocation of option warrants

For details regarding the expiration and issuance of option warrants not listed for trading to employees and officers of the Bank, please see Note 8.B.

Treasury shares of the Bank

As of the reporting date, the Bank owns 71,824,258 treasury shares.

The Bank's share buyback plan

On May 22, 2023, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 800 million, from May 24, 2023 until the earlier of May 15, 2024 or until the total buyback amount has been reached.

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

Stage A will begin on May 24, 2023 and will end on the earlier of (a) August 2, 2023; or (b) Buyback of the Bank's shares in the amount of NIS 300 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage B on the second trading day following the publication date of the first financial statements after the decision to go forward with Stage B has been made. In such a case, Stage B will end on the earlier of: (a) November 2, 2023; or (b) Completion of the Bank's share buyback in the amount of NIS 300 million. After the completion of Stage B, if the Bank decides to proceed to Stage C, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage C on the second trading day following the publication of the first financial statements after the decision to go forward with Stage C has been made. In such a case, Stage C will end on the earlier of: (a) May 15, 2024; or (b) Purchase of the Bank's shares in the amount of NIS 800 million, less the total amount purchased as part of Stage A and Stage B. If, following the completion of Stage A or Stage B, a decision will be made not to proceed with Stage B or Stage C, *mutatis mutandis*, the Bank will publish an immediate report to that effect.

Approval of the Banking Supervision Department to carry out the buyback plan, as required under Proper Conduct of Banking Business Directive No. 332, was received on May 17, 2023, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 capital ratio of at least 10.9 percent.

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

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. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans as of the dates of the financial statements, excluding housing loans for which an expedient was granted during the temporary order term for dealing with the coronavirus crisis.

Note 9A – Equity (cont.)

Changes in the Bank's Equity (cont.)

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). As at March 31, 2023, the additional capital requirement for housing loans is 0.21 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as at March 31, 2023 are 10.21 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

Regarding the leverage ratio, according to the temporary order, a banking corporation whose total consolidated assets constitute at least 24 percent of the Israeli banking system’s total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent previously). On May 15, 2022, a circular amending the temporary order was published, according to which the easement shall be extended until December 31, 2023. A corporation which will utilize the easement until that date will be required to once again meet the required leverage ratio that was in place prior to the temporary order in two quarters’ time, by June 30, 2024. It was also determined that taking advantage of the easement shall not prevent the distribution of dividends, subject to an total capital planning aimed at reverting to the required leverage ratio.

Note 9A - Equity (cont.)

Dividend Distribution Policy

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

On May 22, 2023, the Board of Directors approved a dividend distribution in the amount of approx. NIS 294 million, which constitutes approx. 30 percent of the net income for the first quarter of 2023; the dividend amount approved for each NIS 1 p.v. share constitutes approx. 19.07 agorot. The final dividend amount per share is subject to changes due to the share buyback plan. The Board of Directors set June 7, 2023 as the record date for dividend payment purposes and June 15, 2023 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 24, 2022	June 15, 2022	22.14	322
August 16, 2022	September 6, 2022	25.82	399
November 29, 2022	December 19, 2022	23.08	356
March 14, 2023	April 4, 2023	45.20	698

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. On May 18, 2023, the Israel Securities Authority extended the period for offering securities under the shelf prospectus to May 26, 2024.

On January 18, 2023, the Bank issued a total of USD 500 million p.v. in “green” Subordinated Notes (Series Leumi $ 2033). The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

The Subordinated Notes (Series Leumi $ 2033) are repayable in one payment, after 10 years and six months from their issuance date, where the Bank has the option of early redemption in the period from 5 years and three months to 5 years and six months from the issuance date, subject to certain conditions.

The Subordinated Notes (Series Leumi $ 2033) bear fixed annual interest at a rate of 7.129 percent per year, which will be paid in semi-annual payments. Until July 18, 2028. On that date, if early redemption has not been made, the interest rate will be updated in accordance with the government yield in the United States on the same date plus the spread agreed in the issuance, as detailed in the issuance documents.

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 Subordinated Notes (Series Leumi $ 2033) will be converted into 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 (translated into USD according to the rate on that date), or according to the set minimum rate (USD 4.21053, subject to adjustments), the highest of the two.

The Subordinated Notes (Series Leumi $ 2033) are eligible for inclusion in Tier 2 capital from the dates of their issuance.

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

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. This calculation is implemented from the financial statements for the period ended June 30, 2016 to the financial statements for the period ended June 30, 2022.

On September 5, 2022, the Bank's Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to change the manner in which pension liabilities are measured for regulatory capital purposes. According to the new measurement method, each quarter, the Bank will calculate the change in the pension liabilities resulting from changes in the discount interest rate, net of the change in the value of assets pre-designated to hedge these liabilities. The change in the net pension liabilities, after tax, will be spread in a linear fashion, over four quarters, as of the quarter for which the calculation had been made. The new method will be implemented starting on July 1, 2022 and will be in effect until the earlier of the two: a) The financial statements as at December 31, 2029 (inclusive) or b) The reporting date on which the average pension liabilities across the last four quarters will be lower than NIS 10 billion, linked to the CPI (from the known CPI as of July 1, 2022 to the known CPI on the relevant reporting date). At the same time, the Banking Supervision Department revoked its approval to measure the pension liabilities for regulatory capital purposes according to a moving average of market yields for a period of eight quarters ended on the relevant reporting date, which was in effect as of the financial statements as at June 30, 2016.

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 17,749 million and the Common Equity Tier 1 capital - to NIS 50,205 million, compared with a book value of NIS 17,676 million for the pension liability and Common Equity Tier 1 capital of NIS 49,157 million.

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

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at March 31, 2023:

- Change in total risk-weighted assets – risk-weighted assets amounted to NIS 447.2 billion as at March 31, 2023. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio and total capital ratio by 0.03 percent.
- Change in Common Equity Tier 1 - as of March 31, 2023, Common Equity Tier 1 totals NIS 50.2 billion. A decrease of NIS 100 million in the Common Equity Tier 1 capital will reduce the CET1 capital ratio by approx. 0.02 percent.

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

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
a. Data			
Capital for capital ratio calculation purposes			
CET1 capital, after regulatory capital deductions and adjustments[(b)(d)]	**50,205**	42,563	48,797
Tier 2 capital, after deductions	**14,428**	10,903	12,020
Total capital	**64,633**	53,466	60,817
Balance of risk-weighted assets			
Credit risk[(b)(e)(f)]	**413,535**	365,454	392,658
Market risks	**5,778**	6,178	6,610
Operational risk	**27,907**	23,147	26,375
Total balance of risk-weighted assets	**447,220**	394,779	425,643
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.23%**	10.78%	11.46%
Ratio of total capital to risk-weighted assets	**14.45%**	13.54%	14.29%
Minimum CET1 capital ratio set by the Banking Supervision Department[(a)]	**10.21%**	10.19%	10.21%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**13.50%**	13.50%	13.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted assets		13.02%	
Ratio of total capital to risk-weighted assets		13.88%	
Minimum CET 1 capital set by the local authorities[(c)]		7.00%	
Minimum total capital ratio set by the local authorities[(c)]		10.50%	

(a) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of March 31, 2023 are 10 percent and 13.5 percent, respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. For more information about the temporary order for addressing the coronavirus crisis, please see Note 9A above.

(b) These data include adjustments in respect of the effect of first-time application of GAAP for expected loan losses, which are gradually reduced until December 31, 2024. For more information regarding the adjustments for current expected credit losses, please see Section D below.

(c) 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.

(d) In the capital ratio calculations, adjustments in respect of the implementation of the new measurement method relating to certain actuarial liabilities were taken into account. For more information regarding the effect of the transition to the new method, please see the section entitled "Volatile Capital Components" above.

(e) Credit risk was calculated after implementing the revisions to Proper Conduct of Banking Business Directives 203 and 203A, "Measurement and Capital Adequacy - the Standardized Approach - Credit Risk". The comparative figures as of March 31, 2023 were not restated.

(f) Credit risk was calculated after implementing the circular for revisions to Proper Conduct of Banking Business Directive 203, "Measurement and Capital Adequacy - the Standardized Approach - Credit Risk".

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

C. Capital Components for Calculation of Capital Ratios

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	**49,791**	42,433	49,438
Differences between shareholders' equity and Common Equity Tier 1 capital - non-controlling interests	**-**	285	-
Adjustments in respect of the transition from the accounting curve to the regulatory curve[(a)]	**190**	(357)	190
Total CET1 capital before regulatory adjustments and deductions	**49,981**	42,361	49,628
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(33)**	(207)	(1,205)
Deferred taxes receivable	**-**	(47)	-
Regulatory adjustments and other deductions - CET1 capital	**(24)**	(30)	(35)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for CECL - CET1 capital	**(57)**	(284)	(1,240)
Total adjustments for the efficiency plan	**41**	135	49
Total adjustments for current expected credit losses[(b)]	**240**	351	360
Total CET1 capital, after regulatory adjustments and deductions	**50,205**	42,563	48,797
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**9,421**	6,678	7,547
Tier 2 capital: Provisions for loan losses, before deductions	**5,007**	4,225	4,473
Total Tier 2 capital before deductions	**14,428**	10,903	12,020
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**14,428**	10,903	12,020
Total capital	**64,633**	53,466	60,817

(a) In the capital ratio calculations, adjustments in respect of the implementation of the new measurement method relating to certain actuarial liabilities were taken into account. For more information regarding the effect of the transition to the new method, please see the section entitled "Volatile Capital Components" above.

(b) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For more information regarding the adjustments for current expected credit losses, please see Section D below.

Comment: The total capital ratio is calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, and 299 regarding "capital measurement and capital adequacy", which became effective on January 1, 2014.

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

D. Effect of the Adjustments on the CET1 Capital Ratio

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	In %		
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted components, before the effect of adjustments for the efficiency plan and prior to the effects of adjustments for expected loan losses	**11.14%**	10.71%	11.29%
Adjustments in respect of the Efficiency Plan[(a)(b)]	**0.01%**	0.03%	0.01%
Adjustments for current expected credit losses[(c)]	**0.05%**	0.04%	0.09%
Adjustments in respect of high-risk loans for the purchase of land	**0.03%**		0.07%
Ratio of CET1 capital to risk-weighted assets	**11.23%**	10.78%	11.46%

(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 more information, please see Note 1.X.1 to the financial statements as of December 31, 2022.

E. Leverage ratio pursuant to the Banking Supervision Department's directives

On April 28, 2015, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio". The directive sets a simple, transparent and non-risk based leverage ratio to serve as a supplementary and reliable measure for risk-based capital requirements, with the purpose of limiting excess leverage in banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio between capital measurement and exposure measurement. As defined in Proper Conduct of Banking Business Directive No. 202, Tier 1 capital is used for calculating the leverage ratio, taking into account the transitional provisions. A bank's total exposure is the sum of its balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and to off-balance-sheet items. As a rule, the measurement is consistent with the accounting values, and no risk-weighting is applied. In addition, unless specifically permitted to do so under the Directive, the Bank may not use physical or financial collaterals, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive No. 202) are deducted from the exposure measurement. Pursuant to the Directive, the Bank calculates the exposure to derivatives according to of Proper Conduct of Banking Business Directive No. 203, and the exposures for off-balance-sheet items - by converting the items' notional amount by credit conversion coefficients, as stipulated in Proper Conduct of Banking Business Directive No. 203.

Pursuant to the Directive, banking corporations shall have a consolidated leverage ratio of no less than 5 percent. A banking corporation whose total consolidated assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 6 percent. Thus, the Bank is required to have a minimum leverage ratio of 6 percent.

On November 15, 2020, the Bank of Israel published a circular outlining further amendments to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). The circular sets adjusts Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio", such that a banking corporation whose consolidated on-balance sheet assets is 24 percent or more than the total on-balance sheet assets of the banking system, shall comply with a leverage ratio of no less than 5.5 percent; according to the above, the minimum leverage ratio the Bank is required to meet is 5.5 percent. For more information about the temporary order for addressing the coronavirus crisis, please see Note 9A. Above.

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 an total capital planning aimed at reverting to the required leverage ratio.

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

	As at March 31		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
a. Consolidated data[a][b]			
Tier 1 capital	**50,205**	42,563	48,797
Total exposures[c]	**756,692**	720,542	766,895
Leverage ratio			
Leverage ratio	**6.63%**	5.91%	6.36%
Minimum total leverage ratio set by the Banking Supervision Department	**5.50%**	5.50%	5.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Leverage ratio		11.23%	
Minimum total leverage ratio set by the Banking Supervision Department		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, in the calculation of the leverage ratio, adjustments in respect of the implementation of the new measurement method relating to certain actuarial liabilities were taken into account. For additional details regarding the effect of the transition to the new method, see Section C above.
(b) The data include adjustments in respect of CECL, in accordance with the directives of the Banking Supervision Department.
(c) Total exposures were calculated after implementing the revisions to Proper Conduct of Banking Business Directive 218, "Leverage Ratio", following the revision of Directives 203 and 203A, "Measurement and Capital Adequacy - the Standardized Approach - Credit Risk". Comparative results were not restated.

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.)

	For the three months ended		
	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	Average in %		
a. Consolidated data			
Liquidity coverage ratio	**128**	120	131
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**125**	118	129
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100	100

The Bank is in compliance with the regulatory requirements as of March 31, 2023.

G. Stable funding ratio in accordance with the directives of the Banking Supervision Department

As of the financial statements dated December 31, 2021, the Bank is reporting the Net Stable Funding Ratio (NSFR) Directive No. 222, which is based on a publication of the Basel Committee. The NSFR is aimed at improving the resilience of banking corporations' liquidity risk profile in the long term, by requiring them to maintain a stable financing profile according to the composition of their assets and their off-balance-sheet activities. The ratio prevents banking corporations from over-reliance on short-term wholesale financing. The measurement is made both on the consolidated and separate levels each quarter; the requirement is to meet a 100 percent ratio..

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	In %		
a. Consolidated data			
Net stable funding ratio	**118**	127	128
Minimum net stable funding ratio set by the Banking Supervision Department	**100**	100	100

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent Liabilities and Other Special Commitments

	March 31		December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Commitments to purchase securities	**1,085**	672	1,060
Commitments to invest in, and purchase of, buildings and equipment	**119**	182	44

	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Credit sale activity			
Book balance of sold loans	-	422	505
Cash proceeds	-	437	562
Total net income on sale of loans	-	15	57

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, 2022 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, 2022 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 amount of 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, is approx. NIS 245 million.

Following are the changes in material claims reported in Note 26 to the Annual Financial Statements of the Bank as at December 31, 2022:

1. On July 22, 2015, a motion for class certification was filed against the Bank. According to the applicant, the Bank's reporting to the Execution Office regarding amounts paid directly to the Bank on account of debt in respect of which a collection procedure is being conducted by the Execution Office, is delayed by the bank and, as a result, a difference allegedly arises between the actual amount of debt and the debt amount recorded in the Execution Office file. The applicant estimated the amount of the class action at millions of shekels. On March 14, 2023, the court approved a request agreed between the parties for the withdrawal of the applicant from the claim and, as a result, the class action lawsuit was deleted and the personal claim of the applicant was rejected.

Note 10 - Contingent Liabilities and Special Commitments (cont.)

2. On November 24, 2020, a motion for class certification was filed with the Jerusalem District Court against the Bank and against six other banks. According to the lawsuit, the banks have violated the Credit Information Service Law, 2016 and the regulations thereunder, by reporting to the Central Credit Register legal proceedings against customers, contrary to the provisions of the law and in a manner that damaged the customers' ability to obtain credit and compromised their privacy and reputation. The plaintiffs did not state an assessment for the class and claimed a monetary damage that varies among class members, as well as non-monetary damage. On March 26, 2023, the court approved a settlement in this procedure, which ended the class action.

C. Contingent Liabilities and Miscellaneous Commitments

On February 1, 2023, a decision was received from the Committee for the Imposition of a Monetary Sanction regarding Banking Corporations according to the Prohibition on Money Laundering Law, 2000, regarding the imposition of a financial sanction in the amount of approx. NIS 1.8 million in connection with two technological malfunctions that occurred at Pepper in 2021, which affected the accessibility and completeness of the identification process documentation, which constitutes part of the process for opening accounts in a certain period. It should be noted that the malfunction did not and could not cause harm of any kind to customers, or exposure of information in their regard. It should be noted that Pepper acted long ago to fix the malfunctions. The financial sanction was paid in full.

D. Other proceedings

On February 28, 2023, a petition for a mandatory injunction was submitted to the Tel Aviv District Court (Economic Department) for discovery and review of documents. The applicant is petitioning for the discovery of various documents relating to the compensation paid to the Bank's officers, in order to examine the filing of a derivative claim on behalf of the Bank against senior officers and employees at the Bank in connection with the compensation granted to the Bank's officers in apparent violation of the Compensation for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes in Respect to Exceptional Compensation), 2016 and Proper Conduct of Banking Business Directives 301 and 301A.

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

A. Volume of Consolidated Activity

	March 31, 2023 (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	3,188	74,505	77,693
Written options	2,082	44	2,126
Purchased options	-	600	600
Swaps[(a)]	55,184	372,291	427,475
Total[(b)]	60,454	447,440	507,894
Of which: Hedging derivatives[(c)]	9,836	-	9,836
b) Foreign currency contracts			
Futures and forwards[(d)]	64,691	315,415	380,106
Written options	999	19,527	20,526
Purchased options	999	20,456	21,455
Swaps[(a)]	3,796	21,513	25,309
Total	70,485	376,911	447,396
c) Stock contracts			
Futures and forwards	691	146,740	147,431
Written options	638	85,428	86,066
Purchased options[(e)]	655	85,246	85,901
Other	7		7
Swaps	251	137,754	138,005
Total	2,242	455,168	457,410
d) Commodities and other contracts			
Futures and forwards	-	11,623	11,623
Written options	-	72	72
Purchased options	-	71	71
Swaps	-	4,127	4,127
Total	-	15,893	15,893
Total nominal amount	133,181	1,295,412	1,428,593

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 205,500 million.
(b) Of which: NIS-CPI swaps totaling NIS 16,097 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 17,993 million.
(e) Of which: a total of NIS 85,204 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	March 31, 2022 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	8,764	30,367	39,131
Written options	1,270	1,594	2,864
Purchased options	-	863	863
Swaps[(a)]	30,112	252,445	282,557
Total[(b)]	40,146	285,269	325,415
Of which: Hedging derivatives[(c)]	6,821	-	6,821
b) Foreign currency contracts			
Futures and forwards[(d)]	62,832	287,664	350,496
Written options	1,173	24,564	25,737
Purchased options	1,173	25,464	26,637
Swaps[(a)]	159	17,215	17,374
Total	65,337	354,907	420,244
c) Stock contracts			
Futures and forwards	386	167,536	167,922
Written options	1,166	52,787	53,953
Purchased options[(e)]	793	52,812	53,605
Other	7	-	7
Swaps	467	104,622	105,089
Total	2,819	377,757	380,576
d) Commodities and other contracts			
Futures and forwards	-	6,341	6,341
Written options	-	268	268
Purchased options	-	267	267
Swaps	-	6,910	6,910
Total	-	13,786	13,786
Total nominal amount	108,302	1,031,719	1,140,021

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 145,938 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,642 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 34,048 million.
(e) Of which: a total of NIS 52,708 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31, 2022 (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	7,227	45,758	52,985
Written options	1,218	341	1,559
Purchased options	-	-	-
Swaps[(a)]	48,246	339,761	388,007
Total[(b)]	56,691	385,860	442,551
Of which: Hedging derivatives[(c)]	7,681	-	7,681
b) Foreign currency contracts			
Futures and forwards[(d)]	65,645	246,012	311,657
Written options	983	15,908	16,891
Purchased options	983	16,256	17,239
Swaps[(a)]	1,935	21,123	23,058
Total	69,546	299,299	368,845
c) Stock contracts			
Futures and forwards	694	169,363	170,057
Written options	629	66,708	67,337
Purchased options[(e)]	484	66,569	67,053
Other	7	-	7
Swaps	244	116,267	116,511
Total	2,058	418,907	420,965
d) Commodities and other contracts			
Futures and forwards	-	10,151	10,151
Written options	-	175	175
Purchased options	-	173	173
Swaps	-	3,939	3,939
Total	-	14,438	14,438
Total nominal amount	128,295	1,118,504	1,246,799

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 186,539 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,137 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 10,150 million.
(e) Of which: a total of NIS 66,368 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	March 31, 2023 (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	976	7,881	8,857	1,039	7,872	8,911
Of which: Hedging derivatives	752	-	752	82	-	82
b) Foreign currency contracts	256	7,960	8,216	153	6,358	6,511
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	60	9,504	9,564	27	9,837	9,864
d) Commodities and other contracts	-	337	337	-	337	337
Total assets/liabilities for derivatives, gross(a)	1,292	25,682	26,974	1,219	24,404	25,623
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,292	25,682	26,974	1,219	24,404	25,623
Of which: Not subject to a master netting - or similar arrangements	-	2,795	2,795	-	621	621

(a) Of which: NIS 15 million in gross fair value of assets in respect of embedded derivatives, NIS 22 million in gross fair value of liabilities in respect of embedded derivatives.

	March 31, 2022 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	556	3,543	4,099	499	3,720	4,219
Of which: Hedging derivatives	341	-	341	79	-	79
b) Foreign currency contracts	270	4,085	4,355	65	4,410	4,475
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	62	10,933	10,995	56	11,183	11,239
d) Commodities and other contracts	-	627	627	-	623	623
Total assets/liabilities for derivatives, gross(a)(b)	888	19,188	20,076	620	19,936	20,556
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	888	19,188	20,076	620	19,936	20,556
Of which: Not subject to a master netting - or similar arrangements	10	528	538	31	566	597

(a) Of which: NIS 21 million in gross fair value of assets in respect of embedded derivatives, NIS 23 million in gross fair value of liabilities in respect of embedded derivatives.

(b) Of which: NIS 58 million in gross fair value of assets in respect of held-for-sale derivative instruments, NIS 88 million in gross fair value of liabilities in respect of held-for-sale derivative instruments. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31, 2022 (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	1,159	8,292	9,451	870	8,357	9,227
Of which: Hedging derivatives	878	-	878	85	-	85
b) Foreign currency contracts	259	7,206	7,465	47	4,809	4,856
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	25	9,470	9,495	56	8,946	9,002
d) Commodities and other contracts	-	242	242	-	241	241
Total assets/liabilities for derivatives, gross(a)	1,443	25,210	26,653	973	22,353	23,326
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,443	25,210	26,653	973	22,353	23,326
Of which: not subject to a master netting- or similar arrangements	-	1,553	1,553	-	472	472

(a) Of which: NIS 15 million in gross fair value of assets in respect of embedded derivatives, NIS 15 million in gross fair value of liabilities in respect of embedded derivatives.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges

1. Effect of hedge accounting of cash flows on accumulated other comprehensive income (loss)

	For the three months ended March 31, 2023	
	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)]	(7)	2

	For the three months ended March 31, 2022	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Unaudited	
	In NIS million	
a. Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(74)	2

	For the year ended December 31, 2022	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Audited	
	In NIS million	
a. Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(14)	11

(a) Profit (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expense) line item or in the noninterest finance income (expenses) line item according to the line item in which the effect of the hedged item is presented.

(b) Represents amounts included in the hedge effectiveness assessment.

(c) The Bank designates certain derivatives as hedging instruments of cash flows - derivatives hedging an exposure to changes in cash flows from given loans. The effect of hedges is expected to lower the exposure to the given loans.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges (cont.)

2. Effect of fair value hedge accounting on profit (loss)

	For the three months ended March 31, 2023
	Unaudited
	In NIS million
Total interest income (expenses) recognized in the income statement	32
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[a]	
Hedged items	165
Hedging derivatives	(131)
b. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	(2)

	For the three months ended March 31, 2022
	Unaudited
	In NIS million
Total interest income (expenses) recognized in the income statement	(17)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[a]	
Hedged items	(315)
Hedging derivatives	300
b. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	(2)

	For the year ended December 31, 2022
	Audited
	In NIS million
Total interest income (expenses) recognized in the income statement	(4)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[a]	
Hedged items	(800)
Hedging derivatives	807
b. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	(11)

(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 at fair value hedges

	As at March 31, 2023 (unaudited)		
	Book value	Adjustments of cumulative fair value which affected 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	5,302	(766)	1
Subordinated bonds	(3,594)	52	-

	As at March 31, 2022 (unaudited)		
	Book value	Adjustments of cumulative fair value which affected 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	4,971	(333)	15
Subordinated bonds	-	-	-

	For the year ended December 31, 2022 (audited)		
	Book value	Adjustments of cumulative fair value which affected 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	4,931	(887)	1
Subordinated bonds	(1,720)	69	-

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 operations on accumulated other comprehensive income (loss) and on the income statement

	For the three months ended March 31, 2023	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[a]
	Unaudited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	(84)	-

	For the three months ended March 31, 2022	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[a]
	Unaudited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	(44)	-

	For the year ended December 31, 2022	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[a]
	Audited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	(306)	-

(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 March 31, 2023
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	(401)
Foreign exchange contracts	1,453
Stock contracts	86
Commodity- and other contracts	-
Total	1,138

	For the three months ended March 31, 2022
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	(50)
Foreign exchange contracts	1,299
Stock contracts	19
Commodity- and other contracts	-
Total	1,268

	For the year ended December 31, 2022
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Audited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	(256)
Foreign exchange contracts	7,819
Stock contracts	76
Commodity- and other contracts	2
Total	7,641

(a) Included in the noninterest finance income (expenses) line item.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk for Derivatives by Contract Counterparty

	March 31, 2023 (unaudited)[i]						
	Stock exchanges	Banks	Dealers/brokers	Governments and central banks	Institutional entities	Other	Total
	In NIS million						
Book balance of assets in respect of derivatives[a][b]	234	6,316	11,299	1	6,384	2,740	26,974
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	3,906	8,248	1	2,357	943	15,455
Credit risk mitigation in respect of cash collateral received	-	1,749	2,297	-	2,842	277	7,165
Total net book balance of assets in respect of derivatives[f]	234	661	754	-	1,185	1,520	4,354
Adjustment of book balance, net to on-balance-sheet credit risk[g]	-	(59)	(6)	-	(259)	244	(80)
Total on-balance-sheet credit risk for derivatives	234	602	748	-	926	1,764	4,274
Net off-balance-sheet credit risk for derivatives[h]	947	9,781	16,610	54	6,625	3,458	37,475
Total credit risk for derivatives	1,181	10,383	17,358	54	7,551	5,222	41,749
Book balance of liabilities in respect of derivatives[a][c]	235	5,321	9,681	159	8,251	1,976	25,623
Gross amounts not netted on the balance sheet:							
Financial instruments	-	3,906	8,248	1	2,357	943	15,455
Pledged cash collateral	-	1,123	975	136	3,640	-	5,874
Net amount of liabilities in respect of derivatives	235	292	458	22	2,254	1,033	4,294

	March 31, 2022 (unaudited)[i]						
	Stock exchanges	Banks	Dealers/brokers	Governments and central banks	Institutional entities[j]	Other[j]	Total
	In NIS million						
Book balance of assets in respect of derivatives[a][b]	352	6,239	9,056	149	3,095	1,185	20,076
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	2,812	4,040	14	2,122	650	9,638
Credit risk mitigation in respect of cash collateral received	-	3,135	4,999	82	400	-	8,616
Net amount of assets in respect of derivatives	352	292	17	53	573	535	1,822
Off-balance-sheet credit risk for derivatives[d][e]	572	6,654	7,857	109	10,334	2,020	27,546
Mitigation of off-balance sheet credit risk	-	2,121	2,291	6	5,640	936	10,994
Net off-balance sheet credit risk for derivatives	572	4,533	5,566	103	4,694	1,084	16,552
Total credit risk for derivatives	924	4,825	5,583	156	5,267	1,619	18,374
Book balance of liabilities in respect of derivatives[a][c]	192	3,248	4,866	14	10,566	1,670	20,556
Gross amounts not netted on the balance sheet:							
Financial instruments	-	2,812	4,040	14	2,122	650	9,638
Pledged cash collateral	-	264	647	-	7,107	33	8,051
Net amount of liabilities in respect of derivatives	192	172	179	-	1,337	987	2,867

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, 2022 (audited)[i]						
	Stock exchanges	Banks	Dealers/brokers	Governments and central banks	Institutional entities	Other	Total
	In NIS million						
Book balance of assets in respect of derivatives[a][b]	224	4,342	9,204	14	10,752	2,117	26,653
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	3,671	8,951	14	2,049	861	15,546
Credit risk mitigation in respect of cash collateral received	-	626	237	-	8,010	159	9,032
Total net book balance of assets in respect of derivatives[f]	224	45	16	-	693	1,097	2,075
Adjustment of book balance, net to on-balance-sheet credit risk[g]	1	(9)	26	-	(117)	136	37
Total on-balance-sheet credit risk for derivatives	225	36	42	-	576	1,233	2,112
Net off-balance-sheet credit risk for derivatives[h]	912	11,903	15,089	44	5,733	3,055	36,736
Total credit risk for derivatives	1,137	11,939	15,131	44	6,309	4,288	38,848
Book balance of liabilities in respect of derivatives[a][c]	170	7,199	11,709	120	2,487	1,641	23,326
Gross amounts not netted on the balance sheet:							
Financial instruments	-	3,671	8,951	14	2,049	861	15,546
Pledged cash collateral	-	3,352	2,611	89	284	-	6,336
Net amount of liabilities in respect of derivatives	170	176	147	17	154	780	1,444

(a) The Bank did not apply netting agreements.
(b) Of which the carrying amount of standalone assets in respect of derivatives totaling NIS 26,959 million (as at March 31, 2022 - NIS 20,055 million; as at December 31, 2022 - NIS 26,638 million).
(c) Of which the carrying amount of standalone liabilities in respect of derivatives totaling NIS 25,601 million (as at March 31, 2022 - NIS 20,533 million; as at December 31, 2022 - NIS 23,311 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).
(f) Book balance of assets for derivatives after offsetting fair value and collateral amounts that meet the offsetting guidance, in accordance with the circular regarding offsetting assets and liabilities.
(g) The difference 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 indebtedness limitations, after credit risk mitigation, and the total of: the net book balance of assets for the derivatives and off-balance-sheet credit risk.
(h) 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 on-balance sheet credit risk for the borrower's derivatives.
(i) On balance-sheet credit risk and off-balance-sheet credit risk, as revised in the Reporting to the Public Directives, in a circular dated July 24, 2022, following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative results were not restated.
(j) Restated.

Comments:

1. No credit losses were recognized in respect of derivatives in the three-month periods ended March 31, 2023, March 31, 2022 and the year ended December 31, 2022.
2. The effect of the counterparty credit risk and the effect of deferred gains at the transaction execution date on the valuation of assets for derivatives as at March 31, 2023, March 31, 2022 and December 31, 2022 was NIS 271 million, NIS 188 million and NIS 225 million, respectively.
   The effect of the non-performance risk on the valuation of assets for derivatives as at March 31, 2023, March 31, 2022 and December 31, 2022 was NIS 19 million, NIS 30 million and NIS 21 million, respectively.

Note 11 - Derivative Activity - Scope, Credit Risks and Maturity Dates (cont.)

D. Breakdown of Settlement Dates - Par Value: Balances

	March 31, 2023 (unaudited)				
	Up to three months	Over three months and up to one year	More than one year and up to five years	Over five years	Total
	In NIS million				
Interest rate contracts:					
NIS-CPI	2,715	4,195	5,886	3,301	16,097
Other	72,271	164,345	176,777	78,404	491,797
Foreign exchange contracts	281,636	129,255	28,358	8,147	447,396
Stock contracts	301,838	154,208	1,364	-	457,410
Commodity- and other contracts	490	12,712	2,691	-	15,893
Total	658,950	464,715	215,076	89,852	1,428,593
Total as at March 31, 2022 (unaudited)	595,833	290,939	176,166	77,083	1,140,021
Total as at December 31, 2022 (audited)	547,407	414,986	200,678	83,728	1,246,799

Note 12A - Regulatory Operating Segments

Information on regulatory operating segments - consolidated

	For the three months ended March 31, 2023 (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	2,160	1,584	18	4
Interest expense from external	443	-	-	197
Interest income, net:				
From external	1,717	1,584	18	(193)
Inter-segmental	(324)	(1,201)	(1)	300
Total interest income, net	1,393	383	17	107
Total noninterest income	337	11	130	40
Total income	1,730	394	147	147
Loan loss expenses (income)	87	13	18	-
Operating and other expenses:				
For external	632	91	58	22
Inter-segmental	-	-	-	-
Total operating and other expenses	632	91	58	22
Profit (loss) before taxes	1,011	290	71	125
Provision for income taxes (benefit)	351	100	25	43
Profit (loss) after taxes	660	190	46	82
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	660	190	46	82
Net income (loss) attributable to the Bank's shareholders	660	190	46	82
Average balance of assets[(b)]	149,965	119,996	3,979	392
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	150,715	120,317	4,011	385
Outstanding loans to the public as at the end of the reporting period	152,642	121,697	4,624	376
Outstanding non-performing debts	769	514	3	-
Outstanding debts in arrears of over 90 days	74	-	-	-
Average outstanding liabilities[(b)]	130,112	54	14	30,239
Of which: Average balance of deposits by the public[(b)]	129,987	-	-	30,237
Balance of deposits by the public as at the end of the reporting period	131,993	-	-	31,136
Average balance of risk-weighted assets[(b)(c)]	99,971	73,938	3,640	662
Balance of risk-weighted assets as at the end of the reporting period[(c)]	101,582	75,362	3,847	720
Average balance of assets under management[(b)(d)]	58,596	1,719	-	46,466
Breakdown of interest income, net:				
Spread from granting loans to the public	685	383	17	9
Margin from deposit taking from the public	708	-	-	98
Other	-	-	-	-
Total interest income, net	1,393	383	17	107

(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 18.8 billion to customers whose business activity is classified to business segments.
(f) Including the impairment loss from the investment in Valley shares in the amount of NIS 1.1 billion. For more information, please see Note 16.A.

Comment: Operating segments are reported according to the format and classifications prescribed by the Reporting to the Public Directives of the Banking Supervision Department, as detailed in Note 29A to the Financial statements as at December 31, 2022.

							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
1,045	591	1,700	29	1,928	-	7,457	115	7,572
512	437	743	906	406	-	3,644	-	3,644
533	154	957	(877)	1,522	-	3,813	115	3,928
463	367	(230)	1,060	(1,578)	8	66	(66)	-
996	521	727	183	(56)	8	3,879	49	3,928
247	99	212	49	83	(2)	1,065	6	1,071
1,243	620	939	232	27	6	4,944	55	4,999
227	(22)	123	(8)	(6)	-	401	5	406
370	101	122	52	69	225	1,593	36	1,629
-	-	-	2	3	(5)	-	-	-
370	101	122	54	72	220	1,593	36	1,629
646	541	694	186	(39)	(214)	2,950	14	2,964
224	186	240	65	(56)	(167)	886	3	889
422	355	454	121	17	(47)	2,064	11	2,075
-	-	-	-	(1,094)[f]	-	(1,094)	-	(1,094)
422	355	454	121	(1,077)	(47)	970	11	981
422	355	454	121	(1,077)	(47)	970	11	981
64,216	39,178	128,542	1,730	283,674	6,422	674,119	6,969	681,088
-	-	-	-	4,947	-	4,947	-	4,947
65,264	39,579	129,288	1,739	-	-	386,970	6,486	393,456
65,877	41,394	137,474	4,087	-	-	401,850	7,286	409,136
496	210	553	-	-	-	2,028	136	2,164
74	-	-	-	-	-	148	-	148
101,097	68,552	91,688	120,367	77,212	11,363	630,630	283	630,913
100,962	68,453	87,371	119,840	-	-	536,850	19	536,869
101,113	68,206	90,586	109,872	-	-	532,906	-	532,906
58,528	42,542	163,247	6,844	30,585	14,846	417,225	8,418	425,643
58,989	44,021	180,490	7,866	27,264	16,536	437,468	9,752	447,220
78,949	29,118	105,909	911,700	53,690	-	1,284,428	-	1,284,428
529	248	560	8	3,485	7	5,531	111	5,642
467	273	167	175	(5,115)	1	(3,226)	-	(3,226)
-	-	-	-	1,574	-	1,574	(62)	1,512
996	521	727	183	(56)	8	3,879	49	3,928

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended March 31, 2022 (unaudited)			
	Activity in Israel[a]			
	Households[e]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	1,405	1,084	12	2
Interest expense from external	67	-	-	16
Interest income, net:				
From external	1,338	1,084	12	(14)
Inter-segmental	(677)	(775)	-	25
Total interest income, net	661	309	12	11
Total noninterest income	254	12	63	44
Total income	915	321	75	55
Loan loss expenses (income)	(55)	(7)	(1)	-
Operating and other expenses:				
For external[h]	658	85	59	27
Inter-segmental	4	-	-	-
Total operating and other expenses	662	85	59	27
Profit (loss) before taxes	308	243	17	28
Provision for income taxes (benefit)	112	86	6	10
Profit after taxes	196	157	11	18
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income before amount attributable to non-controlling interests	196	157	11	18
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	196	157	11	18
Average balance of assets[b]	132,093	104,219	3,927	453
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b][f]	132,789	104,617	3,962	445
Outstanding loans to the public as at the end of the reporting period	136,392	107,701	4,146	450
Outstanding non-performing debts	704	518	2	-
Outstanding debts in arrears of over 90 days	48	-	-	-
Average outstanding liabilities[b]	120,937	26	4	26,010
Of which: Average balance of deposits by the public[b][g]	120,870	1	-	26,007
Balance of deposits by the public as at the end of the reporting period	121,895	-	-	26,620
Average balance of risk-weighted assets[b][c]	86,779	63,487	3,437	710
Balance of risk-weighted assets as at the end of the reporting period[c]	90,077	66,109	3,578	738
Average balance of assets under management[b][d]	65,970	2,961	-	52,341
Breakdown of interest income, net:				
Spread from granting loans to the public	604	309	12	1
Margin from deposit taking from the public	57	-	-	10
Other	-	-	-	-
Total interest income, net	661	309	12	11

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 17.0 billion to customers whose business activity is classified to business segments.
(f) Including average balances of assets classified as held-for-sale in the amount of NIS 18,190 million.
(g) Including average balances of liabilities classified as held for sale in the amount of NIS 22,301 million.
(h) Reclassified.

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
506	241	629	5	309	-	3,097	264	3,361
28	24	68	66	185	-	454	8	462
478	217	561	(61)	124	-	2,643	256	2,899
(8)	-	(110)	82	694	2	8	(8)	-
470	217	451	21	818	2	2,651	248	2,899
223	99	158	52	50	(3)	877	73	950
693	316	609	73	868	(1)	3,528	321	3,849
(16)	20	-	(2)	24	-	(29)	(11)	(40)
384	111	126	59	79	163	1,607	187	1,794
-	-	-	-	-	(4)	-	-	-
384	111	126	59	79	159	1,607	187	1,794
325	185	483	16	765	(160)	1,950	145	2,095
116	66	171	5	270	(308)	442	41	483
209	119	312	11	495	148	1,508	104	1,612
-	-	-	-	7	-	7	-	7
209	119	312	11	502	148	1,515	104	1,619
-	-	-	-	-	-	-	10	10
209	119	312	11	502	148	1,515	94	1,609
57,888	35,531	100,872	2,728	284,577	8,000	622,142	33,368	655,510
-	-	-	-	1,109	-	1,109	-	1,109
58,340	35,756	101,742	2,728	-	-	331,800	23,835	355,635
60,338	37,399	105,229	9,058	-	-	348,866	24,899	373,765
417	235	1,156	2	-	-	2,514	314	2,828
33	-	-	-	-	-	81	-	81
89,093	62,050	87,045	126,981	60,528	14,996	587,640	26,138	613,778
88,992	61,963	84,435	126,415	-	-	508,682	24,953	533,635
89,821	63,410	93,504	118,674	-	-	513,924	25,323	539,247
54,029	37,628	114,097	1,050	33,183	16,778	344,254	30,522	374,776
56,619	40,859	127,821	1,633	28,529	17,673	363,949	30,830	394,779
81,871	32,594	123,379	1,057,594	58,158	5	1,471,912	18,497	1,490,409
443	204	440	5	1,088	2	2,787	236	3,023
27	13	11	16	(390)	-	(256)	(8)	(264)
-	-	-	-	120	-	120	20	140
470	217	451	21	818	2	2,651	248	2,899

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the year ended December 31, 2022 (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	6,765	5,143	56	11
Interest expense from external	585	-	-	219
Interest income, net:				
From external	6,180	5,143	56	(208)
Inter-segmental	(2,392)	(3,778)	1	414
Total interest income, net	3,788	1,365	57	206
Total noninterest income	996	49	263	148
Total income	4,784	1,414	320	354
Loan loss expenses (income)	223	112	13	-
Operating and other expenses:				
For external	2,684	377	238	91
Inter-segmental	-	-	-	-
Total operating and other expenses	2,684	377	238	91
Profit (loss) before taxes	1,877	925	69	263
Provision for income taxes (benefit)	654	320	24	93
Profit after taxes	1,223	605	45	170
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income before amount attributable to non-controlling interests	1,223	605	45	170
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	1,223	605	45	170
Average balance of assets[b]	139,737	111,055	4,067	456
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	140,481	111,354	4,095	456
Outstanding loans to the public as at the end of the reporting period	150,178	119,495	4,185	440
Outstanding non-performing debts	781	559	-	-
Outstanding debts in arrears of over 90 days	44	-	-	-
Average outstanding liabilities[b]	124,108	53	12	27,169
Of which: Average balance of deposits by the public[b]	123,996	-	-	27,169
Balance of deposits by the public as at the end of the reporting period	128,394	-	-	29,612
Average balance of risk-weighted assets[b][c]	91,330	67,111	3,531	644
Balance of risk-weighted assets as at the end of the reporting period[c]	99,971	73,938	3,640	662
Average balance of assets under management[b][d]	62,339	1,728	-	48,626
Breakdown of interest income, net:				
Spread from granting loans to the public	2,630	1,365	57	18
Margin from deposit taking from the public	1,158	-	-	188
Other	-	-	-	-
Total interest income, net	3,788	1,365	57	206

(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 18.6 billion to customers whose business activity is classified to business segments.
(f) Including revenues totaling NIS 782 million in respect of the Valley merger.

							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
2,733	1,395	3,885	55	3,453	-	18,297	498	18,795
587	578	1,042	1,428	1,127	-	5,566	18	5,584
2,146	817	2,843	(1,373)	2,326	-	12,731	480	13,211
574	548	(413)	1,708	(362)	24	101	(101)	-
2,720	1,365	2,430	335	1,964	24	12,832	379	13,211
894	344	700	186	798	849[f]	4,915	103	5,018
3,614	1,709	3,130	521	2,762	873	17,747	482	18,229
184	(12)	20	(1)	84	-	498	-	498
1,626	435	511	247	345	586	6,525	310	6,835
-	-	-	7	13	(20)	-	-	-
1,626	435	511	254	358	566	6,525	310	6,835
1,804	1,286	2,599	268	2,320	307	10,724	172	10,896
634	451	907	95	777	(93)	3,518	46	3,564
1,170	835	1,692	173	1,543	400	7,206	126	7,332
-	-	-	-	387	-	387	-	387
1,170	835	1,692	173	1,930	400	7,593	126	7,719
-	-	-	-	-	-	-	10	10
1,170	835	1,692	173	1,930	400	7,593	116	7,709
61,176	37,459	115,156	3,186	290,346	6,633	654,149	13,406	667,555
-	-	-	-	1,112	-	1,112	-	1,112
62,076	37,840	114,975	3,193	-	-	359,021	10,626	369,647
65,803	39,473	126,628	759	-	-	383,281	6,487	389,768
419	290	400	-	-	-	1,890	18	1,908
15	-	16	-	-	-	75	-	75
94,274	65,032	91,781	130,117	70,742	11,430	614,653	7,487	622,140
94,151	64,946	87,554	129,580	-	-	527,396	7,100	534,496
100,557	70,077	97,741	130,685	-	-	557,066	18	557,084
57,121	40,667	135,692	2,869	31,310	17,033	376,666	19,040	395,706
58,528	42,542	163,247	6,844	30,585	14,846	417,225	8,418	425,643
78,277	31,837	127,135	979,141	52,980	-	1,380,335	4,673	1,385,008
1,939	890	2,114	20	7,202	23	14,836	472	15,308
781	475	316	314	(7,624)	1	(4,391)	(13)	(4,404)
-	-	-	1	2,386	-	2,387	(80)	2,307
2,720	1,365	2,430	335	1,964	24	12,832	379	13,211

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, 2022.

Set forth below are the condensed results of operations according to management approach

	For the three months ended March 31, 2023 (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	(252)	320	68	1,633	376	410	772	440	86	30	113	3,928
Inter-segmental	1,674	249	1,923	(1,241)	371	(130)	(442)	(336)	(84)	3	(64)	-
Interest income, net	1,422	569	1,991	392	747	280	330	104	2	33	49	3,928
Noninterest income (expense)	492	147	639	20	169	97	99	(5)	(5)	51	6	1,071
Total income	1,914	716	2,630	412	916	377	429	99	(3)	84	55	4,999
Loan loss expenses (income)	127	88	215	25	66	15	92	(21)	2	7	5	406
Total operating and other expenses	634	219	853	91	171	68	37	82	239	52	36	1,629
Profit (loss) before tax	1,153	409	1,562	296	679	294	300	38	(244)	25	14	2,964
Provision (benefit) for taxes	394	140	534	101	232	101	103	12	(205)	8	3	889
Net income (loss) attributable to the Bank's shareholders	759	269	1,028	195	447	193	197	(1,083)[a]	(39)	32	11	981
Balances as at March 31, 2023												
Loans to the public, net	31,748	25,930	57,678	123,305	63,010	59,422	61,527	24,291	6,233	1,123	7,228	403,817
Deposits by the public	209,443	53,510	262,953	-	95,370	35,180	10,543	128,852	8	-	-	532,906

(a) Including the impairment loss from the investment in Valley shares in the amount of NIS 1.1 billion. For more information, please see Note 16.A.

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

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

	For the three months ended March 31, 2022 (unaudited)											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private indivi-duals	Small busi-nesses	Retail banking - total	Mortgages	Com-mercial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	279	269	548	1,065	365	276	307	46	3	33	256	2,899
Inter-segmental	215	25	240	(707)	7	(80)	(36)	587	(1)	(2)	(8)	-
Interest income, net	494	294	788	358	372	196	271	633	2	31	248	2,899
Noninterest income (expenses)	373	121	494	5	148	59	104	(78)	(9)	154	73	950
Total income	867	415	1,282	363	520	255	375	555	(7)	185	321	3,849
Loan loss expenses (income)	(50)	(44)	(94)	(1)	104	3	(51)	10	(3)	3	(11)	(40)
Total operating and other expenses	647	241	888	85	178	66	35	96	210	49	187	1,794
Profit (loss) before tax	270	218	488	279	238	186	391	449	(214)	133	145	2,095
Provision (benefit) for taxes	92	75	167	95	81	64	134	154	(286)	33	41	483
Net income attributable to the Bank's shareholders	178	143	321	184	157	122	257	295	72	107	94	1,609
Balances as at March 31, 2022												
Loans to the public, net	31,293	25,824	57,117	108,947	56,419	46,526	48,088	20,258	5,646	1,099	5,675[(a)]	349,775
Deposits by the public	187,165	51,158	238,323	-	90,840	29,861	13,223	141,674	3	-	2,787[(b)]	516,711

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

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

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

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

	For the year ended December 31, 2022 (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	786	1,254	2,040	5,168	1,535	1,336	1,776	741	14	121	480	13,211
Inter-segmental	2,480	314	2,794	(3,745)	539	(471)	(659)	1,642	(5)	6	(101)	-
Interest income, net	3,266	1,568	4,834	1,423	2,074	865	1,117	2,383	9	127	379	13,211
Noninterest income	1,592	533	2,125	87	612	298	406	125	778[(a)]	484	103	5,018
Total income	4,858	2,101	6,959	1,510	2,686	1,163	1,523	2,508	787	611	482	18,229
Loan loss expenses (income)	131	126	257	114	115	(16)	(57)	113	(21)	(7)	-	498
Total operating and other expenses	2,697	1,006	3,703	377	723	278	148	415	682	199	310	6,835
Profit before taxes	2,030	969	2,999	1,019	1,848	901	1,432	1,980	126	419	172	10,896
Provision (benefit) for taxes	694	331	1,025	348	632	308	490	677	(63)	101	46	3,564
Net income attributable to the Bank's shareholders	1,336	638	1,974	671	1,216	593	942	1,612	189	396	116	7,709

	Balances as at December 31, 2022											
Loans to the public, net	32,498	26,688	59,186	120,927	60,820	54,807	54,669	21,310	5,747	871	6,445	384,782
Deposits by the public	202,991	55,415	258,406	-	95,839	39,617	14,423	148,773	7	-	19	557,084

(a) Including revenues totaling NIS 782 million in respect of the Valley merger.

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

A. Debts[(a)] and Off-Balance-Sheet Credit Instruments

1. Change in outstanding loan loss provision

	For the three months ended March 31, 2023 (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	4,420	419	732	5,571	54	5,625
Loan loss expenses (income)	351	13	74	438	(32)	406
Charge-offs	(95)	(2)	(134)	(231)	-	(231)
Collection of debts written off in previous years	75	-	73	148	-	148
Net charge-offs	(20)	(2)	(61)	(83)	-	(83)
Outstanding loan loss provision as at the end of the reporting period[1]	4,751	430	745	5,926	22	5,948
[1]Of which: in respect of off-balance-sheet credit instruments	581	1	25	607	-	607

	For the three months ended March 31, 2022 (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	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application[(b)]	804	(165)	22	661	26	687
Balance as at January 1, 2022	4,569	324	749	5,642	29	5,671
Loan loss expenses (income)	1	(7)	(48)	(54)	14	(40)
Charge-offs	(167)	-	(78)	(245)	-	(245)
Collection of debts written off in previous years	167	-	76	243	-	243
Net charge-offs	-	-	(2)	(2)	-	(2)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances classified as held-for-sale assets[(c)]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,299	317	699	5,315	34	5,349
[1]Of which: in respect of off-balance-sheet credit instruments	493	1	18	512	-	512

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding 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”. See Note 1.X.1. in the financial statements as at December 31, 2022.
(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. For more information, please see Note 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. 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] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision (cont.)

2. Additional information on calculating the loan loss provision for debts,[a] held-to-maturity bonds and available-for-sale bonds

	March 31, 2023 (unaudited)					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	229,990	-	502	230,492	111,802	342,294
Examined on a collective basis	26,482	121,923	30,239	178,644	-	178,644
Total debts[a]	256,472	121,923	30,741	409,136	111,802	520,938
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	3,512	-	187	3,699	22	3,721
Examined on a collective basis	658	429	533	1,620	-	1,620
Total loan loss provision	4,170	429	720	5,319	22	5,341

	March 31, 2022 (unaudited)					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	193,631	-	397	194,028	104,914	298,942
Examined on a collective basis	43,347	107,964	28,426	179,737	1,254	180,991
Less balances classified as held-for-sale assets[b]	(18,844)	(50)	(293)	(19,187)	(5,643)	(24,830)
Total debts,[a] held-to-maturity bonds and available-for-sale bonds:	218,134	107,914	28,530	354,578	100,525	455,103
Outstanding loan loss provision in respect of debts,[a] held-to-maturity bonds and available-for-sale bonds:						
Examined on a specific basis	3,309	-	143	3,452	43	3,495
Examined on a collective basis	769	316	538	1,623	-	1,623
Less balances classified as held-for-sale assets[b]	(272)	-	-	(272)	(9)	(281)
Total loan loss provision	3,806	316	681	4,803	34	4,837

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

(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. For more information, please see Note 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. 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] 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, 2022 (audited)					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks, governments and bonds held-to-maturity and available-for-sale	Total
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	213,711	-	460	214,171	95,502	309,673
Examined on a collective basis	25,902	119,720	29,975	175,597	22	175,619
Total debts[a]	239,613	119,720	30,435	389,768	95,524	485,292
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	3,286	-	163	3,449	54	3,503
Examined on a collective basis	571	418	548	1,537	-	1,537
Total loan loss provision	3,857	418	711	4,986	54	5,040

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

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

B. Loans to the public

1. Credit quality and arrears

	March 31, 2023 (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	59,820	859	148	60,827	18	43
Construction & real estate - real estate activities	40,250	564	44	40,858	9	48
Financial services	35,562	39	39	35,640	1	13
Commercial - Other	94,709	1,671	592	96,972	46	148
Commercial - total	230,341	3,133	823	234,297	74	252
Private individuals - housing loans	121,316	18	514	121,848	-	478
Private individuals - other	29,867	556	255	30,678	74	239
Total loans to the public - activity in Israel	381,524	3,707	1,592	386,823	148	969
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	7,151	102	62	7,315	-	1
Commercial - Other	13,707	643	510	14,860	-	108
Commercial - total	20,858	745	572	22,175	-	109
Private individuals	137	1	-	138	-	-
Total loans to the public - foreign operations	20,995	746	572	22,313	-	109
Total loans to the public	402,519	4,453	2,164	409,136	148	1,078

(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 300 million, were classified as troubled debt.

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

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	March 31, 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	47,455	99	60	47,614	5	46
Construction & real estate - real estate activities	36,874	60	124	37,058	3	48
Financial services	29,371	13	6	29,390	-	3
Commercial - Other	85,138	1,389	859	87,386	25	121
Commercial - total	198,838	1,561	1,049	201,448	33	218
Private individuals - housing loans	107,318	52	518	107,888	-	559
Private individuals - other	27,798	439	186	28,423	48	163
Less balances classified as held-for-sale assets[d]	(107)	-	-	(107)	-	-
Total loans to the public - activity in Israel	333,847	2,052	1,753	337,652	81	940
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	14,212	273	304	14,789	-	59
Commercial - Other	19,005	966	770	20,741	-	440
Commercial - total	33,217	1,239	1,074	35,530	-	499
Private individuals	475	-	1	476	-	-
Less balances classified as held-for-sale assets[d]	(18,364)	(435)	(281)	(19,080)	-	(78)
Total loans to the public - foreign operations	15,328	804	794	16,926	-	421
Total loans to the public	349,175	2,856	2,547	354,578	81	1,361

(a) Non-performing loans to the public, substandard or special mention.
(b) Classified as troubled, performing debts.
(c) Performing. Debts in arrears of 30 and up to 89 days, totaling NIS 550 million, were classified as troubled debt.
(d) 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 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. 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.)

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	December 31, 2022 (audited)					
		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	52,908	849	126	53,883	6	66 [d]
Construction & real estate - real estate activities	39,124	74	51	39,249	1	52 [d]
Financial services	29,156	19	53	29,228	1	30
Commercial - Other	91,714	1,500	640	93,854	28 [d]	108
Commercial - total	212,902	2,442	870	216,214	36	256
Private individuals - housing loans	119,064	67	559	119,690	-	412
Private individuals - other	29,631	517	222	30,370	76 [d]	142
Total loans to the public - activity in Israel	361,597	3,026	1,651	366,274	112	810
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	6,813	-	59	6,872	-	3
Commercial - Other	15,269	1,060	198	16,527	-	216
Commercial - total	22,082	1,060	257	23,399	-	219
Private individuals	95	-	-	95	-	-
Total loans to the public - foreign operations	22,177	1,060	257	23,494	-	219
Total loans to the public	383,774	4,086	1,908	389,768	112	1,029

(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 360 million, were classified as troubled debt.
(d) Reclassified.

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

B. Loans to the public (cont.)

1.1. Credit quality by credit granting year

	March 31, 2023 (unaudited)								
	Recorded outstanding debt of fixed loans to the public						Recorded outstanding debt of renewed loans	Recorded outstanding debt of renewed loans converted to fixed loans	Total
	2023	2022	2021	2020	2019	Past			
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	8,731	23,346	16,540	5,681	4,141	8,358	32,812	2,076	101,685
Credit that is rated as performing	8,646	23,190	15,938	5,523	4,107	8,252	32,058	2,065	99,779
Credit that is not rated as performing and is non-troubled	70	41	64	30	7	27	48	4	291
Troubled performing credit	9	91	477	112	15	37	682	-	1,423
Non-performing credit	6	24	61	16	12	42	24	7	192
Commercial - other, total	14,584	33,526	17,580	11,112	5,399	11,667	37,256	1,488	132,612
Credit that is rated as performing	14,557	33,016	17,246	10,723	5,111	10,990	36,679	1,448	129,770
Credit that is not rated as performing and is non-troubled	7	92	71	134	8	103	80	6	501
Troubled performing credit	12	337	155	157	225	409	390	25	1,710
Non-performing credit	8	81	108	98	55	165	107	9	631
Private individuals - housing loans - total	5,318	27,918	23,880	14,079	9,491	41,162	-	-	121,848
LTV of up to 60%	2,848	14,499	13,130	8,541	6,142	27,696	-	-	72,856
LTV of more than 60% and up to 75%	2,463	13,361	10,661	5,480	3,305	12,300	-	-	47,570
LTV of more than 75%	7	58	89	58	44	1,166	-	-	1,422
Credit that is non-delinquent and rated as performing	5,289	27,605	23,629	13,918	9,372	40,359	-	-	120,172
Credit that is non-delinquent and not rated as performing	19	207	149	62	46	201	-	-	684
In arrears of 30-89 days	9	88	64	55	34	228	-	-	478
In arrears of over 90 days	-	-	-	-	-	-	-	-	-
Non-performing credit	1	18	38	44	39	374	-	-	514
Private individuals - other - total	3,447	9,695	5,687	2,938	1,162	767	6,781	201	30,678
Credit that is non-delinquent and rated as performing	3,378	8,922	5,125	2,711	1,017	661	6,322	170	28,306
Credit that is non-delinquent and not rated as performing	63	605	422	172	111	82	339	10	1,804
In arrears of 30-89 days	3	86	49	15	10	7	69	-	239
In arrears of over 90 days	-	21	9	3	2	1	38	-	74
Non-performing credit	3	61	82	37	22	16	13	21	255
Total loans to the public - activity in Israel	32,080	94,485	63,687	33,810	20,193	61,954	76,849	3,765	386,823
Total loans to the public - foreign operations	2,524	7,230	2,466	421	478	562	8,541	91	22,313
Non-troubled credit	2,524	7,097	2,139	132	473	520	8,019	91	20,995
Troubled performing credit	-	115	172	1	-	-	458	-	746
Non-performing credit	-	18	155	288	5	42	64	-	572
Total loans to the public	34,604	101,715	66,153	34,231	20,671	62,516	85,390	3,856	409,136

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 (cont.)

	March 31, 2022 (unaudited)								
	Recorded outstanding debt of fixed loans to the public[(a)]						Recorded outstanding debt of renewed loans	Recorded outstanding debt of renewed loans converted to fixed loans	
	2022	2021	2020	2019	2018	Past			Total
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	26,144	14,687	5,989	4,482	2,449	4,572	26,144	205	84,672
Credit that is rated as performing	26,105	14,636	5,950	4,448	2,408	4,473	26,107	202	84,329
Troubled performing credit	29	35	17	20	11	19	27	1	159
Non-performing credit	10	16	22	14	30	80	10	2	184
Commercial - other, total	37,710	25,609	13,427	6,359	3,526	6,163	22,401	1,581	116,776
Credit that is rated as performing	37,553	25,314	13,023	6,109	3,224	5,723	22,001	1,562	114,509
Troubled performing credit	135	191	225	151	262	216	210	12	1,402
Non-performing credit	22	104	179	99	40	224	190	7	865
Private individuals - housing loans - total	8,410	25,945	15,439	10,624	7,212	40,258	-	-	107,888
LTV of up to 60%	4,380	14,182	9,363	6,843	4,774	27,136	-	-	66,678
LTV of more than 60% and up to 75%	4,004	11,699	6,024	3,727	2,390	11,830	-	-	39,674
LTV of more than 75%	26	64	52	54	48	1,292	-	-	1,536
Credit that is non-delinquent and rated as performing	8,316	25,630	15,118	10,289	6,983	38,423	-	-	104,759
Credit that is non-delinquent and not rated as performing	77	243	237	258	170	1,068	-	-	2,053
In arrears of 30-89 days	13	52	57	34	34	368	-	-	558
Non-performing credit	4	20	27	43	25	399	-	-	518
Private individuals - other - total	3,639	9,561	4,646	2,546	1,225	864	5,783	159	28,423
Credit that is non-delinquent and rated as performing	3,633	9,398	4,519	2,432	1,157	820	5,671	150	27,780
Credit that is non-delinquent and not rated as performing	3	50	52	51	33	20	37	-	246
In arrears of 30-89 days	3	54	23	19	12	8	44	-	163
In arrears of over 90 days	-	14	5	4	2	1	22	-	48
Non-performing credit	-	45	47	40	21	15	9	9	186
Less balances classified as held-for-sale assets[(a)]	-	(60)	-	-	-	-	(47)	-	(107)
Total loans to the public - activity in Israel	75,903	75,742	39,501	24,011	14,412	51,857	54,281	1,945	337,652
Total loans to the public - foreign operations	4,756	5,057	2,287	972	24	119	3,690	21	16,926
Non-troubled credit	6,179	12,680	4,215	2,472	613	2,802	4,711	20	33,692
Troubled performing credit	7	305	163	383	47	70	263	1	1,239
Non-performing credit	1	172	91	527	5	133	146	-	1,075
Less balances classified as held-for-sale assets[(a)]	(1,431)	(8,100)	(2,182)	(2,410)	(641)	(2,886)	(1,430)	-	(19,080)
Total loans to the public	80,659	80,799	41,788	24,983	14,436	51,976	57,971	1,966	354,578

(a) As a rule, in cases where fixed credit was provided in lieu of repayment of existing credit, the year of credit provision was revised according to the new credit provision date.

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

B. Loans to the public (cont.)

2.a. Additional information on non-performing debts[(a)]

	March 31, 2023 (unaudited)					
	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[(b)] 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	133	64	59	192	585	-
Commercial - Other	371	166	260	631	2,473	1
Commercial - total	504	230	319	823	3,058	1
Private individuals - housing loans	514	61	-	514	525	-
Private individuals - other	255	136	-	255	505	-
Total loans to the public - activity in Israel	1,273	427	319	1,592	4,088	1
Borrower activity outside Israel						
Total loans to the public - foreign operations	511	53	61	572	798	2
Total - public[1]	1,784	480	380	2,164	4,886	3
Of which:[1]						
Measured on a specific basis according to the present value of cash flows	1,265	416	297	1,562	3,427	
Measured on a specific basis according to fair value of collateral	6	3	83	89	934	
Measured on a collective basis	514	61	-	514	525	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reported period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 93 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the three months ended March 31, 2023 is NIS 1,989 million.

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

B. Loans to the public (cont.)

2.a. Additional information on non-performing debts[(a)] (cont.)

	March 31, 2022 (unaudited)					
	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[(b)] non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	120	34	64	184	1,086	-
Commercial - Other	673	244	192	865	2,763	1
Commercial - total	793	278	256	1,049	3,849	1
Private individuals - housing loans	518	76	-	518	518	-
Private individuals - other	186	150	-	186	485	-
Total loans to the public - activity in Israel	1,497	504	256	1,753	4,852	1
Borrower activity outside Israel						
Total public including balances classified as held-for-sale assets and liabilities - activity abroad	1,037	302	38	1,075	1,291	2
Less balances classified as held-for-sale assets and liabilities[(d)]	(245)	(63)	(36)	(281)	(401)	-
Total loans to the public - foreign operations	792	239	2	794	890	2
Total - public[1]	2,289	743	258	2,547	5,742	3
Of which:[1]						
Measured according to the present value of cash flows	1,582	585	226	1,808	4,104	
Measured according to fair value of collateral	180	81	32	212	1,111	
Measured on a collective basis	527	77	-	527	527	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reported period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) 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 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 96 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the three months ended March 31, 2022 is NIS 3,019 million.

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

B. Credit quality (cont.)

2.a. Additional information on non-performing debts[(a)] (cont.)

	December 31, 2022 (audited)					
	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[(b)] 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	136	47	41	177	570	2
Commercial - other	481	155	212	693	2,367	4
Commercial - total	617	202	253	870	2,937	6
Private individuals - housing loans	559	77	-	559	579	-
Private individuals - other	222	115	-	222	474	1
Total loans to the public - activity in Israel	1,398	394	253	1,651	3,990	7
Borrower activity outside Israel						
Total loans to the public - foreign operations	204	48	53	257	478	2
Total - public[1]	1,602	442	306	1,908	4,468	9
Of which:[1]						
Measured specifically according to the present value of cash flows	997	364	258	1,255	3,623	
Measured specifically according to fair value of collateral	46	1	48	94	266	
Measured on a collective basis	559	77	-	559	579	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reported period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 467 million would be recorded.
Additional information: the total recorded average outstanding debt of non-performing debts in the year ended December 31, 2022 is NIS 2,657 million.

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

B. Loans to the public (cont.)

2.b. Additional information on restructured troubled debt

	As at March 31, 2023				As at March 31, 2022			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Non-delinquent accrual loan[a]	Total	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Non-delinquent accrual loan[a]	Total
	Unaudited							
	In NIS million							
Borrower activity in Israel								
Public - commercial								
Construction and real estate	50	1	54	105	109	2	23	134
Commercial - Other	280	4	379	663	586	8	183	777
Commercial - total	330	5	433	768	695	10	206	911
Private individuals - housing loans	87	1	61	149	98	1	51	150
Private individuals - other	226	5	209	440	171	6	178	355
Total loans to the public - activity in Israel	643	11	703	1,357	964	17	435	1,416
Borrower activity outside Israel								
Total public including balances classified as held-for-sale - activity abroad	187	-	379	566	767	-	17	784
Less balances classified as held-for-sale assets[b]	-	-	-	-	(152)	-	(9)	(161)
Total loans to the public - foreign operations	187	-	379	566	615	-	8	623
Total - public	830	11	1,082	1,923	1,579	17	443	2,039

	December 31, 2022			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Non-delinquent accrual loan[a]	Total
	Audited			
	In NIS million			
Borrower activity in Israel				
Public - commercial				
Construction and real estate	51	1	54	106
Commercial - Other	401	4	303	708
Commercial - total	452	5	357	814
Private individuals - housing loans	88	1	66	155
Private individuals - other	196	3	203	402
Total loans to the public - activity in Israel	736	9	626	1,371
Borrower activity outside Israel				
Total loans to the public - foreign operations	165	-	387	552
Total - public	901	9	1,013	1,923

(a) Performing.
(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. For more information, please see Note 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

Comment: As of March 31, 2023, restructured troubled debt totaling NIS 1,114 million was classified as troubled debt (as at March 31, 2022 - NIS 1,952 million, as at December 31, 2022 - NIS 1,025 million).

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

B. Loans to the public (cont.)

2.b. Additional information on restructured troubled debt (cont.)

1. Debt restructurings

	For the three months ended March 31 (unaudited)					
	2023			2022		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
	In NIS million			In NIS million		
Borrower activity in Israel						
Public - commercial						
Construction and real estate	79	9	9	61	9	9
Commercial - Other	356	37	37	306	58	57
Commercial - total	435	46	46	367	67	66
Private individuals - housing loans	15	4	4	50	17	17
Private individuals - other	1,967	106	105	1,467	61	61
Total loans to the public - activity in Israel	2,417	156	155	1,884	145	144
Borrower activity outside Israel						
Total loans to the public - foreign operations	-	-	-	2	1	1
Total - public	2,417	156	155	1,886	146	145

2. Failed restructurings[a]

	For the three months ended March 31 (unaudited)			
	2023		2022[b]	
	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	68	9	44	11
Commercial - Other	189	16	164	21
Commercial - total	257	25	208	32
Private individuals - housing loans	20	10	11	2
Private individuals - other	1,055	34	580	24
Total loans to the public - activity in Israel	1,332	69	799	58
Borrower activity outside Israel				
Total public - foreign operations	-	-	-	-
Total - public	1,332	69	799	58

(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) Reclassified.

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

B. Loans to the public (cont.)

2.c. Additional information on non-performing delinquent credit

	March 31, 2023 (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	1,177	76	47	79	11	3	2	1,395
Housing loans	52	215	144	84	11	5	3	514
Private individuals - other	255	-	-	-	-	-	-	255
Total	1,484	291	191	163	22	8	5	2,164

	March 31, 2022 (unaudited)							
	Is not in arrears of 90 days or more	In arrears of 90 days to 180 days	In arrears of over 180 days and up to one year	In arrears of one year and up to 3 years	In arrears of more than 3 years and up to 5 years	In arrears of more than 5 years and up to 7 years	In arrears of more than 7 years	Total
	In NIS million							
Commercial	1,767	103	25	219	5	3	1	2,123
Housing loans	67	185	140	98	19	4	5	518
Private individuals - other	183	4	-	-	-	-	-	187
Less balances classified as held-for-sale assets[(a)]	(182)	(58)	-	(41)	-	-	-	(281)
Total	1,835	234	165	276	24	7	6	2,547

	December 31, 2022 (audited)							
	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	945	59	35	80	4	3	1	1,127
Housing loans	50	262	138	85	17	4	3	559
Private individuals - other	221	1	-	-	-	-	-	222
Total	1,216	322	173	165	21	7	4	1,908

(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 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. 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.)

B. Loans to the public (cont.)

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV),[(a)] type of repayment and interest

		March 31, 2023 (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%	72,907	1,628	45,293	2,614
	Over 60%	49,012	659	30,524	2,418
Unpledged secondary lien		4	-	4	-
Total		121,923	2,287	75,821	5,032

		March 31, 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%	66,083	1,481	41,654	2,078
	Over 60%	41,876	771	26,317	2,196
Unpledged secondary lien		5	-	4	-
Less balances classified as held-for-sale assets[(b)]		(50)	(4)	(46)	-
Total		107,914	2,248	67,929	4,274

		December 31, 2022 (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%	71,728	1,536	44,838	2,569
	Over 60%	47,987	744	29,908	2,568
Unpledged secondary lien		5	-	4	-
Total		119,720	2,280	74,750	5,137

(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) 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 15.A to the financial statements as at December 31, 2022. As of March 31, 2022, the above balances were classified as held-for-sale. 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.)

C. Off-Balance-Sheet Financial Instruments

	March 31				December 31	
	2023		2022		2022	
	Outstanding contracts[a]	Outstanding loan loss provision[d]	Outstanding contracts[a]	Outstanding loan loss provision[d]	Outstanding contracts[a]	Outstanding loan loss provision[d]
	Unaudited				Audited	
	In NIS million					
Off-balance-sheet financial instruments						
Transactions in which the outstanding balance embodies credit risk:						
Documentary credit	1,156	2	1,765	1	1,151	1
Loan guarantees	7,676	98	6,961	68	7,289	84
Guarantees for apartment buyers	37,287	17	30,731	16	35,572	15
Guarantees and other commitments[b]	25,440	90	19,863	72	26,336	95
Unutilized credit card credit facilities	9,820	20	8,465	15	8,395	18
Unutilized current loan account facilities and other credit facilities in demand accounts	14,573	52	13,584	43	13,398	43
Irrevocable loan commitments approved but not yet granted	47,022	268	44,464	241	49,081	286
Commitments to issue guarantees	26,491	60	20,452	59	22,039	43
Unutilized credit facilities for derivatives activity	3,278	-	3,177	-	3,065	-
Approval in principle to maintain interest rate[c]	5,479	-	9,642	-	4,500	-

(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 Clearing House in the amount of NIS 315 million (as of March 31, 2022 - NIS 501 million, including the MAOF Clearing House and on December 31, 2022 - NIS 436 million).

(c) Liabilities to extend credit to customers in the framework of "Authorization in principle and preserving the interest rate" to Proper Conduct of Banking Business Directive No. 451, "Procedures for Extending Housing Loans".

(d) As of January 1, 2022, the Bank applies, for the first time, US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". For more information regarding the change in the policy of calculating the loan loss provision for off-balance-sheet financial instruments, see Note 1.H to the financial instruments as of December 31, 2022.

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

D. Guarantees by Repayment Date

	March 31, 2023 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	5,241	1,415	310	710	7,676
Guarantees for apartment buyers	-	37,287	-	-	37,287
Guarantees and other commitments	13,720	5,864	3,177	2,679	25,440
Total guarantees	18,961	44,566	3,487	3,389	70,403

	March 31, 2022 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,911	1,230	190	630	6,961
Guarantees for apartment buyers	-	30,731	-	-	30,731
Guarantees and other commitments	11,379	4,573	2,044	1,867	19,863
Total guarantees	16,290	36,534	2,234	2,497	57,555

	December 31, 2022 (audited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,765	1,624	255	645	7,289
Guarantees for apartment buyers	-	35,572	-	-	35,572
Guarantees and other commitments	14,676	6,496	2,337	2,827	26,336
Total guarantees	19,441	43,692	2,592	3,472	69,197

The following collateral information reflects collaterals the Bank has received specifically against guarantees:
The balance of cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled NIS 310 million (as at March 31, 2022 - NIS 319 million, as at December 31, 2022 - NIS 301 million). In addition, the balance of securities and other marketable assets held as collateral, totaled NIS 15 million (as at March 31, 2022 - NIS 9 million, December 31, 2022 - NIS 12 million).

Note 14 - Assets and Liabilities by Linkage Basis

	March 31, 2023 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In USD	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	115,036	-	12,493	2,976	2,287	1,589	134,381
Securities	38,169	4,650	45,564	3,331	3,291	4,369	99,374
Securities borrowed or purchased under reverse repurchase agreements	1,220	-	2,061	1	-	-	3,282
Loans to the public, net[c]	308,281	55,813	21,841	5,194	8,728	3,960	403,817
Loans to governments	204	-	546	373	-	-	1,123
Investments in associates	-	-	-	-	-	3,786	3,786
Buildings and equipment	-	-	-	-	-	2,767	2,767
Assets in respect of derivatives	4,644	365	10,425	1,324	644	9,557	26,959
Other assets	5,917	4	52	6	79	930	6,988
Total assets	473,471	60,832	92,982	13,205	15,029	26,958	682,477
Liabilities							
Deposits by the public	364,537	11,211	134,456	12,336	4,780	5,586	532,906
Deposits by banks	19,234	-	4,204	439	164	1	24,042
Deposits by governments	231	-	133	19	-	-	383
Securities loaned or sold under repurchase agreements	609	-	4,130	-	-	-	4,739
Bonds, promissory notes and subordinated bonds	5,598	16,368	6,322	-	-	-	28,288
Liabilities for derivatives	6,180	437	7,613	964	560	9,847	25,601
Other liabilities	6,302	9,448	129	72	173	598	16,722
Total liabilities	402,691	37,464	156,987	13,830	5,677	16,032	632,681
Difference[d]	70,780	23,368	(64,005)	(625)	9,352	10,926	49,796
Effect of hedging derivatives:							
Derivatives (excluding options)	441	(441)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(43,574)	(2,955)	55,553	(421)	(9,867)	1,264	-
In the money options, net (according to underlying asset)	(722)	-	519	174	29	-	-
Out of the money options, net (according to underlying asset)	(1,278)	-	1,088	207	8	(25)	-
Grand total	25,647	19,972	(6,845)	(665)	(478)	12,165	49,796
In the money options, net (discounted nominal value)	(1,092)	-	824	232	36	-	-
Out of the money options, net (discounted nominal value)	(3,320)	-	3,003	432	(22)	(93)	-

(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 5,319 million.
(d) Shareholders' equity includes non-controlling interests.

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

	March 31, 2022 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In USD	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	151,631	-	7,965	1,148	3,544	686	164,974
Securities	26,070	5,512	47,909	5,161	5,503	4,205	94,360
Securities borrowed or purchased under reverse repurchase agreements	1,410	-	1,457	15	-	-	2,882
Loans to the public, net[c]	266,510	49,533	22,423	3,563	6,916	830	349,775
Loans to governments	260	191	435	267	-	-	1,153
Investments in associates	-	-	-	-	-	1,027	1,027
Buildings and equipment	-	-	-	-	-	2,640	2,640
Assets in respect of derivatives	4,232	308	4,136	155	202	10,964	19,997
Other assets	5,806	4	32	12	25	848	6,727
Held-for-sale assets[e]	10	-	25,305	78	51	452	25,896
Total assets	455,929	55,548	109,662	10,399	16,241	21,652	669,431
Liabilities							
Deposits by the public	361,245	10,252	128,349	9,610	5,774	1,481	516,711
Deposits by banks	19,903	-	5,611	833	100	35	26,482
Deposits by governments	217	-	90	9	-	-	316
Securities loaned or sold under repurchase agreements	449	-	1,606	-	-	-	2,055
Bonds, promissory notes and subordinated bonds	4,876	14,188	2,395	-	-	-	21,459
Liabilities for derivatives	5,718	686	2,546	90	194	11,211	20,445
Other liabilities	5,318	9,806	126	25	110	412	15,797
Held-for-sale liabilities[e]	51	-	23,044	66	102	42	23,305
Total liabilities	397,777	34,932	163,767	10,633	6,280	13,181	626,570
Difference[d]	58,152	20,616	(54,105)	(234)	9,961	8,471	42,861
Effect of hedging derivatives:							
Derivatives (excluding options)	352	(352)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(35,206)	(4,457)	49,418	224	(10,351)	372	-
Held-for-sale derivative instruments[e]	(95)	-	97	(11)	9	-	-
In the money options, net (according to underlying asset)	(780)	-	1,011	(166)	(65)	-	-
Out of the money options, net (according to underlying asset)	(754)	-	1,101	(18)	(112)	(217)	-
Grand total	21,669	15,807	(2,478)	(205)	(558)	8,626	42,861
In the money options, net (discounted nominal value)	(1,493)	-	1,723	(153)	(77)	-	-
Out of the money options, net (discounted nominal value)	(3,164)	-	3,938	227	(231)	(770)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,803 million.
(d) Shareholders' equity includes non-controlling interests.
(e) For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

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

	December 31, 2022 (audited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In USD	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	169,223	-	10,313	3,699	919	2,415	186,569
Securities	22,701	4,438	44,685	3,221	3,549	4,356	82,950
Securities borrowed or purchased under reverse repurchase agreements	524	-	2,509	1	-	-	3,034
Loans to the public, net[c]	295,107	54,133	17,675	4,923	7,906	5,038	384,782
Loans to governments	316	-	446	347	-	-	1,109
Investments in associates	-	-	-	-	-	4,947	4,947
Buildings and equipment	-	-	-	-	-	2,735	2,735
Assets in respect of derivatives	4,560	294	10,420	1,534	661	9,169	26,638
Other assets	5,464	4	19	3	58	854	6,402
Total assets	497,895	58,869	86,067	13,728	13,093	29,514	699,166
Liabilities							
Deposits by the public	393,715	9,809	130,695	10,807	4,606	7,452	557,084
Deposits by banks	19,777	-	1,951	467	89	22	22,306
Deposits by governments	130	-	109	8	-	-	247
Securities loaned or sold under repurchase agreements	349	-	3,577	26	-	-	3,952
Bonds, promissory notes and subordinated bonds	7,153	16,255	4,397	-	-	-	27,805
Liabilities for derivatives	6,246	357	6,476	981	611	8,640	23,311
Other liabilities	4,937	9,165	154	90	213	459	15,018
Total liabilities	432,307	35,586	147,359	12,379	5,519	16,573	649,723
Difference[d]	65,588	23,283	(61,292)	1,349	7,574	12,941	49,443
Effect of hedging derivatives:							
Derivatives (excluding options)	430	(430)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(40,314)	(1,604)	51,991	(2,328)	(8,090)	345	-
In the money options, net (according to underlying asset)	(773)	-	588	174	11	-	-
Out of the money options, net (according to underlying asset)	(989)	-	853	136	(9)	9	-
Grand total	23,942	21,249	(7,860)	(669)	(514)	13,295	49,443
In the money options, net (discounted nominal value)	(956)	-	695	245	16	-	-
Out of the money options, net (discounted nominal value)	(3,500)	-	3,185	341	(72)	46	-

(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 4,986 million.
(d) Shareholders' equity includes non-controlling interests.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	March 31, 2023 (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	134,381	113,213	14,749	5,641	133,603
Securities[b]	99,374	57,123	34,729	6,389	98,241
Securities borrowed or purchased under reverse repurchase agreements	3,282	3,282	-	-	3,282
Loans to the public, net	403,817	19,178	-	377,653	396,831
Loans to governments	1,123	-	17	1,027	1,044
Assets in respect of derivatives	26,959	6,331	17,250	3,378	26,959
Other financial assets	308	21	-	287	308
Total financial assets	669,244 [c]	199,148	66,745	394,375	660,268
Financial liabilities					
Deposits by the public	532,906	26,515	239,296	255,684	521,495
Deposits by banks	24,042	1,898	5,406	16,070	23,374
Deposits by governments	383	-	333	35	368
Securities loaned or sold under repurchase agreements	4,739	4,739	-	-	4,739
Bonds, promissory notes and subordinated bonds	28,288	26,225	-	651	26,876
Liabilities for derivatives	25,601	6,697	18,744	160	25,601
Other financial liabilities	3,977	662	1,257	2,058	3,977
Total financial liabilities	619,936 [c]	66,736	265,036	274,658	606,430
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	409	-	-	409	409
In addition, liabilities in respect of employee benefits, net[d]	9,240	-	-	9,240	9,240

(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 208,190 million and NIS 256,427 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.)

	March 31, 2022 (unaudited)				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	164,974	150,754[(f)]	8,104	5,810[(f)]	164,668
Securities[(b)]	94,360	51,290	36,917	6,039	94,246
Securities borrowed or purchased under reverse repurchase agreements	2,882	2,882	-	-	2,882
Loans to the public, net	349,775	19,614	-	327,470	347,084
Loans to governments	1,153	-	65	1,087	1,152
Assets in respect of derivatives	19,997	8,745	9,130	2,122	19,997
Other financial assets	269	33	-	236	269
Held-for-sale financial assets[(e)]	25,199	2,246	3,279	19,518	25,043
Total financial assets	658,609[(c)]	235,564	57,495	362,282	655,341
Financial liabilities					
Deposits by the public	516,711	20,897	291,832[(f)]	199,727[(f)]	512,456
Deposits by banks	26,482	4,069	5,388	16,545	26,002
Deposits by governments	316	-	270	37	307
Securities loaned or sold under repurchase agreements	2,055	2,055	-	-	2,055
Bonds, promissory notes and subordinated bonds	21,459	20,986	-	769	21,755
Liabilities for derivatives	20,445	8,877	11,136	432	20,445
Other financial liabilities	3,534	974	1,023	1,537	3,534
Held-for-sale financial liabilities[(e)]	23,093	-	21,174	381	21,555
Total financial liabilities	614,095[(c)]	57,858	330,823	219,428	608,109
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	339	-	-	339	339
In addition, liabilities in respect of employee benefits, net[(d)]	9,751	-	-	9,751	9,751

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 171,629 million and NIS 396,283 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

(e) For additional information, please see Note 16.B to the financial statements as of March 31, 2022.

(f) Reclassified.

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

	December 31, 2022 (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	186,569	170,860	9,402	5,570	185,832
Securities[(b)]	82,950	41,264	34,087	6,428	81,779
Securities borrowed or purchased under reverse repurchase agreements	3,034	3,034	-	-	3,034
Loans to the public, net	384,782	18,673	-	358,284	376,957
Loans to governments	1,109	-	17	1,009	1,026
Assets in respect of derivatives	26,638	6,484	16,382	3,772	26,638
Other financial assets	260	19	-	241	260
Total financial assets	685,342[(c)]	240,334	59,888	375,304	675,526
Financial liabilities					
Deposits by the public	557,084	32,141	278,420	235,593	546,154
Deposits by banks	22,306	948	4,299	16,344	21,591
Deposits by governments	247	-	206	34	240
Securities loaned or sold under repurchase agreements	3,952	3,952	-	-	3,952
Bonds, promissory notes and subordinated notes	27,805	25,978	-	661	26,639
Liabilities for derivatives	23,311	5,953	17,199	159	23,311
Other financial liabilities	2,696	142	1,176	1,378	2,696
Total financial liabilities	637,401[(c)]	69,114	301,300	254,169	624,583
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	380	-	-	380	380
In addition, liabilities in respect of employee benefits, net[(d)]	8,930	-	-	8,930	8,930

(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 153,740 million and NIS 276,243 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

Note 15B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	March 31, 2023 (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	31,850	5,142	26	37,018
Foreign governments' bonds	12,017	4,171	-	16,188
Bonds of Israeli financial institutions	46	-	-	46
Bonds of foreign financial institutions	-	8,959	-	8,959
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	4,674	3,987	8,661
Other Israeli bonds	524	174	-	698
Other foreign bonds	-	4,714	-	4,714
Total available-for-sale bonds	44,437	27,834	4,013	76,284
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,001	-	-	2,001
Held-for-trading securities:				
Government of Israel bonds	2,408	-	-	2,408
Foreign governments bonds	676	-	-	676
Bonds of Israeli financial institutions	488	-	-	488
Bonds of foreign financial institutions	-	20	-	20
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	22	10	32
Other Israeli bonds	249	-	-	249
Other foreign bonds	-	58	-	58
Equity securities and mutual funds	2	-	-	2
Total held-for-trading securities	3,823	100	10	3,933
Assets in respect of derivatives:				
NIS-CPI contracts	-	164	204	368
Interest rate contracts	146	8,254	88	8,488
Foreign exchange contracts	-	5,400	2,639	8,039
Stock contracts	5,402	3,411	446	9,259
Commodity- and other contracts	315	21	1	337
MAOF (Israeli financial instruments and futures) market activity	468	-	-	468
Total underlying assets for derivatives	6,331	17,250	3,378	26,959
Other:				
Credit and deposits for loaned securities	12,448	-	-	12,448
Securities borrowed or purchased under reverse repurchase agreements	3,282	-	-	3,282
Other	19	-	-	19
Other - total	15,749	-	-	15,749
Total assets	72,341	45,184	7,401	124,926

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

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

	March 31, 2023 (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	-	339	152	491
Interest rate contracts	187	8,232	-	8,419
Foreign exchange contracts	-	6,339	1	6,340
Stock contracts	5,728	3,810	7	9,545
Commodity- and other contracts	313	24	-	337
MAOF (Israeli financial instruments and futures) market activity	469	-	-	469
Total liabilities in respect of derivatives	6,697	18,744	160	25,601
Other:				
Deposits in respect of loaned securities	13,745	7	-	13,752
Securities loaned or sold under repurchase agreements	4,739	-	-	4,739
Other	662	-	-	662
Other - total	19,146	7	-	19,153
Total liabilities	25,843	18,751	160	44,754

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

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

	March 31, 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	24,787	4,900	29	29,716
Foreign governments' bonds	17,363	8,704	-	26,067
Bonds of Israeli financial institutions	51	-	-	51
Bonds of foreign financial institutions	-	9,844	953	10,797
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	3,146	3,167	6,313
Other Israeli bonds	403	175	-	578
Other foreign bonds	-	4,627	-	4,627
Total available-for-sale bonds	42,604	31,396	4,149	78,149
Available held-for-sale bonds	1,050	1,641	-	2,691
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,314	-	-	2,314
Held-for-sale equity securities not held for trading	47	-	-	47
Held-for-trading securities:				
Government of Israel bonds	1,455	-	-	1,455
Bonds of Israeli financial institutions	461	-	-	461
Bonds of foreign financial institutions	-	52	-	52
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	23	13	36
Other Israeli bonds	207	-	-	207
Other foreign bonds	-	85	-	85
Equity securities and mutual funds	14	-	-	14
Total held-for-trading securities	2,137	160	13	2,310
Assets in respect of derivatives:				
NIS-CPI contracts	-	164	190	354
Interest rate contracts	287	3,403	8	3,698
Foreign exchange contracts	-	3,348	897	4,245
Stock contracts	7,623	2,020	885	10,528
Commodity- and other contracts	290	195	142	627
MAOF (Israeli financial instruments and futures) market activity	545	-	-	545
Total underlying assets for derivatives	8,745	9,130	2,122	19,997
Assets in respect of held-for-sale derivative instruments	-	58	-	58
Other:				
Credit and deposits for loaned securities	8,075	-	-	8,075
Securities borrowed or purchased under reverse repurchase agreements	2,882	-	-	2,882
Other	33	-	-	33
Other - total	10,990	-	-	10,990
Total assets	67,887	42,385	6,284	116,556

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

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

	March 31, 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	373	126	499
Interest rate contracts	163	3,472	-	3,635
Foreign exchange contracts	-	4,066	299	4,365
Stock contracts	7,887	2,884	7	10,778
Commodity- and other contracts	282	341	-	623
MAOF (Israeli financial instruments and futures) market activity	545	-	-	545
Total liabilities in respect of derivatives	8,877	11,136	432	20,445
Liability in respect of held-for-sale derivative instruments	-	88	-	88
Other:				
Deposits in respect of loaned securities	7,512	2	-	7,514
Securities loaned or sold under repurchase agreements	2,055	-	-	2,055
Other	974	-	-	974
Other - total	10,541	2	-	10,543
Total liabilities	19,418	11,226	432	31,076

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

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

	December 31, 2022 (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	17,199	4,619	24	21,842
Foreign governments' bonds	12,486	4,509	-	16,995
Bonds of Israeli financial institutions	46	-	-	46
Bonds of foreign financial institutions	-	9,627	-	9,627
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	3,651	4,059	7,710
Other Israeli bonds	495	175	-	670
Other foreign bonds	-	4,919	-	4,919
Total available-for-sale bonds	30,226	27,500	4,083	61,809
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,020	-	-	2,020
Held-for-trading securities:				
Government of Israel bonds	1,263	-	-	1,263
Bonds of Israeli financial institutions	580	-	-	580
Bonds of foreign financial institutions	-	53	-	53
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	23	10	33
Other Israeli bonds	257	-	-	257
Other foreign bonds	-	69	2	71
Equity securities and mutual funds	3	-	-	3
Total held-for-trading securities	2,103	145	12	2,260
Assets in respect of derivatives:				
NIS-CPI contracts	-	146	153	299
Interest rate contracts	175	8,900	77	9,152
Foreign exchange contracts	-	5,537	1,823	7,360
Stock contracts	5,710	1,767	1,715	9,192
Commodity- and other contracts	206	32	4	242
MAOF (Israeli financial instruments and futures) market activity	393	-	-	393
Total underlying assets for derivatives	6,484	16,382	3,772	26,638
Other:				
Credit and deposits for loaned securities	14,875	-	-	14,875
Securities borrowed or purchased under reverse repurchase agreements	3,034	-	-	3,034
Other	17	-	-	17
Other - total	17,926	-	-	17,926
Total assets	58,759	44,027	7,867	110,653

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

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

	December 31, 2022 (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	-	291	148	439
Interest rate contracts	116	8,673	-	8,789
Foreign exchange contracts	-	4,750	4	4,754
Stock contracts	5,237	3,451	7	8,695
Commodity- and other contracts	207	34	-	241
MAOF (Israeli financial instruments and futures) market activity	393	-	-	393
Total liabilities in respect of derivatives	5,953	17,199	159	23,311
Other:				
Deposits in respect of loaned securities	14,825	1	-	14,826
Securities loaned or sold under repurchase agreements	3,952	-	-	3,952
Other	142	-	-	142
Other - total	18,919	1	-	18,920
Total liabilities	24,872	17,200	159	42,231

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

B. Items Measured at Fair Value on a Non-Recurring Basis

	March 31, 2023 (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	-	-	89	89	1
Total	-	-	89	89	1

	March 31, 2022 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	212	212	79
Collateral-dependent non-performing held-for-sale credit	-	-	281	281	(23)
Total	-	-	493	493	56

	December 31, 2022 (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	-	-	94	94	135
Total	-	-	94	94	135

Note 15C - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended March 31, 2023 (unaudited)										
	Fair value as at the beginning of the year	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 March 31, 2023	Unrealized gains (losses) in respect of instruments held as at March 31, 2023
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	24	1	1	-	-	-	-	-	-	26	(5)
MBS/ABS	4,059	121	18	190	-	(55)	-	-	(346)	3,987	(210)
Total available-for-sale bonds	4,083	122	19	190	-	(55)	-	-	(346)	4,013	(215)
Held-for-trading bonds:											
MBS/ABS	10	-	-	-	-	-	-	-	-	10	-
Others - abroad	2	-	-	-	-	(2)	-	-	-	-	-
Total held-for-trading bonds	12	-	-	-	-	(2)	-	-	-	10	-
Assets in respect of derivatives:											
NIS-CPI contracts	153	34	-	-	-	-	-	17	-	204	62
Interest rate contracts	77	341	-	-	-	(330)	-	-	-	88	15
Foreign exchange contracts	1,823	(908)	-	1,724	-	-	-	-	-	2,639	1,941
Stock contracts	1,715	(1,269)	-	-	-	-	-	-	-	446	(548)
Commodity- and other contracts	4	(3)	-	-	-	-	-	-	-	1	(3)
Total underlying assets for derivatives	3,772	(1,805)	-	1,724	-	(330)	-	17	-	3,378	1,467
Total assets	7,867	(1,683)	19	1,914	-	(387)	-	17	(346)	7,401	1,252
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	148	(26)	-	-	-	-	-	30	-	152	31
Foreign exchange contracts	4	(3)	-	-	-	-	-	-	-	1	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	159	(29)	-	-	-	-	-	30	-	160	31
Total liabilities	159	(29)	-	-	-	-	-	30	-	160	31

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains (losses) included in "Statement of Changes in Equity" under "Accumulated other comprehensive income (loss)". The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31, 2023, amounted to NIS (215) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended March 31, 2022 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from Level 3[(c)]	Fair value as at March 31, 2022	Unrealized gains (losses) in respect of instruments held as at March 31, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	31	-	(2)	-	-	-	-	-	-	29	(1)
Foreign financial institutions	32	19	-	933	-	(31)	-	-	-	953	-
MBS/ABS	3,793	51	(51)	365	(19)	(153)	-	-	(819)	3,167	(84)
Other foreign entities	3	-	-	-	-	(3)	-	-	-	-	-
Total available-for-sale bonds	3,859	70	(53)	1,298	(19)	(187)	-	-	(819)	4,149	(85)
Held-for-trading bonds:											
MBS/ABS	11	1	-	-	(2)	-	-	3	-	13	-
Total held-for-trading bonds	11	1	-	-	(2)	-	-	3	-	13	-
Assets in respect of derivatives:											
NIS-CPI contracts	146	40	-	-	-	-	-	4	-	190	44
Interest rate contracts	124	119	-	-	-	(235)	-	-	-	8	(98)
Foreign exchange contracts	728	(1,054)	-	1,223	-	-	-	-	-	897	328
Stock contracts	803	82	-	-	-	-	-	-	-	885	183
Commodity- and other contracts	254	(112)	-	-	-	-	-	-	-	142	98
Total underlying assets for derivatives	2,055	(925)	-	1,223	-	(235)	-	4	-	2,122	555
Total assets	5,925	(854)	(53)	2,521	(21)	(422)	-	7	(819)	6,284	470
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	90	-	-	-	-	-	-	36	-	126	37
Foreign exchange contracts	284	15	-	-	-	-	-	-	-	299	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	381	15	-	-	-	-	-	36	-	432	37
Total liabilities	381	15	-	-	-	-	-	36	-	432	37

(a) Realized gains (losses), net, reported in the income statement under the “noninterest finance income” item.

(b) Unrealized gains (losses) included in the statement of changes in equity under “Accumulated other comprehensive income (loss)”. The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31, 2022, amounted to NIS (85) million..

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the year ended December 31, 2022 (audited)										
	Fair value as at the beginning of year	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 December 31, 2022	Unrealized gains (losses) for instruments held as at December 31, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	31	-	(7)	-	-	-	-	-	-	24	(5)
Foreign financial institutions	32	19	-	933	-	(984)	-	-	-	-	-
MBS/ABS	3,793	521	(196)	1,367	(19)	(487)	-	-	(920)	4,059	(229)
Other foreign entities	3	-	-	-	-	(3)	-	-	-	-	-
Total available-for-sale bonds	3,859	540	(203)	2,300	(19)	(1,474)	-	-	(920)	4,083	(234)
Held-for-trading bonds:											
MBS/ABS	11	1	-	-	(1)	(4)	-	3	-	10	-
Other foreign entities	-	-	-	-	-	-	-	2	-	2	-
Total held-for-trading bonds	11	1	-	-	(1)	(4)	-	5	-	12	-
Assets in respect of derivatives:											
NIS-CPI contracts	146	(12)	-	-	-	-	-	19	-	153	67
Interest rate contracts	124	230	-	-	-	(277)	-	-	-	77	(144)
Foreign exchange contracts	728	(488)	-	1,583	-	-	-	-	-	1,823	1,623
Stock contracts	803	912	-	-	-	-	-	-	-	1,715	1,700
Commodity- and other contracts	254	(250)	-	-	-	-	-	-	-	4	4
Total underlying assets for derivatives	2,055	392	-	1,583	-	(277)	-	19	-	3,772	3,250
Total assets	5,925	933	(203)	3,883	(20)	(1,755)	-	24	(920)	7,867	3,016
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	90	(85)	-	-	-	-	-	143	-	148	5
Foreign exchange contracts	284	(280)	-	-	-	-	-	-	-	4	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	381	(365)	-	-	-	-	-	143	-	159	5
Total liabilities	381	(365)	-	-	-	-	-	143	-	159	5

(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) including in respect of available-for-sale bonds as at December 31, 2022, amounted to NIS (234) million.

(c) Transfer from Level 2 to Level 3 – CPI forwards or a period of over one year were transferred; as of the financial statements date, the resulting repayment period is under one year.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	March 31, 2023 (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	26	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	3,987	Discounted cash flows	Spread	200-280 bp	240bp
			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	10	Discounted cash flows	Spread	200-280 bp	240bp
			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	200	Discounted cash flows	Expected inflation	0.20%-2.99%	1.60%
	4	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Interest rate contracts	88	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Foreign exchange contracts	2,639	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Stock contracts	446	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Commodity contracts	1	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	152	Discounted cash flows	Expected inflation	0.20%-2.99%	1.60%
Foreign exchange contracts	1	Discounted cash flows	Expected inflation	0.20%-2.99%	1.60%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.30%-100%	1.70%
b. Items measured at fair value on a non-recurring basis					
Non-troubled loans whose collection is collateral-dependent	89	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	March 31, 2022 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds[1]					
Government of Israel bonds	29	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	953	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	3,167	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	13	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	184	Discounted cash flows	Expected inflation	0.50%-3.45%	1.97%
	6	Discounted cash flows	Counterparty risk	0.16%-100%[*]	1.07%
Interest rate contracts	8	Discounted cash flows	Counterparty risk	0.16%-100%[*]	1.07%
Foreign exchange contracts	897	Discounted cash flows	Counterparty risk	0.16%-100%[*]	1.07%
Stock contracts	885	Discounted cash flows	Counterparty risk	0.16%-100%[*]	1.07%
Commodity contracts	142	Discounted cash flows	Counterparty risk	0.16%-100%[*]	1.07%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	126	Discounted cash flows	Expected inflation	0.50%-3.45%	1.97%
Foreign exchange contracts	299	Discounted cash flows	Expected inflation	0.50%-3.45%	1.97%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.16%-100%	1.07%
b. Items measured at fair value on a non-recurring basis					
Non-troubled loans whose collection is collateral-dependent	212	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31, 2022 (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	24	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	4,059	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	10	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	2	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	148	Discounted cash flows	Expected inflation	0.41%-2.72%	1.56%
	5	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Interest rate contracts	77	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Foreign exchange contracts	1,823	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Stock contracts	1,715	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Commodity contracts	4	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	148	Discounted cash flows	Expected inflation	0.41%-2.72%	1.56%
Foreign exchange contracts	4	Discounted cash flows	Expected inflation	0.41%-2.72%	1.56%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.60%-100%	1.39%
b. Items measured at fair value on a non-recurring basis					
Non-troubled loans whose collection is collateral-dependent	94	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.)

Comments:

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.

2. The following unobservable inputs were used to measure the derivatives' fair value: counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect the contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the CPI-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.

3. The average figure for the unobservable input "counterparty risk" reflects a weighted average. The weighted average was calculated based on the relative fair value of the exposures.

Note 16 - Miscellaneous Topics and Events after the Balance Sheet Date

A. Impairment of the investment in Valley

As detailed in Note 15 and Note 1.E.2 to the Bank's financial statements as at December 31, 2022, the Bank's investment in the shares of Valley National Bancorp (hereinafter - "Valley") is recorded in the Bank's books according to the equity method.

In the wake of significant decreases in the share prices of the US banking segment in general, and mid-sized banks in particular, the Bank examined the need to recognize an impairment in respect of its investment in Valley.

The Bank examined indicators related to Valley's performance and to the performance of the shares, taking into consideration the general situation in the markets, and in the US banking system in particular, with emphasis on mid-sized and small banks.

In view of the above, the Bank believes that the decrease in fair value is of an other-than-temporary nature, and accordingly, the difference between the fair value of the investment and its value in the books was recognized as an impairment loss in the first quarter of 2023.

The fair value of the investment in Valley was determined according to the quoted market value of the share as of March 31, 2023 without adjustments, which was USD 9.24 per share, and as of that date - amounts to NIS 2.4 billion. The impairment recorded in respect of the investment in Valley amounted to approx. NIS 1.1 billion, after tax.

The impairment loss was recorded in the income statement under the "Bank's share in associates' profits (losses)" line item.

For this loss, the Bank recognized a deferred tax asset, which may be utilized as a deduction from the taxable income upon disposal of the investment.

The reduction in the value did not have a significant effect on the Bank's regulatory capital adequacy.

For more information regarding the impairment of investments in equity-accounted associates, please see Note 1.V.4 to the financial statements as at December 31, 2022.

Shortly before the report's publication date, the market value of Valley's shares held by the Bank is approx. NIS 1.9 billion.

B. Sale of Beit Lin

On March 28, 2023, the Bank engaged (through a wholly owned subsidiary) in an agreement with JTLV 3 (Beit Lin) Limited Partnership (hereinafter - the "Acquirer") for the sale of 50 percent of its rights in an office tower at 35 and 37 Yehuda Halevi St., Tel Aviv, known as Beit Lin, which is currently used by the Bank (hereinafter - the "Property"), according to a total asset value (100 percent) of NIS 650 million. The consideration payable to the Bank is NIS 325 million plus VAT (hereinafter - the "Consideration"; the "Sale Agreement"). At the same time, the parties entered into an agreement to regulate the cooperative relationship in the property for its improvement.

C. The Bank's UK office

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, a BLUK subsidiary (hereinafter – "Leumi UK Group").

Leumi UK Group provides credit primarily in the fields of real estate, hotels and ABL, only to commercial customers in the UK and Europe, including Israeli customers active in these geographies; this includes investments in and development of residential real estate and financing of commercial real estate (homes for the elderly and student dormitories). Funding is extended both to customers in and outside the UK (mainly Israeli).

As of March 31, 2023, all the conditions required to carry out the restructuring were met, including transfer of all business activity from BLUK to Leumi UK Group and declaration of voluntary liquidation of BLUK. During May 2023, approval was received from the regulator in the UK regarding the cancellation of BLUK's banking license, which completed the organizational change process.

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

Corporate Governance, Additional Details and Appendices

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Changes in the Board of Directors

As of the report publication date, the Board of Directors includes ten members, in accordance with the number of directors allowed in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter - "Directive 301"). During the first quarter of 2023, there were no changes in the composition of the Board of Directors, as outlined below.

On February 1, 2023, CPA Yitzhak Edelman ended his tenure as a director at the Bank. For more information, please see the immediate report published by the Bank on January 27, 2022 (Ref. No. 2022-01-011986) and the report regarding the end of tenure on February 2, 2023 (Ref. No. 2023-01-013728).

On April 4, 2023, the Bank received the letter from the Committee for the Appointment of Directors in Banking Corporations, which was appointed under Section 36A of the Banking Law (Licensing), 1981, which includes a list of the candidates to serve as the Bank's directors for election at the Bank's 2023 annual general meeting. For more information, including the list of candidates, please see the immediate report published by the Bank on April 4, 2023 (Ref. No. 2023-01-038853).

On April 10, 2023, the Bank published a preliminary notice regarding a plan to convene an annual general meeting of the Bank's shareholders to discuss several topics, including the appointment of two directors who are not external directors in accordance with Section 11.D(a)(2) to the Banking Ordinance, 1941, and the appointment of one external director in accordance with Directive No. 301. For more information, please see the immediate report published by the Bank on May 10, 2023 (Ref. No. 2023-01-050268).

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 Corporate Governance Report as of December 31, 2022.

The Internal Auditor

Information regarding the Group's internal auditing function, including appointment of a new Chief Internal Auditor, 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 Corporate Governance Report as at December 31, 2022.

The 2022 Internal Audit Report of the Leumi Group was submitted to the Audit Committee on March 22, 2023, discussed by the Committee on March 29, 2023, submitted to the Board of Directors on March 27, 2023 and discussed by the Board on April 24, 2023.

Control of the Bank

As of March 24 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For up-to-date information regarding interested parties' holdings in the Bank as at March 31, 2023, please see the immediate report on the status of holdings of interested parties and senior officers dated April 4, 2023 (Ref. No.: 2023-01-039015). Please see also the immediate report on the list of holders of significant means of control in the Bank as of March 31, 2023, dated April 10, 2023 (Ref. No.: 2023-01-035011) and the report on who became a holder of material means of control from April 13, 2023 (Ref. No.: 2023-01-040491).

Appointments and Departures

Appointments

CPA Hagit Argov, Chief Internal Auditor, Head of the Internal Audit Division and member of the Bank's management and First Executive Vice President, was appointed Head of the Finance Division and Chief Accounting Officer as of February 12, 2023.

CPA Bosmat Ben Zvi, Head of the Capital Markets Division and member of the Bank's management and First Executive Vice President, was appointed Chief Internal Auditor and Head of the Internal Audit Division as of February 12, 2023.

CPA Omer Ziv, Head of the Finance Division, Chief Accounting Officer and member of the Bank's management and First Executive Vice President, was appointed Head of the Capital Markets Division and Deputy CEO as of February 12, 2023. In addition, CPA Omer Ziv was appointed Chairman of the subsidiary, Leumi Partners.

CPA Liat Shuv, Head of the Risk Management Division and member of the Bank's management, was appointed Head of the Corporate Division as of February 15, 2023.

Mr. Ronen Mori was appointed Head of the Risk Management Division, as a member of the Bank's management and First Executive Vice President, as of February 15, 2023.

Adv. Michal Alterman, was appointed Chief Legal Counsel and Head of the Legal Counsel Division, as a member of the Bank's management and First Executive Vice President as of February 15, 2023.

Mr. Eyal Ben Haim, Head of the Operations and Service Division and member of the Bank's management and First Executive Vice President, was appointed Head of the Banking Division effective May 16, 2023.

Ms. Avivit Klein, Head of the Human Resources Division and member of the Bank's management and First Executive Vice President, will be appointed, in addition to her position, as Chairperson of the Leumi UK Board of Directors during the second quarter of 2023.

Mr. Avi Pollak was appointed Head of the Operations and Service Division and a member of the Bank's management and First Executive Vice President effective May 16, 2023.

Mr. Pinchas Schatz, was appointed Head of the Compliance and Enforcement Department and Chief Compliance Officer, as of December 28, 2022.

Mr. Ron Ben Haim was appointed CEO of Leumi Partners as of April 1, 2023.

Adv. Shelly Bainhoren, will be appointed Secretary of the Bank and the Group, during 2023.

Departures

CPA Ronen Agassi, Head of the Corporate Division and member of the Bank's management, ended his tenure on February 14, 2023, after 6 years of work at Leumi.

Adv. Mor Fingerer, Chief Legal Counsel, Head of the Legal Counsel Division, Secretary of the Bank and the Group and member of the Bank's management, ended her tenure on February 14, during 2023, after two years at Leumi.

Mr. Avi Ortal, CEO of Leumi Partners, ended his tenure on March 31, 2023 after 4 years of work in the Leumi Group.

Mr. Shmulik Arbel, Head of the Banking Division and member of the Bank's management, ended his tenure on May 15, 2023, after 28 years of work at Leumi.

Corporate Structure

Collective agreement on employee benefits

On April 16, 2023, the Bank signed a special collective agreement with the Workers' Union for 2023-2026.

For more information, please see Note 8.A and the immediate report dated April 16, 2023.

Issuance of option warrants

For more details regarding issuance of option warrants, see Note 8.B.

Material Agreements

For more information regarding additional material agreements, please see the Note 16 and the Material Agreements section in the financial statements as at December 31, 2022.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning and implications of the term, please see the section entitled “Forward-Looking Information”.

During the reporting period, several proposals for regulatory amendments and changes to various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. Some of the directives are at various stages of discussion and, consequently, it is impossible to assess whether or not they will be issued as binding provisions and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the effect of these provisions on the Group's overall activity, if any. The following section provides detailed information on newly enacted legislation, which came into effect during the reporting period and provisions expected to enter into effect, which were published after the date of signing the financial statements for 2022, which may have a significant effect on the Bank.

For a description of directives published in the reporting period before the date of signing the financial statements for 2022, please see the section entitled “Legislation and Regulation of the Banking System” in the Corporate Governance Report of 2022.

Directives Issued by the Banking Supervision Department

The draft Proper Conduct of Banking Business Directive, Banking Corporation’s Activity as a Broker Dealer and the FAQ file for applying the directive

On March 22, 2023, the draft was published with the aim of regulating the financial brokerage activity of banking corporations regarding the receipt and transfer of orders to carry out transactions in securities for customers, in their capacity as brokers and by way of trading for their own account (broker dealer activity). Among other things, the directive states that a banking corporation is required to apply, in its broker dealer activities, adequate principles of corporate governance, risk management, control and internal auditing, including when activities are carried out in the trading room, in order to identify the inherent risks, manage them and mitigate them in accordance with its strategy and risk tolerance. The directive imposes various obligations on the banking corporations, including: establishing a policy for carrying out directives, adapting the activity for the customer, competence and suitability of employees engaged in the activity and prevention of conflicts of interest, code of conduct, documentation requirements, provision of information to the customer and receipt of information from the customer and fair disclosure regarding conflicts of interest in cases where exposure remains after steps are taken to minimize it, and controls over the activity. The draft directive, if accepted, may require adjustments in the work processes.

Directives regarding banking consumerism

The Economic Plan Bill (Legislative Amendments for Implementing the Economic Policy for Budget Years 2023 and 2024), 2023

As part of a bill dated March 23, 2023 and revised versions of the bill discussed by the Knesset during preparation of the bill for the second and third readings, it is proposed to make the following amendments regarding fees and commissions: (a) A banking corporation should inform its customers - in accordance with the fees and commissions list that it is entitled to charge amounts or rates that are lower than the amounts or rates listed therein; (b) To require that a banking corporation shall not charge its customers a fee or commission in an amount or rate that are higher than those listed in the fees and commissions list; (c) If it is agreed with a customer than he/she shall be charged a fee or commission that is lower than that of the fees and commissions list - the customer may not be charged a higher fee or commission than agreed; (d) A banking corporation shall not charge a customer a fee or commission unless the service in respect thereof has been provided to the customer.

In the reporting period, the Banking Supervision Department published various directives regarding banking consumerism, as follows:

Amendment of Proper Conduct of Banking Business Directive No. 422 - Opening a current account with a credit balance and account management

On March 29, 2023, an amendment to the directive was published, which clarified that since a current account is an essential account, through which a customer manages the majority of his/her financial activity (and therefore a banking corporation must enable any customer to open, at least, a current account with a credit balance and to manage it, provided that there is no reasonable grounds for not providing service (hereinafter - “reasonable refusal”) - according to the Banking Law (Customer Service), sweeping rules should not be established to block a customer's activity in his/her account, and the use of basic payment methods or account transactions should not be prevented just because the account or customer is a certain type of account or customer, and that each request should be examined on its merits, exercising discretion. In addition, the Directive was expanded such that it will apply not only to accounts with a credit balance but also to accounts with a debit balance that do not deviate from the approved credit facility. In addition, the basis payment services determined in the Directive were expanded in order to allow the customer to conduct his finances in an efficiently and conveniently. The amendment will enter into effect one year from its publication date.

Proper Conduct of Banking Business Directive 501 - Management of a Customer Service and Support System

On March 29, 2023, the directive was published establishing principles for the provision of service and support to customers, which express the customer-centric concept and obligates the banks to maintain efficient and responsible communication with their customers and to provide them with professional, effective and available service and support in various service channels, while addressing the customers' needs, their characteristics and the complexity of the financial products. Among other things, the directive establishes obligations regarding corporate governance, according to which the Board of Directors and senior management are required to determine a strategy and policies for the provision of service and support to customers and to promote an organizational culture, operational infrastructures, control mechanisms and work processes that will improve the quality and availability of the service and support provided to customers. The directive includes principles for providing service and support to customers, as follows: (1) An optimal service and support system - ensuring the provision of service that meets the needs of the customers, across a variety of channels, in simple, respectful and clear language and in a professional, readily available, quick and helpful manner; (2) Promoting useful communication between the banking corporation and the customer when providing the service and support: (3) Preventing barriers to service, harm or deception; (4) Availability and quality throughout the entire period of engagement; (5) Service and support adapted to the customers; (6) Providing proper and quality service across a variety of channels.

In addition, it was determined that a service level agreement and a service terms agreement must be published. The directive includes an indirect amendment to Proper Conduct of Banking Business Directive 401, which determined that a banking corporation may not prevent customers from entering a branch to receive service even without making an appointment in advance. It was also determined that the actual average waiting and response times must be published regarding the services and service channels detailed in the service level agreement and compared to the levels of service to which the banking corporation has committed in the service level agreement. The directive will enter into effect on March 29, 2024. Publication of the information regarding times and the manner of providing the services - on June 29, 2023, the determination that entering the branch and receiving service as described above must not be prevented entered into effect immediately. Publication of the actual average waiting and response times will enter into effect two years from publication of the directive.

Amendment to Proper Conduct of Banking Business Directive No. 434 - Joint Account - "Survivors" Clause

The proposed amendment, dated May 17, 2023, prescribes various provisions intended to increase awareness of partners to a bank account to the survivors' clause and its significance, and to enable a survivor to use the account in case of a partner's death, inter alia: (1) In the joint account opening agreement, the banking corporation should offer its customers a survivors' clause and present it clearly. In conjunction with the survivors' clause, an explanation regarding its significance should be included; (2) In case of a change in signatory rights in a joint account, the bank should inform the partners regarding the applicability of the survivors' clause to the account and their entitlement of alter their choice; (3) If a partner joins the account, the bank will ask the partners for their up-to-date choice regarding the applicability of the survivors' clause; (4) Processes were prescribed with the aim of enabling surviving partners to repay existing liabilities through means of payment issued to the deceased partner.

These directives regarding banking consumerism require making adjustments in the work processes. The Bank is working to update these processes.

Initiatives for Increasing Competition

Further to the section entitled Legislation and Regulation Governing the Banking System in the Corporate Governance Report for 2022, following are details of directives in this area, which were published subsequent to the signing date of the annual report for 2022. These directives are expected to affect the Israeli banking system in the coming years.

The Economic Plan Bill (Legislative Amendments for Implementing the Economic Policy for Budget Years 2023 and 2024), 2023

In the bill, dated March 23, 2023, and updated version of the bill discussed by the Knesset in preparation for the second and third readings, it is proposed, among other things, to make the following amendments:

(1) Regulation of Payment Services and Payment Initiation, 2023 - The bill proposes the regulation of aspects with the aim, among other things, of enabling the entry of new players into the market: (a) Licensing of payment services - Regulation of payment services provided by non-bank entities, mainly regarding licensing; (b) Payment initiation - Regulation of payment initiation, including licensing aspects and consumer protection aspects of the initiation services.

(2) Increase the amount of credit debt that a corporation may raise, through a licenseeה for operating a credit brokerage system, from NIS 1 million to NIS 6 million.

(3) Amendment to the Banking Law (Service to Customer), 1981, such that a banking corporation that refuses to open an account for a financial entity and for a payment company, as detailed in Section 2(a)(2) of the Law, will provide a reasoned notice thereof to the Banking Supervision Department.

(4) Require the banks to notify each customer, at the beginning of each calendar month, regarding the total amount of fees and commissions and interest collected by the bank from the customer in the previous month.

(5) Determine that a banking corporation must allow a financial entity engaged in the operation of issuing debit cards issued by the banking corporation, as part of an engagement agreement between the banking corporation and the customer to whom the debit card is issued, to obtain the customer's consent to make use of customer information it has received in the execution of the issue or the operation of the issue, for the purpose of providing financial services to the customer. A banking corporation will not prevent the operating entity, by act or omission, to obtain the customer's consent.

(6) Permit a bank with a narrow scope of activity (a bank whose total assets do not exceed 10 percent of the total assets of all the banks in Israel) to control a single corporation that is an insurance agent, whose sole business, except for the occupations currently permitted in the Banking Law (Licensing), 1981, is property and casualty insurance.

(7) Determine that the directive that obliges a bank with a broad scope of activity that issues debit cards to limit the credit facilities of the credit cards it issued to its customers will be revoked after January 31, 2024. For additional information on this subject, please see the section entitled "Legislation and Regulation Governing the Banking System" in the Corporate Governance Report for 2022.

(8) To prescribe in the directive that a bank with a considerable scope of activity issuing debit cards may contact customers regarding renewal of their credit cards only within the 45-day period preceding the termination date of the credit card agreement (except in cases outlined in the directive), will be revoked after May 31, 2026.

Draft Proper Conduct of Banking Business Directive, Distribution of Credit Cards by Issuers Engaged with a Banking Corporation in a Distribution Agreement

Section 17 to the Banking Law (Service to Customers), 1981 prescribes that when a customer contacts a banking corporation in order to enter a credit card agreement therewith, or when a banking corporation contacts a customer proposing such an agreement, the banking corporation should distribute the credit cards of the issuers with whom it has engaged in a distribution agreement. The clause authorizes the Banking Supervision Department to prescribe provisions regarding the distribution agreement between the banking corporations and other issuers. In the draft PCOBB directive published on May 15, 2023, it is proposed to prescribe provisions regarding the said credit card distribution processes, inter alia, on the following topics: (a) Manner of distribution; (b) The details which the banking corporation is required to provide to the customer; (c) Guidance regarding unreasonable refusal to engage in a distribution agreement with an issuer.

Legislation

The Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order - Novel Coronavirus), 2023

Further to the details in the chapter Laws and Regulations Governing the Banking System in the Corporate Governance Report for 2022, Amendment 4 to the Law prescribes a dedicated track for handling debts of debtors (corporations and private individuals) hurt by the coronavirus crisis, which will allow debtors, among other things, to reach debt settlement agreements as an alternative to full insolvency proceedings. On March 21, 2023, the amendment's validity was extended by an additional 12 months, until March 17, 2024.

Additional Topics

Draft Protection of Privacy Regulations (Instruction regarding Data Transferred to Israel from the European Economic Area), 2023

Further to the section entitled Legislation and Regulation Governing the Banking System in the Corporate Governance Report of 2022, the regulations which prescribe provisions regarding information provided to Israel from a member country of the European Economic Area, were published in the Official Gazette on May 7, 2023.

Credit Ratings

Following are the credit ratings of Israel and the Bank as at May 22, 2023:

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A1	stable	P-1
	S&P	AA-	stable	A-1+
	Fitch	A+	stable	F1+
Bank Leumi: foreign currency	Moody's	A2	stable	P-1
	S&P	A	stable	A-1
	Fitch	A	stable	F1+
	Fitch	A – (xgs)	stable	F1 (xgs)
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, 2023 to May 22, 2023:

On February 1, 2023, credit rating agency Moody's reiterated the Bank's rating and rating outlook.

On May 2, 2023, rating agency Fitch announced it was introducing a change in the current rating of various banks around the world, including Israeli banks – with Bank Leumi among them. While keeping the current rating, another rating was added, taking into account a scenario where governments would not support covering public deposits during a crisis.

Appendix 1 - Income and Expenditure Rates[a] and Analysis of Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates – Assets

	For the three months ended March 31					
			2023			2022
	Average balance[b]	Interest income	% of income	Average balance[b]	Interest income	% of income
	In NIS million		In %	In NIS million		In %
Interest-bearing assets						
Loans to the public[c]						
In Israel	375,306	5,528	5.89	324,043	2,788	3.44
Outside Israel	6,490	114	7.03	23,797	235	3.95
Total[i]	381,796	5,642	5.91	347,840	3,023	3.48
Loans to the government						
In Israel	1,057	10	3.78	1,042	9	3.45
Outside Israel	-	-	-	-	-	-
Total	1,057	10	3.78	1,042	9	3.45
Deposits with banks						
In Israel	15,928	167	4.19	16,708	15	0.36
Outside Israel	227	-	-	235	-	-
Total	16,155	167	4.13	16,943	15	0.35
Deposits with central banks						
In Israel	110,987	1,073	3.87	137,637	33	0.10
Outside Israel	76	1	5.26	2,771	2	0.29
Total	111,063	1,074	3.87	140,408	35	0.10
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	3,328	34	4.09	3,197	1	0.13
Outside Israel	-	-	-	-	-	-
Total	3,328	34	4.09	3,197	1	0.13
Bonds - held-to-maturity and available-for-sale[d]						
In Israel	90,382	621	2.75	73,860	239	1.29
Outside Israel	-	-	-	5,142	27	2.10
Total	90,382	621	2.75	79,002	266	1.35
Bonds - held-for-trading[d]						
In Israel	3,505	24	2.74	2,280	12	2.11
Outside Israel	-	-	-	-	-	-
Total	3,505	24	2.74	2,280	12	2.11
Total interest-bearing assets	607,286	7,572	4.99	590,712	3,361	2.28
Non-interest-bearing receivables for credit cards	6,194			5,688		
Other non-interest-bearing assets[e]	71,128			58,488		
Total assets	684,608	7,572		654,888	3,361	
Total interest-bearing assets attributed to foreign operations	6,793	115	6.77	31,945	264	3.31

Please see comments below.

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

	For the three months ended March 31					
	2023			2022		
	Average balance(b)	Interest expense	% of expense	Average balance(b)	Interest expense	% of expense
	In NIS million		In %	In NIS million		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	360,427	3,226	3.58	252,047	256	0.41
Demand deposits	114,674	929	3.24	112,354	6	0.02
Fixed deposits	245,753	2,297	3.74	139,693	250	0.72
Outside Israel	19	-	-	10,904	8	0.29
Demand deposits	19	-	-	7,365	2	0.11
Fixed deposits	-	-	-	3,539	6	0.68
Total	360,446	3,226	3.58	262,951	264	0.40
Deposits by the Israeli Government						
In Israel	244	1	1.64	323	-	-
Outside Israel	-	-	-	1	-	-
Total	244	1	1.64	324	-	-
Deposits by central banks						
In Israel	16,916	3	0.07	17,054	3	0.07
Outside Israel	-	-	-	-	-	-
Total	16,916	3	0.07	17,054	3	0.07
Deposits by banks						
In Israel	5,020	21	1.67	6,504	2	0.12
Outside Israel	-	-	-	53	-	-
Total	5,020	21	1.67	6,557	2	0.12
Securities loaned or sold under repurchase agreements						
In Israel	4,441	67	6.03	2,261	2	0.35
Outside Israel	-	-	-	236	-	-
Total	4,441	67	6.03	2,497	2	0.32
Bonds						
In Israel	28,676	326	4.55	17,750	191	4.30
Outside Israel	-	-	-	-	-	-
Total	28,676	326	4.55	17,750	191	4.30
Total interest-bearing liabilities	415,743	3,644	3.51	307,133	462	0.60
Non-interest-bearing deposits by the public	176,423			270,684		
Non-interest-bearing payables for credit cards	1,789			1,779		
Other non-interest bearing liabilities(f)	36,958			34,182		
Total liabilities	630,913	3,644		613,778	462	
Total capital resources	53,695			41,110		
Total capital commitments and resources	684,608	3,644		654,888	462	
Interest rate spread		3,928	1.48		2,899	1.68
Net return(g) on interest-bearing assets						
In Israel	600,493	3,813	2.54	558,767	2,643	1.89
Outside Israel	6,793	115	6.77	31,945	256	3.21
Total	607,286	3,928	2.59	590,712	2,899	1.96
Total interest-bearing liabilities attributed to foreign operations	19	-	-	11,194	8	0.29

Please see comments below.

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

	For the three months ended March 31					
	2023			2022		
	Average balance[b]	Interest income (expenses)	% of income (expense)	Average balance[b]	Interest income (expenses)	% of income (expense)
	In NIS million		In %	In NIS million		In %
CPI-linked NIS						
Total interest-bearing assets	59,745	995	6.66	53,921	970	7.20
Total interest-bearing liabilities	26,923	(332)	(4.93)	21,174	(287)	(5.42)
Interest rate spread			1.73			1.78
Unlinked NIS						
Total interest-bearing assets	442,397	5,530	5.00	415,264	1,844	1.78
Total interest-bearing liabilities	281,620	(2,094)	(2.97)	207,619	(90)	(0.17)
Interest rate spread			2.03			1.61
Foreign currency						
Total interest-bearing assets	98,351	932	3.79	89,582	283	1.26
Total interest-bearing liabilities	107,181	(1,218)	(4.55)	67,146	(77)	(0.46)
Interest rate spread			(0.76)			0.80
Total activity in Israel						
Total interest-bearing assets	600,493	7,457	4.97	558,767	3,097	2.22
Total interest-bearing liabilities	415,724	(3,644)	(3.51)	295,939	(454)	(0.61)
Interest rate spread			1.46			1.61

Please see comments below.

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

	2023 vs. 2022		
	For the three months ended March 31		
	Increase (decrease) due to change[h]		Net change
	Quantity	Price	
	In NIS million		
Interest-bearing assets			
Loans to the public			
In Israel	755	1,985	2,740
Outside Israel	(304)	183	(121)
Total	451	2,168	2,619
Other interest-bearing assets			
In Israel	(82)	1,702	1,620
Outside Israel	(26)	(2)	(28)
Total	(108)	1,700	1,592
Total interest income	343	3,868	4,211
Interest-bearing liabilities			
Deposits by the public			
In Israel	970	2,000	2,970
Outside Israel	-	(8)	(8)
Total	970	1,992	2,962
Other interest-bearing liabilities			
In Israel	86	134	220
Outside Israel	-	-	-
Total	86	134	220
Total interest expenses	1,056	2,126	3,182

Comments:

(a) The data in the above tables are stated after the effect of derivatives instruments hedging.

(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average on-balance sheet loan loss provisions; foreign subsidiaries - based on quarterly opening balances.

(c) Before deducting the average balance of loan loss provisions. Including non-accrual debts.

(d) The average balance of unrealized gains (losses) from fair value adjustments of held-for-trading bonds was added to (deducted from) the average balance of held-for-trading bonds and available-for-sale bonds, as were gains (losses) in respect of available-for-sale bonds included in shareholder's equity under accumulated other comprehensive income (loss), in the "Adjustments in respect of presentation of available-for-sale securities at fair value" line item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS (3,520) million (March 31 2022 – NIS 622 million).

(e) Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivative instruments and non-monetary liabilities.

(g) Net yield – net interest income divided by total interest-bearing assets.

(h) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions for the three-month period ended on March 31, 2023 totaling NIS 99 million were included in the interest income from loans to the public (fees and commissions for the three-month ended on March 31, 2022, totaling NIS 133 million).

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	
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, for 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.