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

Condensed Financial Statements
as at September 30, 2023
(Unaudited)

The Leumi family pays tribute to the relatives of employees and pensioners who were murdered and killed in the war

Ilay Noam Ben Mucha
Brother of Bar Ben Mucha

Amir and Mati Weiss
Brother and sister-in-law of Raviv Weiss

Danit Cohen
Sister of Shirel Cohen

Lior Siminovich
Son of Yaron Siminovich

Jenny Nisimboim
Sister of Steven Gilin

Itay Saadon
Son of Liat Sade-Saadon

Yinon Fleishman
Son of Benjamin Fleishman

Eden Gez
Daughter of Aliza Gez

May they rest in peace

leumi

The October 7th terror attack is one of the most devastating experienced by the State of Israel. The magnitude of the destruction, the number of victims and the unbelievable brutality created a gaping hole in the hearts of us all.

As Israel's leading corporation, Bank Leumi understood what was at stake on that very day, and immediately began to prepare for providing a solution to its customers – one that would be sensitive and adapted to their needs, while offering significant measures to those hurt during the vicious attack.

We developed a business plan adapted to the current needs, with stringent and responsible risk management of capital and liquidity cushions, maintaining business continuity and placing special emphasis on keeping the Bank's branches and call centers fully operational.

At the same time, we published a comprehensive relief program for our customers and a series of important social responsibility initiatives, such as: providing Be'eri with continuous support, from solutions to immediate needs and up to the kibbutz's complete rehabilitation. In addition, we led an initiative in which we pay a full year's tuition to students who volunteer to help farmers harvest their crops.

We understand that financial statements which reflect financial stability and the Bank's robustness – especially during wartime – are highly significant.

Nevertheless, some things are more important. During these hard times for the State of Israel, our concern and support for our employees who have lost their loved ones during the war – is our top priority. Not a day goes by that our heart does not go out to them, and we promise them this:
the Leumi family will always stand by you.

We are all one family, one people.

Together we shall win.

Shmuel (Muli) Ben Zvi
Chairman of Bank Leumi

Hanan Friedman
President & CEO
of Bank Leumi

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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]

General Background

Subsequent to the report date, on October 7, 2023, a lethal attack was waged on the State of Israel, especially on civilians; as a result of the attack, the State of Israel declared the Iron Swords War. The War is expected to have a significant adverse effect on the Israeli economy, especially while the fighting is going on, and as a result - on the Bank's performance. The adverse economic potential is substantial, on the back of the possibility of further escalation to other areas; in any case, this event is expected to materially harm, especially during the fighting, Israel's economic activity and financial markets. The severity of the effect depends, inter alia, on the duration of the War and the extent to which further areas in Israel are directly affected by the War. It appears that the areas of activity which suffered the most harm were: Tourism, culture and leisure, agriculture, construction, commerce, etc. Subsequent to the War, a process of civil and security rehabilitation is expected, which will be manifested in the public expenditure, with investments in fixed assets, healthcare services and social services, as well as private consumption.

The Global Economy

On October 10, 2023, the International Monetary Fund (IMF) revised its global growth forecasts for 2023. Compared with the prior forecast from July 2023, there was no significant change in the IMF's global growth forecasts. We note that although the growth forecasts for some economies were revised upwards slightly, they remained relatively low. 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 by most central banks around the world, which was carried out in order to deal with the accelerated inflation, while coping with the adverse effects of the war between Russia and Ukraine. In addition, according to the IMF, its projections reflect a status of "soft landing" for the global economy, i.e. - moderation of the inflation, with relatively minor harm to economic activity, with emphasis on the US economy. In addition, the IMF mentioned the mitigation of the risk to the global banking system, compared to the April forecast, although the risk still exist. In addition, the latest assessments of the IMF include reference to the downward trend in the general inflation in many countries; however, the decrease in core inflation (excluding food and energy) is slow and more gradual.

According to the current growth forecasts, the gross world product is expected to grow at a rate of 3.0 percent in 2023. As for the major western economies - the US economy is expected to grow by approx. 2.1 percent (a 0.3 percentage point increase compared to the July 2023 forecast), with the Eurozone at 0.7 percent, a forecast reflecting a 0.2 percentage point decrease. As for the Israeli economy, the IMF anticipates growth of 3.1 percent in 2023, compared to a forecast of 2.5 percent from April 2023. It should be emphasized that this forecast was developed prior to the onset of the Iron Swords War and does not take into account the expected adverse ramifications of the War on the economic activity in Israel. Israel's growth rate for 2023 is expected to be lower.

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

Global growth/real change rate

Source: IMF - World economic outlook/October 2023

	2023	2022
World	**3.0%**	3.5%
USA	**2.1%**	2.1%
Eurozone	**0.7%**	3.3%
Japan	**2.0%**	1.0%
UK	**0.5%**	4.1%
China	**5.0%**	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 nine months of 2023. It is noted that in the US, the process was halted during the third quarter of the year, inter alia on the back of the increase in energy prices and slower decrease in service prices. In the US, the annual rate of price increase was 3.7 percent in September 2023; the rate is lower compared with December 2022 (approx. 6.5 percent) and the record compared to June of last year (approx. 9.1 percent), but relatively high compared with June 2023 (approx. 3.0 percent). In the Eurozone, inflation reached a peak of 10.6 percent in October 2022, and in September 2023 was 4.3 percent, and in the UK, inflation was 6.7 percent in September 2023 after reaching a peak of 11.1 percent in October 2022. On the other hand, the core inflation rate (excluding food and energy) declined more moderately, as in the Eurozone and UK.

Multiple central banks continued the interest raising process. Starting in March 2022, the Federal Reserve's Open Market Committee decided, as it did in most subsequent meetings since until September 2023, to raise the short-term interest rate. In the May 2023 interest rate decision, the interest rate was raised by 0.25 percent, instead of increases of 0.50-0.75 percent at most of the previous meetings, due to which the interest rate rose to 5.00-5.25 percent. At the July 2023 meeting, it was decided to raise the interest rate by 0.25 percent to 5.25-5.50 percent; the interest remained unchanged subsequent to the November 2023 decision. It should also be noted that on August 1, 2023, rating agency Fitch downgraded the rating of the United States from AAA to AA+ against the backdrop of the budget deficit. On November 10, 2023, rating agency Moody's changed the rating outlook of the US from "stable" to "negative", while reiterating the Aaa rating.

The ECB continued the process of raising the interest rate, and in its decision of September 2023, the interest was raised by and additional 0.25 percent to 4.50 percent, and left unchanged in the October 2023 decision. In August, the Bank of England raised the interest rate by an additional 0.25 percent to a level of 5.25 percent, and left it unchanged in its November 2023 decision. 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.

The Israeli Economy

Risk factor severity in the economy

2023 was characterized by higher risk for the Israeli market. This is due to the legislative and social events which took place in Israel during the first nine months of the year. At this time, the main risk for the economic and financial activity in Israel stems from the War and its consequences. Against this backdrop, the world's leading credit rating agencies addressed the issues and took steps regarding Israel's credit rating and credit outlook.

On March 1, 2023, Fitch reiterated the State of Israel's credit rating at A+ with a stable outlook.

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 report on the credit rating of 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.

On May 29, 2023, Fitch published a review and analysis of the Israeli economy, outlining Israel's expected budgetary trajectory and possible impacts of the public events in Israel - legislative and social.

At the end of July 2023, an amendment to the basic law: The Judiciary was approved by the Knesset and entered into effect. Immediately thereafter, rating agencies Moody's and S&P published special reports, which emphasized the risks to the Israeli economy posed by the continuation of the legislative process.

On October 17,2023, rating agency Fitch announced it was placing the State of Israel on Rating Watch Negative. The rating watch is intended for cases where sudden material changes may result in a credit downgrade within a relatively short period of time. On October 19, 2023, Moody's announced a similar measure to that of Fitch's, with a Rating Watch Negative. Israel's placement on the "negative" watch lists stems from the deterioration in the geopolitical situation, which may result in a credit downgrade within a short period of time. These changes are applicable not only to the debt of the State of Israel, but to privately-held companies, including the banking system.

On October 24, 2023, rating agency S&P announced a change in the rating outlook of the State of Israel from stable to negative, while reiterating the rating at AA-. This is on the back on the onset of the Iron Swords War and the adverse effects the agency expects for the Israeli market in 2023-2024. According to the S&P report, the agency may downgrade Israel's rating if the War will expand so as to increase the security and geopolitical risks facing Israel and/or if the harm to economic growth, fiscal profile and balance of payments turns out to be higher than expected.

For the non-impact of downgrading the State of Israel's rating on the Bank's capital adequacy ratios, see under "Equity and Capital Adequacy".

Growth in the Israeli Economy

GDP was up 2.8 percent in the third quarter of 2023, annualized, compared to the previous quarter, following a more rapid growth of an annualized 3.1 percent and 3.3 percent in the first two quarters of 2023, respectively. The level of the GDP in the third quarter of 2023 is 3.4 percent higher than in the third quarter of 2022. The increase in GDP in the third quarter was partly supported by the increase in public consumption, at an accelerated rate, and by more moderate increases in private consumption and in investments in fixed assets. There was also a sharp increase in exports of goods and services.

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 3.2 percent in September 2023, compared to a level of 4.2 percent in December 2022 and 3.8 percent in September 2022.

On October 23, 2023, the Bank of Israel updated the macroeconomic forecast. Despite the onset of the War, the update was minor. According to the forecast, and assuming the War will remain limited to the southern front and will end by the final quarter of 2023, the GDP will grow by 2.3 percent and 2.8 percent in 2023 and 2024 respectively. It should be noted that the forecast of Bank Leumi's Economic Department for growth in 2024 is lower, standing at 1 percent.

The Bank of Israel notes that the current forecast and risk assessment are based on analysis of past security events for the purpose of reaching estimates of the economic forecasts of the current war. However, it seems that few past occasions, if any, are comparable to the severity of the current event, which is extreme. According to the Bank of Israel, private consumption will weaken further, physical capital will be harmed as well as the ability to work in the war zones and in threatened areas, with disruptions to production and supply chains. Investment in economic sectors is expected to be harmed due to a variety of factors. Investment in construction is expected to be harmed due to limits on the entry of workers. Tourism services exports are expected to be harmed for a significant period of time. Finally, unemployment in the main working age group is expected to rise in the first part of 2024.

The State Budget and its Funding

In the first nine months of 2023, the government's activity amounted to a cumulative budget deficit of NIS 4.1 billion, compared to a surplus of NIS 33.3 billion in the corresponding period in 2022.

The Iron Swords War is expected to lead to a sharp rise in the budgetary deficit in the coming period, due to the expected sharp decrease in the government's revenues and sharp increase in its expenses. The deficit for 2023 is expected to be significantly higher than the year's target, which is 1.1 percent of the GDP, depending on the duration and scale of the War. The deficit for 2024 is also expected to be higher than the early forecasts.

Foreign trade and service export data

Israel's trade deficit reached approx. USD 24.3 billion in the first nine months of 2023, compared with approx. USD 31.1 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 is against the background of the decrease in commodities prices around the world in the first half of 2023, alongside a weakening in global demand.

The service export data for the first eight months of 2023 (January to August) 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. The Iron Swords War is expected to take a toll on Israel's goods and services exports in the coming months.

Exchange Rate and Foreign Exchange Reserves

In the first nine months of 2023, the shekel depreciated against the US dollar by 8.7 percent, and depreciated 8.0 percent against the euro; a 5.0 percent depreciation was recorded against the currency basket.

At the end of September 2023, the Bank of Israel's foreign exchange reserves stood at USD 198.6 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 intervene in the foreign exchange market.

The Bank of Israel notes that since early 2023, the NIS has been weakened compared to most of the world's main currencies, with exchange rates being highly volatile and since the onset of the War - there has been a further significant depreciation. Due to the effects of the War and in order to stabilize the markets, on October 9, 2023, the Bank of Israel announced a plan to sell up to USD 30 billion in foreign currency. The Bank of Israel emphasizes that in the coming period, it will take as many measures as needed in order to mitigate the NIS's volatility and to provide the needed liquidity for the markets' adequate ongoing activity. In addition, and as needed, liquidity will be provided to the market by activating the Bank of Israel's swap mechanisms for a total of up to USD 15 billion.

Inflation and Monetary Policy

The “in lieu” consumer price index (CPI) was up 2.9 percent in the first nine months of 2023 and 3.8 percent in the 12 months ending in September 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 2.9 percent and 3.7 percent, respectively. The increase in the Consumer Price Index in the first nine months of 2023 was more moderate compared to the corresponding period last year - during which the CPI rose by 4.3 percent. 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.

In the short term, the War is expected to generate opposing effects - some of which will support a rise in inflation, while others will curb it. We expect that subsequent to the War, the consequences of the drop in demand and expected economic slowdown will curb inflation.

The “known” CPI was up 3.2 percent in the first nine months of 2023.

In the third quarter of 2023, the Bank of Israel’s interest remained at 4.75 percent, with no change from the previous quarter.

In its October 23, 2023 meeting, the Monetary Committee noted that against the backdrop of the War, the Monetary Committee focuses on stabilizing the markets and on reducing uncertainty, launching programs for selling foreign currency and generating liquidity in the interest swaps and repo markets. The interest rate trajectory and activating additional monetary tools will take place in line with this objective and in accordance with the development of the War, activity data and inflationary development, in order to continue to support the economy’s policies and needs.

Israel’s Capital Market

The Shares and Convertible Securities Index was up by approximately 3.7 percent during the first nine months of 2023, following a 15.5 percent decrease in 2022. Despite the moderate decrease, it is noted that, in the reporting period, the stock market was impacted 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.

At the beginning of the fourth quarter of 2023, in the days following the onset of the War, financial markets responded with price slumps and higher risk indicators for the Israeli economy, with the NIS weakening. If the fighting continues, this trajectory is expected to continues as well.

The average daily trade volume of shares and convertible securities in the first nine months of 2023 totaled approx. NIS 2.024 billion, a decrease of approx. 11.8 percent compared to the average level in 2022.

The CPI-Linked Government Bond Index was down 0.9 percent in the first nine months of 2023, and the Unlinked Government Bond Index was down 0.6 percent.

The CPI-linked non-government bond market (corporate bonds) rose in the first nine months of 2023 by 3.7 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 for the nine months ended September 30, 2022 and for the year ended December 31, 2022 presented in this Report of the Board of Directors and Management include the results of Bank Leumi USA 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.B.

Following are the key performance indicators (in %)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
Return on net income attributable to the Bank's shareholders[c]	**13.6[k]**	14.9	**13.6**	16.3	17.0[i]
Return on net income attributable to the Bank's shareholders to average assets[c][e]	**1.4**	1.1	**1.0**	1.1	1.2
Ratio of income[b] to average assets[c][e]	**3.07**	2.55	**3.08**	2.59	2.72
Efficiency ratio	**32.3**	39.1	**31.4**	39.9	37.5
Ratio of net interest income to average assets[c][e]	**2.27**	2.04	**2.33**	1.91	1.97
Ratio of fees and commissions to average assets[c][e]	**0.55**	0.52	**0.54**	0.54	0.53
Rate of tax provision from profit, before taxes	**33.0**	36.3	**33.6**	31.9	32.7
Net interest income to average balance of interest-bearing assets (NIM)[c]	**2.51**	2.30	**2.63**	2.13	2.21
Total income to total average assets under management by the Group[b][c][d]	**1.05**	0.85	**1.07**	0.82	0.89
Total operating and other expenses to average total assets under management by the Group[c][d]	**0.34**	0.33	**0.34**	0.33	0.33

	As at September 30		As at December 31
	2023	2022	2022
CET1 capital ratio[h]	**11.30**	11.41	11.46
Total capital ratio to risk-weighted assets[a][h]	**14.42**	14.28	14.29
Leverage ratio[g]	**6.73**	6.34	6.36
Liquidity coverage ratio[f]	**130**	127	131
Net stable funding ratio (NSFR)	**118**	126	128
Equity attributable to the Bank's shareholders to total assets	**7.5**	6.8	7.1

Please see comments below.

Key credit quality indicators (in %)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022[j]	2022
Percentage of expenses in respect of loan losses out of the average outstanding loans to the public[c]	**0.95**	0.11	**0.56**	0.07	0.13
Percentage of collective loan loss expense out of the average outstanding loans to the public[c]	**0.83**	0.25	**0.51**	0.22	0.25
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.47**	1.26	**1.47**	1.26	1.28
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	**0.78**	0.70	**0.78**	0.70	0.52
Percentage of net charge-offs for loans to the public out of the average outstanding loans to the public[c]	**0.17**	0.03	**0.13**	0.03	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 approx. 15.6 percent.
(j) Includes 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.
(k) In the third quarter of 2023, the return on the net income attributable to the Bank’s shareholders to equity was affected by a substantial increase in loan loss expenses as a result of the estimated expected effect of the War; see under the section entitled “Material Developments in Income, Expenses and Other Comprehensive Income”, Loan Loss Expenses.

Main income statement data

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	In NIS million				
Net income attributable to the Bank's shareholders[a]	**1,767**	1,782	**5,201**	5,383	7,709
Interest income, net	**3,935**	3,414	**12,147**	9,438	13,211
Loan loss expenses	**991**	99	**1,715**	185	498
Noninterest income	**1,401**	855	**3,884**	3,362	5,018
Of which: fees and commissions	**963**	872	**2,801**	2,674	3,535
Total operating and other expenses	**1,722**	1,671	**5,034**	5,106	6,835
Of which: salaries and related expenses	**852**	998	**2,612**	2,964	3,935
Net earnings per share attributable to the Bank's shareholders (in NIS):					
Basic diluted net income	**1.15**	1.15	**3.38**	3.62	5.14

(a) In the third quarter of 2023, the net income attributable to the Bank's shareholders was affected by a substantial increase in loan loss expenses as a result of the estimated expected effect of the War; see under the section entitled "Material Developments in Income, Expenses and Other Comprehensive Income", Loan Loss Expenses.

Main balance sheet data

	As at September 30		As at December 31
	2023	2022	2022
	In NIS million		
Total assets	**700,761**	704,117	699,166
Of which: cash and deposits with banks	**101,311**	183,625	186,569
Securities	**131,379**	79,672	82,950
Loans to the public, net	**417,261**	383,023	384,782
Total liabilities	**648,238**	656,068	649,723
Of which: deposits by the public	**544,519**	546,706	557,084
Deposits by banks	**16,068**	25,427	22,306
Bonds, promissory notes and subordinated bonds	**27,569**	27,613	27,805
Equity attributable to the Bank's shareholders	**52,518**	48,044	49,438
Additional data:			
Price per share (in NIS)	**31.5**	30.6	29.3
Dividend per share[a][b]	**112.35**	88.44	111.52

(a) According to the declaration date.
(b) 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, the geopolitical and security situation in Israel, and human resources issues.

As a result of the inability to foresee with certainty that these forecasts will be realized, and the fact that, in reality, events may differ from those forecasted, users should treat information defined as "forward-looking" with caution, since reliance on such information involves 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

The Iron Swords War

Subsequent to the report date, on October 7, 2023, a lethal attack was waged on the State of Israel, especially on civilians; as a result of the attack, the State of Israel declared the Iron Swords War. The rocket fire, that reached the center of Israel, the evacuation of localities in southern and northern Israel, extensive mobilization of reserves and shutdown of the education system - all led to disruptions in economic activity in the Israeli economy. The War is expected to have a significant adverse effect on the Israeli economy, especially while the fighting is going on, and as a result - on the Bank's performance. The adverse economic potential is substantial, on the back of the possibility of further escalation to other areas; in any case, this event is expected to materially harm, especially during the fighting, Israel's economic activity and financial markets. The severity of the effect depends, inter alia, on the duration of the War and the extent to which further areas in Israel are directly affected by the War. It appears that the areas of activity which suffered the most harm were: Tourism, culture and leisure, agriculture, construction, commerce, etc. Subsequent to the War, a process of civil and security rehabilitation is expected, which will be manifested in the public expenditure, with investments in fixed assets, healthcare services and social services, as well as private consumption.

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

On the back of the War's adverse economic potential, the severity level of the local macroeconomic risk was raised from "moderate-high" to "high". In addition, due to the macroeconomic situation - with emphasis on the potential of the fighting and the trajectory of ongoing interest rate rise, the level of severity of the overall credit risk and the severity of the borrower quality risk and collateral from "moderate" to "moderate-high".

Leumi - which is a vital enterprise in times of emergency - operates in accordance with its business continuity plans and continues to provide financial services to the branch system, call centers and digital platforms, with adjustment to telecommuting in order to provide solutions for the current needs and enable full business continuity across all units.

During October and November of 2023, the Bank of Israel published several guidance and regulatory emphases following the outbreak of the War, including a letter dated October 12, 2023 sent by the Banking Supervision Department to the leaders of the banks, which included emphases of the Banking Supervision Department to the banking system and measures the banks are required to take due to the War, an outline for assisting customers in dealing with the ramifications of the Iron Swords War (hereinafter - the "Bank of Israel Outline"), regulatory emphases on handling debts and reporting to the public dated October 26, 2023 and a monetary program for easing credit terms for small and micro-businesses, dated November 6, 2023. On November 12, 2023, the Banking Supervision Department issued a letter on capital planning and profit distribution policies in which it requested that the banks reexamine their policies regarding the distribution of dividends and share buybacks in the coming period in view of the War and higher uncertainty regarding its continuation and impact on the economy.

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

Reliefs for coping with the War's ramifications

On the back of the Iron Swords War and in order to help the banks' customers cope with its implications, the Banking Supervision Department published, on October 15, 2023 and on November 8, 2023, an outline for a three-month period, to relieve the burden of credit and of fees and commissions in three operating segments (mortgages, consumer credit and business credit), while distinguishing between the population living within 30 km of the Gaza Strip, the population evacuated from their homes by an official government authority (including the population residing in northern Israel), reservists on duty, and those with first kinship with the War dead or abducted or missing persons (hereinafter - the "first circle customer group") and other customers of the banks (hereinafter - the "second circle customer group"). (hereinafter - the "Bank of Israel Outline").

The Bank adopted the Bank of Israel Outline and implemented additional reliefs for its customers, as follows:

Mortgage-related reliefs

(a) Exemption from mortgage payments for three months for customers with a Leumi mortgage who are residents of the Gaza Envelope (up to 7 km from the border with Gaza Strip) or whose asset that was pledged to the Bank to secure the loan is located in one of the localities (applicable to apartments only, first apartment and upsized apartment owners);

(b) A freeze on mortgage payments for a period of up to five months, at no interest, for Leumi customers living in the conflict areas in southern or northern Israel, or whose property that had been pledged to the Bank to secure the loan is located in those localities, mobilized reservists, those with first kinship with the War dead or abducted or missing persons and members of the Israel Police (applicable to apartments only, first apartment and upsized apartment owners, the price of which at the time the mortgage was taken was up to NIS 2 million);

(c) A freeze on mortgage payments for a 3-month period, at no interest, for the first circle customer group;

(d) For all customers - a freeze on mortgage payments for period of up to 24 months.

Reliefs in loan payments for retail and business customers

(a) Deferral of payments, at no interest, for retail customers in the first circle customer group for a period of three months, with respect to outstanding loan balances in a cumulative amount of up to NIS 100,000;

(b) Deferral of payments, at no interest, for business customers with a turnover of up to NIS 25 million located up to 30 km from the Gaza Strip or in localities that were evacuated by an official government entity, for a period of three months, with respect to outstanding loan balances in a cumulative amount of up to NIS 2,000,000;

(c) Deferral of loan payments for three months for all customers (retail and business);

(d) An exemption from loan repayments for two months, up to a monthly payment ceiling of NIS 2,000 for retail customers who are residents of the Gaza Envelope (up to 7 km from the border with the Gaza Strip) who do not have a mortgage with the Bank, and up to a monthly payment ceiling of NIS 3,000 for small business owners who are residents of the Gaza Envelope (up to 7 km from the border with the Gaza Strip) who do not have a mortgage with the Bank, instead of a deferral of payments.

Bridge loans and the aid fund

(a) Bridge loans to finance working capital for business customers (small and mid-sized) up to the monthly turnover of the business and no more than NIS 500,000;

(b) An aid fund in the amount of NIS 1 billion for interest-free bridge loans for a period of one year (up to NIS 25,000 per customer) for small and mid-sized businesses located within 30 km of the Gaza Strip or evacuated by an official entity;

(c) An aid fund in the amount of NIS 250 million for interest-free bridge loans for a year (up to NIS 10,000 per customer) for retail customers residing within 30 km of the Gaza Strip or for population groups evacuated from their homes by an official entity.

Exemption from interest for retail customers

Zero interest on a debit balance in a current account within the approved credit facility (overdraft) and up to NIS 10,000 for a period of three months for retail customers belonging to the first circle customer group whose current account, as of October 15, 2023, has a debit balance within the approved credit facility.

Exemption for fees and commissions for retail customers and small businesses

Exemption from fees and commissions for retail customers and small businesses for a period of up to three months, with the exception of fees and commissions in respect of foreign exchange activity, securities, foreign trade and diamonds.

Bank Leumi donated funds to aid residents in the conflict areas, to regular and reserve soldiers, to hospitals as well as to medical emergency organizations. In addition, the Bank announced that it will provide continuous support to Kibbutz Be'eri until it is rehabilitated.

In addition, the Bank introduced a unique project, under which college students who volunteer to assist farmers in harvesting crops on an ongoing basis, receive a full year's tuition.

Based on the Bank's estimates and on the following assumptions, the Bank estimates that the total expected quantitative effect of implementation of the Bank of Israel Outline and the additional reliefs offered by the Bank, in addition to the amounts donated and expected to be donated by the Bank in a series of current and future measures, at NIS 560 million.

This quantitative effect includes revenues that the Bank will waive, including fees and commissions, interest, finance costs for the deferral of payments, assuming full realization of the reliefs by the eligible population groups. The quantitative effect also includes the amounts donated by the Bank or designated for donations in connection with the War and its consequences.

It should be clarified that the estimate constitutes only an assessment that is dependent on multiple variables and assumptions that were taken into account in the estimate, such as: (a) realization of the reliefs by all eligible customers, where the actual effect on the Bank's results will be according to the number of customers who will apply for the reliefs, since the customer must apply for the reliefs and be eligible for the reliefs; (b) average monthly loan repayment data, average interest rates, average fees and commissions and the average duration, where the actual effect on the Bank's results will be according to the actual loan amounts for which an exemption or deferral will be granted;

The estimate and the above assessment and quantitative effects on the Bank's financial results in respect of the above reliefs is considered forward-looking information, within its meaning in the Securities Law, based on significant judgments, assumptions and assessments that were applied, characterized by substantial uncertainty in view of the economic and security situation, its continuity and immediate and cumulative effect on the economy as a whole and on the Bank's customers in particular. Therefore, the above information and data may not fully materialize or may materialize in part, depending on the actual materialization of the above assumptions and assessments and/or changes in the reliefs that may occur in the future.

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

With respect to credit risk, according to the Bank's initial assessments, the economic sectors whose activities are particularly exposed to the War's damages are: construction, agriculture and the culture and leisure sectors (tourism, restaurants, shows, etc.), as well as some industrial and commercial sectors, depending on their location. Due to the high rate of uncertainty and the possible ramifications on the economy and society in Israel during the coming period, it is impossible to accurately estimate the extent of its effect on the Bank's loan portfolio. The Bank is assessing its ability to withstand the adverse developments using systemic stress scenarios. Due to the higher risk levels, emphases in new credit granting in the various business lines during the War period were pinpointed and terms and conditions were made more stringent, with risk focal points and market developments continuing to be strictly monitored on a regular basis in order to prepare in advance and adapt the activity, as needed.

The implications of the above were reflected in the calculation of the collective provision and accordingly, led to applying more stringent macroeconomic and industry-specific indicators; accordingly, leading to an increase in loan loss expenses amounting to NIS 991 million in the third quarter, of which NIS 869 million was for the collective expense.

For more information, please see the section entitled "Credit Risks".

Additional implications

With respect to market risks, the outbreak of the War led to a sharp, immediate slump in local stock markets, widening bond spreads of local companies, and causing a sharp depreciation of the NIS against the USD - which was significantly moderated, inter alia, on the back of the Bank of Israel's intervention in the foreign exchange market. In addition, there was a sharp steepening of the NIS yield curve and a widening of the Israeli Government bond spread in foreign currency, among other things as a result of the international rating agencies placing the rating of the State of Israel on a negative watch list. Uncertainty still prevails in the markets, and volatility in financial markets may persist.

As for the report's publication date, and according to the Bank's estimates at this stage, the said events did not have a material effect on the Bank's liquidity coverage ratio.

For more information, please see the sections entitled "Liquidity Risk" and "Capital and Capital Adequacy".

The Bank regularly monitors these indicators and adjusts them to the situation according to the scenarios it carries out.

The Bank estimates that a downgrade of up to two notches in the credit rating of the State of Israel by one or even several of the rating agencies that rate the State of Israel, will not affect the Bank's capital adequacy ratios.

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

From an operational aspect, Leumi follows its business continuity plans and continues to provide financial services to the branch system, call centers and digital platforms.

In addition, the Bank made mobile branches accessible in areas where evacuees from southern Israel are convened, in order to enable and streamline the performance of banking transactions.

The Bank continues to examine ways to provide assistance to its customers, boosting its processes for monitoring and follow-up of risk focal points, while preparing to adjust the activity and provide solutions to needs arising from the current situation.

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

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

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, in the first quarter of 2023, the need to write down the value of the Valley shares recorded as an investment in the Bank's books. Therefore, in the first quarter of 2023, 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 impairment was allocated in accordance with the fair value of net identifiable assets arising from the Bank's investment in Valley.

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.B.

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 report's publication date, the market value of Valley's shares held by the Bank is NIS 2.4 billion.

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	In NIS million				
Interest income	**8,758**	4,978	**24,993**	12,160	18,590
Interest expenses	**4,823**	1,564	**12,846**	2,922	5,579
Interest income, net	**3,935**	3,414	**12,147**	9,238	13,011
Loan loss expenses	**991**	99	**1,715**	170	483
Interest income, net after loan loss expenses	**2,944**	3,315	**10,432**	9,068	12,528
Noninterest income					
Noninterest finance income (expenses)	**435**	(56)	**943**	626	1,388
Fees and commissions	**963**	872	**2,801**	2,626	3,487
Other income	**3**	39	**140**	41	74
Total noninterest income	**1,401**	855	**3,884**	3,293	4,949
Operating and other expenses					
Salaries and related expenses	**852**	998	**2,612**	2,871	3,842
Buildings and equipment - maintenance and depreciation	**449**	323	**1,151**	968	1,323
Other expenses	**421**	350	**1,271**	1,109	1,512
Total operating and other expenses	**1,722**	1,671	**5,034**	4,948	6,677
Profit before taxes	**2,623**	2,499	**9,282**	7,413	10,800
Provision for profit tax	**866**	908	**3,119**	2,371	3,537
Profit after taxes	**1,757**	1,591	**6,163**	5,042	7,263
The Bank's share in associates' profits (losses), after taxes*	**10**	191	**(962)**	341	446
Profit attributable to the Bank's shareholders	**1,767**	1,782	**5,201**	5,383	7,709
Of which: The banking corporation's share in Bank Leumi USA'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 Bank Leumi USA.

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 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 first quarter of 2024, upon completion of the transfer of the Bank's headquarters and main management units to Lod, by no later than March 24, 2024.

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.

Sale of Beit Mani

Following on the section entitled "Main Changes in the Reporting Year" in the Report of the Board of Directors and Management for 2022, the transition of management and headquarters to Lod, and a respective expected capital gain to be recorded in the Bank's financial statements - are expected in the first quarter of 2024.

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 properties, which is expected in the first quarter of 2024 upon completion of the Bank's management's relocation to Lod.

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

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.

Subsequent to the report date, on October 7, 2023, a lethal attack was waged on the State of Israel, especially on civilians; as a result of the attack, the State of Israel declared the Iron Swords War. The War is expected to have a significant adverse effect on the Israeli economy, especially while the fighting is going on, and as a result - on the Bank's performance. The adverse economic potential is substantial, on the back of the possibility of further escalation to other areas; in any case, this event is expected to harm, especially during the fighting, Israel's economic activity and financial markets. The severity of the effect depends, inter alia, on the duration of the War and the extent to which further areas in Israel are directly affected by the War.

For further information regarding the impact of the War on the Israeli economy and on the Bank's financial performance, please see the sections entitled "Main Developments in the Israeli Economy" and "Credit Risks".

2023 was characterized by higher risk for the Israeli market. The legislative and social events which took place in Israel during the first nine months of the year have been somewhat halted since the onset of the Iron Swords War, but will need to be addressed after the War. At this time, the main risk for the economic and financial activity in Israel stems from the War and its consequences. Against this backdrop, the world's leading credit rating agencies addressed the issues and took steps regarding Israel's credit rating and credit outlook.

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

Regarding the possible impact of downgrading the State of Israel's rating on the Bank's capital adequacy ratios, please see under "Equity and Capital Adequacy".

Below are the results for the third quarter of 2023

Net income attributable to shareholders in the nine months ended September 30, 2023 amounted to approx. NIS 5,201 million compared to profit of approx. NIS 5,383 million in the corresponding period last year. Net income in the current quarter of 2023 amounted to approx. NIS 1,767 million compared to approx. NIS 1,782 million in the corresponding quarter last year.

The Iron Swords War, which broke out on October 7, 2023, led, among other things, to a sharp increase in uncertainty in the Israeli economy, in the volume of activity and to a higher risk regarding the main economic indicators of financial activity in Israel, including the risk for a downgrade of the State of Israel's credit rating. In accordance with a supervisory directive, the estimate of the loan loss provision for the third quarter of 2023 includes uncertainty and worsening of macroeconomic indicators and the parameters used for the assumptions underlying the model for predicting customers' future default rates until shortly before the Report's publication date despite having begun subsequent to the end of the third quarter.

The return on equity in the reporting period was approx. 13.6 percent, compared to a rate of approx. 16.3 percent in the same period last year. The return on equity in the first quarter of 2023 was 13.6 percent, compared to a rate of 14.9 percent in the corresponding quarter last year.

Net interest income in the reporting period totaled approx. NIS 12,147 million, compared to a total of approx. NIS 9,238 million in the corresponding period last year (excluding BLUSA's results), an increase of approx. 31 percent. The increase in interest income stems from growth in the credit portfolio, from increase in interest rates and from an increase in the deposit spreads. This increase was partly offset by the erosion of credit spreads. In the reporting period, the CPI was positive, at 3.2 percent, compared with a positive 4.4 percent in the corresponding period last year. The index in the current quarter of the year was 0.8 percent, compared with an index of 1.2 percent in the corresponding quarter last year.

Loan loss expenses in the reporting period reflect an expense rate of 0.56 percent of the average outstanding loans to the public compared to an expense rate of 0.06 percent in the corresponding period last year, excluding BLUSA's results. The expense in the reporting period stems mainly from the collective provision. The substantial increase in the rate of the loan loss expense stems from the worsening of the macroeconomic indicators underlying the calculation of the collective expense, and includes an examination of the risk profile of the various economic sectors, especially those the Bank believes to be more exposed to the damages of the War; this increase is reflected in the collective provision for which the increase constitutes approx. 91 percent of total loan loss expense in the reporting period. The specific loan loss expense rate was 0.05 percent.

The rate of the loan loss expense in the third quarter of 2023 from the average outstanding balance of loans to the public is approx. 0.95 percent compared to an expense rate of approx. 0.11 percent in the corresponding quarter last year; the high expense rate in the quarter stems from the sharp increase in uncertainty in the Israeli economy due to the outbreak of the War and reflects a worsening in the macroeconomic indicators as well as the indicators used for the assumptions underlying the model predicting customers' future default rates, on which the collective provision is based. The specific loan loss expense rate in the quarter was 0.12 percent. The balance rate of the outstanding loan loss provision relative to the outstanding loans as at September 30, 2023 is 1.47 percent.

Noninterest finance income in the reporting period totaled an income of approx. NIS 943 million, compared to a total of approx. NIS 626 million in the corresponding period last year, excluding BLUSA's results. The difference between the periods is due mainly to the effect of derivatives and held-for-trading bonds, which was partially offset from exchange rate differentials and the profit recorded in the first half of 2022 in respect of the merger with Valley.

Operating and other fees and commissions were up in the reporting period compared to the corresponding period last year, net of the results of Bank Leumi USA in the amount of approx. NIS 175 million. Most of the increase is on the back of fees and commissions from financing activities and credit handling. The increase was partly offset by a decrease in fees and commissions on securities.

Operating and other expenses were up in the reporting period by NIS 86 million compared to the corresponding period last year, net of the results of Bank Leumi USA. The increase in expenses stems mainly from the increase in maintenance expenses and depreciation and pension expenses on actuarial liabilities. This increase was partially offset by the decrease in salary expenses, mainly due to a decrease in return-based bonuses.

The efficiency ratio for the reporting period was approx. 31.4 compared to 39.5 percent in the corresponding period last year, net of the results of Bank Leumi USA. The efficiency ratio in the current quarter of 2023 was 32.3 percent, compared with 39.1 percent in the corresponding quarter last year. The improvement in the efficiency ratio stemmed mostly from growth in the Bank's business activity and from the interest rate increases.

Basic earnings per share attributable to the shareholders in the reporting period totaled a gain of approx. NIS 3.38 compared to a gain of NIS 3.62 in the corresponding period last year.

The CET1 capital to risk-weighted components ratio as at September 30, 2023 was 11.30 percent compared to 11.41 percent in the corresponding period last year.

Total capital ratio as at September 30, 2023 was 14.42 percent compared to 14.28 percent in the corresponding period last year.

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, 2023, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 800 million. By the report publication date, a share buyback was carried out in the amount of NIS 600 million.

On November 29, 2023 the Board of Directors approved a dividend distribution totaling NIS 353 million, which represents approximately 20 percent of the profit for the third 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 for the nine months ended September 30, 2022 and for the year ended December 31, 2022 presented in this Report of the Board of Directors and Management include the results of Bank Leumi USA 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.B.

Following the outbreak of the Iron Swords War, the Bank of Israel published an outline to assist bank customers in dealing with the effects of the War; for more information on the subject, please see under “Laws and Regulations Governing the Banking Sector” in the Corporate Governance Report.

Following is the change in net income in the third quarter of 2023 and in the reporting period compared to the corresponding quarter last year and the corresponding reporting period last year

	For the three months ended September 30			
	2023	2022		Change
	In NIS million		In NIS million	In %
Interest income, net	**3,935**	3,414	521	15.3
Loan loss expenses	**991**	99	892	+
Noninterest income	**1,401**	855	546	63.9
Operating and other expenses	**1,722**	1,671	51	3.1
Profit before taxes	**2,623**	2,499	124	5.0
Provision for tax	**866**	908	(42)	(4.6)
Profit after taxes	**1,757**	1,591	166	10.4
Bank's share in associates’ profits	**10**	191	(181)	(94.8)
Net income attributable to the Bank's shareholders	**1,767**	1,782	(15)	(0.8)
Return on equity (in %)	**13.6**	14.9		
Basic earnings per share (in NIS)	**1.15**	1.15		

	For the nine months ended September 30			
	2023	2022		Change
	In NIS million		In NIS million	In %
Interest income, net	**12,147**	9,438	2,709	28.7
Loan loss expenses	**1,715**	185	1,530	+
Noninterest income	**3,884**	3,362	522	15.5
Operating and other expenses	**5,034**	5,106	(72)	(1.4)
Profit before taxes	**9,282**	7,509	1,773	23.6
Provision for tax	**3,119**	2,398	721	30.1
Profit after taxes	**6,163**	5,111	1,052	20.6
Bank's share in associates’ (losses) profits[(a)]	**(962)**	282	(1,244)	-
Net income attributable to non-controlling interests	**-**	(10)	10	100.0
Net income attributable to the Bank's shareholders	**5,201**	5,383	(182)	(3.4)
Return on equity (in %)	**13.6**	16.3		
Basic earnings per share (in NIS)	**3.38**	3.62		

(a) 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.B.

Net income development by quarter

	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Interest income, net	**3,935**	4,284	3,928	3,773	3,414	3,125	2,899
Loan loss expenses (income)	**991**	318	406	313	99	126	(40)
Noninterest income	**1,401**	1,412	1,071	1,656	855	1,557	950
Operating and other expenses	**1,722**	1,683	1,629	1,729	1,671	1,641	1,794
Profit before taxes	**2,623**	3,695	2,964	3,387	2,499	2,915	2,095
Provision for tax	**866**	1,364	889	1,166	908	1,007	483
Profit after taxes	**1,757**	2,331	2,075	2,221	1,591	1,908	1,612
The Bank's share in the profits (losses) of associates	**10**	122	(1,094)[(a)]	105	191	84	7
Net income attributable to non-controlling interests	**-**	-	-	-	-	-	(10)
Net income attributable to the Bank's shareholders	**1,767**	2,453	981	2,326	1,782	1,992	1,609
Return on equity (in %)	**13.6**	19.4	7.8	19.0	14.9	18.5	15.6
Basic earnings per share (in NIS)	**1.15**	1.59	0.64	1.51	1.15	1.36	1.11

(a) 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.B.

Interest Income, Net

	For the three months ended September 30				For the nine months ended September 30			
	2023		2022		2023		2022[(a)]	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)
	In NIS million	In %	In NIS million	In %	In NIS million	In %	In NIS million	In %
Interest income	**8,758**	**5.58**	4,978	3.35	**24,993**	**5.40**	12,160	2.78
Interest expenses	**(4,823)**	**(4.26)**	(1,564)	(1.84)[(b)]	**(12,846)**	**(3.96)**	(2,922)	(1.23)[(b)]
Interest income, net	**3,935**	**1.32**	3,414	1.51[(b)]	**12,147**	**1.44**	9,238	1.55[(b)]
Net yield on interest-bearing assets (NIM)		**2.51**		2.30		**2.63**		2.11
Additional information:								
Credit spread[(c)]	**2,375**		2,116		**6,786**		5,901[(e)]	
Deposit spread[(c)]	**1,896**		1,034		**5,761**		1,570[(e)]	
Other[(d)]	**(336)**		264		**(400)**		1,967[(e)]	

(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.

(b) During the first quarter of 2023, a change in classification was made between interest-bearing and non-interest-bearing deposits. For comparability reasons, the Bank made an immaterial adjustment to the comparative figures. The effect of the adjustment of the interest difference for the three and nine months ended September 30, 2022 is 0.28 and 0.38, respectively. The aforementioned had no effect on the Bank's profit and loss and equity.

(c) Spread from credit granting activity is the difference between the interest received from credit and the cost of raising the sources used to grant the credit (hereinafter - "transfer prices"). These transfer prices are subject to the period, currency and type of interest in the transaction. Transfer prices are the Bank's internal pricing tool and are based on internal models and the Bank's judgment. Spread from deposit taking activity is the difference between the transfer prices and the interest paid to customers for these deposits.

(d) "Other" is attributed to the financial management segment and includes the segment's interest income and expenses transferred to the Bank's divisions in respect of the sources.

(e) The data presented include the results of Bank Leumi USA.

Net interest income in the reporting period totaled approx. NIS 12,147 million, compared to a total of approx. NIS 9,238 million in the corresponding period last year (excluding BLUSA's results), an increase of approx. 31 percent. The increase in net interest income was due mainly to growth in the credit portfolio and from an increase in deposit spreads, on the backdrop of the increase in interest rates; this increase was partially offset by a decrease in net interest income for the financial management segment.

During 2022 and in the first nine months of 2023, the prime interest rate rose sharply - from an average of 1.6 percent in the first quarter of 2022 up to an average of 6.25 percent in the third quarter of 2023. This rise - which was partially moderated by turning interest bearing deposits to interest-bearing deposits - caused an increase in the deposits spread.

The deposit spread is affected by the mix of interest bearing and non-interest bearing deposits, and therefore - as long as the trend for the transfer to interest bearing deposits continues, an erosion in the deposit spread is expected.

The CPI in the reporting period was a positive 3.2 percent, compared with a positive CPI of 4.4 percent in the corresponding period last year. Net interest income in the reporting period was positively affected by the positive CPI in the amount of approx. NIS 1,157 million, while in the corresponding period last year, the results were positively affected by the positive CPI by a total of approx. NIS 1,414 million.

Income rate was up 2.62 percent from one period to another, mainly due to the increase in interest rates, which was partially offset by an erosion of credit spreads and due to a lower positive CPI in the reporting period compared to the corresponding period last year.

Expense rate was up 2.73 percent from one period to the next, mainly due to the effect of the increase in interest rates and from the move from current accounts to deposits. This increase was offset by a lower positive CPI in the reporting period compared to the corresponding period last year.

The growth in net interest margin (NIM) in the reporting period, as mentioned, mainly stems from the growth in the credit portfolio and increase in interest income.

The total interest rate spread in the reporting period is 1.44 percent, compared to a 1.55 percent spread in the corresponding period last year, excluding Bank Leumi USA's results.

The following table presents interest spread information from activity in Israel by linkage segment in the reporting period, net of the balances of Bank Leumi USA - in the corresponding period last year:

In the non-linked NIS segment, the interest rate spread was 1.99 percent, compared with 1.72 percent in the corresponding period last year. In the CPI segment, the interest rate spread is 1.86 percent, compared with 1.55 percent in the corresponding period last year. In the foreign exchange segment, the interest rate spread was (0.83) percent, compared with 0.04 percent in the corresponding period last year.

For more information regarding the credit spreads and deposits spreads by operating segment, see Note 12A.

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".

For more information regarding exposure to interest rate risk, please see the section entitled "Market Risks" below.

Loan loss expenses (income)

	For the nine months ended September 30		Change	
	2023	2022[b]		
		In NIS million	In NIS million	In %
Specific loan loss expense (income)	**158**	(433)	591	+
Collective loan loss expense	**1,557**	603	954	+
Total loan loss expense	**1,715**	170	1,545	+
Of which:				
Loan loss expenses in respect of commercial credit risk	**1,185**	8	1,177	+
Loan loss expenses for credit risk in respect of housing loans	**119**	53	66	+
Loan loss expenses for other credit risk for private individuals	**445**	85	360	+
Loan loss (expenses) income for credit risk for banks, governments and bonds	**(34)**	24	(58)	-
Total loan loss expenses	**1,715**	170	1,545	+
Ratios (in %):[a]				
Percentage of the specific loan loss expense (income) out of the average outstanding loans to the public	**0.05**	(0.16)	0.21	+
Percentage of collective loan loss expense out of the average outstanding loans to the public	**0.51**	0.22	0.29	+
Percentage of loan loss expenses out of average outstanding loans to the public	**0.56**	0.06	0.50	+
Percentage of net charge-offs for loans to the public out of the average outstanding loans to the public	**0.13**	0.02	0.11	+
Percentage of net charge-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**8.62**	1.39	7.23	+

(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			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1[b]
	In NIS million						
Specific loan loss expense (income)	**122**	19	17	(21)	(134)	(111)	(164)
Collective loan loss expense	**869**	299	389	334	233	237	124
Total loan loss expense (income)	**991**	318	406	313	99	126	(40)
Of which:							
Loan loss expenses (income) for credit risk for commercial credit risk	**722**	112	351	218	(21)	42	1
Loan loss expenses (income) for credit risk in respect of housing loans	**75**	31	13	58	47	14	(7)
Loan loss expenses (income) for other credit risk in respect of for private individuals	**197**	174	74	27	70	63	(48)
Loan loss (expenses) income for credit risk for banks, governments and bonds	**(3)**	1	(32)	10	3	7	14
Total loan loss expenses (income)	**991**	318	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	**0.12**	0.02	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	**0.83**	0.29	0.39	0.34	0.25	0.26	0.14
Percentage of loan loss expenses (income) out of average outstanding loans to the public	**0.95**	0.31	0.41	0.32	0.11	0.14	(0.04)
Percentage of net charge-offs for loans to the public out of the average outstanding loans to the public	**0.17**	0.14	0.08	0.18	0.03	0.07	-
Percentage of net charge-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**11.20**	10.58	6.24	13.80	2.29	5.07	0.16

(a) Annualized.
(b) 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.

Following the sharp rise in uncertainty in the economy since the onset of the War, during the reporting period, the loan loss expenses increased substantially; most of the increase is due to commercial loans, which include loans to micro- and small businesses, and loans to mid-sized businesses and corporations. Of the total loan loss expenses in the amount of NIS 1,715 million in the reporting period, NIS 1,557 million is in respect of a collective expense, which increased substantially in the third quarter of 2023 due to the worsening in the macroeconomic indicators that were taken into account for the calculation of the collective loan loss expense and includes an examination of the risk profile of the various economic sectors, especially those the Bank believes to be more exposed to the War damages. The increase in the provision is intended, among other things, to cover a possible increase in the specific provision in the coming quarters and possible negative developments in terms of arrears days, given the current high level of uncertainty regarding the impact of the War on the Bank's customers.

In addition, in the first nine months ended September 30, 2023, there was a deterioration in most of the above indicators, mostly in the other private segment. The Bank continues to closely and meticulously follow the developments in the state of the economy, and their possible implications for credit risks.

For more information regarding credit risks and their effect on the loan loss provision, please see the section entitled "Credit Risks".

Noninterest income

	For the nine months ended September 30		Change	
	2023	2022		
	In NIS million		In NIS million	In %
Noninterest finance income[(a)]	**943**	646	297	46.0
Fees and commissions[(b)]	**2,801**	2,674	127	4.7
Other income[(c)]	**140**	42	98	+
Total	**3,884**	3,362	522	15.5

(a) Based on the results net of Bank Leumi USA in comparative figures, noninterest finance income increased by approx. NIS 317 million compared to the corresponding period last year.
(b) Based on the results net of Bank Leumi USA in comparative figures, fees and commissions increased by approx. NIS 175 million compared to the corresponding period 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) was at a rate of 24.2 percent, compared to 26.3 percent in the corresponding period last year, excluding Bank Leumi USA's results. In the third quarter of 2023, it was 26.3 percent, compared to 20.0 percent in the corresponding quarter last year and 27.6 percent throughout 2022, excluding Bank Leumi USA's results.

Development of noninterest income by quarter

	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Noninterest finance income (expenses)	**435**	483	25	762	(56)	688	14
Fees and commissions	**963**	890	948	861	872	872	930
Other income (expenses)	**3**	39	98	33	39	(3)	6
Total	**1,401**	1,412	1,071	1,656	855	1,557	950

Breakdown of noninterest finance income

	For the nine months ended September 30		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	**629**	(128)	757	+
Losses on sale of available-for-sale bonds, net[b]	**(288)**	(163)	(125)	76.7
Realized and unrealized gains, net[a] and dividend from equity securities not held for trading	**327**	215	112	52.1
Gain on sale of investees' equity[d]	**-**	830	(830)	(100.0)
Gains on sold loans, net	**-**	15	(15)	(100.0)
Net income for derivatives for trading activities[c]	**238**	33	205	+
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[a] and dividend from held-for-trading equity securities	**37**	(156)	193	+
Total	**943**	646	297	46.0

(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 approx. NIS 115 million compared to the corresponding period last year.

(c) Based on the results net of Bank Leumi USA in comparative figures, the net income in respect of derivative instruments for trading activities increased by approx. NIS 215 million compared to the corresponding period last year.

(d) 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.B.

Breakdown of noninterest finance income by quarter

	2023			2022			
	Q3	Q2	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	**210**	289	130	364	(76)	3	(55)
Losses on sale of available-for-sale bonds, net	**(68)**	(51)	(169)	(15)	(80)	(76)	(7)
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**123**	108	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	**159**	85	(6)	221	122	(113)	24
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**11**	52	(26)	(8)	(56)	(44)	(56)
Total	**435**	483	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.B.

Breakdown of fees and commissions

	For the nine months ended September 30			
	2023	2022[(a)]	Change	
	In NIS million		In NIS million	In %
Account management	**469**	472	(3)	(0.6)
Activity in securities and certain derivatives	**440**	503	(63)	(12.5)
Credit cards	**307**	288	19	6.6
Credit handling	**197**	159	38	23.9
Financial products distribution fees and commissions	**169**	189	(20)	(10.6)
Exchange rate differentials	**385**	366	19	5.2
Financing fees and commissions	**553**	399	154	38.6
Other fees and commissions	**281**	250	31	12.4
Total fees and commissions	**2,801**	2,626	175	6.7

(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 6.7 percent increase in fees and commissions compared with the corresponding period last year, net of the results of Bank Leumi USA, stems primarily from fees and commissions on financing activities and credit handling fees. The increase was partly offset by an decrease in fees and commissions on securities.

Breakdown of fees and commissions by quarter

	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million						
Account management	**158**	152	159	167	159	163	150
Activity in securities and certain derivatives	**149**	136	155	147	157	161	185
Credit cards	**105**	104	98	94	102	94	92
Credit handling	**65**	59	73	46	49	53	57
Financial products distribution fees and commissions	**57**	56	56	61	61	63	65
Exchange rate differentials	**124**	118	143	111	124	122	120
Financing fees and commissions	**211**	173	169	148	137	132	130
Other fees and commissions	**94**	92	95	87	83	84	83
Total fees and commissions	**963**	890	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 nine months ended September 30		Change	
	2023	2022[(a)]		
	In NIS million		In NIS million	In %
Gains (losses) on severance pay reserve	**5**	(13)	18	+
Other income, including on sale of buildings and equipment[(b)]	**135**	55	80	+
Total	**140**	42	98	+

(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			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million						
Gains (losses) on severance pay reserve	**4**	4	(3)	1	(6)	(4)	(3)
Other (expenses) income, including on sale of buildings and equipment	**(1)**	35	101	32	45	1	9
Total	**3**	39	98	33	39	(3)	6

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

Operating and other expenses

	For the nine months ended September 30		Change	
	2023	2022[(a)]		
	In NIS million		In NIS million	In %
Salaries and related expenses	**2,612**	2,871	(259)	(9.0)
Depreciation and amortization	**509**	432	77	17.8
Maintenance expenses for buildings and equipment	**642**	536	106	19.8
Other expenses	**1,271**	1,109	162	14.6
Total operating and other expenses	**5,034**	4,948	86	1.7

(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 reporting period, there was an increase of NIS 86 million in operating and other expenses compared with the corresponding period last year, net of the results of Bank Leumi USA; the increase in operating expenses stems mainly from an increase in advertising, maintenance and depreciation expenses and from an increase in the interest cost in respect of pension liabilities resulting from the rise in interest rates. This increase was partially offset by a decrease in salary expenses against the backdrop of expenses for return-based bonuses.

The efficiency ratio for the reporting period was approx. 31.4 compared to 39.5 percent in the corresponding period last year, net of the results of Bank Leumi USA. The improvement in the efficiency ratio stemmed mostly from, among other thing, an increase in income, as a result of the interest rate increases.

The efficiency ratio in the third quarter of 2023 was 32.3 percent, compared with 39.1 percent in the corresponding quarter last year.

Total (annualized) operating and other expenses constitute 0.96 percent of total assets, compared with 0.94 percent in the corresponding period last year, net of the balances and results of Bank Leumi USA.

Operating and other expenses by quarter

	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million						
Salaries and related expenses	**852**	915	845	971	998	961	912
Depreciation and amortization	**217**	145	147	161	138	137	157
Maintenance expenses for buildings and equipment	**232**	216	194	194	185	178	173
Other expenses	**421**	407	443	403	350	365	394
Total operating and other expenses	**1,722**	1,683	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 nine months ended September 30		Change	
	2023	2022[(a)]		
	In NIS million		In NIS million	In %
Salaries and related expenses	**2,351**	2,629	(278)	(10.6)
Pension, severance and retirement expenses	**261**	242	19	7.9
Total salary expenses	**2,612**	2,871	(259)	(9.0)

(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			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1[(a)]
	In NIS million						
Salaries and related expenses	**766**	831	754	882	918	882	829
Pension, severance and retirement expenses	**86**	84	91	89	80	79	83
Total salary expenses	**852**	915	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 reporting period totaled approx. NIS 5,294 million compared to approx. NIS 5,485 million in the corresponding period last year.

In the reporting period, positive adjustments were recorded in respect of employee benefits, in the amount of NIS 727 million before tax, most of which stem from an increase in the discount rate offset by actuarial changes; some of these adjustments were offset by negative adjustments of available-for-sale bonds in the amount of NIS 614 million before tax. 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 and nine month periods ended September 30, 2023 and 2022 and for the year ended December 31, 2022

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	In NIS million				
Net income attributable to the Bank's shareholders	**1,767**	1,782	**5,201**	5,383	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	**(730)**	(1,155)	**(614)**	(4,363)	(4,265)
Adjustments of liabilities for employee benefits	**755**	523	**727**	4,096	3,133
Other adjustments[(a)]	**3**	(17)	**44**	420	417
Related tax effect	**(3)**	249	**(64)**	45	335
Less other comprehensive income attributable to non-controlling interests	**-**	-	**-**	96	96
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**25**	(400)	**93**	102	(476)
Comprehensive income attributable to the Bank's shareholders	**1,792**	1,382	**5,294**	5,485	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 at September 30, 2023 amounted to NIS 700.8 billion, compared to NIS 699.2 billion as at the end of 2022 - a 0.2 percent decrease, and compared to September 2022 - a 0.5 percent decrease.

The value of financial assets denominated in, and linked to, foreign currency out of the Group's total assets as of September 30, 2023 is approx. NIS 129.3 billion, approx. 18.5 percent of the total assets. In the first nine months of 2023, the shekel devalued against the US dollar by 8.7 percent, 8.0 percent against the euro, and 10.4 percent against the pound sterling. The change in the shekel's exchange rates against all foreign currencies during the reporting period contributed to a 1.4 percent increase in the Group's total consolidated assets.

Total assets under the Group's management – total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached approx. NIS 2,026 billion as of September 30, 2023, compared with a total of approx. NIS 1,969 billion as of the end of 2022.

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

	September 30	December 31	Change	
	2023	2022	From December 2022	From September 2022
	In NIS million		In %	
Total assets	**700,761**	699,166	0.2	(0.5)
Cash and deposits with banks	**101,311**	186,569	(45.7)	(44.8)
Securities	**131,379**	82,950	58.4	64.9
Loans to the public, net	**417,261**	384,782	8.4	8.9
Buildings and equipment	**2,795**	2,735	2.2	3.6
Deposits by the public	**544,519**	557,084	(2.3)	(0.4)
Deposits by banks	**16,068**	22,306	(28.0)	(36.8)
Bonds, promissory notes and subordinated bonds[(a)]	**27,569**	27,805	(0.8)	(0.2)
Equity attributable to the Bank's shareholders	**52,518**	49,438	6.2	9.3

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

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

	September 30	December 31	Change	
	2023	2022	From December 2022	From September 2022
	In NIS million		In %	
Documentary credit, net	**806**	1,150	(29.9)	(34.9)
Guarantees and other commitments, net	**72,090**	69,003	4.5	12.4
Unutilized credit card credit facilities, net	**12,486**	8,377	49.1	37.8
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**17,054**	16,420	3.9	5.8
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**88,251**	75,291	17.2	16.9
Derivative instruments[(a)(b)]	**1,248,726**	1,076,372	16.0	12.3
Options - all types[(b)]	**226,876**	170,427	33.1 +	

(a) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives.
(b) For more information, please see Note 11.

Loans to the Public, Net

Outstanding loans to the public, net in the Leumi Group as of September 30, 2023 totaled approx. NIS 417.3 billion compared to NIS 384.8 billion as of December 31, 2022, an increase of 8.4 percent, and compared to September 2022 - an increase of 8.9 percent.

The loan loss provision balance in the Leumi Group as of September 30, 2023 totaled approx. NIS 6.2 billion compared to approx. NIS 5.0 billion as of December 31, 2022.

In addition to loans to the public, the Group invests in securities, which also embody credit risks of companies; as of September 30, 2023, these totaled NIS 27,053 million, compared to a total NIS 22,315 million as of the end of 2022.

The Iron Swords War

Upon the outbreak of the War, the Bank took various measures to provide service to its customers. A dedicated call center has been established - a hotline for residents of southern Israel and areas of hostilities that provides a quick banking solution for banking transactions as well as information and individual approval of special requests. In addition, as part of handling the accounts of missing persons and hostages, a dedicated team has been formed which handles inquiries of family members and friends or reaches out to them according to information obtained by the Bank.

Until shortly before the publication date of the financial statements, the Bank deferred payments for customers, as described below under “Credit Risks”.

Since the outbreak of the War, the Bank has maintained continuous contact with its customers in order to assist them in the best way possible in this period of uncertainty. Since the outbreak of the War, the Bank launched a dedicated hotline for residents of southern Israel, which provides a full banking solution and individual approval of special requests. The Bank has also been operating mobile bank branches since the start of the hostilities at complexes to which the residents of the conflict areas were evacuated. All the aforementioned reliefs implemented and initiated by the Bank for the retail and business customers were communicated to the customers through prominent advertisements in various media - print, digital, TV, radio and more, and in a variety of the Bank’s communication channels - the Bank’s website, push messages to mobile phones, insights in the app and more. In addition, all the tellers at the service centers and branches were instructed to provide the customers with a personal, sensitive and caring response, while exercising flexibility and providing creative financial solutions adapted to the current needs so as to help customers overcome the period’s challenges.

The reliefs implemented by the Bank since the outbreak of the War stem in part from directives and emphases published by the Bank of Israel due to the War.

For more information of all the relevant publications of the Bank of Israel and details regarding the reliefs provided, please see under “Main Changes in the Reporting Period - of the Iron Swords War” and the section entitled “Laws and Regulations Governing the Banking System” in the Corporate Governance Report.

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

	September 30	December 31		
	2023	2022	Change	
	In NIS million		In NIS million	In %
Private individuals - Housing loans	**128,010**	119,302	8,708	7.3
Private individuals - Other	**30,794**	29,724	1,070	3.6
Construction and real estate	**117,019**	98,368	18,651	19.0
Commerce[(a)]	**34,201**	31,856	2,345	7.4
Industry	**24,175**	22,969	1,206	5.3
Other[(b)]	**83,062**	82,563	499	0.6
Total	**417,261**	384,782	32,479	8.4

(a) The commerce industry includes loans to the public, after a loan loss provision - which is mostly collective - as at September 30, 2023, of 33,585, in areas such as retail and wholesale commerce in goods and textile, wholesale commerce in electrical goods for households and wholesale building materials, according to the Bank's assessment, their activity is particularly exposed to the damages of the War.

(b) Including loans to the public, after the loan loss provision - which is mostly collective - as at September 30, 2023, in the agriculture and hotel, accommodation and food service economic sectors in the amount of NIS 2,401 and 7,147 million, respectively; according to the Bank's assessments, their activities are particularly exposed to the War's damages.

For more information regarding the loan loss provision due to the War and information regarding the development of credit and credit risk by economic sector, please see under "Credit Risks".

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions

	September 30			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	**2,482**	**103**	**2,585**	1,466	93	1,559
Performing credit risk, net	**3,236**	**599**	**3,835**	3,191	621	3,812
Total	**5,718**	**702**	**6,420**	4,657	714	5,371

	September 30	December 31
	2023	2022
	In NIS million	
Troubled credit risk - Commercial	**6,764**	5,435
Troubled credit risk - retail	**1,633**	1,395
Total	**8,397**	6,830
Balance of loan loss provision	**1,977**	1,459
Troubled loans after loan loss provision	**6,420**	5,371

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

Securities

As of September 30, 2023, the Leumi Group's investments in securities amounted to approx. NIS 131.4 billion, compared to NIS 83.0 billion as of the end of 2022, approx. a 58 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

	September 30, 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	8,172	60,055		6,362	74,589	9,631	21,842		1,263	32,736
Of foreign governments[d]	-	18,515		-	18,515	-	16,995		-	16,995
Of Israeli financial institutions	-	47		425	472	-	46		580	626
Of foreign financial institutions[f]	1,455	9,091		19	10,565	1,321	9,627		53	11,001
Asset-backed (ABS) or mortgage-backed (MBS)	5,856	10,493		28	16,377	3,256	7,710		33	10,999
Of other Israeli entities	-	751		161	912	-	670		257	927
Of other foreign entities	351	4,788		65	5,204	320	4,919		71	5,310
Equity securities and mutual funds			4,684	61	4,745			4,353	3	4,356
Total securities	15,834	103,740	4,684	7,121	131,379	14,528	61,809	4,353	2,260	82,950

(a) Including unrealized losses from fair value adjustments of NIS (4,617) 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 427 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 (56) million recorded in profit and loss (December 31, 2022 - net losses of NIS (113) million).
(d) The US government - NIS 15.5 billion (December 31, 2022 – NIS 12.5 billion).
(e) The outstanding balance of held-to-maturity bonds are presented net of a NIS3 million loan loss provision. The outstanding balances of available-for-sale bonds are presented net of a NIS 0.0 million loan loss provision.
(f) Most bonds of foreign financial institutions are SSA-rated (Super-nationals, Sovereign and Agencies) or state-backed.

As at September 30, 2023, approximately 79.0 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 5.4 percent - as held for trading, approx. 3.6 percent as not held-for-trading equity securities and mutual funds and approx. 12.1 percent as held-to-maturity. Approximately 3.6 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.

Available-for-sale portfolio

1. In the reporting period, there was approx. a NIS (614) million increase (before tax effect) in other comprehensive income in respect of available-for-sale bonds, compared with a decrease of NIS (4,363) million (before tax) in the corresponding period last year.
2. In the reporting period, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to approx. NIS 288 million (before tax effect), compared with net losses of NIS 163 million (before tax effect) 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 September 30, 2023 totaled a negative NIS 2,349 million (after tax effect), which represents a net realized loss as at the reporting date, compared with a negative NIS 1,944 million (after tax effect) as at the end of 2022, which represents a net unrealized loss as at the reporting date.

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

Held-for-trading portfolio

As at September 30, 2023, the held-for-trading portfolio has approx. NIS 7.1 billion in bonds, compared with NIS 2.3 billion as at December 31, 2022. As at September 30, 2023, the held-for-trading portfolio constitutes 5.4 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 31 million were recorded net in the income statement in the reporting period, compared with net losses of NIS 157 million in the corresponding period last year.

Investments in equity securities and mutual funds

As at September 30, 2023, investments in equity securities and mutual funds totaled approx. NIS 4,745 million, of which a total of approx. NIS 2,090 million was marketable equity securities and mutual funds and a total of approx. NIS 2,655 million - in non-marketable.

The regulatory capital required in respect of these investments as at September 30, 2023 was approx. NIS 390 million.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of approx. NIS 333 million were recorded net in the income statement in the reporting period, compared with net gains of NIS 216 million in the corresponding period last year.

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

Investments in foreign securities

A. Investments in foreign asset-backed securities

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, all investment-grade, amounted to approx. NIS 16.4 billion (approx. USD 4.3 billion) as at September 30, 2023, compared to NIS 11.0 billion as at the end of 2022. Out of the above portfolio, as at September 30, 2023, approx. NIS 10.5 billion (approx. USD 2.7 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of September 30, 2023, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled approx. NIS 5.8 billion. 94.6 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 September 30, 2023, the total net decrease in value from mortgage-backed bonds charged to shareholders' equity was approx. NIS 779 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total approx. NIS 344 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 5.22 years (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio also includes other non-mortgage asset-backed bonds totaling NIS 4.7 billion, of which CLO bonds account for approx. NIS 3.3 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 5.5 years.

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

B. Investments in foreign non-asset-backed securities

As of September 30, 2023, the Group's securities portfolio includes approx. NIS 45.9 billion (approx. USD 12.0 billion) in foreign non-asset-backed securities. NIS 37.8 billion (USD 9.9 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 98.6 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 September 30, 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 2,391 million (NIS 1,574 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. 91.9 percent of the securities in the held-for-trading portfolio are investment-grade.

As of September 30, 2023, the value of the non-asset-backed held-for-trading portfolio was NIS 141.0 million (approx. USD 36.9 million).

Investments in bonds issued in Israel

As at September 30, 2023, investments in bonds issued in Israel amounted to NIS 67.6 billion, of which NIS 66.3 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. Approx. 57.7 percent of corporate bonds investments - which are approx. NIS 0.8 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 0.8 billion - include a negative capital reserve of NIS (54) million.

All corporate bonds in the held-for-trading portfolio are listed and traded on the Tel Aviv Stock Exchange.

Subsequent to the balance sheet date and as of shortly before the publication date of the financial statements, the market volatility since the outbreak of the War did not have a material impact on the Bank's profit in the reporting periods.

For more information, please see Note 5.

Deposits by the public

Following are balances of deposits by the public

	As at September 30	As at December 31	
	2023	2022	Change
	In NIS million		In %
Demand deposits			
Non-interest bearing[(a)]	**149,265**	197,264	(24.3)
Interest-bearing[(a)]	**117,148**	121,969	(4.0)
Total demand deposits	**266,413**	319,233	(16.5)
Fixed deposits	**278,106**	237,851	16.9
Total deposits by the public	**544,519**	557,084	(2.3)

(a) Reclassified; during the first quarter of 2023, a reclassification was made between interest-bearing and non-interest-bearing deposits. For comparability reasons, the Bank made an immaterial adjustment to the comparative figures. The effect of the adjustment as of September 30, 2022 and December 31, 2022 amounted to deposits in the amount of approx. NIS 65.8 billion and approx. NIS 62.7 billion, respectively, from interest-bearing to non-interest bearing. The aforementioned had no effect on the Bank's profit and loss and equity. Please see Note 7.

The decrease in the deposits balance during the reporting period stemmed mainly from a decrease in deposits of business customers and capital market customers. This decrease was mostly offset by an increase in private deposits.

Starting from July 1, 2023, the Bank began granting its customers interest on their current account balances; the first level of the benefit includes an interest rate of 1 percent for retail customers whose salaries are transferred to Leumi (including pensioners) with a current account balance of up to NIS 10,000 who have one other product with Leumi: a mortgage, monthly transactions of at least NIS 3,000 on a Leumi credit card or a securities portfolio.

Starting from August 1, 2023, Leumi published another level: an interest rate of 2 percent will be paid on a balance of up to NIS 25,000 starting from the first NIS for retail customers whose salaries are transferred to Leumi (including pensioners) who have two additional banking products with the Bank of the following three: a mortgage at Leumi, monthly transactions of at least NIS 4,000 on a Leumi credit card or a securities portfolio at Leumi.

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

	September 30	December 31		
	2023	2022	Change	
	In NIS million		In NIS million	In %
Securities portfolios[(a)]	**952,127**	907,086	45,041	5.0
Assets for which operating services are provided:[(a)(b)(c)]				
Provident and pension funds	**203,893**	198,329	5,564	2.8
Advanced study funds	**169,073**	164,214	4,859	3.0

(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 redemption 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.

On May 30, 2023, the Bank issued a total of NIS 1.492 billion p.v. in bonds by way of an expansion of Series 183 Bonds for a consideration of NIS 1.419 billion, as well as NIS 2.428 billion p.v. in commercial securities (CS Series 4).

The principal of the Commercial Securities and interest in respect thereof shall be payable in one lump sum on May 28, 2024; it is not linked to the Consumer Price Index, and carries a spread of 0.19 percent over the Bank of Israel's interest rate.

For more information, please see the immediate report dated May 30, 2023.

On August 7, 2023, the Bank issued a total of NIS 0.5 billion p.v. in credit linked notes (CLN) (Series 1).

The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

A credit-linked note is a financial instrument that is associated with a number of loans given by the Bank and bears the credit risk of these loans.

The Bank undertakes to repay the note amount (including interest in accordance with the terms and conditions of the note), with the Bank's undertaking conditioned upon non-materialization of the credit risk embodied in such loans, according to the note. The payment by the Bank to the note holder will be reduced accordingly if any of the loans to which it is linked shall be defaulted upon, or if the borrower defaults or is under bankruptcy, and the repayment to the note holder shall only be made against amounts the Bank has been able to collect in their respect, according to the terms and conditions of the note.

The proceeds of the issuance is recognized as a qualifying financial collateral in accordance with Proper Conduct of Banking Business Directive No. 203, as well as collateral deductible in calculating indebtedness of a customer under Proper Conduct of Banking Business Directive No. 313.

The Notes' principal will be payable in one payment on December 24, 2026, as long as the Bank does not carry out early redemption, as detailed in the terms of the issuance. The unpaid balance of the Note's principal will bear annual interest at the Bank of Israel interest rate plus 2.3 percent, which will be paid in 40 monthly installments, from September 24, 2023 to December 24, 2026, the final repayment date of the Note's principal. The Notes (principal and interest) will not be linked to any linkage basis.

Series 183 Bonds, Credit Linked Notes (Series1) and Commercial Securities (Series 4) are not recognized for regulatory capital purposes.

For more information, please see the immediate report dated August 6, 2023.

Early redemption of subordinated bonds

On July 5, 2023, the Bank's Board of Directors decided to exercise full early redemption of Subordinated Bonds (Series 401), which were issued to the public in July 2018. Accordingly, on July 31, 2023, subordinated bonds totaling NIS 681 million were redeemed (including linkage differences).

For more information, please see the immediate reports dated July 5, 2023, July 16, 2023 and August 1, 2023.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 52,518 million on September 30, 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 ratio of equity to total assets on September 30, 2023 is 7.5 percent.

Capital Adequacy Structure[a]

	September 30		December 31
	2023	2022	2022
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments[c]	**51,998**	47,245	48,797
Tier 2 capital, after deductions	**14,371**	11,906	12,020
Total capital - total	**66,369**	59,151	60,817
Balances of risk-weighted assets			
Credit risk[c][d][e]	**425,005**	381,466	392,658
Market risks	**6,198**	7,532	6,610
Operational risk	**29,071**	25,095	26,375
Total balances of risk-weighted assets	**460,274**	414,093	425,643
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted components	**11.30%**	11.41%	11.46%
Total capital to risk-weighted assets	**14.42%**	14.28%	14.29%
Minimum CET1 capital ratio set by the Banking Supervision Department[b]	**10.21%**	10.21%	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 Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of September 30, 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.
(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". 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.

In the first nine months of 2023, the Common Equity Tier 1 capital was mainly affected by the net income for the period, net of the dividend and buyback, and from the increase in the loan portfolio. Total capital ratio was mainly affected by the issue of "green" subordinated bonds in the first quarter and the increase in the collective provision balance. The impairment recorded in the first quarter of 2023 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 Additional Tier 1 capital ratio, and the Leumi Group has no Additional Tier 1 capital instruments.

Tier 2 capital

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

Capital instruments must comply with the criteria set forth in Proper Conduct of Banking Business Directive No. 202 in order to be included in capital. The main criteria 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 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.

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 September 30, 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 of September 30, 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, and on November 16, 2023, a draft circular amending the directive was published, according to which the relief shall be extended until December 31, 2025. 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, 2026. 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.

On November 29, 2023 the Bank's Board of Directors approved an increase in the Bank's internal Tier 1 capital target to 10.6 percent instead of 10.5 percent.

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. 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 November 29, 2023, the Board of Directors approved a dividend distribution totaling NIS 353 million, which represents approx. 20 percent of the net income for the third quarter of 2023. The dividend approved amounted is 23.21 agorot p.v. per share of NIS 1 par value. The final dividend amount per share is subject to changes due to exercise of the Bank's convertible securities. The Board of Directors set December 7, 2023 as the record date for dividend payment purposes and December 17, 2023 as the payment date.

Regarding the Banking Supervision Department's letter dated November 12, 2023 on capital planning and profit sharing policies, see Note 9A.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
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
May 23, 2023	June 15, 2023	19.10	294
August 14, 2023	September 7, 2023	48.05	736

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").

The implementation of Stage A began on May 24, 2023 and ended on August 1, 2023, during which time the Bank purchased (through the independent Stock Exchange member it had contracted) 10,740,308 shares totaling NIS 300 million under the said plan. The implementation of Stage B began on August 16, 2023 and ended on October 18, 2023, during which time the Bank purchased (through the independent Stock Exchange member it had contracted) 10,208,701 shares totaling NIS 300 million under the said plan. As of the reporting date, the Bank owns 92,773,267 treasury shares.

Against the background of the Banking Supervision Department's letter on capital planning and profit sharing policies, as outlined in Note 9A, at this stage, no decision was made to implement the third and last part of the buyback plan. According to the plan's terms and conditions, the share buyback plan may be completed by May 15, 2024; accordingly, the Bank may decide to implement Stage C of the buyback plan (for a maximum amount of NIS 200 million), subsequent to the publication of the financial statements for 2023. Approval by the Banking Supervision Department for the buyback plan, as required according to Proper Conduct of Banking Business Directive No. 332, was received on May 17, 2023, subject to compliance with restrictions and capital targets, including the condition that the plan be immediately terminated if, during the period of the plan, it appears that, according to the most recent financial statements published, the Bank is not in compliance with the 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 at September 30, 2023, 85 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 mid-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 Current Expected Credit Losses”, Proper Conduct of Banking Business Directive No. 299 and circular entitled “Expected Loan Losses from Financial Instruments”

As of January 1, 2022, the Bank applies the transitional provisions published by the Banking Supervision Department - “Regulatory Capital - Effect of Application of GAAP on Current Expected Credit Losses” as of December 1, 2020, as well as additional revisions, as part of adjustments to additional Proper Conduct of Banking Business Directives adjusted to the new rules on current 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, the change was implemented starting from the third quarter of 2022, over 4 quarters, such that in the quarter ended June 30, 2023, the capital requirement was 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 amount of risk-weighted assets – Leumi's risk-weighted assets – amounted to approx. NIS 460 billion as at September 30, 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.
- Change in Common Equity Tier 1 - as of September 30, 2023, Common Equity Tier 1 totals approx. NIS 52 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 0.08 percent decrease in the Common Equity Tier 1 capital ratio and total capital ratio.
- The rating of the State of Israel has an effect on the capital requirements in respect of the Bank’s exposures to the Israeli government and exposure to banks, institutional entities and public sector entities in Israel. The Bank estimates that a downgrade of up to two notches in the credit rating of the State of Israel by one or even several of the rating agencies that rate the State of Israel, will not affect the Bank’s capital adequacy ratios.

For more information, please see The Credit Rating in the Corporate Governance Report.

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.

	September 30		December 31
	2023	2022	2022
	In NIS million		
Consolidated data			
Tier 1 capital[c]	**51,998**	47,245	48,797
Total exposures[b]	**773,129**	744,777	766,895
Leverage Ratio			
Leverage Ratio	**6.73%**	6.34%	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". 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 financial performance according to management approach

	For the three months ended September 30, 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	(644)	262	(382)	1,741	410	596	1,031	328	8	37	166	3,935
Inter-segmental	2,063	278	2,341	(1,375)	324	(313)	(675)	(204)	(2)	9	(105)	-
Interest income, net	1,419	540	1,959	366	734	283	356	124	6	46	61	3,935
Noninterest income	370	121	491	3	145	100	100	438	4	92	28	1,401
Total income	1,789	661	2,450	369	879	383	456	562	10	138	89	5,336
Loan loss expenses (income)	242	144	386	87	95	169	222	14	(7)	21	4	991
Total operating and other expenses	727	233	960	96	181	74	45	107	181	47	31	1,722
Profit (loss) before taxes	820	284	1,104	186	603	140	189	441	(164)	70	54	2,623
Provision (benefit) for taxes	281	98	379	64	206	48	65	151	(75)	5	23	866
Net income (loss) attributable to the Bank's shareholders	539	186	725	122	397	92	124	343	(89)	22	31	1,767

Condensed financial performance according to management approach (cont.)

	For the three months ended September 30, 2022											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	220	336	556	1,304	386	357	469	237	2	31	72	3,414
Inter-segmental[(a)]	684	84	768	(934)	163	(131)	(185)	327	(2)	2	(8)	-
Interest income, net	904	420	1,324	370	549	226	284	564	-	33	64	3,414
Noninterest income (expenses)[(a)]	358	119	477	4	135	64	91	(6)	19	80	(9)	855
Total income	1,262	539	1,801	374	684	290	375	558	19	113	55	4,269
Loan loss expenses (income)	65	47	112	48	(56)	65	(88)	17	(11)	(4)	16	99
Total operating and other expenses	702	253	955	100	191	69	37	99	148	51	21	1,671
Profit (loss) before taxes	495	239	734	226	549	156	426	442	(118)	66	18	2,499
Provision for tax	169	82	251	77	188	53	146	152	21	13	7	908
Net income (loss) attributable to the Bank's shareholders	326	157	483	149	361	103	280	476	(139)	58	11	1,782

(a) As of the third quarter of 2023, a change was introduced to the allocation of profitability resulting from the Bank's asset and liability management activity, such that as from that date, all profitability from this activity is attributed to the "Capital Markets" P&L center. To present comparative information, the comparative results were reclassified.

Condensed financial performance according to management approach (cont.)

	For the nine months ended September 30, 2023											
	The Bank									Subsidia-ries in Israel	Foreign subsi-diaries	Total
	Private individuals	Small busi-nesses	Banking - total	Mortgages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	(1,379)	873	(506)	5,239	1,205	1,580	2,794	1,297	16	96	426	12,147
Inter-segmental	5,591	754	6,345	(4,167)	1,003	(766)	(1,774)	(405)	(1)	13	(248)	-
Interest income, net	4,212	1,627	5,839	1,072	2,208	814	1,020	892	15	109	178	12,147
Noninterest income	1,189	372	1,561	10	440	250	294	1,047	52	206	24	3,884
Total income	5,401	1,999	7,400	1,082	2,648	1,064	1,314	1,939	67	315	202	16,031
Loan loss expenses (income)	574	261	835	158	182	99	375	(4)	(2)	47	25	1,715
Total operating and other expenses	2,067	683	2,750	287	539	215	121	277	610	142	93	5,034
Profit (loss) before taxes	2,760	1,055	3,815	637	1,927	750	818	1,666	(541)	126	84	9,282
Provision (benefit) for taxes	944	361	1,305	218	659	256	280	570	(238)	24	45	3,119
Net income (loss) attributable to the Bank's shareholders	1,816	694	2,510	419	1,268	494	538	124[(a)]	(303)	112	39	5,201

Balances as at September 30, 2023												
Loans to the public, net	31,142	25,700	56,842	129,583	64,435	61,643	65,027	24,013	6,464	1,241	8,013	417,261
Deposits by the public	215,144	53,224	268,368	-	88,916	32,796	9,627	144,806	6	-	-	544,519

(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.B.

Condensed financial performance according to management approach (cont.)

	For the nine months ended September 30, 2022											
	The Bank									Subsidia-ries in Israel	Foreign subsi-diaries	Total
	Private individuals	Small busines-ses	Banking - total	Mortgages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	745	895	1,640	3,793	1,147	986	1,153	234	9	92	384	9,438
Inter-segmental[(a)]	1,160	95	1,255	(2,815)	182	(432)	(372)	2,217	(5)	3	(33)	-
Interest income, net	1,905	990	2,895	978	1,329	554	781	2,451	4	95	351	9,438
Noninterest income (expenses)[(a)]	1,086	355	1,441	10	424	178	281	(111)	747	304	88	3,362
Total income	2,991	1,345	4,336	988	1,753	732	1,062	2,340	751	399	439	12,800
Loan loss expenses (income)	88	62	150	46	70	32	(175)	89	(21)	(9)	3	185
Total operating and other expenses	2,008	762	2,770	277	539	205	108	303	521	147	236	5,106
Profit before taxes	895	521	1,416	665	1,144	495	1,129	1,948	251	261	200	7,509
Provision (benefit) for taxes	306	178	484	227	391	169	386	666	(55)	77	53	2,398
Net income attributable to the Bank's shareholders	589	343	932	438	753	326	743	1,501	306	247	137	5,383

Balances as at September 30, 2022												
Loans to the public, net	32,374	26,680	59,054	118,101	60,793	53,557	52,283	26,561	5,875	934	5,865	383,023
Deposits by the public	196,325	53,262	249,587	-	94,365	36,207	13,531	153,001	4	-	11	546,706

(a) As of the third quarter of 2023, a change was introduced to the allocation of profitability resulting from the Bank's asset and liability management activity, such that as from that date, all profitability from this activity is attributed to the "Capital Markets" P&L center. To present comparative information, the comparative results were reclassified.

Condensed financial performance according to management approach (cont.)

	For the year ended December 31, 2022											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	786	1,254	2,040	5,168	1,535	1,336	1,776	741	14	121	480	13,211
Inter-segmental[b]	2,328	248	2,576	(3,832)	473	(529)	(696)	2,108	(5)	6	(101)	-
Interest income, net	3,114	1,502	4,616	1,336	2,008	807	1,080	2,849	9	127	379	13,211
Noninterest income[b]	1,430	471	1,901	14	552	245	378	563	778[a]	484	103	5,018
Total income	4,544	1,973	6,517	1,350	2,560	1,052	1,458	3,412	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	1,716	841	2,557	859	1,722	790	1,367	2,884	126	419	172	10,896
Provision (benefit) for taxes	587	288	875	294	589	270	467	986	(64)	101	46	3,564
Net income attributable to the Bank's shareholders	1,129	553	1,682	565	1,133	520	900	2,207	190	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.
(b) As of the third quarter of 2023, a change was introduced to the allocation of profitability resulting from the Bank’s asset and liability management activity, such that as from that date, all profitability from this activity is attributed to the “Capital Markets” P&L center. To present comparative information, the comparative results were reclassified.

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 September 30, 2023										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest income, net	406	1,113	93	963	518	895	109	(233)	10	61	3,935
Noninterest income	11	234	37	236	89	241	44	478	3	28	1,401
Total income	417	1,347	130	1,199	607	1,136	153	245	13	89	5,336
Loan loss expenses (income)	59	214	(7)	149	128	428	1	7	8	4	991
Total operating and other expenses	93	629	22	387	132	128	61	70	169	31	1,722
Profit (loss) before taxes	265	504	115	663	347	580	91	168	(164)	54	2,623
Provision (benefit) for taxes	89	170	40	227	122	176	31	41	(53)	23	866
Net income (loss) attributable to the Bank's shareholders	176	334	75	436	225	404	60	137	(111)	31	1,767

	For the three months ended September 30, 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest income, net	389	688	71	745	394	653	115	288	7	64	3,414
Noninterest income (expenses)	13	243	35	220	82	167	46	22	36	(9)	855
Total income	402	931	106	965	476	820	161	310	43	55	4,269
Loan loss expenses (income)	47	70	-	(24)	(11)	27	(1)	(25)	-	16	99
Total operating and other expenses	101	575	24	433	106	157[(a)]	94	38[(a)]	122	21	1,671
Profit (loss) before taxes	254	286	82	556	381	636	68	297	(79)	18	2,499
Provision for taxes[(a)]	85	94	28	187	131	215	24	90	47	7	908
Net income (loss) attributable to the Bank's shareholders	169	192	54	369	250	421	44	398	(126)	11	1,782

(a) Reclassified.

Summary of activities by regulatory operating segment (cont.)

	For the nine months ended September 30, 2023										
	Activity in Israel									Foreign ope-rations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized busi-nesses	Corpora-tions	Institutio-nal entities	Financial manage-ment	Other		
	In NIS million										
Interest income (expense), net	1,185	3,277	309	2,925	1,588	2,387	428	(160)	30	178	12,147
Noninterest income	35	807	115	699	267	658	137	1,110	32	24	3,884
Total income	1,220	4,084	424	3,624	1,855	3,045	565	950	62	202	16,031
Loan loss expenses (income)	113	445	-	409	168	555	(8)	8	-	25	1,715
Total operating and other expenses	284	1,762	73	1,161	356	382	176	193	554	93	5,034
Profit (loss) before taxes	823	1,877	351	2,054	1,331	2,108	397	749	(492)	84	9,282
Provision (benefit) for taxes	288	669	128	732	478	730	143	59	(153)	45	3,119
Net income (loss) attributable to the Bank's shareholders	535	1,208	223	1,322	853	1,378	254	(272)[(a)]	(339)	39	5,201
Balance as at September 30, 2023											
Loans to the public, gross	127,826	30,886	372[(b)]	66,430	41,535	146,809	1,881	-	-	7,738	423,477
Deposits by the public	-	134,471	33,068	100,677	66,097	86,285	123,921	-	-	-	544,519

(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.B.

(b) Including outstanding housing loans as at September 30, 2023 in the amount of NIS 170 million.

Summary of activities by regulatory operating segment (cont.)

	For the nine months ended September 30, 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized business-es	Corpo-rations	Institutio-nal entities	Financial manage-ment	Other		
	In NIS million										
Interest income, net	993	1,503	116	1,786	875	1,642	175	1,985	12	351	9,438
Noninterest income	38	719	116	665	268	485	144	24[b]	815[b]	88	3,362
Total income	1,031	2,222	232	2,451	1,143	2,127	319	2,009	827	439	12,800
Loan loss expenses (income)	54	85	-	61	2	(56)	-	36	-	3	185
Total operating and other expenses	279	1,713	72	1,224	330	390[b]	196	243[b]	423	236	5,106
Profit before taxes	698	424	160	1,166	811	1,793	123	1,730	404	200	7,509
Provision for taxes[b]	236	145	54	399	279	610	42	572	8	53	2,398
Net income attributable to the Bank's shareholders	462	279	106	767	532	1,183	81	1,440	396	137	5,383

Balance as at September 30, 2022											
Loans to the public, gross	116,715	30,659	445[a]	65,485	39,796	126,863	2,048	-	-	5,908	387,919
Deposits by the public	-	126,426	28,043	96,391	68,000	93,107	134,728	-	-	11	546,706

(a) Including outstanding housing loans as at September 30, 2022 in the amount of NIS 180 million.
(b) 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-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	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 (benefit) for taxes	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

Subsequent to the report date, on October 7, 2023, a lethal attack was waged on the State of Israel, especially on civilians; as a result of the attack, the State of Israel declared the Iron Swords War. The rocket fire, that reached the center of Israel, the evacuation of localities in southern and northern Israel, extensive mobilization of reserves and shutdown of the education system - all led to disruptions in economic activity in the Israeli economy. The War is expected to have a significant adverse effect on the Israeli economy, especially while the fighting is going on, and as a result - on the Bank's performance. The adverse economic potential is substantial, on the back of the possibility of further escalation to other areas; in any case, this event is expected to materially harm, especially during the fighting, Israel's economic activity and financial markets. The severity of the effect depends, inter alia, on the duration of the War and the extent to which further areas in Israel are directly affected by the War. It appears that the areas of activity which suffered the most harm were: Tourism, culture and leisure, agriculture, construction, commerce, etc. Subsequent to the War, a process of civil and security rehabilitation is expected, which will be manifested in the public expenditure, with investments in fixed assets, healthcare services and social services, as well as private consumption.

Following the sharp rise in uncertainty in the economy since the onset of the War, during the reporting period, the loan loss expenses increased substantially; most of the increase is due to commercial loans, which include loans to micro- and small businesses, and loans to mid-sized businesses and corporations. Most of the increase is in respect of the collective expense, which increased substantially in the third quarter of 2023 due to the worsening in the macroeconomic indicators that were taken into account for the calculation of the collective loan loss expense and includes an examination of the risk profile of the various economic sectors, especially those the Bank believes to be more exposed to the War damages.

Household segment

Net income attributable to shareholders in respect of the households segment in the reporting period totaled approx. NIS 1,743 million, compared to NIS 741 million in the corresponding period last year. The increase in profit is mainly due to the increase in interest income, net, partially offset by an increase in the loan loss expense.

Net interest income in the reporting period totaled approx. NIS 4,462 million, compared to NIS 2,496 million in the corresponding period last year. Most of the increase stems from growth in housing loans, an increase in the amount of deposits and from an increase in deposit spreads due to the increase in interest rates.

Net interest income in the third quarter of 2023 totaled NIS 1,519 million, compared to NIS 1,077 million in the corresponding quarter last year. The increase stems mainly from the increase in credit volumes and deposits and deposit spreads, due to the rise in interest rates.

Noninterest income for the reporting period totaled approx. NIS 842 million, compared to NIS 757 million in the corresponding period last year. Most of the increase stems from income from fees and commissions.

Noninterest income in the third quarter of 2023 totaled approx. NIS 245 million, compared to NIS 256 million in the corresponding period last year.

In the reporting period, loan loss expenses were recorded in the amount of NIS 558 million, compared to an expense of NIS 139 million in the corresponding period last year. The increase stems mainly from the collective provision due to macroeconomic adjustments stemming from the consequences of the War and from an increase in the interest environment.

In the third quarter of 2023, loan loss expenses were recorded in the amount of NIS 273 million, compared to expense of NIS 117 million in the corresponding period last year. The increase stems mainly from the collective provision due to macroeconomic adjustments stemming from the consequences of the War and from an increase in the interest environment.

Operating and other expenses in the reporting period totaled approx. NIS 2,046 million, compared to NIS 1,992 million in the corresponding period last year, mainly due to an increase in operating expenses, which was partially offset by a decrease in salary expenses, mostly for return-based bonuses.

Operating and other expenses in the third quarter of 2023 totaled approx. NIS 722 million, compared to NIS 676 million in the corresponding period last year.

Outstanding loans to the public as of September 30, 2023 totaled NIS 158.7 billion compared to NIS 150.2 billion as at the end of 2022. Most of the increase stems from growth in the housing loan portfolios.

Balance of deposits by the public as of September 30, 2023 totaled NIS 134.5 billion compared to NIS 128.4 billion at the end of 2022.

Private banking segment

Net income attributable to shareholders in respect of the private banking segment in the reporting period totaled NIS 223 million, compared to NIS 106 million in the corresponding period last year. The increase stems mainly from net interest income.

Net interest income in the reporting period totaled approx. NIS 309 million, compared to NIS 116 million in the corresponding period last year. The increase stems mainly from the increase in deposit volumes and deposit spreads, due to the rise in interest rates.

Total interest expenses, net in the third quarter of 2023 totaled NIS 93 million, compared to NIS 71 million in the corresponding period last year. The increase stems mainly from the increase in deposit volumes and deposit spreads, due to the rise in interest rates.

Micro- and small-business segment

Net income attributable to shareholders in respect of the micro- and small business sector in the reporting period totaled approx. NIS 1,322 million, compared to NIS 767 million in the corresponding period 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 reporting period totaled approx. NIS 2,925 million, compared to NIS 1,786 million in the corresponding period last year. The increase stems mainly from the increase in deposit spreads, due to the rise in interest rates.

Interest expenses, net in the third quarter of 2023 totaled NIS 963 million, compared to NIS 745 million in the corresponding period last year. The increase stems mainly from the increase in deposit spreads, due to the rise in interest rates.

Noninterest income for the reporting period totaled approx. NIS 699 million, compared to NIS 665 million in the corresponding period last year.

Noninterest income in the third quarter of 2023 totaled approx. NIS 236 million, compared to NIS 220 million in the corresponding period last year.

In the reporting period, loan loss expenses were recorded in the amount of NIS 409 million, compared to an expense of NIS 61 million in the corresponding period last year. Most of the increase stems from the collective provision. Most of the increase stems from the specific provision, mainly due to lower collections during the reporting period compared to the corresponding period last year.

In the third quarter of 2023, loan loss expenses were recorded in the amount of NIS 149 million, compared to income of NIS 24 million in the corresponding period last year. Most of the increase stems from the collective provision.

Operating and other expenses in the reporting period totaled approx. NIS 1,161 million, compared to NIS 1,224 million in the corresponding period last year, mostly due to a decrease in salary expenses, mostly for return-based bonuses.

Operating and other expenses in the third quarter of 2023 totaled approx. NIS 387 million, compared to NIS 433 million in the corresponding period last year.

Outstanding loans to the public as of September 30, 2023 totaled NIS 66.4 billion compared to NIS 65.8 billion as at the end of 2022.

Balance of deposits by the public as of September 30, 2023 totaled NIS 100.7 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 business sector in the reporting period totaled approx. NIS 853 million, compared to NIS 532 million in the corresponding period 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 reporting period totaled approx. NIS 1,588 million, compared to NIS 875 million in the corresponding period last year. The increase stems mainly from the increase in deposit spreads, due to the rise in interest rates, which was partially offset by a decrease in the deposit amount.

Interest expenses, net in the third quarter of 2023 totaled NIS 518 million, compared to NIS 394 million in the corresponding period last year. The increase stems mainly from the increase in deposit spreads, due to the rise in interest rates, which was partially offset by a decrease in the deposit amount.

Noninterest income for the reporting period totaled approx. NIS 267 million, similarly to the corresponding period last year.

Noninterest income in the third quarter of 2023 totaled approx. NIS 89 million, compared to NIS 82 million in the corresponding period last year.

In the reporting period, loan loss expenses were recorded in the amount of NIS 168 million, compared to an expense of NIS 2 million in the corresponding period last year. Most of the increase stems from the collective provision. Most of the increase stems from the specific provision, mainly due to lower collections during the reporting period compared to the corresponding period last year.

In the third quarter of 2023, loan loss expenses were recorded in the amount of NIS 128 million, compared to income of NIS (11) million in the corresponding period last year. Most of the increase stems from the collective provision.

Operating and other expenses in the reporting period totaled approx. NIS 356 million, compared to NIS 330 million in the corresponding period last year.

Outstanding loans to the public as of September 30, 2023 totaled NIS 41.5 billion compared to NIS 39.5 billion as at the end of 2022.

Balance of deposits by the public as of September 30, 2023 totaled NIS 66.1 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 reporting period totaled approx. NIS 1,378 million, compared to NIS 1,183 million in the corresponding period last year. The increase stemmed mainly from an increase in net interest income and an increase in income from fees and commissions, which was partially offset by an increase in loan loss expenses.

Net interest income in the reporting period totaled approx. NIS 2,387 million, compared to NIS 1,642 million in the corresponding period last year. The increase stems mainly from the increase in deposit spreads, due to the rise in interest rates and growth in credit activity in the construction and real estate sectors.

Interest expenses, net in the third quarter of 2023 totaled NIS 895 million, compared to NIS 653 million in the corresponding period last year. The increase stems mainly from the increase in deposit spreads, due to the rise in interest rates and growth in credit activity in the construction and real estate sectors.

Noninterest income in the reporting period in 2023 totaled approx. NIS 658 million, compared to NIS 485 million in the corresponding period last year. The increase stems mainly from fees and commissions from financing business, securities activity, and fees and commissions from credit handling, in view of the increase in the volume of activity.

Noninterest income in the third quarter of 2023 totaled approx. NIS 241 million, compared to NIS 167 million in the corresponding period last year. The increase stems mainly from fees and commissions from financing business, in view of the increase in the volume of activity and from securities activity.

In the reporting period, loan loss expenses were recorded in the amount of NIS 555 million, compared to income of NIS 56 million in the corresponding period last year. The increase stems mainly from the collective provision due to macroeconomic adjustments stemming from the consequences of the War and from an increase in the interest environment.

In the third quarter of 2023, loan loss expenses were recorded in the amount of NIS 428 million, compared to expense of NIS 27 million in the corresponding period last year. The increase stems mainly from the collective provision.

Outstanding loans to the public as of September 30, 2023 totaled NIS 146.8 billion compared to NIS 126.6 billion as at the end of 2022. Most of the increase stems from growth in construction and real estate balances.

Balance of deposits by the public as of September 30, 2023 totaled NIS 86.3 billion compared to NIS 97.7 billion at the end of 2022.

Financial management segment

Net income of the financial management segment attributable to the Bank's shareholders for the reporting period totaled a NIS (272) million loss compared to NIS 1,440 million in net income in the corresponding period last year. The results of this segment in the current period include the expense for impairment of the investment in associate Valley, which was made in the first quarter of 2023 (for more information, please see Note 16.B).

Total interest expenses, net in the reporting period totaled NIS (160) million, compared to interest income, net of NIS 1,985 million in the corresponding period last year. The decrease is mainly due to a decrease in the nostro, income from the management of capital and the exposures and from the change in the CPI.

Total interest income, net in the third quarter of 2023 totaled NIS (233) million, compared to interest income, net of NIS 288 million in the corresponding period last year. The transition from interest income to interest expenses is mainly due to a decrease in the nostro, income from the management of capital and the exposures and from the change in the CPI.

Operating and other expenses in the reporting period totaled approx. NIS 193 million, compared to NIS 243 million in the corresponding period last year, mostly due to a decrease in salary expenses, mostly for return-based bonuses.

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 September 30, 2023, was approx. NIS 15.5 billion, compared with NIS 13.7 billion as of December 31, 2022; most of the increase in the first nine months of 2023 stems mainly from the following changes in the first quarter of 2023: 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.B. In addition, the contribution of the investees to the Group's net income in the first nine months of 2023 amounted to a loss of approx. NIS 601 million, compared to a profit of approx. NIS 548 million in the corresponding period last year. The loss is mostly due to the impairment of the Bank's investment in Valley in the first quarter of 2023, as stated above.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 8,467 million as of September 30, 2023, compared to NIS 8,292 million as of December 31, 2022. The contribution of the consolidated companies in Israel to the Group's net income in the first nine months of 2023 was NIS 112 million, compared with NIS 248 million in the corresponding period last year; the decrease stems mainly from an impairment of investments in associates of the Group.

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 was NIS 4,203 million as of September 30, 2023, compared to NIS 1,772 million as of December 31, 2022.

In the first nine months of 2023, the foreign offices' contribution to the Group's shekel net income was NIS 258 million, compared with an NIS 81 million profit in the corresponding period last year.

The Bank's Subsidiary in the UK

During to the first half of 2023, all the terms and conditions for restructuring, including returning BLUK's regulatory license were met, enabling BLUK to serve as a lender. To this end, BLUK was 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 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).

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.

The Iron Swords War

On the back of the War's adverse economic potential of the Iron Swords War (hereinafter - the "War"), the severity level of the local macroeconomic risk was raised from "moderate-high" to "high". In addition, due to the macroeconomic situation - with emphasis on the potential of the fighting and the trajectory of ongoing interest rate rise, the level of severity of the overall credit risk and the severity of the borrower quality risk and collateral from "moderate" to "moderate-high".

The Bank's assessments regarding the implications of the War on the severity of all risk factors are uncertain and may change in accordance with the developments and ramifications of the War on the economy and the Bank's business.

The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. The Bank tracks and monitors market developments, applying stringent risk management and continuously examining events and modes of operation in order to prepare in advance and adapt its activity as needed.

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

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 nine months of 2023, there were no material changes in the corporate governance structure related to credit risk.

Macroeconomic effects and the Iron Swords War

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

In the first nine months of 2023, economic activity in the local economy continued to grow, albeit 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 slowdown in Israel’s high-tech export activity.

The Iron Swords War is a significant event which casts a heavy shadow on the business and economic activity and is accompanied by substantial uncertainty. The War could cause an adverse effect on economic activity, and the severity of the impact will depend, inter alia, on the duration and extent to which further areas in Israel are directly affected by the War, the extent of harm to the population and the various components of the economic response. The damage to economic activity reflects adverse effects both on the supply side of the economy, and on the demand side. On the supply side, several factors can be pointed out, including lengthy recruitment of employees to reserve duty and damage to the economic infrastructure in various fields, shortage of foreign workers in construction and agriculture, as well as the War, which is expected to raise unemployment rates in Israel. On the demand side, an example can be given of the expected substantial harm to consumer trust and business security, with a substantial adverse effect on the aggregate demand in the economy.

In view of the above, the damage to economic activity in the last quarter of 2023 is expected to be considerable, and therefore, the growth rate in 2024 is expected to be lower than that expected in the main scenario on the eve of the War. With regards to inflation, in the short term, the War is expected to generate opposing effects - some of which will support a rise in inflation, while others will curb it. The War led to higher volatility in the NIS exchange rate. As a result, the Bank of Israel announced that in the coming period, it will take as many measures as needed in order to mitigate the volatility in the NIS’s exchange rate.

At this stage, according to the Bank's initial assessments, the economic sectors whose activities are particularly exposed to the War's damages are: construction, agriculture and the culture and leisure sectors (tourism, restaurants, shows, etc.), as well as some industrial and commercial sectors, depending on their location.

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

Due to the high rate of uncertainty and the possible ramifications on the economy and society in Israel during the coming period, it is too early to assess the extent of its effect on the Bank's loans portfolio. The Bank is assessing its ability to withstand the adverse developments using systemic stress scenarios.

Due to the higher risk levels, emphases in new credit granting in the various business lines during the War period were pinpointed and terms and conditions were made more stringent, with risk focal points and market developments continuing to be strictly monitored on a regular basis in order to prepare in advance and adapt the activity, as needed.

In addition, the Bank has already offered to extend assistance to customers in various ways and to provide a solution regarding credit and fees and commissions to both households and businesses.

Loan loss expenses

On November 9, 2023, the Banking Supervision Department published a circular with emphases to the Banking Supervision Department with respect to reporting to the public with respect to the third quarter. In this circular, the Banking Supervision Department clarified that when calculating the current expected credit losses for the third quarter reports, the expected impact of the Iron Swords War should be included as close as possible to the report publication date, and accordingly increase the amounts included in the loan loss provision. This is in order to ensure that the loan loss provisions will be sufficient to cover the updated estimate of the current expected credit losses from the banking corporation's loans portfolio.

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

The estimation process, which was adapted to forecasts relevant to the War conditions, includes the Bank's expected collective loss. In this context, the Bank relies on assessing the risk profile of the various economic sectors, especially economic sectors the Bank believes to be more exposed to the War, using measurement tools at its disposal, such as: the amount of write-offs, the risk profile of the economic sector, average duration of the debts and the debt classification, risk appetite, macroeconomic models for estimating credit losses reflecting the effects of changes in forecasts for the main economic parameters in the coming year (such as: forecasts for growth, private consumption, foreign exchange rates, unemployment rate in the economy, and interest rate). A further worsening of any of these criteria may bring about an increase in the loan loss provision.

Due to the rapid changes in the financial and economy-wide conditions, in the third quarter of 2023 and until shortly before the publication date of the report, the Bank examined the key indicators used in the provision process and revised them accordingly, as mentioned above. However, additional changes in management's assessments, estimates and forecasts may significantly impact the loan loss provision. Assessments and economic- and other forecasts regarding the duration and severity of the War may change frequently and significantly and are therefore subject to a high degree of uncertainty.

Against this background, several scenarios were calculated which represent circumstances and situations for the purpose of performing a sensitivity analysis of the changes and obtaining the best estimate. It should be noted that, due to the substantial uncertainty surrounding the current circumstances, the estimated current expected credit losses due to the War are based on assumptions and assessments the reasonableness of which is very difficult to determine at this time. This difficulty is exacerbated by actions taken to mitigate the effects of the War - such as loan deferments and the Government's assistance program - which may render the ramifications of the customers' credit risk less obvious.

Loan loss expenses increased due to the War amounting to NIS 991 million in the third quarter, of which NIS 869 million was for the collective expense, which increased in the quarter due to the worsening of various macroeconomic parameters and indicators, as detailed below.

In order to test the sensitivity of the collective provision to hypothetical changes in the risk level of economic sectors and in the estimate's underlying macroeconomic parameters, the Bank assessed the effect of a uniform change (worsening and improvement) in macroeconomic parameters and tested the changes in the risk profile of the economic sectors that have more exposure at this stage, according to the Bank, to the adverse effects of the War compared to the reference scenario, based the reference scenario used to calculate the provision, without taking into account effects of offsetting or a correlation between the macroeconomic variables.

The worsening effect of the parameters and in the state of the economic sectors reflects an addition to the collective loan loss provision in the amount of NIS 550 million. Relief will lead to a NIS 490 million decrease in the collective loan loss provision compared to the reference scenario.

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

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

The Bank adopted the Bank of Israel Outline and implemented additional reliefs for its customers.

The Bank is implementing the guidelines determined by the Banking Supervision Department and other regulators, including:

- A letter of the Banking Supervision Department dated October 12, 2023, entitled "Emphases to the Banking Sector due to the War", clarified, among other things, that the banks must operate with increased sensitivity in their contact with customers due to the complex security situation, initiate as many reliefs as possible for customers in distress, maintain continuity in the provision of services in an appropriate and professional manner and manage all the financial risks unique to this period.
- The Banking Supervision Department letter dated October 18, 2023, which includes emphases regarding the application of the principles prescribed by the Reporting to the Public directives to the 2023 financial statements in view of the flexibility required of the banks during these times.
- On October 31, 2023, the Banking Supervision Department published Adjustments to Proper Conduct of Banking Business Directive for Dealing with the Coronavirus Crisis (Temporary Orders), which include the following expedients:
  - Proper Conduct of Banking Business Directive No. 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk" - An increase in the rate of financing for loans designated for the purchase of land for development or construction over a threshold of 80 percent from interest accrued until December 31, 2023 due to a "grace period" granted after October 7, 2023 will not be taken into account for the LTV calculation (in effect until March 31, 2024).
  - Proper Conduct of Banking Business Directive No. 311, "Credit Risk Management" - Provision of a three-month extension regarding the obligation to receive a current financial statement from borrowers.
- On October 11, 2023 and on October 18, 2023, the Ministry of Finance issued a tool for assisting businesses as part of the state-backed loan fund for dealing with cash flow difficulties arising from the outbreak of the Iron Swords War, and on October 23, 2023, it announced the launch of a dedicated track under the state-backed loan fund for dealing with cash flow difficulties arising from the outbreak of the Iron Swords War for small, mid-sized and large businesses.
- On November 6, 2023, the Bank of Israel announced a targeted monetary program to ease credit terms for small and micro businesses affected by the War in the amount of NIS 10 billion, which will apply to credit granted until the end of January 2024. The program includes granting monetary loans by the Bank of Israel to the banking system for a period of two years at a variable interest rate of Bank of Israel interest minus 1.5 percentage points, against loans provided by the banks to small and micro businesses whose revenues dropped by a rate of at least 25 percent as a result of the War, provided that the average interest on the loans to those small and micro businesses does not exceed the Prime interest rate.

For more information of all the relevant publications of the Bank of Israel and additional reliefs provided by the Bank, please see under "Main Changes in the Reporting Period - the Iron Swords War" in the Report of the Board of Directors and Management and the section entitled "Laws and Regulations Governing the Banking System" in the Corporate Governance Report.

The Bank adopted the Bank of Israel Outline and implemented additional reliefs for its customers, which include solutions such as deferral of payments and changes in credit terms.

The following is information regarding debts - as from October 8, 2023 until shortly before the publication date - whose terms and conditions were changed.

	Recorded outstanding debt	Of which: Non-interest bearing deferrals	No. of loans	Amount of payments deferred
	In NIS million	In NIS million	In units	In NIS million
Corporations	2,773	-	256	330
Mid-sized businesses	2,705	7	868	135
Small- and micro-businesses	5,600	401	25,022	382
Private individuals - Non-housing	1,807	315	30,570	87
Housing loans	9,821	5,421	16,253	396
Total	22,706	6,144	72,969	1,330

In addition to the option to defer loan payments as detailed above, the Bank granted full exemption from mortgage payments for three months to customers in the Gaza Envelope (up to 7 km from the border).

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 regarding the effects of the macroeconomic risk, 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, as detailed in Part 2, please see under “The Most Significant Leading and Developing Risks” and the paragraph on the Iron Swords War in the Risk Management Report as of September 30, 2023.

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.

Credit risk and non-performing assets

	September 30, 2023			
	Commercial	For housing	Private individuals - Other	Total
	In NIS million			
Credit risk in credit performance rating[(a)]:				
On-balance-sheet credit risk	281,322	126,008	28,179	435,509
Off-balance-sheet credit risk[(b)]	141,077	4,853	16,203	162,133
Total non-investment grade credit risk	422,399	130,861	44,382	597,642
Non-investment grade credit risk				
a. Non-troubled	478	1,408	1,615	3,501
b. Total troubled	5,960	595	1,006	7,561
Troubled performing	3,687	25	703	4,415
Troubled non-performing	2,273	570	303	3,146
Total on-balance-sheet credit risk	6,438	2,003	2,621	11,062
Off-balance-sheet credit risk[(b)]	1,015	-	177	1,192
Total non-investment grade credit risk	7,453	2,003	2,798	12,254
Of which: Performing debts, in arrears of 90 days or more	80	-	91	171
Overall credit risk incl. of the public	429,852	132,864	47,180	609,896
More information on non-performing assets				
a. Non-performing debts	2,273	570	303	3,146
b. Assets received for settled loans	10	-	-	10
Total non-performing assets of the public	2,283	570	303	3,156
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.74%

(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.)

	September 30, 2022			
	Commercial	For housing	Private individuals - Other	Total
	In NIS million			
Credit risk in credit performance rating[(a)]:				
On-balance-sheet credit risk	249,173	114,928	28,376	392,477
Off-balance-sheet credit risk[(b)]	122,284	5,043	13,698	141,025
Total non-investment grade credit risk	371,457	119,971	42,074	533,502
Non-investment grade credit risk				
a. Non-troubled	1,002	1,406	1,370	3,778
b. Total troubled	4,668	581	680	5,929
Troubled performing	2,883	61	482	3,426
Troubled non-performing	1,785	520	198	2,503
Total on-balance-sheet credit risk	5,670	1,987	2,050	9,707
Off-balance-sheet credit risk[(b)]	1,174	-	118	1,292
Total non-investment grade credit risk	6,844	1,987	2,168	10,999
Of which: Performing debts, in arrears of 90 days or more	159	-	69	228
Overall credit risk incl. of the public	378,301	121,958	44,242	544,501
More information on non-performing assets				
a. Non-performing debts	1,785	520	198	2,503
b. Assets received for settled loans	11	-	-	11
Total non-performing assets of the public	1,796	520	198	2,514
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.65%

(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.)

	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 non-investment grade credit risk	378,915	123,190	41,394	543,499
Non-investment grade credit risk				
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 non-investment grade credit risk	7,209	1,670	2,249	11,128
Of which: Performing debts, in arrears of 90 days or more	36	-	76	112
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 nine months ended September 30, 2023		
	Commercial	Private individuals[(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	**1,831**	**682**	**2,513**
Debts reclassified as performing	**(226)**	**(341)**	**(567)**
Written-off non-performing debts	**(221)**	**(120)**	**(341)**
Repaid non-performing debts	**(253)**	**(129)**	**(382)**
Exchange rate differentials in respect of subsidiary's customers	**15**	**-**	**15**
Outstanding balance of non-performing debts at the end of the period	**2,273**	**873**	**3,146**

	For the nine months ended September 30, 2022[(c)]		
	Commercial	Private individuals[(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	461	555	1,016
Debts reclassified as performing	(141)	(336)	(477)
Written-off non-performing debts	(246)	(78)	(324)
Repaid non-performing debts	(357)	(231)	(588)
Outstanding balance of non-performing debts at the end of the period	1,785	718	2,503

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

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

(b) 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.

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

	For the nine months ended September 30, 2023		
	Commercial	Private individuals[(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	**510**	**369**	**879**
Restructured debt reclassified as performing	**(132)**	**(120)**	**(252)**
Written-off non-performing debts under restructuring	**(80)**	**(82)**	**(162)**
Repaid non-performing debts under restructuring	**(182)**	**(88)**	**(270)**
Outstanding balance of non-performing debts under restructuring at the end of the period	**733**	**363**	**1,096**

	For the nine months ended September 30, 2022 [(c)]		
	Commercial	Private individuals[(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	182	233	415
Restructured debt reclassified as performing	(116)	(149)	(265)
Written-off non-performing debts under restructuring	(91)	(41)	(132)
Repaid non-performing debts under restructuring	(314)	(55)	(369)
Outstanding balance of non-performing debts under restructuring at the end of the period	1,232	267	1,499

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Current Expected 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 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.

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

	September 30, 2023			
	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	0.86	0.45	0.98	0.74
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	0.89	0.45	1.27	0.78
Percentage of troubled loans to the public out of outstanding loans to the public	2.25	0.46	3.27	1.79
Percentage of non-investment grade credit out of outstanding loans to the public	2.43	1.56	8.51	2.61
Analysis of expenses for loan losses for the reporting period(a)				
Percentage of expenses for loan losses out of average outstanding loans to the public(a)	0.62	0.13	1.94	0.56(b)
Percentage of net charge-offs for loans to the public out of average outstanding loans to the public(a)	0.05	0.01	1.28	0.13
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	1.83	0.41	2.76	1.47
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	212.80	92.98	280.20	197.58
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	205.39	92.98	216.58	187.40
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public(a)	35.57	66.25	2.17	11.60

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

Following the sharp rise in uncertainty in the economy since the onset of the War, during the reporting period, the loan loss expenses increased substantially; most of the increase is due to commercial loans, which include loans to micro- and small businesses, and loans to mid-sized businesses and corporations. Most of the increase is in respect of the collective expense, which increased substantially in the third quarter of 2023 due to the worsening in the macroeconomic indicators that were taken into account for the calculation of the collective loan loss expense and includes an examination of the risk profile of the various economic sectors, especially those the Bank believes to be more exposed to the War damages.

The increase in the provision is intended, among other things, to cover a possible increase in the specific provision in the coming quarters and possible negative developments in terms of arrears days, given the current high level of uncertainty regarding the impact of the War on the Bank's customers. Accordingly, there was an increase in the rate of the loan loss expense from the average balance across most segments.

In addition, in the first nine months ended September 30, 2023, there was a deterioration in most of the above indicators, mostly in the other private segment. The Bank continues to closely and meticulously follow the developments in the state of the economy, and their possible implications for credit risks.

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

	September 30, 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	0.74	0.44	0.65	0.65
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	0.81	0.44	0.88	0.70
Percentage of troubled loans to the public out of outstanding loans to the public	1.94	0.50	2.23	1.53
Percentage of non-investment grade credit out of outstanding loans to the public	2.36	1.70	6.73	2.50
Analysis of income for loan losses for the reporting period(a)(c)				
Percentage of loan loss income for the public out of the average outstanding balance of loans to the public(a)	-	0.06	0.38	0.06(b)
Percentage of net charge-offs for loans to the public out of average outstanding loans to the public(a)	(0.02)	0.02	0.33	0.02
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	1.58	0.31	2.43	1.26
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	212.44	70.00	373.74	195.61
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	195.06	70.00	277.15	179.27
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public(a)(c)	(78.98)	19.39	7.50	70.57

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

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	0.49	0.47	0.98	0.52
Percentage of troubled loans to the public out of outstanding loans to the public	1.93	0.52	2.43	1.54
Percentage of non-investment grade credit 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[(b)]				
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 charge-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	331.64	74.78	238.59	246.83
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[(b)]	49.41	24.53	5.51	22.24

(a) Including loan loss expenses for loans to the public, banks, governments and bonds.
(b) 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

	September 30, 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	37,187	36,089	1,099	125	72	(5)	(547)
Construction & real estate - construction[f]	119,245	117,613	1,414	1,060	572	48	(1,591)
Construction and real estate - real estate activity	50,688	49,720	865	151	126	(13)	(1,050)
Commercial[g]	41,105	40,374	701	174	177	54	(620)
Financial services	52,980	52,922	58	44	19	-	(237)
Agriculture[h]	2,581	2,347	87	26	(1)	5	(130)
Hotels, accommodation and dining services[e]	4,468	4,375	41	17	3	(3)	(50)
Other sectors	52,981	51,800	1,048	225	107	29	(955)
Commercial - total	361,235	355,240	5,313	1,822	1,075	115	(5,180)
Private individuals - Housing loans	132,847	130,845	596	570	119	6	(532)
Private individuals - Other	47,121	44,366	995	303	445	294	(882)
Total loans to the public - activity in Israel	541,203	530,451	6,904	2,695	1,639	415	(6,594)
Banks and governments in Israel	78,264	78,264	-	-	(2)	-	(3)
Total activity in Israel	619,467	608,714	6,904	2,695	1,637	415	(6,597)
For borrowers activity outside Israel							
Total, public - activity outside Israel	68,693	67,191	1,493	605	101	(13)	(325)
Foreign banks and governments	49,958	49,957	-	-	(23)	-	(16)
Total activity outside Israel	118,651	117,148	1,493	605	78	(13)	(341)
Total activity in and outside Israel	738,118	725,863	8,397	3,300	1,715	402	(6,938)

(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 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 428,616, 126,634, 2,929, 41,078 and 138,860 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.
(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(f) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) The commerce industry includes loans to the public, after a loan loss provision of NIS 33,116 million, in areas such as retail and wholesale commerce in goods and textile, wholesale commerce in electrical goods and building materials, according to the Bank's assessment, their activity is particularly exposed to the damages of the War.
(h) The Bank believes that these industries are particularly exposed to the damage from the War.

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

	September 30, 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	35,269	34,309	839	90	112	(24)	(474)
Construction & real estate - construction[f]	98,671	98,029	457	106	51	(9)	(876)
Construction and real estate - real estate activity	44,500	44,284	186	113	(188)	(114)	(886)
Commerce	39,206	38,609	571	126	81	12	(488)
Financial services	47,041	46,963	78	65	61	(14)	(216)
Other sectors	57,405	55,546	1,473	671	(60)	14	(1,103)
Commercial - total	322,092	317,740	3,604	1,171	57	(135)	(4,043)
Private individuals - Housing loans	121,938	119,951	581	520	54	13	(365)
Private individuals - Other	44,170	42,005	706	197	85	74	(760)
Total loans to the public - activity in Israel	488,200	479,696	4,891	1,888	196	(48)	(5,168)
Banks and governments in Israel	36,680	36,680	-	-	2	-	(10)
Total activity in Israel	524,880	516,376	4,891	1,888	198	(48)	(5,178)
For borrowers activity outside Israel							
Total, public - activity outside Israel	56,301	53,806	1,944	816	(30)[g]	140[g]	(277)
Foreign banks and governments	40,629	40,628	1	1	17	-	(29)
Total activity outside Israel	96,930	94,434	1,945	817	(13)	140	(306)
Total activity in and outside Israel	621,810	610,810	6,836	2,705	185	92	(5,484)

(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 386,412, 75,250, 1,345, 37,962 and 120,841 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) Regarding the results without Bank Leumi USA, loan loss income from total foreign operations - public amounted to NIS 44 million and net charge-offs amounted to NIS 100 million.

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 & 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.

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. However, in the last year, there was a significant moderation in the financing rates for land and projects.

The Bank insures the guarantees portfolio under the Sales Law (Apartments), 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 September 30, 2023, the Bank complies with the regulatory limitation pertaining to the concentration ratio. In addition, the Bank set internal limitations that are in line with the Bank's assessment of the risk in the various sub-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 and the Iron Swords War

Beginning in 2020 and until 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 reliefs.

As from the second half of 2022, there began 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 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 despite the decline in housing starts in recent quarters, remained relatively high compared to their levels during most of the last decade.

The weakening of demand has lately resulted in the beginning of a decrease in apartment prices, led by the prices of new apartments on the "free market" (i.e. excluding "Apartment at a Discount" transactions). Further to this, in our assessment, the moderate decrease in apartment prices is expected to continue in the coming year. The higher uncertainty in the market due to the War may further damage the demand for apartment purchases and apartment prices in the short term. In the medium term, on the other hand, there may be a recovery in apartment prices due to the possible lowering of interest rates by the Bank of Israel and in view of the apparent damage to the future housing supply due to the War (availability of workers and raw materials, accessibility to construction sites close to areas of hostilities).

The Bank is closely monitoring the effects of the War, the rise in interest rates and slowdown in demand for housing on the real estate companies, and is closely examining the effect of the macroeconomic situation on the credit portfolio.

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. In 2023, the slowdown continued, due to the deterioration in the macro environment (the damage from inflation and rising interest rates on the public's purchasing power, along with the increasing economic uncertainty and the weakening consumer sentiment), and continued expansion in the share of online commerce. The trend of a deterioration in the activity of retail commerce sectors is expected to continue to weigh on the growth of shopping centers in the coming year. Most of the adverse effect may be felt in large shopping centers, while neighborhood shopping centers may continue to fare well. The War may cause further damage to the retail commerce sectors and as a result - to the demand for commercial space given the expected damage to consumer trust and to growth.

In the office sector, since the second half of 2022, a slowdown in market activity is being felt, including a substantial decrease in rental prices in Tel Aviv. This slowdown in demand for office space is expected to continue in the coming year, along with the substantial deterioration of the macroeconomic environment, in light of the effects of the War on economic growth as well as the slowdown in the high-tech service industry. The slowdown in demand alongside an expected substantial growth in the supply of new office space (especially in the Tel Aviv suburbs) are factors that are expected to put pressure on 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 aforementioned, the potential effects of the War compound the macroeconomic trends of the past year, mainly the increase in interest rates and slowdown in the real estate market.

Due to the War, and in order to reflect the substantial uncertainty regarding its impact on the construction and real estate sectors, the loan loss expenses in the construction and real estate sectors increased in the third quarter, due to a collective expense, mostly with respect to macroeconomic factors, as detailed above.

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

As a result, emphases in new credit granting during the War period were pinpointed and terms and conditions were made more stringent, and risk focal points and market developments are being monitored on a regular basis in order to prepare in advance and adapt the activity, as needed.

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)

	September 30		December 31	Change compared to December 31, 2022	
	2023	2022	2022		
	In NIS million			In NIS million	In %
On-balance-sheet credit risk	**117,747**	97,148	100,500	17,247	17.2%
Guarantees for apartment buyers[(a)]	**10,237**	9,481	9,767	470	4.8%
Other off balance sheet credit risk[(a)]	**54,337**	45,404	47,127	7,210	15.3%
Total overall credit risk	**182,321**	152,033	157,394	24,927	15.8%

(a) In credit risk terms.

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

	September 30, 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%	1,268		9,299	10,567
More than 45% to 65%	4,566		13,281	17,847
More than 65% to 80%	22,118		16,574	38,692
More than 80%	11,127[(d)]		6,810	17,937
Absorption capacity[(c)]				
Up to 25%		890		890
More than 25% and up to 50%		10,562		10,562
More than 50% and up to 75%		6,345		6,345
More than 75%		13,619		13,619
Project starts		8,455		8,455
Other[(f)]				45,019
Total credit risk for construction and real estate in Israel				169,933

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]				
Up to 25%		883		883
More than 25% and up to 50%		6,959		6,959
More than 50% and up to 75%		4,346		4,346
More than 75%		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

	September 30 2023	December 31 2022
	Overall credit risk[a]	
	In NIS million	
Housing	**83,454**	69,002
Office space	**22,916**	20,803
Industry	**8,300**	6,542
Commerce and services	**25,621**	23,200
Total overall credit risk secured by real estate collateral in Israel	**140,291**	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 total credit risk in the construction and real estate sectors (in Israel and abroad)

	September 30 2023	December 31 2022	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**179,345**	155,309	15.5
Non-investment grade credit risk			
Non-troubled	**322**	407	(20.9)
Troubled performing	**1,312**	1,363	(3.7)
Non-performing	**1,342**	315	+
Total non-investment grade credit risk	**2,976**	2,085	42.7
Total	**182,321**	157,394	15.8

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 September 30, 2023, the Bank meets the 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 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.

[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:

	September 30, 2023		
	Exposure[(a)(b)(c)(e)]		
	On-balance-sheet	Off-balance-sheet[(d)]	Total
	In NIS million		
USA	**40,114**	**13,232**	**53,346**
UK	**16,732**	**17,724**	**34,456**
France	**748**	**1,525**	**2,273**
Switzerland	**3,605**	**4,141**	**7,746**
Germany	**4,826**	**4,343**	**9,169**
Other	**18,773**	**8,468**	**27,241**
Total exposure to foreign countries	**84,798**	**49,433**	**134,231**
Of which: total exposure to GIPS countries[(e)]	**273**	**167**	**440**
Of which: total exposure to LDC countries[(f)]	**1,233**	**1,739**	**2,972**
Of which: total exposure to countries with liquidity issues[(g)]	**360**	**1,866[(i)]**	**2,226**

	September 30, 2022		
	Exposure[(a)(b)(c)(e)]		
	On-balance-sheet	Off-balance-sheet[(d)]	Total
	In NIS million		
USA	26,909	9,114	36,023
UK	11,870	18,391	30,261
France	888	1,531	2,419
Switzerland	1,432	3,918	5,350
Germany	6,313	2,514	8,827
Other	18,489	5,476	23,965
Total exposure to foreign countries	65,901	40,944	106,845
Of which: total exposure to GIPS countries[(e)]	406	211	617
Of which: total exposure to LDC countries[(f)]	908	1,345	2,253
Of which: total exposure to countries with liquidity issues[(g)]	234	197	431

Please see comments below.

Exposure to Foreign Countries (cont.)

	December 31, 2022		
	Exposure[a)(b)(c)(e]		
	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 31 countries (as of September 30, 2022 - 17 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).

(i) The balance includes exposure for insurance policies backing mortgage portfolios in Israel, with the Barbados-based insurance company being a subsidiary of a global Canadian-based insurance group.

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 which the Bank cooperates.

The Bank monitors the financial position of the foreign financial institutions as part of the management of its exposure to foreign financial institutions and is adjusting its exposure 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 September 30, 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]			
AAA to -AA	**24,629**	**1,228**	**25,857**
+A to -A	**3,110**	**1,172**	**4,282**
+BBB to -BBB	**100**	**176**	**276**
+BB TO -B	**41**	**18**	**59**
Lower than: -B	**63**	**-**	**63**
No credit rating	**212**	**2**	**214**
Total current credit exposure to foreign financial institutions[g]	**28,155**	**2,596**	**30,751**

	As at September 30, 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]			
AAA to -AA	27,158	1,123	28,281
+A to -A	5,612	1,172	6,784
+BBB to -BBB	241	245	486
+BB TO -B	30	20	50
Lower than: -B	10	-	10
No credit rating	70	-	70
Total current credit exposure to foreign financial institutions	33,121	2,560	35,681

	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]			
AAA to -AA	28,509	1,233	29,742
+A to -A	3,605	1,247	4,852
+BBB to -BBB	204	221	425
+BB TO -B	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 723 million as of September 30, 2023 (as of September 30, 2022 - NIS 603 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 September 30, 2023, September 30, 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) Of which: to the US - on-balance sheet credit risk of NIS 5,338 million and off-balance sheet credit risk of NIS 288 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 rising interest rate trend and high inflation, combined with the high housing prices, led to a decrease in activity in the Israeli housing market starting from the second half of 2022.
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, there is a decline in new housing loan performance in Israel in the first nine months of 2023 compared to the corresponding period last year.

In addition to the effects described, there is a negative economic potential also in respect of the War, particularly if the War continues for a long time.

During the year and in view of the increase in the interest rate, and in order to assist customers, 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, the loans frozen as of the end of September 2023 total approx. NIS 2.1 billion.

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 on a regular basis, including analysis of the trends in terms of characteristics and risk.

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

Starting from June 30, 2023, the Bank insures an (immaterial) part of the mortgage loan portfolio according to agreed criteria.

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

	For the nine months ended September 30		Rate of change
	2023	2022	
	In NIS million		In %
By the Bank	**15,874**	22,824	(30.4)
By the Government of Israel	**131**	99	32.3
Total new loans	**16,005**	22,923	(30.2)
Old recycled loans, from the Bank's funds	**2,466**[(a)]	1,776	38.8
Total performance	**18,471**	24,699	(25.2)

(a) Including freezes that were carried out for a period of more than three months.

The average loan extended by the Bank in the reporting period of 2023 was NIS 947 thousand, compared to NIS 992 thousand in the corresponding period of 2022 and NIS 988 thousand in 2022.

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
September 30, 2023	**127,464**	**6.9**

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 exchange segment		
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		
	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	Total loans portfolio, in NIS million
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
September 30, 2023	**31,300**	**24.6**	**52,563**	**41.2**	**17,968**	**14.1**	**25,163**	**19.7**	**470**	**0.4**	**127,464**

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance							
	In %							
Fixed - linked	**16.9**	20.3	16.8	12.7	9.1	8.6	9.2	13.9
Variable every 5 years or more - linked	**8.1**	9.9	9.8	6.0	5.9	9.3	12.4	15.3
Variable up to 5 years - linked	**3.4**	3.9	6.9	9.8	8.9	6.6	4.5	1.2
Fixed - non-linked	**25.6**	21.9	25.0	29.0	30.8	32.4	32.4	28.2
Variable every 5 years or more - non-linked	**24.4**	15.3	5.3	1.7	0.6	1.0	1.3	1.5
Variable up to 5 years - non-linked	**21.4**	28.2	35.9	40.6	44.6	42.0	40.0	39.8
Variable - Foreign currency	**0.2**	0.5	0.3	0.2	0.1	0.1	0.2	0.1

The percentage of new variable-interest housing loans granted by the Bank in the first nine months of 2023 was 57.8 percent, compared to 58.9 percent during 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
September 30, 2023	**127,996**	**570**	**0.45**

As of September 30, 2023, the outstanding loan loss provision for the housing loans portfolio is NIS 530 million, constituting 0.41 percent of the housing loans' outstanding on-balance sheet balance as of that date, compared with NIS 419 million as at December 31, 2022, which constitutes 0.35 percent of the outstanding housing loan balance as of that date. The increase in the quarter stems, among other things, from the potential effects of the War.

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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[a]							
Over 60 and up to 70, inclusive	**22.0**	20.4	20.9	21.9	22.4	22.7	23.2	21.6
Over 70 and up to 75, inclusive	**20.6**	22.5	25.0	24.4	25.6	25.8	25.4	23.1
Over 75	**0.2**	0.2	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 September 30, 2023 stands at 48.6 percent, similar to 2022 (a 48.5 percent rate).

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

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.
The percentage of loans granted in the first nine months of 2023 with a repayment ratio of less than 2.5 at the loan approval date was 0.73 percent of total number of new loans 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 nine months 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 59.2 percent of the total 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 Private 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.

The potential effects of the War, in addition to the macroeconomic trends of the past year (mainly the increase in interest rates) affect the repayment capacity of private borrowers; the severity of the effect will depend, among other things, on the duration and extent of areas which will be directly affected by the War.

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

For more information and details regarding macroeconomic effects and the War, please see the sections entitled “Macroeconomic effects” and “Iron Swords War” 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
September 30, 2023	**47,102**

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

	September 30, 2023		December 31, 2022	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**6,525**	**21.2**	5,443	17.9
Over one year to 3 years	**4,717**	**15.4**	5,113	16.8
Over 3 years to 5 years	**7,395**	**24.1**	7,675	25.3
Over 5 years to 7 years	**5,420**	**17.6**	6,618	21.8
Over 7 years	**3,734**	**12.1**	2,624	8.7
No repayment term[(a)]	**2,954**	**9.6**	2,896	9.5
Total	**30,745**	**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		September 30, 2023		December 31, 2022	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	**6,694**	**14.2**	6,654	15.2
25	50	**6,618**	**14.0**	5,990	13.8
50	75	**5,555**	**11.8**	5,077	11.7
75	100	**4,669**	**9.9**	4,027	9.2
100	150	**6,870**	**14.6**	6,471	14.9
150	200	**5,065**	**10.8**	4,992	11.5
200	300	**6,194**	**13.2**	5,644	12.9
Over 300		**5,437**	**11.5**	4,706	10.8
Total overall credit risk		**47,102**	**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)

	September 30, 2023		December 31, 2022	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	**7,384**	**15.7**	6,669	15.3
Car purchase loans (secured)	**1,453**	**3.1**	1,440	3.3
Other loans	**21,908**	**46.5**	22,260	51.1
Total on-balance-sheet credit risk	**30,745**	**65.3**	30,369	69.7
Unutilized current account credit facilities	**7,382**	**15.7**	7,172	16.5
Unutilized credit card facilities	**8,586**	**18.2**	5,636	12.9
Other off-balance-sheet credit risk	**389**	**0.8**	384	0.9
Total off-balance-sheet credit risk	**16,357**	**34.7**	13,192	30.3
Total overall credit risk	**47,102**	**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)

	September 30, 2023				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans[(a)]	**28,085**	**34**	**120**	**28,239**	**91.8**
Fixed interest loans[(b)]	**2,430**	**11**	**65**	**2,506**	**8.2**
Total on-balance-sheet credit risk	**30,515**	**45**	**185**	**30,745**	**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.

(b) In view of the changing interest rate environment, the Bank indicates to its customers the possibility of taking a loan at fixed interest rather than at variable interest.

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

	December 31, 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[(b)]	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.
(b) In view of the changing interest rate environment, the Bank indicates to its customers the possibility of taking a loan at fixed interest rather than at variable interest.

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

	September 30	December 31
	2023	2022
	In NIS million	
Deposits by the public	**109,827**	104,855
Securities portfolios	**56,651**	51,419
Total financial asset portfolio	**166,478**	156,274
Total indebtedness to customers with financial asset portfolios	**34,211**	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)

	September 30, 2023		December 31, 2022	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**3,577**	**11.6**	3,258	10.7
Of which: loan accounts[(b)]	**1,646**	**5.4**	1,786	5.9
Less than NIS 10 thousand	**6,119**	**19.9**	7,091	23.4
More than NIS 10 thousand and less than NIS 20 thousand	**10,605**	**34.5**	10,381	34.2
NIS 20 thousand or more	**10,444**	**34.0**	9,639	31.7
Total	**30,745**	**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 85 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)

	September 30	December 31
	2023	2022
	In NIS million	
Non-troubled credit	**29,780**	29,631
Troubled performing loans	**662**	516
Troubled non-performing loans	**303**	222
Total on-balance-sheet credit risk	**30,745**	30,369
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**3.1%**	2.4%
Charge-offs, net (for the period ended)	**294**	129
Balance of loan loss provision	**850**	711

As of September 30, 2023, the outstanding loan loss provision for private individuals (net of housing) is NIS 850 million, constituting 2.76 percent of the outstanding loans for private individuals (net of housing, on-balance sheet) as of that date, compared with a loan loss provision of NIS 711 million as at December 31, 2022, which constitutes 2.34 percent of the outstanding loans to private individuals (net of housing, on-balance sheet) as of that date. The increase in the quarter stems, among other things, from the potential effects of the War.

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

	September 30						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	**-**	**-**	**-**	269	-	269	-	-	-
Commerce	**622**	**3**	**625**	263	11	274	372	319	691
Transportation and storage	**1,064**	**27**	**1,091**	951	617	1,568	1,511	33	1,544
Hotels, accommodation and food services	**435**		**435**	948	68	1,016	413	-	413
Construction and real estate	**333**	**408**	**741**	160	284	444	152	334	486
Water supply, sewage services, waste and garbage treatment and purification services	**-**	**-**	**-**	259	-	259	256	270	526
Provision of power, gas, steam and air conditioning	**401**	**508**	**909**	-	311	311	234	343	577
Total	**2,855**	**946**	**3,801**	2,850	1,291	4,141	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 September 30, 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 Directives No. 333, "Interest Rate Risk Management", and No. 339, "Market Risk Management". To implement these directives, the Bank established basic principles and control mechanisms for these risks, including defining the purviews of management and the Board of Directors, the means of control and tools for measuring risk and the means of control as well as oversight of these risks, while implementing corporate governance which includes three lines of defense. For a description of the organizational structure and responsibility for the risk management, please see the Additional Information regarding the Exposure to Risk and its Assessment in the Risk Management Report.

During the first nine months 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. The interest rate increases by the central banks around the world continued into the third quarter of 2023, although at a more moderate intensity, and it appears that the monetary contraction is nearing its end, despite the fact that inflation data continue, at this stage, to be far from the set target.

The Iron Swords War

Upon the outbreak of the War led to a sharp, immediate slump in local stock markets, widening bond spreads of local companies, and causing a sharp depreciation of the NIS against the USD - which was significantly moderated, inter alia, on the back of the Bank of Israel's intervention in the foreign exchange market. In addition, there was a sharp steepening of the NIS yield curve and a widening of the Israeli Government bond spread in foreign currency, among other things as a result of the international rating agencies placing the rating of the State of Israel on a negative watch list. Uncertainty still prevails in the markets, and volatility in financial markets may persist.

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, several adjustments were made in these models along with ongoing monitoring and follow-up.

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 and on June 1, 2023, a revision to the draft was published. The directive is expected to enter into effect in December 2024. The Bank is studying the directive and preparing for its implementation.

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

Quantitative information about interest rate risk - sensitivity analysis

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

	September 30, 2023		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	**47,841**	**(8,013)**	**39,828**
Of which: banking portfolio	**41,810**	**(7,612)**	**34,198**

	September 30, 2022		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	37,924	(6,824)	31,100
Of which: banking portfolio	36,646	(6,768)	29,878

	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

	September 30, 2023		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	**(1,358)**	**(768)**	**(2,126)**
Of which: banking portfolio	**(1,347)**	**(708)**	**(2,055)**
Simultaneous decrease of 1 percent	**642**	**791**	**1,433**
Of which: banking portfolio	**641**	**732**	**1,373**
Non-simultaneous changes			
Steepening[(b)]	**(325)**	**(516)**	**(841)**
Flattening[(c)]	**123**	**138**	**261**
Short-term interest rate increase	**(144)**	**(375)**	**(519)**
Short-term interest rate decrease	**164**	**402**	**566**

	September 30, 2022		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	(516)	(468)	(984)
Of which: banking portfolio	(431)	(489)	(920)
Simultaneous decrease of 1 percent	(250)	467	217
Of which: banking portfolio	(340)	468	128
Non-simultaneous changes			
Steepening[(b)]	(231)	(231)	(462)
Flattening[(c)]	116	(34)	82
Short-term interest rate increase	45	(327)	(282)
Short-term interest rate decrease	(29)	351	322

	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.

As of shortly before the report's publication date, mainly due to the increase in the steepness of the NIS interest rate curve and business activity, there was - on the one hand - an increase in the exposure of the fair value to interest, and on the other hand - there was a decrease in the sensitivity of the Bank's finance income due to changes in the interest rate.

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

	September 30, 2023		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	533	95	628
Of which: banking portfolio	533	165	698
Simultaneous decrease of 1 percent	(712)	(104)	(816)
Of which: banking portfolio	(712)	(165)	(877)

	September 30, 2022		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,151	(211)	940
Of which: banking portfolio	1,151	(166)	985
Simultaneous decrease of 1 percent	(1,767)	236	(1,531)
Of which: banking portfolio	(1,767)	166	(1,601)

	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

In the first nine months of 2023 until the report publication date, the effect of the change in foreign currency rates on the net income was immaterial since the Bank, as a rule, 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 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 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. The Net Stable Funding Ratio must be reported to the senior management and Board of Directors at least once each quarter.

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. In accordance with Proper Conduct of Banking Business Directive 221, at the beginning of May 2023, the Bank received approval from the Bank of Israel to recognize the liquidity coverage ratio in funds for operational purposes (hereinafter - "operational deposits"), this approval from the Bank of Israel entered into effect on the date of its receipt.

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.

There was no material change in the average liquidity coverage ratio for the three months ended September 30, 2023, compared to the average liquidity coverage ratio for the three months ended June 30, 2023.

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

The Iron Swords War

Since the outbreak of the War, there has been closer monitoring of the Bank's liquidity situation subject to the various scenarios. As of the report's publication date, the War has not had a material effect on the Bank's liquidity coverage ratios.

Liquidity coverage ratio

	For the three months ended		
	September 30		December 31
	2023	2022	2022
	Average in %		
a. Consolidated data			
Liquidity coverage ratio	**130**	127	131
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**126**	124	129
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

Note: Based on an average of daily observations.

For more information, please see the section entitled Liquidity Risk in the Risk Management Report as at September 30, 2023 and Note 9.B.

Net stable funding ratio (NSFR)

	As at September 30		As at December 31
	2023	2022	2022
	In %		
a. Consolidated data			
Net stable funding ratio (NSFR)	**118**	126	128
Net stable funding ratio set by the Banking Supervision Department	**100**	100	100
b. Banking corporation's data			
Net stable funding ratio (NSFR)	**117**	125	127
Net stable funding ratio set by the Banking Supervision Department	**100**	100	100

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 nine months 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 revision to this directive that adopts the Basel directive.

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

The Iron Swords War

Following the war situation, the Bank monitors and tracks developments, maintaining stringent risk management and continuously examining events and modes of operation in order to prepare in advance and adapt its activity as needed, in accordance with Proper Conduct of Banking Business Directive No. 355, "Business Continuity Management" and the Bank's policy on this matter.

Leumi operates in accordance with its business continuity plans and continues to provide financial services to the branch system (including dedicated mobile branches), call centers and digital platforms.

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 outbreak of the War led to an additional increase in attacks and in risk, for which Leumi increased its preparedness.

There were no direct attacks on Leumi, except for DDOS attempts on the Bank's websites. These attempts had no effect, with very few having a negligible effect on service.

The characteristics of the potential attacks are varied and include ransomware attacks, phishing and social engineering attempts. The 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 nine months 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 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. The war situation could result in an additional increase in exposure to fraud risks. 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.

Due to the security situation, the existing hybrid work outline was expanded beyond one day a week, while following up on employee attendance and in accordance with the business and organizational needs.

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

Regarding climate and environmental risk, 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

Regulatory risk is the risk of legislative and regulatory changes affecting the income and expenses of the Group, its capital, areas of activity or the business environment in which it operates.

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

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

Directives for boosting competition in the financial sector, including in the area of Open Banking and payments, directives regarding bank-customer relations and conduct, including directives addressing fees and commissions, risk management directives, especially environmental, social and governance (ESG) risk management and risks regarding the prohibition of money laundering and terror financing, as well as privacy protection and information security directives.

In addition, several legislative initiatives are being promoted that are in preliminary stages in various contexts regarding the activities of banks in Israel, among other things, limiting fees and commissions amounts for certain services, imposition of a designated tax in respect of excess profits, a limit on the difference between the interest on credit and the interest on deposits, authorization for the Governor of the Bank of Israel to determine the interest rate on deposits and current account credit balances.

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

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

For more information regarding regulatory measures prescribed by the Banking Supervision Department and other regulators on the back of the Iron Swords War, please see under "Laws and Regulations Governing the Banking System" in the Corporate Governance Report.

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 actors, such as BigTechs, FinTechs, insurance companies, non-banking credit companies and digital banks, regulatory changes supporting and encouraging competition, such as the Central Credit Register, transitioning between banks and open banking initiatives. It should be noted that while the regulatory changes often restrict the banks' activity, in many cases they do not apply to competitors such as insurance companies, FinTechs and sizable tech companies, such as Apple and Google.

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

Globally, the main macroeconomic changes 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 pertain to the extent to which monetary contraction measures will continue through an increase in long-term interest rates in the markets, during a recession in global economic activity and an increase in credit related risks. An additional risk is in connection with failures discovered in the banking systems in the United States and in Switzerland; however, it appears that these are specific events rather than systemic ones. 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 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 Ukrainian-Russian crisis and the situation in the Middle East, which increase the potential for volatile global economic processes.

The Iron Swords War is a significant event which casts a heavy shadow on the business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact.

The War could embody an adverse effect on economic activity, and the severity of the impact will depend, inter alia, on the duration and extent to which further areas in Israel are directly affected by the War, the extent of harm to the population and the various components of the economic response. The damage to economic activity reflects adverse effects both on the supply side of the economy, and on the demand side. On the supply side, several factors can be pointed out, including lengthy recruitment of employees to reserve duty and damage to the economic infrastructure in various fields (crops, poultry, beef, dairy, etc.), construction and manufacturing. On the demand side, an example can be given of the expected substantial harm to consumer trust and business security, with a substantial adverse effect on the aggregate demand in the economy.

2023 was characterized by public events - legislative and social, with an emphasis on the legislative processes led by the government. Against the backdrop of the War, the risk level from these events has decreased for the time being.

On March 1, 2023, Fitch reiterated the State of Israel's credit rating at A+ with a stable outlook. Subsequently, on May 29, 2023, the agency published a review and analysis of the Israeli economy, particularly regarding Israel's expected budgetary trajectory and possible effects of the public events in Israel - legislative and social.

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 report on the credit rating of 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.

At the end of July 2023, an amendment to the basic law: The Judiciary was approved by the Knesset and entered into effect. Immediately thereafter, rating agencies Moody's and S&P published special reports, which emphasized the risks to the Israeli economy posed by the continuation of the legislative process. However, there was no change in Israel's rating and/or in its rating outlook; on October 13, 2023, rating agency Moody's announced a delay in the publishing of its report scheduled for that date; thus, the current rating will remain in place for another six months.

On October 17,2023, rating agency Fitch announced it was placing the State of Israel on Rating Watch Negative. The rating watch is intended for cases where sudden material changes may result in a credit downgrade within a relatively short period of time. Israel's placement on the rating watch stems from the deterioration in the geopolitical situation, which may result in a credit downgrade within a short period of time. A similar measure was taken by the Moody's rating agency on October 19, 2023.

On October 24, 2023 the S&P rating agency changed the State of Israel's rating outlook from stable to negative due to the War. Following the steps taken by the rating agencies in connection with the State of Israel's rating, Moody's and Fitch also placed the Israeli banks on Negative Rating Watch and on October 31, 2023 S&P Maalot reiterated the Bank's issuer rating, ilAAA, and the ratings of its issuances, as well as the stable outlook.

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

For more information regarding compliance, legal, model, reputational and conduct risks, 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 provision for current expected credit losses based on the probability of default and loss given default.

The process of estimating the collective provision described above has become highly complex following the Iron Swords War, which is a significant event that casts a heavy shadow on the business and economic activity and is accompanied by substantial uncertainty in terms of duration and extent of impact. On November 9, 2023, the Banking Supervision

Department published a circular with emphases to the Banking Supervision Department with respect to reporting to the public with respect to the third quarter. In this circular, the Banking Supervision Department clarified that when calculating the current expected credit losses for the third quarter reports, the expected impact of the Iron Swords War should be included as close as possible to the report publication date, and accordingly increase the amounts included in the loan loss provision. This is in order to ensure that the loan loss provisions will be sufficient to conservatively and prudentially cover the updated estimate of the current expected credit losses from the banking corporation's loans portfolio. The War involves substantial uncertainty in terms of its duration and scope as well as its impact; as a result, the Bank has increased its collective loan loss provision. During the third quarter of 2023, emphasis was placed on examining the risk profile of the various economic sectors and on macroeconomic scenarios, among other things with respect to business credit in the economy and to foreign exchange rates. Due to the high level of uncertainty during this period, there may be significant deviations in estimates made to determine the outstanding loan loss provision as presented in the financial statements. These estimates will be adjusted later on, subject to economic developments and their impact on the level of risk embodied in the portfolio and accordingly - on the current expected credit losses.

For more information regarding the process of adjusting the loan loss estimates for the Iron Swords War, please see the section entitled "Credit Risks".

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. 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 fair value 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 reporting 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.

Following significant decreases, during the first nine months of 2023, in the share prices of the US banking segment in general, and of mid-sized banks in particular, the Bank examines, for each reporting period, 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.

Following testing carried out by the Bank, 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; the impairment was allocated according to the fair value of the net identifiable assets arising from the Bank's investment in Valley. For additional information, please see Note 16.B.

Liabilities for Employee Benefits

As at September 30, 2023, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 915 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 of September 30, 2023, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is approx. NIS 1,653 million less than the actual outstanding liability.

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

For additional information, please see the section entitled Critical Accounting Policies and Estimates in the financial statements as at December 31, 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 internal system of control over financial reporting.

Evaluation of disclosure controls and procedures

The Bank's management, with the cooperation of the President and CEO 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 CEO 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 September 30, 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 September 2023, Leumi's Board of Directors held 27 plenum meetings and its committees held 38 meetings.

At a Board meeting held on November 29, 2023, the Board resolved to approve and publish the Group's unaudited condensed consolidated financial statements as at September 30, 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. Shmuel (Muli) Ben Zvi
Chairman of the Board

Hanan Friedman
President & CEO

November 29, 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 September 30, 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.

November 29, 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 September 30, 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.

November 29, 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 September 30, 2023 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month and nine-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for these interim periods 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 these interim periods 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
A registered partnership in Israel and a partner firm in the global KPMG network, which is comprised of independent firms affiliated with KPMG International Limited, a privately-owned limited liability British company KPMG International Limited
Certified Public Accountants

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

Joint Independent Auditors

November 29, 2023

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Income Statement For the Period Ended September 30, 2023

		For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
		2023	2022	2023	2022	2022
		Unaudited				Audited
	Note	In NIS million				
Interest income	2	**8,758**	4,978	**24,993**	12,365	18,795
Interest expenses	2	**4,823**	1,564	**12,846**	2,927	5,584
Interest income, net	2	**3,935**	3,414	**12,147**	9,438	13,211
Loan loss expenses	13, 6	**991**	99	**1,715**	185	498
Interest income, net after loan loss expenses		**2,944**	3,315	**10,432**	9,253	12,713
Noninterest income						
Noninterest finance income (expenses)	3A	**435**	(56)	**943**	646	1,408
Fees and commissions		**963**	872	**2,801**	2,674	3,535
Other income		**3**	39	**140**	42	75
Total noninterest income		**1,401**	855	**3,884**	3,362	5,018
Operating and other expenses						
Salaries and related expenses		**852**	998	**2,612**	2,964	3,935
Buildings and equipment - maintenance and depreciation		**449**	323	**1,151**	1,002	1,357
Other Expenses		**421**	350	**1,271**	1,140	1,543
Total operating and other expenses		**1,722**	1,671	**5,034**	5,106	6,835
Profit before taxes		**2,623**	2,499	**9,282**	7,509	10,896
Provision for profit tax		**866**	908	**3,119**	2,398	3,564
Profit after taxes		**1,757**	1,591	**6,163**	5,111	7,332
The Bank's share in associates' profits (losses), after taxes		**10**	191	**(962)**	282	387
Net income						
Before attribution to non-controlling interests		**1,767**	1,782	**5,201**	5,393	7,719
Attributable to non-controlling interests		**-**	-	**-**	(10)	(10)
Attributable to the Bank's shareholders		**1,767**	1,782	**5,201**	5,383	7,709
Basic and diluted earnings per share (in NIS)						
Diluted basic earnings attributable to the Bank's shareholders	3B	**1.15**	1.15	**3.38**	3.62	5.14

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

Dr. Shmuel (Muli) Ben Zvi
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: November 29, 2023.

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Statement of Comprehensive Income
for the period ended September 30, 2023

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million				
Net income before attribution to non-controlling interests	**1,767**	1,782	**5,201**	5,393	7,719
Less net income attributable to non-controlling interests	**-**	-	**-**	10	10
Net income attributable to the Bank's shareholders	**1,767**	1,782	**5,201**	5,383	7,709
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(730)**	(1,155)	**(614)**	(4,363)	(4,265)
Adjustments from translation of financial statements, net,[(a)] after the effect of hedges[(b)]	**-**	-	**-**	436	436
Net gains (losses) for cash flow hedges	**(2)**	-	**2**	(3)	(3)
Adjustments of liabilities for employee benefits[(c)]	**755**	523	**727**	4,096	3,133
The Bank's share in other comprehensive income (loss) of associates	**5**	(17)	**42**	(13)	(16)
Other comprehensive income (loss), before taxes	**28**	(649)	**157**	153	(715)
Related tax effect	**(3)**	249	**(64)**	45	335
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**25**	(400)	**93**	198	(380)
Less other comprehensive income attributable to non-controlling interests	**-**	-	**-**	96	96
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**25**	(400)	**93**	102	(476)
Comprehensive income before attribution to non-controlling interests	**1,792**	1,382	**5,294**	5,591	7,339
Less comprehensive income attributable to non-controlling interests	**-**	-	**-**	106	106
Comprehensive income attributable to the Bank's shareholders	**1,792**	1,382	**5,294**	5,485	7,233

(a) Adjustments from translation of financial statements of a foreign operations the functional currency of which is different than 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 CONSOLIDATED COMPANIES
Condensed Consolidated Balance Sheet as at September 30, 2023

		September 30		December 31
		2023	2022	2022
		Unaudited		Audited
	Note	In NIS million		
Assets				
Cash and deposits with banks		**101,311**	183,625	186,569
Securities:				
Held-to-maturity bonds		**15,834**	14,528	14,528
Available-for-sale bonds		**103,740**	57,500	61,809
Equity securities not held for trading		**4,684**	4,414	4,353
Held-for-trading securities		**7,121**	3,230	2,260
Total securities[(a)(b)]	5	**131,379**	79,672	82,950
Securities borrowed or purchased under reverse repurchase agreements		**2,930**	1,345	3,034
Loans to the public	6, 13	**423,477**	387,919	389,768
Loan loss provision	6, 13	**(6,216)**	(4,896)	(4,986)
Loans to the public, net		**417,261**	383,023	384,782
Loans to governments		**1,356**	1,272	1,109
Investments in associates		**4,078**	4,867	4,947
Buildings and equipment		**2,795**	2,698	2,735
Assets in respect of derivatives	11	**32,615**	41,359	26,638
Other assets[(a)]		**7,036**	6,256	6,402
Total assets		**700,761**	704,117	699,166
Liabilities and equity				
Deposits by the public	7	**544,519**	546,706	557,084
Deposits by banks		**16,068**	25,427	22,306
Deposits by governments		**213**	275	247
Securities loaned or sold under repurchase agreements		**16,853**	5,632	3,952
Bonds, promissory notes and subordinated bonds		**27,569**	27,613	27,805
Liabilities for derivatives	11	**28,503**	37,308	23,311
Other liabilities[(a)(c)]		**14,513**	13,107	15,018
Total liabilities		**648,238**	656,068	649,723
Shareholders' equity	9	**52,518**	48,044	49,438
Non-controlling interests		**5**	5	5
Total equity		**52,523**	48,049	49,443
Total liabilities and equity		**700,761**	704,117	699,166

(a) For more information regarding amounts measured at fair value, please see Note 15A.
(b) Of which: securities totaling NIS 9,892 million (September 30, 2022 - NIS 14,659 million, December 31, 2022 - NIS 17,405 million) pledged to lenders.
(c) Of which: Loan loss provision for off-balance-sheet credit instruments, NIS 702 million (as at September 30, 2022 - NIS 545 million; as at December 31, 2022 - NIS 585 million).

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

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Statement of Changes in Equity For the Period Ended September 30, 2023

	For the three months ended September 30, 2023 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From share-based payment and other benefits[(a)]
	In NIS million		
Balance as at June 30, 2023	7,125	2,656	60
Net income for the period	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Share buyback	(10)	(300)	-
Employee benefit for stock-based compensation transactions	-	-	1
Balance as at September 30, 2023	7,115	2,356	61

	For the three months ended September 30, 2022 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From share-based payment and other benefits[(a)]
	In NIS million		
Balance as at June 30, 2022	7,132	2,829	53
Net income for the period	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	1
Balance as at September 30, 2022	7,132	2,829	54

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,857 million that are non-distributable as dividend, of which NIS 2,140 million in respect of share buyback (September 30, 2022 - NIS 4,696 million, of which NIS 1,650 million for share buyback). The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business directives.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
9,841	(3,285)	45,215	51,771	5	51,776
-	-	1,767	1,767	-	1,767
-	25	-	25	-	25
-	-	(736)	(736)	-	(736)
(310)	-	-	(310)	-	(310)
1	-	-	1	-	1
9,532	(3,260)	46,246	52,518	5	52,523

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
10,014	(2,375)	39,421	47,060	5	47,065
-	-	1,782	1,782	-	1,782
-	(400)	-	(400)	-	(400)
-	-	(399)	(399)	-	(399)
1	-	-	1	-	1
10,015	(2,775)	40,804	48,044	5	48,049

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30, 2023

	For the nine months ended September 30, 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	-	-	-
Share buyback	(17)	(473)	-
Employee benefit for stock-based compensation transactions	-	-	5
Balance as at September 30, 2023	7,115	2,356	61

	For the nine months ended September 30, 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	-	-	-
Issuance of shares	91	2,645	-
Employee benefit for stock-based compensation transactions	-	-	1
Sale of equity of a consolidated company to non-controlling interests[(d)]	-	-	-
Balance as at September 30, 2022	7,132	2,829	54

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,857 million that are non-distributable as dividend, of which NIS 2,140 million in respect of share buyback (September 30, 2022 - NIS 4,696 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.
(d) For more information, please see Note 15.A to the Bank's 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
10,017	(3,353)	42,774	49,438	5	49,443
-	-	5,201	5,201	-	5,201
-	93	-	93	-	93
-	-	(1,729)	(1,729)	-	(1,729)
(490)	-	-	(490)	-	(490)
5	-	-	5	-	5
9,532	(3,260)	46,246	52,518	5	52,523

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)
-	-	5,383	5,383	10	5,393
-	(343)	-	(343)	(21)	(364)
-	-	(1,309)	(1,309)	-	(1,309)
2,736	-	-	2,736	-	2,736
1	-	-	1	1	2
-	445	-	445	(423)	22
10,015	(2,775)	40,804	48,044	5	48,049

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the period ended September 30, 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 CONSOLIDATED COMPANIES
Condensed Consolidated Statement of Cash Flows For the Period Ended September 30, 2023

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million				
Cash flows from operating activities					
Net income for the period	**1,767**	1,782	**5,201**	5,393	7,719
Adjustments:					
Group's share in undistributed losses (income) of associates[(a)]	**(33)**	(149)	**1,143**	(205)	(282)
Depreciation of buildings and equipment (including impairment)	**217**	138	**509**	437	598
Loan loss expenses	**991**	99	**1,715**	185	498
Gains on sale of loan portfolios	**-**	-	**-**	(15)	(57)
Net losses on sale of available-for-sale bonds	**68**	75	**255**	131	136
Realized and unrealized losses (gains), net from fair value adjustments of held-for-trading securities	**(11)**	56	**(37)**	156	164
Gain on sale of investees' equity	**-**	-	**-**	(830)	(830)
Losses (gains) on disposal of buildings and equipment - net	**3**	(29)	**(16)**	(29)	(52)
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	**(107)**	(30)	**(289)**	(191)	(338)
Provision for impairment of available-for-sale bonds	**-**	5	**33**	32	42
Provision for impairment of equity securities not held-for-trading	**-**	2	**7**	2	5
Expenses for stock-based compensation transactions	**1**	1	**5**	1	4
Deferred taxes - net	**(288)**	(156)	**(484)**	(352)	(312)
Severance pay and pension – increase in excess of provision over fund	**(66)**	11	**121**	242	48
Excess of interest received over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds over interest	**(539)**	(21)	**(1,141)**	108	(127)
Accrual differences and rate in respect of bonds and subordinated bonds	**(233)**	102	**375**	741	934
Effect of exchange rate differentials on cash and cash equivalent balances	**(439)**	594	**(1,289)**	(742)	(740)
Other, net	**-**	9	**(2)**	2	(1)
Net change in current assets:					
Assets in respect of derivatives	**(6,442)**	(14,392)	**(5,977)**	(27,417)	(12,667)
Held-for-trading securities	**213**	(608)	**(4,824)**	(265)	698
Other assets	**(42)**	(63)	**(496)**	(626)	(603)
Net change in current liabilities:					
Liabilities for derivatives	**5,701**	13,664	**5,546**	22,753	8,728
Other liabilities	**292**	561	**291**	1,275	2,527
Net cash provided by operating activities	**1,053**	1,651	**646**	786	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 CONSOLIDATED COMPANIES
Condensed Consolidated Statement of Cash Flows (cont.)
For the period ended September 30, 2023

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**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	**(3,386)**	(3,521)	**277**	(5,925)	(2,699)
Net change in loans to the public[(a)]	**(8,641)**	(18,122)	**(34,062)**	(59,665)	(62,038)
Net change in loans to the Israeli Government	**(162)**	42	**(247)**	(332)	(171)
Net change in securities borrowed or purchased under reverse repurchase agreements	**(1,652)**	661	**104**	1,097	(592)
Purchase of held-to-maturity bonds	**(890)**	(569)	**(3,571)**	(8,557)	(8,550)
Proceeds from redemption of held-to-maturity bonds	**93**	76	**2,238**	357	418
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(29,334)**	(18,509)	**(114,194)**	(94,779)	(114,657)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**14,242**	22,279	**53,221**	83,433	96,945
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**2,002**	3,327	**19,011**	16,794	19,487
Purchase of associates' equity	**(1)**	(239)	**(4)**	(265)	(285)
Cash derecognized from disposal of investments in a deconsolidated subsidiary (Appendix B)	**-**	-	**-**	(904)	(904)
Proceeds from disposal of investment in associates	**-**	-	**-**	158	158
Proceeds from sale of loan portfolios	**-**	-	**42**	437	562
Purchase of buildings and equipment	**(226)**	(176)	**(578)**	(532)	(765)
Proceeds from disposal of buildings and equipment	**3**	48	**25**	49	112
Central severance pay fund	**-**	29	**3**	54	91
Net cash for investing activities	**(27,952)**	(14,674)	**(77,735)**	(68,580)	(72,888)
Cash flow from financing activities					
Net change in deposits by banks with original maturities of more than three months	**(3,725)**	1,726	**(6,238)**	(28)	(3,149)
Net change in deposits by the public	**10,465**	13,969	**(12,816)**	31,198	41,560
Net change in deposits by the government	**23**	(57)	**(34)**	(25)	(53)
Net change in securities loaned or sold under repurchase agreements	**5,846**	2,770	**12,901**	3,345	1,665
Proceeds from issue of bonds and subordinated bonds	**500**	3,765	**6,037**	11,435	11,435
Redemption of bonds and subordinated bonds	**(4,357)**	-	**(6,811)**	(59)	(61)
Dividend paid to shareholders	**(736)**	(399)	**(1,729)**	(1,309)	(1,665)
Issuance of shares	**-**	-	**-**	2,736	2,736
Share buyback	**(310)**	-	**(490)**	-	-
Net cash from (for) financing activities	**7,706**	21,774	**(9,180)**	47,293	52,468
(Decrease) increase in cash and cash equivalents	**(19,193)**	8,751	**(86,269)**	(20,501)	(14,328)
Balance of cash and cash equivalents as at the beginning of the period	**114,411**	166,309	**180,637**	194,225	194,225
Effect of exchange rate fluctuations on cash and cash equivalent balances	**439**	(594)	**1,289**	742	740
Balance of cash and cash equivalents as at end of period	**95,657**	174,466	**95,657**	174,466	180,637

(a) Including operating activities from invoice factoring.

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

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

Condensed Consolidated Statement of Cash Flows (cont.)

For the period ended September 30, 2023

Interest and taxes paid and/or received and dividends received

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million				
Interest received	**7,902**	4,236	**22,057**	10,137	15,821
Interest paid	**(4,103)**	(930)	**(9,618)**	(1,640)	(3,462)
Dividends received	**51**	61	**150**	103	145
Income tax paid	**(1,419)**	(344)	**(4,045)**	(1,745)	(2,508)
Income tax received	**-**	-	**12**	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.

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Note 1 - Significant Accounting Policies

A. Basis of Preparation of the Financial Statements

1. Reporting principles

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

The condensed consolidated interim financial statements were approved by the Bank's Board of Directors on November 29, 2023.

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.

3. From time to time, the Bank makes immaterial adjustments to classifications in the comparative figures in order to adjust them to the classification in the current financial statements for comparability. These classifications do not have an effect on profit and loss.

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

As of the reporting periods commencing on January 1, 2023, the Bank applies the following accounting standards and directives:

1. Effect of the Iron Swords War on the loan loss provision calculation

On November 9, 2023, a circular was published, providing additional emphases regarding reporting to the public for the third quarter of 2023. According to the circular, when calculating the loan loss provision, the expected impact of the Iron Swords War should be factored in as close as possible to the report publication date, with the provision increased accordingly. This is in order to ensure that the loan loss provisions will be sufficient to conservatively and prudentially cover the updated estimate of the current expected credit losses from the bank's loans portfolio. Over time, in the statements for 2023 and thereafter, if additional information will be available to the Bank regarding other expected effects of the

War, the provision estimates will be adjusted to the additional information. Accordingly, the calculation of the loan loss provision as of September 30, 2023 included a collective provision for expected consequences of the War, as estimated shortly prior to the publication date of the financial statements.

2. ASU 2022-01, Derivatives and Hedging - Fair Value Hedging - Portfolio Level Method

On March 28, 2022, the Financial Accounting Standards Board (FASB) published ASU 2022-01, Derivatives and Hedging - Fair Value Hedging - Portfolio Level Method in an effort to better adjust hedge accounting to companies' risk management policies (hereinafter - the "ASU").

The main amendments to the ASU include, inter alia, expanding the last level method such that several levels can be hedged, clarifications regarding accounting treatment, as well as additional disclosure requirements.

The 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.

3. Discontinuation of the LIBOR rates

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the dollar LIBOR, which was 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.

LIBOR transactions were converted in all currencies after December 2021, and in USD - upon discontinuation of the interest rate's publication at the end of June 2023; therefore, the Bank has no exposure to LIBOR interest.

For more information, please see Note 1.Y. to the financial statements as at December 31, 2022.

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

1. Letter by the Bank of Israel regarding the Iron Swords War - Supervisory emphases for handling debt and reporting to the public

On the back of the security events and outbreak of the Iron Swords War (hereinafter - the "War") on October 7, 2023, on October 19, 2023, the Banking Supervision Department published a letter containing regulatory emphases regarding handling debt and reporting to the public

The letter includes emphases regarding the application of the principles prescribed by the Reporting to the Public directives to the 2023 financial statements in view of the flexibility required of the banks regarding repayment of loans, including the establishing of new repayment arrangements on an individual or collective basis, according to the Bank of Israel's comprehensive outline relief for assisting customers in coping with the outcomes of the War (hereinafter - the "Outline").

According to the Outline, the Banking Supervision Department encourages banking corporations to seek to temporarily award to borrowers affected by the War further flexibility in repaying their loans. According to the letter, debts' extent of arrears will be determined by the debt's contractual terms and

Note 1 - Significant Accounting Policies (cont.)

conditions, as revised in the new repayment arrangement; therefore, a debt which was not in arrears at the outbreak of the War shall not be reported as a delinquent debt if payments are made on time in accordance with the revised terms and conditions of the debt. In addition, as for the debts for which payments were in arrears at the outbreak of the War, the extent of arrears should be adjusted to the one at the outbreak of the War, and in fact, the extent of arrears during the payment deferral period should be maintained. Regarding troubled debts and charge-offs, the letter instructs that judgment should be exercised to determine whether to classify debts as troubled debts. As a rule, debts that have been restructured due to the War should not be classified as troubled debts that have been restructured.

The emphases letter also prescribes how disclosure should be made to the public regarding borrower debts affected by the War for which new repayment arrangements have been made as a result.

2. 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”).

On October 19, 2023, a circular was distributed to update the Reporting to the Public Directives regarding the ASU. The publication revises the accounting treatment of debts that underwent restructuring of troubled debt, and increases the disclosure regarding credit quality according to the year the credit was provided.

The revision includes the following changes, among others: Replacing the term “Debts that underwent restructuring of troubled debt” with the term “Changes in terms and conditions of debts of borrowers in financial difficulties”. In addition, disclosure must be given regarding the change in debt terms and conditions, including a waiver of the principal, a reduced interest rate, or an extension of the term that does not cause a negligible delay in payments of each borrower with financial difficulties. In addition, the requirement to calculate the loan loss provision by discounting cash flows with respect to restructured troubled debts was revoked, while a disclosure regarding gross write-offs by credit granting year was added.

Effective date: The directives established in the circular will take effect as of January 1, 2024.

The Bank is assessing the effect of the circular on its financial statements. The Bank believes that the circular will not have a material effect, except for updating the said disclosure requirements.

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

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

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

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

The provisions of the ASU will be applicable to publicly-traded entities in the US as of the annual and interim periods commencing after December 15, 2023 or on early adoption, if the entity opted for early adoption of the ASU. 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 September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
	Unaudited			
	In NIS million			
a. Interest income[a]				
From loans to the public	**6,566**	3,988	**18,742**	10,539
From loans to governments	**15**	12	**38**	33
From deposits with the Bank of Israel and from cash	**860**	507	**2,878**	686
From deposits with banks	**115**	48	**450**	91
From securities borrowed or purchased under reverse repurchase agreements	**29**	8	**95**	13
From bonds[b]	**1,173**	415	**2,790**	1,003
Total interest income	**8,758**	4,978	**24,993**	12,365
b. Interest expenses[a]				
For deposits by the public	**(4,260)**	(1,259)	**(11,344)**	(2,070)
For deposits by governments	**(1)**	(1)	**(2)**	(2)
For deposits by banks	**(32)**	(11)	**(79)**	(15)
For deposits by the Bank of Israel	**(2)**	(3)	**(7)**	(8)
For securities loaned or sold under repurchase agreements	**(209)**	(16)	**(386)**	(27)
For bonds, promissory notes and subordinated bonds	**(319)**	(274)	**(1,028)**	(805)
Total interest expenses	**(4,823)**	(1,564)	**(12,846)**	(2,927)
Total interest income, net	**3,935**	3,414	**12,147**	9,438
C. Details on the net effect of hedging derivatives[c]				
From interest income	**51**	5	**129**	(26)
From interest expenses	**(6)**	1	**-**	1
d. Details on interest income from bonds, on accrual basis				
Held-to-maturity	**112**	77	**274**	178
Available-for-sale	**982**	327	**2,362**	779
Held-for-trading	**79**	11	**154**	46
Total included in interest income	**1,173**	415	**2,790**	1,003

(a) Including the effect of hedge relationships.
(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 214 million and NIS 320 million for the three- and nine-month period ended September 30, 2023 (NIS 55 million and NIS 168 million for the three- and nine-month periods ended September 30, 2022).
(c) Additional information about the effect of hedging derivatives on subsections a. and b.

Note 3A - Noninterest Finance Income

	For the three months ended September 30		For the nine months ended September 30	
	2023	2022	**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)]	**2,112**	1,253	**4,894**	7,698
Total from derivatives activity	**2,112**	1,253	**4,894**	7,698
A.2. From investment in bonds				
Gains on sale of available-for-sale bonds, net[(g)]	**4**	5	**14**	39
Losses on sale of available-for-sale bonds[(g)]	**(72)**	(80)	**(269)**	(170)
Provision for impairment of available-for-sale bonds	**-**	(5)	**(33)**	(32)
Total from investment in bonds	**(68)**	(80)	**(288)**	(163)
A.3. Exchange rate differentials, net	**(1,902)**	(1,329)	**(4,265)**	(7,826)
A.4. Gains (losses) on investment in shares				
Gains on sale of equity securities not held for trading	**49**	39	**165**	184
Provision for impairment for equity securities not held for trading	**-**	(2)	**(7)**	(2)
Losses on sale of equity securities not held-for-trading	**(2)**	(51)	**(12)**	(89)
Dividend from not held-for-trading equity securities	**16**	6	**45**	26
Unrealized gains, net from not held-for-trading equity securities[(h)]	**60**	42	**136**	96
Gain on sale of investees' equity	**-**	-	**-**	830
Total from investment in equity securities	**123**	34	**327**	1,045
A.5. Gains on sold loans, net	**-**	-	**-**	15
Total noninterest finance income (expenses) for non-trading activities	**265**	(122)	**668**	769
b. Noninterest finance income (expenses) for trading activities				
Income in respect of held-for-trading derivatives, net	**159**	122	**238**	33
Realized and unrealized gains (losses) from fair value adjustments of held-for-trading bonds, net[(c)(f)]	**5**	(55)	**31**	(157)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading equity securities, net[(d)(f)]	**6**	(1)	**6**	1
Total from trading activities[(e)]	**170**	66	**275**	(123)
Details of noninterest finance income (expenses) from trading activities, by risk exposure				
Interest rate exposure	**(11)**	(70)	**(26)**	(337)
Foreign exchange exposure	**160**	120	**247**	168
Equity exposure	**22**	16	**55**	45
Exposure to commodities and other contracts	**(1)**	-	**(1)**	1
Total	**170**	66	**275**	(123)
Total noninterest finance income (expenses)	**435**	(56)	**943**	646

Please see comments below.

Note 3A - Noninterest Finance Income (cont.)

(a) Excluding the effect of hedge ratios.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which the losses in the amount of NIS 17 million and NIS 43 million for the three- and nine-month periods ended September 30, 2023 in respect of held-for-trading bonds held as of the balance sheet date (losses of NIS 73 million and NIS 127 million, respectively, for the three- and nine-month periods ended September 30, 2022).
(d) Of which the share of gains of NIS 1 million and NIS 2 million for the three-month and nine-month periods ended September 30, 2023, associated with held-for-trading equity securities that were still held as of the balance sheet date (there were no gains or losses associated with held-for-trading equity securities that are still held as at the balance sheet date for the three-month period ended on September 30, 2022; losses of NIS 1 million associated with held-for-trading equity securities still held as of the balance sheet date in the three- and nine-month periods ended September 30, 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 attributable 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 September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
	Unaudited			
Basic earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**1,767**	1,782	**5,201**	5,383
Weighted average of the number of shares (in thousands of shares)				
Balance as at beginning of period	**1,537,231**	1,543,805	**1,543,805**[(a)]	1,452,896[(a)]
Weighted effect of the issuance of shares	**-**	-	**-**	32,967
Weighted effect of share buyback plan	**(5,194)**	-	**(4,402)**	-
Weighted average of number of shares	**1,532,037**	1,543,805	**1,539,403**	1,485,863
Basic earnings per share (in NIS)	**1.15**	1.15	**3.38**	3.62

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

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

A. 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 September 30		For the nine months ended September 30	
	2023	2022	**2023**	2022
	Unaudited			
Diluted earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**1,767**	1,782	**5,201**	5,383
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	**1,532,037**	1,543,805	**1,539,403**	1,485,863
Weighted effect of the issuance of options to employees[(a)]	**-**	-	**-**	-
Weighted average of the number of shares, fully diluted	**1,532,037**	1,543,805	**1,539,403**	1,485,863
Diluted earnings per share (in NIS)	**1.15**	1.15	**3.38**	3.62

(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.B.

C. Share capital

As of September 30, 2023, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2023 is 1,526,718,324 ordinary shares of NIS 1 p.v. each. (As of September 30, 2022, 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).

D. Buyback after the financial statements date

From October 1, 2023 to October 18, 2023, the Bank performed a buyback of 3,862,236 shares of NIS 1 p.v. each of the Bank's issued share capital.

For more information regarding the Banking Supervision Department's approval for the buyback, please see Note 9A.

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 September 30, 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 compre-hensive income (loss) of equity-accounted investees	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 June 30, 2022	(1,240)	-	(2)	(25)	(1,108)	(2,375)	-	(2,375)
Net change during the period	(760)	-	-	22	338	(400)	-	(400)
Balance as at September 30, 2022	(2,000)	-	(2)	(3)	(770)	(2,775)	-	(2,775)
Balance as at June 30, 2023	(1,871)	-	-	1	(1,415)	(3,285)	-	(3,285)
Net change during the period	(478)	-	(1)	4	500	25	-	25
Balance as at September 30, 2023	(2,349)	-	(1)	5	(915)	(3,260)	-	(3,260)

2. Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30, 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 compre-hensive income (loss) of equity-accounted investees	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 (audited)	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the period	(3,055)	30	(43)	23	2,681	(364)	(21)	(343)
Sale of equity in subsidiaries to non-controlling interests[d]	181	313	41	-	27	562	117	445
Balance as at September 30, 2022	(2,000)	-	(2)	(3)	(770)	(2,775)	-	(2,775)
Balance as at December 31, 2022 (audited)	(1,944)	-	(2)	(10)	(1,397)	(3,353)	-	(3,353)
Net change during the period	(405)	-	1	15	482	93	-	93
Balance as at September 30, 2023	(2,349)	-	(1)	5	(915)	(3,260)	-	(3,260)

Please see comments below.

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

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

3. Changes in accumulated other comprehensive income (loss) for the year ended December 31, 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 adjust-ments,[(a)] after hedging effect[(b)]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income (loss) of equity-accounted investees	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[(d)]	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) 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.)

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

	For the three months ended September 30 (unaudited)					
	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of presentation of available-for-sale bonds at fair value:						
Unrealized losses, net, from fair value adjustments	(798)	275	(523)	(1,235)	423	(812)
Net losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	68	(23)	45	80	(28)	52
Net change during the period	(730)	252	(478)	(1,155)	395	(760)
Cash flow hedges						
Net losses for cash flow hedges	(2)	1	(1)	-	-	-
Net change during the period	(2)	1	(1)	-	-	-
Investee companies accounted for using the equity method						
The Bank's share in other comprehensive income of equity-accounted investees	78	(26)	52	19	26	45
Hedges[(c)]	(73)	25	(48)	(36)	13	(23)
Net change during the period	5	(1)	4	(17)	39	22
Employee benefits:[(c)]						
Net actuarial gain	680	(231)	449	480	(170)	310
Net losses reclassified to the income statement[(d)]	75	(24)	51	43	(15)	28
Net change during the period	755	(255)	500	523	(185)	338
Total net change during the period	28	(3)	25	(649)	249	(400)
Less changes in other comprehensive income components attributable to non-controlling interests						
Total change during the period, net	-	-	-	-	-	-
Changes in other comprehensive income (loss) attributable to the Bank's shareholders						
Total change during the period, net	28	(3)	25	(649)	249	(400)

(a) The before tax amount is reported in the income statement under the noninterest finance income item. Please see Note 3A.
(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) The before-tax amount is reported in the income statement under the other expenses for employee benefits line item. For more information, please see Note 8.

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

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

	For the nine months ended September 30 (unaudited)					
	2023			2022		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of presentation of available-for-sale bonds at fair value:						
Unrealized losses, net, from fair value adjustments	(902)	307	(595)	(4,802)	1,640	(3,162)
Net losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	288	(98)	190	163	(56)	107
Sale of equity in subsidiaries to non-controlling interests[(f)]	-	-	-	276	(95)	181
Net change during the period	(614)	209	(405)	(4,363)	1,489	(2,874)
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 period	-	-	-	436	(93)	343
Cash flow hedges						
Net gains (losses) for cash flow hedges	2	(1)	1	(65)	22	(43)
Sale of equity in subsidiaries to non-controlling interests[(f)]	-	-	-	62	(21)	41
Net change during the period	2	(1)	1	(3)	1	(2)
Investee companies accounted for using the equity method						
The Bank's share in other comprehensive income of equity-accounted investees	249	(98)	151	269	(61)	208
Hedges[(c)]	(207)	71	(136)	(282)	97	(185)
Net change during the period	42	(27)	15	(13)	36	23
Employee benefits:[(d)]						
Net actuarial gain	464	(157)	307	3,818	(1,295)	2,523
Net losses reclassified to the income statement[(e)]	263	(88)	175	240	(82)	158
Sale of equity in subsidiaries to non-controlling interests[(f)]	-	-	-	38	(11)	27
Net change during the period	727	(245)	482	4,096	(1,388)	2,708
Total net change during the period	157	(64)	93	153	45	198
Less changes in other comprehensive income components attributable to non-controlling interests						
Total change during the period, net	-	-	-	101	(5)	96
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	157	(64)	93	52	50	102

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

A. 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 September 30, 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	8,172	8,172	-	-	(917)	7,255
Of foreign financial institutions	1,455	1,455	1	-	(69)	1,387
Asset-backed (ABS) or mortgage-backed (MBS)	5,856	5,856	1	12	(682)	5,187
Of other foreign entities	351	351	1	-	(27)	325
Total held-to-maturity bonds[(e)]	15,834	15,834	3	12	(1,695)	14,154

	As at September 30, 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	60,055	62,555	-	10	(2,510)	60,055
Of foreign governments	18,515	18,824	-	2	(311)	18,515
Of Israeli financial institutions	47	51	-	-	(4)	47
Of foreign financial institutions	9,091	9,496	-	6	(411)	9,091
Asset-backed (ABS) or mortgage-backed (MBS)	10,493	11,314	-	19	(840)	10,493
Of other Israeli entities	751	798	-	8	(55)	751
Of other foreign entities	4,788	5,319	-	1	(532)	4,788
Total available-for-sale bonds[(e)]	103,740	108,357	-	46[(c)]	(4,663)[(c)]	103,740

Please see comments below.

Note 5 - Securities (cont.)

	As at September 30, 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	4,684	4,257	-	431	(4)	4,684
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	2,655	2,655				2,655
Total not held for-trading equity securities and mutual funds	4,684	4,257	-	431[(d)]	(4)[(d)]	4,684
Total not held-for-trading securities	124,258	128,448	3	489	(6,362)	122,578

	As at September 30, 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	6,362	6,357	-	8	(3)	6,362
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	425	461	-	-	(36)	425
Of foreign financial institutions	19	21	-	-	(2)	19
Asset-backed (ABS) or mortgage-backed (MBS)	28	31	-	-	(3)	28
Of other Israeli entities	161	177	-	-	(16)	161
Of other foreign entities	65	71	-	-	(6)	65
Total bonds	7,060	7,118	-	8	(66)	7,060
Equity securities and mutual funds	61	59	-	2	-	61
Total held-for-trading securities	7,121	7,177	-	10[(d)]	(66)[(d)]	7,121
Total securities	131,379	135,625	3	499	(6,428)	129,699

Please see comments below.

Note 5 - Securities (cont.)

	As at September 30, 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	9,560	9,560	-	1	(658)	8,903
Of foreign financial institutions	1,322	1,322	1	-	(63)	1,260
Asset-backed (ABS) or mortgage-backed (MBS)	3,324	3,324	1	-	(459)	2,866
Of other foreign entities	322	322	1	-	(22)	301
Total held-to-maturity bonds[(e)]	14,528	14,528	3	1	(1,202)	13,330

	As at September 30, 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	21,080	22,748	-	133	(1,801)	21,080
Of foreign governments	13,540	13,890	-	-	(350)	13,540
Of Israeli financial institutions	48	50	-	1	(3)	48
Of foreign financial institutions	10,068	10,540	22	2	(496)	10,068
Asset-backed (ABS) or mortgage-backed (MBS)	7,193	7,859	-	2	(668)	7,193
Of other Israeli entities	659	699	-	10	(50)	659
Of other foreign entities	4,912	5,579	1	-	(668)	4,912
Total available-for-sale bonds[(e)]	57,500	61,365	23	148[(c)]	(4,036)[(c)]	57,500

Please see comments below.

Note 5 - Securities (cont.)

	As at September 30, 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	4,414	4,197	-	338	(121)	4,414
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	2,246	2,246	-			2,246
Total not held for-trading equity securities and mutual funds	4,414	4,197	-	338[(d)]	(121)[(d)]	4,414
Total not held-for-trading securities	76,442	80,090	26	487	(5,359)	75,244

	As at September 30, 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	2,298	2,325	-	13	(40)	2,298
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	491	539	-	-	(48)	491
Of foreign financial institutions	50	61	-	-	(11)	50
Asset-backed (ABS) or mortgage-backed (MBS)	37	40	-	-	(3)	37
Of other Israeli entities	259	286	-	-	(27)	259
Of other foreign entities	84	93	-	-	(9)	84
Total bonds	3,219	3,344	-	13	(138)	3,219
Equity securities and mutual funds	11	12	-	-	(1)	11
Total held-for-trading securities	3,230	3,356	-	13[(d)]	(139)[(d)]	3,230
Total securities	79,672	83,446	26	500	(5,498)	78,474

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	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) An amount of NIS 13.9 billion out of total foreign currency securities are rated SSA (Super-nationals, Sovereign and Agencies) (September 30, 2022 - NIS 13.4 billion, December 31, 2022 - NIS 12.8 billion).

General comments:
Loaned securities in the amount of NIS 83 million (as of September 30, 2022 - NIS 223 million; as of December 31, 2022 - NIS 52 million) are presented under the loans to the public item.
Securities that were pledged totaled NIS 9,892 million (as of September 30, 2022 - NIS 14,659 million; as of 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 an Unrealized Loss Position

	September 30, 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	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	275	9	-	-	9	7,897	569	329	10	908
Asset-backed (ABS) or mortgage-backed (MBS)	2,603	90	-	-	90	3,117	188	404	-	592
Of foreign financial institutions	-	-	-	-	-	1,455	69	-	-	69
Of other foreign entities	-	-	-	-	-	351	27	-	-	27
Total held-to-maturity bonds	2,878	99	-	-	99	12,820	853	733	10	1,596

	September 30, 2022 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	9,349	439	182	-	621	183	29	8	-	37
Asset-backed (ABS) or mortgage-backed (MBS)	2,179	236	14	-	250	1,144	129	80	-	209
Of foreign financial institutions	1,322	63	-	-	63	-	-	-	-	-
Of other foreign entities	322	22	-	-	22	-	-	-	-	-
Total held-to-maturity bonds	13,172	760	196	-	956	1,327	158	88	-	246

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.

Note 5 - Securities (cont.)

More Information on Amortized Cost and Unrealized Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in an Unrealized 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			
	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	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

	September 30, 2023 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	31,710	509	-	-	509	23,416	1,762	710	255	2,727
Asset-backed (ABS) or mortgage-backed (MBS)	2,744	84	-	-	84	6,384	276	444	36	756
Of others	606	46	2	-	48	4,515	426	113	-	539
Total available-for-sale bonds	35,060	639	2	-	641	34,315	2,464	1,267	291	4,022

	September 30, 2022 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	35,254	1,727	496	6	2,229	3,672	313	102	6	421
Asset-backed (ABS) or mortgage-backed (MBS)	4,496	280	4	-	284	2,316	254	130	-	384
Of others	4,204	397	93	-	490	1,021	112	116	-	228
Total available-for-sale bonds	43,954	2,404	593	6	3,003	7,009	679	348	6	1,033

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

Note 5 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position 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	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of governments and 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

	September 30, 2023 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[(a)]	Fair value	Unrealized losses from fair value adjustments[(a)]	Fair value	Unrealized losses from fair value adjustments[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	**1,323**	**(52)**	**1,968**	**(475)**	**3,291**	**(527)**
Other mortgage-backed bonds (including CMO, REMIC and stripped MBSs)	**951**	**(30)**	**1,406**	**(225)**	**2,357**	**(255)**
Asset-backed bonds (ABS)	**470**	**(2)**	**3,010**	**(56)**	**3,480**	**(58)**
Total	**2,744**	**(84)**	**6,384**	**(756)**	**9,128**	**(840)**

	September 30, 2022 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[(a)]	Fair value	Unrealized losses from fair value adjustments[(a)]	Fair value	Unrealized losses from fair value adjustments[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	1,113	(136)	1,008	(228)	2,121	(364)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBSs)	1,003	(48)	596	(122)	1,599	(170)
Asset-backed bonds (ABS)	2,380	(100)	712	(34)	3,092	(134)
Total	4,496	(284)	2,316	(384)	6,812	(668)

	December 31, 2022 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[(a)]	Fair value	Unrealized losses from fair value adjustments[(a)]	Fair value	Unrealized losses from fair value adjustments[(a)]
	In NIS million					
Mortgage-backed bonds (MBS)	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.

Note 5 - Securities (cont.)

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

	September 30, 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 held-to-maturity bonds	4,259	-	(633)	3,626
Of which: GNMA-backed securities	2,986	-	(389)	2,597
Securities issued by FNMA or FHLMC	1,273	-	(244)	1,029
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,346	-	(46)	1,300
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	1,346	-	(46)	1,300
Total mortgage-backed bonds (MBS)	5,605	-	(679)	4,926
Asset-backed bonds (ABS)	252	12	(3)	261
Of which: Loans to other than private individuals - CLO-type bonds	252	12	(3)	261
Total mortgage-backed held-to-maturity bonds	5,857	12	(682)	5,187

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

	September 30, 2022 (unaudited)			
	Amortized cost[(a)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	3,032	-	(446)	2,586
Of which: GNMA-backed securities	1,846	-	(256)	1,590
Securities issued by FNMA or FHLMC	1,186	-	(190)	996
Other mortgage-backed bonds (including CMOs and stripped MBSs)	51	-	(3)	48
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	51	-	(3)	48
Total mortgage-backed bonds (MBS)	3,083	-	(449)	2,634
Asset-backed bonds (ABS)	242	-	(10)	232
Of which: Loans to other than private individuals - CLO-type bonds	242	-	(10)	232
Total mortgage-backed held-to-maturity bonds	3,325	-	(459)	2,866

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

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 private 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

	September 30, 2023 (unaudited)			
		Accumulated Other Comprehensive Income (Loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,818	-	(527)	3,291
Of which: GNMA-backed bonds	2,684	-	(357)	2,327
Bonds issued by FNMA or FHLMC	1,134	-	(170)	964
Other mortgage-backed bonds (including CMOs and stripped MBSs)	2,712	3	(255)	2,460
Of which: Bonds issued or guaranteed by FNMA, FHLMC, or GNMA	2,387	-	(251)	2,136
Total mortgage-backed bonds (MBS)	6,530	3	(782)	5,751
Asset-backed bonds (ABS)	4,784	16	(58)	4,742
Of which: Loans to other than private individuals - CLO-type bonds	3,291	15	(28)	3,278
Loans to non-private individuals - SBA-guaranteed securities	1,162	1	(20)	1,143
Total available-for-sale mortgage-backed and asset-backed bonds	11,314	19	(840)	10,493

	September 30, 2022 (unaudited)			
		Accumulated Other Comprehensive Income (Loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	2,532	-	(364)	2,168
Of which: GNMA-backed securities	1,804	-	(238)	1,566
Securities issued by FNMA or FHLMC	728	-	(126)	602
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,908	1	(170)	1,739
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	1,570	-	(164)	1,406
Total mortgage-backed bonds (MBS)	4,440	1	(534)	3,907
Asset-backed bonds (ABS)	3,419	1	(134)	3,286
Of which: Loans to other than private individuals - CLO-type bonds	2,161	-	(103)	2,058
Loans to non-private individuals - SBA-guaranteed securities	1,016	1	(19)	998
Total available-for-sale mortgage-backed and asset-backed bonds	7,859	2	(668)	7,193

(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 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 FNMA, FHLMC, or GNMA	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 private individuals - CLO-type bonds	2,460	2	(84)	2,378
Loans to non-private 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

	September 30, 2023 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments(a)	Unrealized losses from fair value adjustments(a)	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	**1**	**-**	**-**	**1**
Of which: Securities issued by FNMA or FHLMC	**1**	**-**	**-**	**1**
Other mortgage-backed securities (including CMOs and stripped MBSs)	**22**	**-**	**(2)**	**20**
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	**-**	**-**	**-**	**-**
Total mortgage-backed securities (MBS)	**23**	**-**	**(2)**	**21**
Total asset-backed securities (ABS)	**8**	**-**	**(1)**	**7**
Total mortgage-backed and asset-backed held-for-trading securities	**31**	**-**	**(3)**	**28**

	September 30, 2022 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments(a)	Unrealized losses from fair value adjustments(a)	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	1	-	-	1
Of which: Securities issued by FNMA or FHLMC	1	-	-	1
Other mortgage-backed securities (including CMOs and stripped MBSs)	29	-	(2)	27
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	30	-	(2)	28
Total asset-backed securities (ABS)	10	-	(1)	9
Total mortgage-backed and asset-backed held-for-trading securities	40	-	(3)	37

(a) Gains (losses) carried profit and loss.

Note 5 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Held-for-Trading Securities (cont.)

	December 31, 2022 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments[a]	Unrealized losses from fair value adjustments[a]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	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)	10	-	(2)	8
Total mortgage-backed and asset-backed held-for-trading securities	36	-	(3)	33

(a) Gains (losses) carried profit and loss.

Note 5 - Securities (cont.)

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

	For the nine months ended September 30, 2023 (unaudited)			
	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 the loan loss position in respect of past loan losses	**(24)**	**-**	**(2)**	**(26)**
Outstanding loan loss provision as at the end of the reporting period	**-**	**-**	**-**	**-**

	For the year ended December 31, 2022[(a)](audited)			
	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, the Bank is applying, for the first time, new rules regarding Current Expected Credit Loss (CECL) provisions. 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

	September 30, 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	236,462	-	635	237,097	135,835	372,932
Examined on a collective basis	28,209	128,011	30,160	186,380	-	186,380
Total[1]	264,671	128,011	30,795	423,477	135,835	559,312
[1]Of which:						
Non-performing debts	2,273	570	303	3,146	-	3,146
Debts in arrears of 90 days or more	82	-	89	171	-	171
Other troubled debts	3,605	25	614	4,244	-	4,244
Total troubled debts	5,960	595	1,006	7,561	-	7,561
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	4,081	-	222	4,303	20	4,323
Examined on a collective basis	756	530	627	1,913	-	1,913
Total loan loss provision[2]	4,837	530	849	6,216	20	6,236
[2]Of which:						
For non-performing debts	442	66	156	664	-	664
For other troubled debts	815	3	361	1,179	-	1,179

(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.)

	September 30, 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	215,729	-	422	216,151	90,799	306,950
Examined on a collective basis	24,854	116,915	29,999	171,768	34	171,802
Total[1]	240,583	116,915	30,421	387,919	90,833	478,752
[1]Of which:						
Non-performing debts	1,785	520	198	2,503	1	2,504
Debts in arrears of 90 days or more	159	-	69	228	-	228
Other troubled debts	2,724	61	413	3,198	-	3,198
Total troubled debts	4,668	581	680	5,929	1	5,930
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,223	-	148	3,371	43	3,414
Examined on a collective basis	569	364	592	1,525	-	1,525
Total loan loss provision[2]	3,792	364	740	4,896	43	4,939
[2]Of which:						
For non-performing debts	324	69	144	537	1	538
For other troubled debts	533	8	222	763	-	763

(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.)

	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
[1]Of which:						
Non-performing debts	1,127	559	222	1,908	-	1,908
Debts in arrears of 90 days or more	36[(b)]	-	76[(b)]	112	-	112
Other troubled debts	3,466[(b)]	67	441[(b)]	3,974	-	3,974
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.

(b) Reclassified.

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 September 30, 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	4,815	461	822	6,098	23	6,121
Loan loss expenses (income)	722	75	197	994	(3)	991
Charge-offs	(108)	(4)	(195)	(307)	-	(307)
Collection of debts written off in previous years	74	-	59	133	-	133
Net charge-offs	(34)	(4)	(136)	(174)	-	(174)
Outstanding loan loss provision as at the end of the reporting period[1]	5,503	532	883	6,918	20	6,938
[1]Of which: in respect of off-balance-sheet credit instruments	666	2	34	702	-	702

	For the three months ended September 30, 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,313	322	737	5,372	41	5,413
Loan loss expenses (income)	(21)	47	70	96	3	99
Charge-offs	(105)	(4)	(97)	(206)	-	(206)
Collection of debts written off in previous years	128	-	50	178	-	178
Net charge-offs	23	(4)	(47)	(28)	-	(28)
Outstanding loan loss provision as at the end of the reporting period[1]	4,315	365	760	5,440	44	5,484
[1]Of which: in respect of off-balance-sheet credit instruments	523	1	20	544	1	545

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

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

	For the nine months ended September 30, 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)	1,185	119	445	1,749	(34)	1,715
Charge-offs	(359)	(6)	(489)	(854)	-	(854)
Collection of debts written off in previous years	257	-	195	452	-	452
Net charge-offs	(102)	(6)	(294)	(402)	-	(402)
Outstanding loan loss provision as at the end of the reporting period[1]	5,503	532	883	6,918	20	6,938
[1]Of which: in respect of off-balance-sheet credit instruments	666	2	34	702	-	702

	For the nine months ended September 30, 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	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	22	54	85	161	24	185
Charge-offs	(402)	(13)	(264)	(679)	-	(679)
Collection of debts written off in previous years	397	-	190	587	-	587
Net charge-offs	(5)	(13)	(74)	(92)	-	(92)
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]	4,315	365	760	5,440	44	5,484
[1]Of which: in respect of off-balance-sheet credit instruments	523	1	20	544	1	545

(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

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Non-interest bearing[(a)]	**149,265**	234,291	197,264
Interest-bearing[(a)]	**117,148**	112,591	121,951
Total demand deposits	**266,413**	346,882	319,215
Fixed deposits	**278,106**	199,813	237,851
Total deposits in Israel[1]	**544,519**	546,695	557,066
Outside Israel			
Demand deposits			
Interest-bearing	-	11	18
Total demand deposits	-	11	18
Total deposits outside Israel	-	11	18
Total deposits by the public	**544,519**	546,706	557,084
[1]Of which:			
Deposits by private individuals	**167,539**	154,469	158,006
Deposits by institutional entities	**123,921**	134,728	130,685
Deposits by corporations and others	**253,059**	257,498	268,375

B. Deposits by the Public, by Amount

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
Maximum deposit in NIS million	In NIS million		
Up to 1	**124,631**	120,782	119,053
Over 1 and up to 10	**122,837**	112,894	117,207
Over 10 and up to 100	**92,973**	86,990	91,492
Over 100 and up to 500	**59,494**	66,380	68,403
Over 500	**144,584**	159,660	160,929
Total	**544,519**	546,706	557,084

(a) Reclassified; during the first quarter of 2023, a reclassification was made between interest-bearing and non-interest-bearing deposits. For the sake of comparability, the Bank made an immaterial adjustment to the comparative figures. The effect of the adjustment as of September 30, 2022 and December 31, 2022 amounted to deposits in the amount of NIS 65.8 billion and NIS 62.7 billion, respectively, from interest-bearing to non-interest bearing. The aforementioned had no effect on the Bank's profit and loss and equity.

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 updates 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 salary updates 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.

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.

Note 8 - Employee Benefits (cont.)

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 three 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 salary 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 is NIS 1.5 million. The fair value estimate of the option warrants was performed by an external appraiser and is based on the binomial model for option pricing in accordance with the assumptions as included in the outline.

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.

On June 28, 2023, the Bank's Board of Directors approved the allocation of 117,585 additional option warrants, which are not listed for trading on the Tel Aviv Stock Exchange Ltd., to nine employees of 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 27.59 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 salary 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.

Note 8 - Employee Benefits (cont.)

The fair value estimate of the option warrants as of their vesting date is NIS 0.7 million. The fair value estimate of the option warrants was performed by an external appraiser and is based on the binomial model for option pricing in accordance with the assumptions as included in the outline.

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.

On June 28, 2023, the Bank's Board of Directors approved the allocation of 1,135,570 option warrants to the Bank's President & CEO and to 12 officers of the Bank who are members of the Bank's management and one employee of a subsidiary of the Bank according to an outline published by the Bank on August 16, 2022. Of all said option warrants, the President and CEO is entitled to 145,794 option warrants, the allocation of which was approved on August 10, 2023 by the Bank's General Meeting.

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

The option warrants are exercisable for up to 1,135,570 of the Bank's ordinary shares of NIS 1 p.v. each.

The exercise price of the option warrants will be NIS 27.59 per share. The exercise price is not CPI-linked. The exercise price was determined according to the average closing price of the Bank's stock in the thirty trading days preceding the date of the Board of Directors' resolution.

The option warrants will not be listed for trading on the TASE. The exercise shares that will be issued due to the exercise of the option warrants will be listed for trading on the TASE.

Even if the tenure at the Bank of any of the offerees ends, the option warrants will be in effect until the end of the exercise period.

The shares resulting from the exercise of the option warrants will have equal rights to the ordinary shares for all intents and purposes.

C. Composition of Benefits

1. Employee benefits

	As at September 30		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay[(a)]			
Liability amount	**16,717**	16,441	17,214
Fair value of plan assets	**8,919**	8,813	8,816
Excess of liability over plan assets	**7,798**	7,628	8,398
Accrued jubilee vacation leave			
Liability amount	**17**	20	19
Excess of liability over plan assets (included in "other liabilities")	**17**	20	19
Other benefits			
Liability amount	**479**	481	513
Fair value of plan assets	**-**	-	-
Excess of liability over plan assets	**479**	481	513
Total			
Excess of liability included in "other liabilities"[11]	**8,319**	8,146	8,946
Excess assets included in "Other Assets"[2]	**25**	17	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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million				
Obligation in respect of expected benefit as at the beginning of the period	**17,546**	17,212	**17,214**	21,261	21,261
Service cost	**31**	32	**94**	113	142
Interest cost	**212**	184	**621**	515	717
Contributions by planholders	**6**	7	**18**	21	27
Actuarial loss (gain)	**(817)**	(581)	**(512)**	(4,239)	(3,449)
Changes in foreign exchange rates	**-**	(11)	**12**	(7)	4
Paid benefits	**(261)**	(402)	**(730)**	(1,136)	(1,401)
Other	**-**	-	**-**	69	69
Less balances of the sold US subsidiary[(a)]	**-**	-	**-**	(156)	(156)
Obligation in respect of expected benefit as at the end of the reporting period	**16,717**	16,441	**16,717**	16,441	17,214
Obligation in respect of cumulative benefit as at the end of the reporting period	**15,784**	15,815	**15,784**	15,815	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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million			`	
Fair value of plan assets as at the beginning of the period	**8,934**	9,067	**8,816**	9,803	9,803
Actual return on plan assets[(a)]	**(25)**	(22)	**288**	(213)	(293)
Plan contributions by the Bank	**162**	16	**192**	52	248
Contributions by planholders	**6**	7	**18**	21	27
Changes in foreign exchange rates	**(2)**	(11)	**12**	(3)	1
Paid benefits	**(156)**	(244)	**(407)**	(746)	(869)
Other	**-**	-	**-**	69	69
Less balances of the sold US subsidiary[(b)]	**-**	-	**-**	(170)	(170)
Fair value of plan assets as at the end of the reporting period	**8,919**	8,813	**8,919**	8,813	8,816
Funding status - net liability recognized at the end of the reporting period	**7,798**	7,628	**7,798**	7,628	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 September 30		As at December 31
	2023	2022[(a)]	2022
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other assets" item	**2**	1	2
Amounts recognized in the "Other liabilities" item	**7,800**	7,629	8,400
Net liability recognized at the end of the reporting period	**7,798**	7,628	8,398

(a) Reclassified.

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

	As at September 30		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**1,400**	1,165	2,109
Closing balance of accumulated other comprehensive income	**1,400**	1,165	2,109

B. Expenditure for the period

1. Components of the net benefit cost recognized in profit and loss

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million				
Service cost	**31**	32	**94**	113	142
Interest cost	**212**	184	**621**	515	717
Expected return on plan assets	**(129)**	(98)	**(353)**	(305)	(402)
Amortization of unrealized amounts – net actuarial loss	**75**	42	**262**	236	265
Total benefit cost, net	**189**	160	**624**	559	722
Total expense for defined contribution pension plan	**53**	49	**160**	147	199
Total expenses included in profit and loss	**242**	209	**784**	706	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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million				
Net actuarial loss (gain) for the period	**(663)**	(461)	**(447)**	(3,721)	(2,754)
Amortization of unrealized amounts - net actuarial loss	**(75)**	(42)	**(262)**	(236)	(265)
Changes in foreign exchange rates	**-**	-	**-**	-	6
Less balances of the sold US subsidiary[(a)]	**-**	-	**-**	(46)	(46)
Total recognized in other comprehensive income	**(738)**	(503)	**(709)**	(4,003)	(3,059)
Total benefit cost, net	**189**	160	**624**	559	722
Total recognized in net benefit cost for the period and in other comprehensive income	**(549)**	(343)	**(85)**	(3,444)	(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 September 30		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In %		
Discount rate	**2.41**	2.20	2.06
Rate of increase in the CPI	**3.13**	2.47	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 September 30		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In %		
Discount rate	**2.09**	1.20	1.45
Expected long-term return on plan assets	**5.50**	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 September 30		As at December 31	As at September 30		As at December 31
	2023	2022	2022	**2023**	2022	2022
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(2,031)**	(2,037)	(2,126)	**2,473**	2,493	2,609
Rate of increase in the CPI	**(350)**	(335)	(346)	**391**	374	387
Departure rate	**205**	212	192	**(233)**	(231)	(215)
Rate of compensation increase	**380**	365	378	**(341)**	(328)	(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 September 30		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	**68**	10	136
Shares	**1,064**	1,214	1,095
Government bonds	**156**	196	334
Corporate bonds	**474**	617	579
Other[(a)]	**7,157**	6,776	6,672
Total	**8,919**	8,813	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 September 30		As at December 31
	2023	2023	2022	2022
	Unaudited			Audited
	In %			
Cash and deposits with banks	**1**	1	-	2
Shares	**13**	12	14	12
Government bonds	**2**	2	2	4
Corporate bonds	**8**	5	7	7
Other	**76**	80	77	75
Total	**100**	100	100	100

5. Cash flows

A. Contributions

	Forecast[(a)]	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	**2023**	2022	**2023**	2022	2022
	Unaudited					Audited
	In NIS million					
Contributions	**180**	**168**	23	**210**	73	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	193
2024	772
2025	784
2026	848
2027	854
2028-2032	5,052
2033 and onwards	13,993
Total	22,496

(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 92,773,267 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”).

The implementation of Stage A began on May 24, 2023 and ended on August 1, 2023, during which time the Bank purchased (through the independent Stock Exchange member it had contracted) 10,740,308 shares totaling NIS 300 million under the said plan. The implementation of Stage B began on August 16, 2023 and ended on October 18, 2023, during which time the Bank purchased (through the independent Stock Exchange member it had contracted) 10,208,701 shares totaling NIS 300 million under the said plan.

On November 12, 2023, the Banking Supervision Department issued a letter on the subject of capital planning and profit distribution policies in which it requested that the banks reexamine the policies regarding the distribution of dividends and share buybacks in the coming period in view of the Iron Swords War and the increased uncertainty regarding its continuation and impact on the economy. Subsequently, it is noted that no decision was made to implement the third and last part of the buyback plan. According to the plan’s terms and conditions, the share buyback plan may be completed by May 15, 2024; accordingly, the Bank may decide to implement Stage C of the buyback plan (for a maximum amount of NIS 200 million), subsequent to the publication of the financial statements for 2023.

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.

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 September 30, 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 of September 30, 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.

Note 9A - Equity (cont.)

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, and on November 16, 2023, a draft circular amending the directive was published, according to which the relief shall be extended until December 31, 2025. 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, 2026. 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.

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.

Following on the Banking Supervision Department's letter dated November 12, 2023, on capital planning and profit distribution policy, as outlined above, on November 29, 2023, the Bank's Board of Directors approved a dividend distribution of NIS 353 million, which represents 20 percent of the net income of the third quarter of 2023. The dividend approved amounted is 23.21 agorot p.v. per share of NIS 1 par value. The final dividend amount per share is subject to changes due to exercise of the Bank's convertible securities. The Board of Directors set December 7, 2023 as the record date for dividend payment purposes and December 17, 2023 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
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
May 23, 2023	June 15, 2023	19.10	294
August 14, 2023	September 7, 2023	48.05	736

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 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 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.

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.

Note 9A - Equity (cont.)

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.

On May 30, 2023, the Bank issued a total of NIS 1.492 billion p.v. in bonds by way of an expansion of Series 183 Bonds in consideration for NIS 1.419 billion, as well as NIS 2.428 billion p.v. in commercial securities (CS Series 4).

The principal of the Commercial Securities and interest in respect thereof shall be payable in one lump sum on May 28, 2024; it is not linked to the Consumer Price Index, and carries a spread of 0.19 percent over the Bank of Israel's interest rate.

On August 7, 2023, the Bank issued a total of NIS 0.5 billion p.v. in credit linked notes (CLN) (Series 1) on the TACT Institutional list.

The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

A credit-linked note is a financial instrument that is associated with a number of loans given by the Bank and bears the credit risk of these loans.

The Bank undertakes to repay the note amount (including interest in accordance with the terms and conditions of the note), with the Bank's undertaking conditioned upon non-materialization of the credit risk embodied in such loans, according to the note. The payment by the Bank to the note holder will be reduced accordingly if any of the loans to which it is linked shall be defaulted upon, or if the borrower defaults or is under bankruptcy, and the repayment to the note holder shall only be made against amounts the Bank has been able to collect in their respect, according to the terms and conditions of the note.

The proceeds of the issuance is recognized as a qualifying financial collateral in accordance with Proper Conduct of Banking Business Directive No. 203, as well as collateral deductible in calculating indebtedness of a customer under Proper Conduct of Banking Business Directive No. 313.

The Note's principal will be payable in one lump sum on December 24, 2026, as long as the Bank does not make early redemption, as detailed in the terms of the issuance. The unpaid balance of the Note's principal will bear annual interest at the Bank of Israel interest rate plus 2.3 percent, which will be paid in 40 monthly installments, from September 24, 2023 to December 24, 2026, the final repayment date of the Note's principal. The Notes (principal and interest) are not linked to any linkage basis.

Series 183 Bonds, Credit Linked Notes (Series 1), and Commercial Securities (Series 4) are not recognized for regulatory capital purposes.

Early redemption of Subordinated Bonds

On July 5, 2023, the Bank's Board of Directors decided to redeem, by way of full early redemption, Subordinated Bonds Series 401, which were issued to the public in July 2018. Accordingly, on July 31, 2023, subordinated bonds totaling NIS 681 million were redeemed (including linkage differences).

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 16,507 million and the Common Equity Tier 1 capital - to NIS 51,998 million, compared with a carrying amount of NIS 17,035 million for the pension liability and Common Equity Tier 1 capital of NIS 51,388 million.

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at September 30, 2023:

- Change in total risk-weighted assets – risk-weighted assets amounted to approx. NIS 460 billion as at September 30, 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 September 30, 2023, Common Equity Tier 1 totals approx. NIS 52 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.)

	September 30		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)(c)]	**51,998**	47,245	48,797
Tier 2 capital, after deductions	**14,371**	11,906	12,020
Total capital	**66,369**	59,151	60,817
Balance of risk-weighted assets			
Credit risk[(b)(d)(e)]	**425,005**	381,466	392,658
Market risks	**6,198**	7,532	6,610
Operational risk	**29,071**	25,095	26,375
Total balance of risk-weighted assets	**460,274**	414,093	425,643
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.30%**	11.41%	11.46%
Ratio of total capital to risk-weighted assets	**14.42%**	14.28%	14.29%
Minimum CET1 capital ratio set by the Banking Supervision Department[(a)]	**10.21%**	10.21%	10.21%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**13.50%**	13.50%	13.50%

(a) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of September 30, 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 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 C below.

(c) 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.

(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”.

(e) 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.)

B. Capital Components for the Calculation of Capital Ratios

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	**52,518**	48,044	49,438
Adjustments in respect of the transition from the accounting curve to the regulatory curve[(a)]	**(88)**	40	190
Total CET1 capital before regulatory adjustments and deductions	**52,430**	48,084	49,628
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(676)**	(1,220)	(1,205)
Regulatory adjustments and other deductions - CET1 capital	**(21)**	(38)	(35)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for CECL - CET1 capital	**(697)**	(1,258)	(1,240)
Total adjustments for the efficiency plan	**25**	59	49
Total adjustments for current expected credit losses[(b)]	**240**	360	360
Total CET1 capital, after regulatory adjustments and deductions	**51,998**	47,245	48,797
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**9,058**	7,571	7,547
Tier 2 capital: Provisions for loan losses, before deductions	**5,313**	4,335	4,473
Total Tier 2 capital before deductions	**14,371**	11,906	12,020
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**14,371**	11,906	12,020
Total capital	**66,369**	59,151	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 C 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.)

C. Effect of the Adjustments on the CET1 Capital Ratio

	September 30		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, of adjustments for current expected credit losses and for high-risk loans for land purchases	**11.25%**	11.25%	11.29%
Adjustments in respect of the Efficiency Plan[(a)(b)]	**0.01%**	0.02%	0.01%
Adjustments for current expected credit losses[(c)]	**0.04%**	0.10%	0.09%
Adjustments in respect of high-risk loans for the purchase of land	**-**	0.04%	0.07%
Ratio of CET1 capital to risk-weighted assets	**11.30%**	11.41%	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.

D. 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.

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

Regarding the leverage requirements, on November 16, 2023, a draft circular amending the directive was published, according to which the relief shall be extended until December 31, 2025. 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, 2026. 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 September 30		As at December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Consolidated data[(a)(b)]			
Tier 1 capital	**51,998**	47,245	48,797
Total exposures[(c)]	**773,129**	744,777	766,895
Leverage ratio			
Leverage ratio	**6.73%**	6.34%	6.36%
Minimum total leverage ratio set by the Banking Supervision Department	**5.50%**	5.50%	5.50%

(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 C 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 B 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".

E. 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.

	For the three months ended		
	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	Average in %		
a. Consolidated data			
Liquidity coverage ratio	**130**	127	131
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**126**	124	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 September 30, 2023.

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

F. Net stable funding ratio pursuant to the Banking Supervision Department's directives

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.

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	In %		
a. Consolidated data			
Net stable funding ratio	**118**	126	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

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	In NIS million		
Commitments to purchase securities	**1,223**	1,149	1,060
Commitments to invest in, and purchase of, buildings and equipment	**95**	116	44

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	**2023**	2022	2022
	Unaudited				Audited
	In NIS million				
Credit sale activity					
Carrying amount of sold loans	**-**	-	**42**	422	505
Cash proceeds	**-**	-	**42**	437	562
Total net income on sale of loans	**-**	-	**-**	15	57

Note 10 - Contingent Liabilities and Special Commitments (cont.)

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 354 million.

1. Following are the changes in material claims reported in Note 26 to the Annual Financial Statements of the Bank as at December 31, 2022:

   1.1. 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.

   1.2. On March 29, 2017, a motion for class certification was filed against the Bank and similar legal claims were filed against other banks. Alternately, the applicant, the Bank may not charge a "correspondent bank fee" when transferring foreign currency from a customer's account to a bank account abroad, contrary to the provisions of the Banking Law (Service to Customer), 1981 and the rules pursuant thereto (hereinafter - the "Banking Grounds"); alternatively, the applicant claims that the Bank may only charge a correspondent bank fee at the amount of the expense it actually incurred (the amount that it actually paid to the correspondent bank); to the extent that the Bank did not act accordingly, this constitutes a breach of contract, unjust enrichment, and is contrary to the provisions of the Emissary Law, 1965 (hereinafter - the "Agency Law Grounds"). The applicant claims that, the personal damage he has incurred is USD 30, and the damage incurred by the class of plaintiffs cannot be estimated. On February 16, 2023, a court decision was handed down certification of the claim as a class action lawsuit only on the Agency Law Grounds, and rejecting the Banking Grounds. On May 30, 2023, a request for permission to appeal was filed on behalf of the Bank (as well as several other banks) on the certification decision. On June 1, 2023, an appeal was filed by the applicant against the certification decision regarding the rejection of the Banking Grounds.

1.3. 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 a damage 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.

1.4. On June 7, 2021, a motion for class certification was filed in the Tel Aviv District Court against the Bank. The lawsuit addresses the plaintiff's claim whereby he incurred damage due to failure to update his bank account balance during the two days which elapsed from the date on which he purchased foreign securities and the date on which his account was charged for the purchase. The plaintiff estimates his personal damage at NIS 35 thousand and does not provide a damage assessment for the class. On October 30, 2023, the Court dismissed the motion for class action certification.

1.5. On September 6, 2021, a motion for class certification was filed with the Haifa District Court against five banks, including the Bank, stating that the plaintiffs suffered damage following tax overcharges relating to proceeds from securities (such as dividends, interest, etc.), in cases there is a difference between the customer's country of residence and the security issuer's taxing country. According to the plaintiffs, the tax rates should be charged in accordance with the treaties for preventing double taxation between the relevant countries which, they claim, is not carried out effect. The plaintiffs do not state a damage assessment for the class. On July 9, 2023, the court approved the withdrawal motion of the applicants and, as a result, the class action lawsuit was concluded.

2. Also pending against the Bank are motions for class certification for a material amount, which – according to the Bank's management, which is based on legal opinions as to the odds of these motions being approved – it is impossible to estimate the odds at this stage. For this reason, no provisions were made in respect of these motions.

2.1. On June 4, 2023, a motion for class certification was filed in the Tel Aviv District Court against the Bank and against other banks. The motion argued, among other things, that banks must grant customers daily interest on credit balances or inform them of the possibility of depositing the funds in an interest-bearing daily deposit. The applicants estimate the class damages at over NIS 1 billion (for all the defendant banks).

2.2. On June 21, 2023, a motion for class certification was filed in the Tel Aviv District Court against the Bank and against other banks. The subject of the motion is the Bank's raising of the Prime interest rate, for the purpose of determining the debit interest on current account balances, interest for delay and interest on loans and on any type of debit balances, at the rate of the Bank of Israel's interest rate increase rather than according to the change in interest on the sources used to finance the credit in the period beginning in April 2022. The applicants estimate the class damages at over NIS 5 billion (for all the defendant banks).

2.3. On July 19, 2023, a motion for class certification was filed in the Tel Aviv District Court against the Bank and against other banks. The motion claimed, among other things, that the interest rate paid on deposits made through the website or app pay lower than the average interest rates than the customary and accepted interest rate and the actual interest paid on deposits made through a clerk, without informing the customers regarding the possibility of receiving higher interest and without inviting them to negotiate the terms and conditions with the Bank. The applicants estimate the class damages at over NIS 984 million (for all the defendant banks).

Note 10 - Contingent Liabilities and Special Commitments (cont.)

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. The malfunction did not and could not cause harm of any kind to customers, or exposure of information in their regard. Pepper acted to repair the malfunctions. The financial sanction was paid in full.

D. Other proceedings

On March 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

	September 30, 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	3,229	77,856	81,085
Written options	839	488	1,327
Purchased options	-	-	-
Swaps[(a)]	45,925	367,729	413,654
Total[(b)]	49,993	446,073	496,066
Of which: Hedging derivatives[(c)]	10,455	-	10,455
b) Foreign currency contracts			
Futures and forwards[(d)]	55,905	311,818	367,723
Written options	1,115	23,034	24,149
Purchased options	1,115	25,310	26,425
Swaps[(a)]	3,633	21,510	25,143
Total	61,768	381,672	443,440
c) Stock contracts			
Futures and forwards	931	168,820	169,751
Written options	372	87,000	87,372
Purchased options[(e)]	728	86,708	87,436
Other	7	-	7
Swaps	201	177,652	177,853
Total	2,239	520,180	522,419
d) Commodities and other contracts			
Futures and forwards	-	9,248	9,248
Written options	-	74	74
Purchased options	-	93	93
Swaps	-	4,258	4,258
Total	-	13,673	13,673
e) Credit contracts			
The Bank serves a guarantor	4	-	4
The Bank is a beneficiary	-	-	-
Total	4	-	4
Total nominal amount	114,004	1,361,598	1,475,602

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 200,851 million.
(b) Of which: NIS-CPI swaps totaling NIS 16,022 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 22,456 million.
(e) Of which: a total of NIS 86,295 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	September 30, 2022 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	12,615	55,935	68,550
Written options	283	2,266	2,549
Purchased options	-	809	809
Swaps[(a)]	42,285	347,300	389,585
Total[(b)]	55,183	406,310	461,493
Of which: Hedging derivatives[(c)]	7,640	-	7,640
b) Foreign currency contracts			
Futures and forwards[(d)]	65,109	257,433	322,542
Written options	975	19,430	20,405
Purchased options	975	19,491	20,466
Swaps[(a)]	1,949	20,153	22,102
Total	69,008	316,507	385,515
c) Stock contracts			
Futures and forwards	623	185,943	186,566
Written options	1,101	32,448	33,549
Purchased options[(e)]	509	32,346	32,855
Other	7	-	7
Swaps	246	108,772	109,018
Total	2,486	359,509	361,995
d) Commodities and other contracts			
Futures and forwards	-	9,897	9,897
Written options	-	178	178
Purchased options	-	176	176
Swaps	-	3,291	3,291
Total	-	13,542	13,542
Total nominal amount	126,677	1,095,868	1,222,545

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 195,948 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,448 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 16,615 million.
(e) Of which: a total of NIS 32,321 million is traded on the Tel Aviv Stock Exchange.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31, 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 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	September 30, 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	1,579	10,742	12,321	889	10,271	11,160
Of which: Hedging derivatives	1,119	-	1,119	221	-	221
b) Foreign currency contracts	630	8,867	9,497	28	6,542	6,570
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	26	10,272	10,298	63	10,226	10,289
d) Commodities and other contracts	-	508	508	-	507	507
Total assets/liabilities for derivatives, gross[(a)]	2,235	30,389	32,624	980	27,546	28,526
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	2,235	30,389	32,624	980	27,546	28,526
Of which: Not subject to a master netting arrangement - or similar arrangements	-	1,558	1,558	-	908	908

(a) Of which: NIS 9 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.

	September 30, 2022 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	1,259	8,970	10,229	1,139	9,056	10,195
Of which: Hedging derivatives	863	-	863	81	-	81
b) Foreign currency contracts	541	11,639	12,180	94	8,950	9,044
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	15	18,781	18,796	101	17,803	17,904
d) Commodities and other contracts	-	169	169	-	167	167
Total assets/liabilities for derivatives, gross[(a)]	1,815	39,559	41,374	1,334	35,976	37,310
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,815	39,559	41,374	1,334	35,976	37,310
Of which: Not subject to a master netting arrangement - or similar arrangements	-	2,350	2,350	-	1,002	1,002

(a) Of which: NIS 15 million in gross fair value of assets in respect of embedded derivatives, NIS 2 million in gross fair value of liabilities in respect of embedded derivatives.

Note 11 - Derivatives 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 arrangement - 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 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges

1. Effect of hedge accounting of cash flows on accumulated other comprehensive income (loss)

	For the three months ended September 30, 2023		For the nine months ended September 30, 2023	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) profit and loss	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to profit and loss[(a)]
	Unaudited			
	In NIS million			
a. Derivatives used for cash flow hedges[(b)]				
Interest rate contracts[(c)]	(3)	1	(6)	8

	For the three months ended September 30, 2022		For the nine months ended September 30, 2022	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to profit and loss	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to profit and loss[(a)]
	Unaudited			
	In NIS million			
a. Derivatives used for cash flow hedges[(b)]				
Interest rate contracts[(c)]	(3)	3	(13)	10

	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) profit and loss[(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 - Derivatives 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 September 30, 2023	For the nine months ended September 30, 2023
	Unaudited	
	In NIS million	
Total interest income (expenses) recognized in the income statement	**45**	**129**
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts[(a)]		
Hedged items	**(125)**	**51**
Hedging derivatives	**171**	**86**
b. Gain (loss) on cash flow hedges		
Interest rate contracts		
Profit and loss reclassified to Accumulated other comprehensive income (loss)	**(1)**	**(8)**

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022
	Unaudited	
	In NIS million	
Total interest income (expenses) recognized in the income statement	6	(25)
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts[(a)]		
Hedged items	(183)	(785)
Hedging derivatives	192	770
b. Gain (loss) on cash flow hedges		
Interest rate contracts		
Profit and loss reclassified to Accumulated other comprehensive income (loss)	(3)	(10)

	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 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges (cont.)

3. Items hedged at fair value hedges

	As at September 30, 2023 (unaudited)		
		Cumulative fair value adjustments that had an effect on the carrying amount	
	Carrying amount of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	**5,099**	**(1,049)**	**1**
Subordinated bonds	**(3,867)**	**232**	**-**

	As at September 30, 2022 (unaudited)		
		Cumulative fair value adjustments that had an effect on the carrying amount	
	Carrying amount of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	4,793	(986)	1
Other assets	(1,707)	68	-

	For the year ended December 31, 2022 (audited)		
		Cumulative fair value adjustments that had an effect on the carrying amount	
	Carrying amount 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 - Derivatives 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 September 30, 2023		For the nine months ended September 30, 2023	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[a]	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	**(73)**	**-**	**(207)**	**-**

	For the three months ended September 30, 2022		For the nine months ended September 30, 2022	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[a]	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	(36)	-	(326)	-

	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 - Derivatives 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 September 30, 2023	For the nine months ended September 30, 2023
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	104	27
Foreign currency contracts	2,193	4,966
Stock contracts	(28)	137
Commodity- and other contracts	2	2
Total	2,271	5,132

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	(192)	(330)
Foreign currency contracts	1,567	8,070
Stock contracts	(1)	(10)
Commodity- and other contracts	1	1
Total	1,375	7,731

	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) item.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk for Derivatives by Contract Counterparty

	September 30, 2023 (unaudited)[g]						
	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]	354	5,086	13,696	-	10,252	3,236	32,624
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	4,116	11,609	-	2,348	1,148	19,221
Credit risk mitigation in respect of cash collateral received	-	913	1,770	-	7,428	333	10,444
Total net book balance of assets in respect of derivatives[d]	354	57	317	-	476	1,755	2,959
Adjustment of book balance, net to on-balance-sheet credit risk[e]	-	(26)	14	-	(198)	84	(126)
Total on-balance-sheet credit risk for derivatives	354	31	331	-	278	1,839	2,833
Net off-balance-sheet credit risk for derivatives[f]	1,168	10,889	14,721	56	7,828	3,638	38,300
Total credit risk for derivatives	1,522	10,920	15,052	56	8,106	5,477	41,133
Book balance of liabilities in respect of derivatives[a][c]	301	7,799	13,785	265	4,423	1,953	28,526
Gross amounts not netted on the balance sheet:							
Financial instruments	-	4,116	11,609	-	2,348	1,148	19,221
Pledged cash collateral	-	3,471	2,120	241	1,202	-	7,034
Net amount of liabilities in respect of derivatives	301	212	56	24	873	805	2,271

	September 30, 2022 (unaudited)[g]						
	Stock exchanges	Banks	Dealers/brokers	Governments and central banks	Institutional entities[h]	Other[h]	Total
	In NIS million						
Book balance of assets in respect of derivatives[a][b]	280	6,816	9,564	12	-	24,702	41,374
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	5,567	9,489	12	-	3,784	18,852
Credit risk mitigation in respect of cash collateral received	-	1,194	45	-	-	16,108	17,347
Total net book balance of assets in respect of derivatives[d]	280	55	30	-	-	4,810	5,175
Adjustment of book balance, net to on-balance-sheet credit risk[e]	(2)	(25)	(11)	-	-	(616)	(654)
Total on-balance-sheet credit risk for derivatives	278	30	19	-	-	4,194	4,521
Net off-balance-sheet credit risk for derivatives[f]	960	9,149	14,409	42	-	8,922	33,482
Total credit risk for derivatives	1,238	9,179	14,428	42	-	13,116	38,003
Book balance of liabilities in respect of derivatives[a][c]	324	12,441	18,476	178	-	5,891	37,310
Gross amounts not netted on the balance sheet:							
Financial instruments	-	5,567	9,489	12	-	3,784	18,852
Pledged cash collateral	-	6,525	7,233	121	-	446	14,325
Net amount of liabilities in respect of derivatives	324	349	1,754	45	-	1,661	4,133

Please see comments on the following page.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk for Derivatives by Contract Counterparty (cont.)

	December 31, 2022 (audited)[g]						
	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[d]	224	45	16	-	693	1,097	2,075
Adjustment of book balance, net to on-balance-sheet credit risk[e]	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[f]	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 on-balance-sheet total assets in respect of standalone derivatives totaling NIS 32,615 million (September 30, 2022 - 41,359 million, December 31, 2022 - NIS 26,638 million).
(c) Of which on-balance-sheet total liabilities in respect of standalone derivatives totaling NIS 28,503 million (September 30, 2022 - 37,308 million, December 31, 2022 - NIS 23,311 million).
(d) 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.
(e) 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.
(f) 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 indebtedness limitations, before credit risk mitigation, and the on-balance sheet credit risk for the borrower's derivatives.
(g) 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).
(h) Restated.

Comments:
1. No credit losses were recognized in respect of derivatives in the nine-month periods ended September 30, 2023, September 30, 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 of September 30, 2023, September 30, 2022 and December 31, 2022 was NIS 240 million, NIS 214 million and NIS 225 million, respectively.
The effect of the non-performance risk on the valuation of assets for derivatives as of September 30, 2023, September 30, 2022 and December 31, 2022 was NIS 17 million, NIS 30 million and NIS 21 million, respectively.

Note 11 - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

D. Breakdown of Settlement Dates - Par Value: Balances

	September 30, 2023 (unaudited)				
	Up to three months	Over three months and up to one year	Over one year and up to five years	Over five years	Total
	In NIS million				
Interest rate contracts:					
NIS-CPI	1,499	4,466	7,246	2,811	16,022
Other	115,463	115,792	168,413	80,376	480,044
Foreign currency contracts	275,106	131,674	29,603	7,057	443,440
Stock contracts	357,025	161,108	4,286	-	522,419
Commodity- and other contracts	4,990	3,310	5,377	-	13,677
Total	754,083	416,350	214,925	90,244	1,475,602
Total as at September 30, 2022 (unaudited)	589,370	322,769	226,517	83,889	1,222,545
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 September 30, 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	2,320	1,697	22	4
Interest expense from external	678	6	-	292
Interest income, net:				
From external	1,642	1,691	22	(288)
Inter-segmental	(123)	(1,285)	(4)	381
Total interest income, net	1,519	406	18	93
Total noninterest income	245	11	67	37
Total income	1,764	417	85	130
Loan loss expenses (income)	273	59	5	(7)
Operating and other expenses:				
For external	722	93	59	22
Inter-segmental	-	-	-	-
Total operating and other expenses	722	93	59	22
Profit (loss) before taxes	769	265	21	115
Provision for profit taxes (benefit)	259	89	8	40
Profit (loss) after taxes	510	176	13	75
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	510	176	13	75
Net income (loss) attributable to the Bank's shareholders	510	176	13	75
Average balance of assets[b]	154,146	124,188	5,025	371
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	155,008	124,539	5,070	367
Outstanding loans to the public as at the end of the reporting period	158,712	127,826	4,613	372
Outstanding non-performing debts	873	570	3	-
Outstanding debts in arrears of over 90 days	89	-	-	-
Average outstanding liabilities[b]	134,524	48	14	32,634
Of which: Average balance of deposits by the public[b]	134,416	-	-	32,632
Balance of deposits by the public as at the end of the reporting period	134,471	-	-	33,068
Average balance of risk-weighted assets[b][c]	101,000	74,241	4,109	756
Balance of risk-weighted assets as at the end of the reporting period[c]	105,171	78,267	4,350	803
Average balance of assets under management[b][d]	60,112	1,736	-	51,533
Breakdown of interest income, net:				
Spread[f] from credit granting activity	723	406	18	5
Spread[f] from deposit taking activity	796	-	-	88
Other	-	-	-	-
Total interest income, net	1,519	406	18	93

(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 19.6 billion to customers whose business activity is classified to business segments.
(f) Spread from credit granting activity is the difference between the interest received from credit and the cost of raising the sources used to grant the credit (hereinafter - "transfer prices"). These transfer prices are subject to the period, currency and type of interest in the transaction. Transfer prices are the Bank's internal pricing tool and are based on internal models and the Bank's judgment. Spread from deposit taking activity is the difference between the transfer prices and the interest paid to customers for these deposits.

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.

Small- and micro-businesses	Mid-market businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Foreign operations[a] Total activity outside Israel	Total
1,160	708	2,178	33	2,190	-	8,593	165	8,758
697	588	883	1,131	554	-	4,823	-	4,823
463	120	1,295	(1,098)	1,636	-	3,770	165	3,935
500	398	(400)	1,207	(1,869)	10	104	(104)	-
963	518	895	109	(233)	10	3,874	61	3,935
236	89	241	44	478	3	1,373	28	1,401
1,199	607	1,136	153	245	13	5,247	89	5,336
149	128	428	1	7	8	987	4	991
387	125	128	59	67	181	1,691	31	1,722
-	7	-	2	3	(12)	-	-	-
387	132	128	61	70	169	1,691	31	1,722
663	347	580	91	168	(164)	2,569	54	2,623
227	122	176	31	41	(53)	843	23	866
436	225	404	60	127	(111)	1,726	31	1,757
-	-	-	-	10	-	10	-	10
436	225	404	60	137	(111)	1,736	31	1,767
436	225	404	60	137	(111)	1,736	31	1,767
64,770	40,071	142,675	4,673	268,314	7,692	682,712	8,082	690,794
-	-	-	-	3,972	-	3,972	-	3,972
66,006	40,468	143,951	4,676	-	-	410,476	8,088	418,564
66,430	41,535	146,809	1,881	-	-	415,739	7,738	423,477
662	143	1,311	1	-	-	2,990	156	3,146
68	-	14	-	-	-	171	-	171
102,717	65,445	83,956	121,689	85,839	11,774	638,578	74	638,652
102,583	65,353	77,460	121,230	-	-	533,674	-	533,674
100,677	66,097	86,285	123,921	-	-	544,519	-	544,519
57,563	44,121	189,581	970	34,571	18,388	446,950	10,415	457,365
58,241	43,623	198,279	1,018	35,215	18,513	458,504	10,482	460,274
85,589	30,226	105,536	952,771	56,193	-	1,341,960	-	1,341,960
483	266	717	7	-	10	2,211	164	2,375
480	252	178	102	-	-	1,896	-	1,896
-	-	-	-	(233)	-	(233)	(103)	(336)
963	518	895	109	(233)	10	3,874	61	3,935

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended September 30, 2022 (unaudited)			
	Activity in Israel[a]			
	Households[e]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	1,729	1,301	14	3
Interest expense from external	146	-	-	56
Interest income, net:				
From external	1,583	1,301	14	(53)
Inter-segmental	(506)	(912)	1	124
Total interest income, net	1,077	389	15	71
Total noninterest income	256	13	68	35
Total income	1,333	402	83	106
Loan loss expenses (income)	117	47	3	-
Operating and other expenses:				
For external	675	100	65	24
Inter-segmental	1	1	-	-
Total operating and other expenses	676	101	65	24
Profit (loss) before taxes	540	254	15	82
Provision for profit taxes (benefit)[h]	179	85	4	28
Profit (loss) after taxes	361	169	11	54
The Bank's share in associates' profits	-	-	-	-
Net income before attribution to non-controlling interests	361	169	11	54
Net income attributable to the Bank's shareholders	361	169	11	54
Average balance of assets[b]	142,510	113,689	4,210	345
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	143,538	113,943	4,233	454
Outstanding loans to the public as at the end of the reporting period	147,374	116,715	4,759	445
Outstanding non-performing debts	717	520	2	-
Outstanding debts in arrears of over 90 days	69	-	-	-
Average outstanding liabilities[b]	125,207	58	19	27,636
Of which: Average balance of deposits by the public[b]	125,070	-	-	27,634
Balance of deposits by the public as at the end of the reporting period	126,426	-	-	28,043
Average balance of risk-weighted assets[b][c]	94,291	69,187	3,542	855
Balance of risk-weighted assets as at the end of the reporting period[c]	94,172	69,662	3,567	275
Average balance of assets under management[b][d]	61,476	1,722	-	47,413
Breakdown of interest income, net:				
Spread[f] from credit granting activity	721	389	15	5
Spread[f] from deposit taking activity	356	-	-	66
Other	-	-	-	-
Total interest income, net	1,077	389	15	71

(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 18.1 billion to customers whose business activity is classified to business segments.
(f) Spread from credit granting activity is the difference between the interest received from credit and the cost of raising the sources used to grant the credit (hereinafter - "transfer prices"). These transfer prices are subject to the period, currency and type of interest in the transaction. Transfer prices are the Bank's internal pricing tool and are based on internal models and the Bank's judgment. Spread from deposit taking activity is the difference between the transfer prices and the interest paid to customers for these deposits.
(g) Reclassified. The results of intersegmental operations arising from crediting and debiting the business units for transfer prices were classified to the "Other" line item. This was done in order to sum up, across all segments, the total spread from loans to the public and total spread from deposits by the public, in lieu of interest income from credit and interest expenses on the deposits.
(h) Reclassified.

							Foreign operations[a]	
Small- and micro-businesses	Mid-market businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
718	388	1,059	16	989	-	4,902	76	4,978
156	167	338	421	277	-	1,561	3	1,564
562	221	721	(405)	712	-	3,341	73	3,414
183	173	(68)	520	(424)	7	9	(9)	-
745	394	653	115	288	7	3,350	64	3,414
220	82	167	46	22[h]	36[h]	864	(9)	855
965	476	820	161	310	43	4,214	55	4,269
(24)	(11)	27	(1)	(25)	-	83	16	99
433	106	157[h]	94	33[h]	128	1,650	21	1,671
-	-	-	-	5	(6)	-	-	-
433	106	157	94	38	122	1,650	21	1,671
556	381	636	68	297	(79)	2,481	18	2,499
187	131	215	24	90	47	901	7	908
369	250	421	44	207	(126)	1,580	11	1,591
-	-	-	-	191	-	191	-	191
369	250	421	44	398	(126)	1,771	11	1,782
369	250	421	44	398	(126)	1,771	11	1,782
62,633	38,983	116,888	4,972	289,974	3,476	659,781	6,691	666,472
-	-	-	-	1,085	-	1,085	-	1,085
63,841	39,477	117,821	4,982	-	-	370,113	6,058	376,171
65,485	39,796	126,863	2,048	-	-	382,011	5,908	387,919
401	223	1,131	2	-	-	2,474	29	2,503
33	-	-	-	-	-	102	126	228
95,993	66,059	96,050[h]	130,145	67,233[h]	8,433[h]	616,756	1,863	618,619
95,845	65,960	94,442[h]	129,624	-	-	538,575	416	538,919
96,391	68,000	93,107	134,728	-	-	546,695	11	546,706
60,869	41,669	143,269	275	32,342	17,870	391,440	7,729	399,169
56,968	42,512	157,579	8,517	31,183	15,811	407,017	7,076	414,093
74,875	32,704	141,370	941,138	37,546	-	1,336,522	-	1,336,522
496	236	551	8	-[g]	7	2,024	92	2,116[g]
249	158	102	107	-[g]	-	1,038	(4)	1,034[g]
-	-	-	-	288[g]	-	288	(24)	264[g]
745	394	653	115	288	7	3,350	64	3,414

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the nine months ended September 30, 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	6,913	5,098	61	11
Interest expense from external	1,712	6	-	743
Interest income, net:				
From external	5,201	5,092	61	(732)
Inter-segmental	(739)	(3,907)	(8)	1,041
Total interest income, net	4,462	1,185	53	309
Total noninterest income	842	35	311	115
Total income	5,304	1,220	364	424
Loan loss expenses (income)	558	113	21	-
Operating and other expenses:				
For external	2,046	284	174	73
Inter-segmental	-	-	-	-
Total operating and other expenses	2,046	284	174	73
Profit (loss) before taxes	2,700	823	169	351
Provision for profit taxes (benefit)	957	288	61	128
Profit (loss) after taxes	1,743	535	108	223
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	1,743	535	108	223
Net income (loss) attributable to the Bank's shareholders	1,743	535	108	223
Average balance of assets[(b)]	150,633	121,100	4,485	380
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	151,532	121,497	4,525	374
Outstanding loans to the public as at the end of the reporting period	158,712	127,826	4,613	372
Outstanding non-performing debts	873	570	3	-
Outstanding debts in arrears of over 90 days	89	-	-	-
Average outstanding liabilities[(b)]	132,166	52	14	31,427
Of which: Average balance of deposits by the public[(b)]	132,046	-	-	31,425
Balance of deposits by the public as at the end of the reporting period	134,471	-	-	33,068
Average balance of risk-weighted assets[(b)(c)]	100,851	74,514	3,865	713
Balance of risk-weighted assets as at the end of the reporting period[(c)]	105,171	78,267	4,350	803
Average balance of assets under management[(b)(d)]	59,070	1,728	-	48,711
Breakdown of interest income, net:				
Spread[(g)] from credit granting to the public	2,162	1,185	53	25
Spread[(g)] from deposit taking from the public	2,300	-	-	284
Other	-	-	-	-
Total interest income, net	4,462	1,185	53	309

(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 19.6 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.B.
(g) Spread from credit granting activity is the difference between the interest received from credit and the cost of raising the sources used to grant the credit (hereinafter - "transfer prices"). These transfer prices are subject to the period, currency and type of interest in the transaction. Transfer prices are the Bank's internal pricing tool and are based on internal models and the Bank's judgment. Spread from deposit taking activity is the difference between the transfer prices and the interest paid to customers for these deposits.

							Foreign operations[a]	
Small- and micro-businesses	Mid-market businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
3,340	1,995	5,958	105	6,245	-	24,567	426	24,993
1,891	1,522	2,404	3,106	1,468	-	12,846	-	12,846
1,449	473	3,554	(3,001)	4,777	-	11,721	426	12,147
1,476	1,115	(1,167)	3,429	(4,937)	30	248	(248)	-
2,925	1,588	2,387	428	(160)	30	11,969	178	12,147
699	267	658	137	1,110	32	3,860	24	3,884
3,624	1,855	3,045	565	950	62	15,829	202	16,031
409	168	555	(8)	8	-	1,690	25	1,715
1,161	349	382	170	184	576	4,941	93	5,034
-	7	-	6	9	(22)	-	-	-
1,161	356	382	176	193	554	4,941	93	5,034
2,054	1,331	2,108	397	749	(492)	9,198	84	9,282
732	478	730	143	59	(153)	3,074	45	3,119
1,322	853	1,378	254	690	(339)	6,124	39	6,163
-	-	-	-	(962)[f]	-	(962)	-	(962)
1,322	853	1,378	254	(272)	(339)	5,162	39	5,201
1,322	853	1,378	254	(272)	(339)	5,162	39	5,201
63,944	39,701	136,224	4,092	279,786	8,612	683,372	7,756	691,128
-	-	-	-	4,463	-	4,463	-	4,463
65,137	40,117	137,294	4,097	-	-	398,551	7,287	405,838
66,430	41,535	146,809	1,881	-	-	415,739	7,738	423,477
662	143	1,311	1	-	-	2,990	156	3,146
68	-	14	-	-	-	171	-	171
101,618	66,591	92,399	118,681	83,545	11,681	638,108	2,147	640,255
101,480	66,499	85,708	118,174	-	-	535,332	12	535,344
100,677	66,097	86,285	123,921	-	-	544,519	-	544,519
58,360	43,562	177,772	5,227	30,807	16,590	433,882	9,529	443,411
58,241	43,623	198,279	1,018	35,215	18,513	458,504	10,482	460,274
81,405	29,598	104,812	927,564	54,634	-	1,305,794	-	1,305,794
1,483	784	1,865	21	-	28	6,368	418	6,786
1,442	804	522	407	-	2	5,761	-	5,761
-	-	-	-	(160)	-	(160)	(240)	(400)
2,925	1,588	2,387	428	(160)	30	11,969	178	12,147

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the nine months ended September 30, 2022 (unaudited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	4,913	3,808	40	7
Interest expense from external	321	-	-	100
Interest income, net:				
From external	4,592	3,808	40	(93)
Inter-segmental	(2,096)	(2,815)	1	209
Total interest income, net	2,496	993	41	116
Total noninterest income	757	38	198	116
Total income	3,253	1,031	239	232
Loan loss expenses (income)	139	54	9	-
Operating and other expenses:				
For external	1,990	277	181	72
Inter-segmental	2	2	-	-
Total operating and other expenses	1,992	279	181	72
Profit (loss) before taxes	1,122	698	49	160
Provision for profit taxes (benefit)	381	236	17	54
Profit after taxes	741	462	32	106
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income before attribution to non-controlling interests	741	462	32	106
Net income attributable to non-controlling interests	-	-	-	-
Net income attributable to the Bank's shareholders	741	462	32	106
Average balance of assets[(b)]	137,431	109,064	4,064	417
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	138,251	109,368	4,091	448
Outstanding loans to the public as at the end of the reporting period	147,374	116,715	4,759	445
Outstanding non-performing debts	717	520	2	-
Outstanding debts in arrears of over 90 days	69	-	-	-
Average outstanding liabilities[(b)]	123,052	52	9	26,794
Of which: Average balance of deposits by the public[(b)]	122,946	-	-	26,792
Balance of deposits by the public as at the end of the reporting period	126,426	-	-	28,043
Average balance of risk-weighted assets[(b)(c)]	90,382	66,261	3,519	768
Balance of risk-weighted assets as at the end of the reporting period[(c)]	94,172	69,662	3,567	275
Average balance of assets under management[(b)(d)]	63,164	1,732	-	49,555
Breakdown of interest income, net:				
Spread[(f)] from credit granting to the public	1,929	993	41	11
Spread[(f)] from deposit taking from the public	567	-	-	105
Other	-	-	-	-
Total interest income, net	2,496	993	41	116

(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 18.1 billion to customers whose business activity is classified to business segments.
(f) Spread from credit granting activity is the difference between the interest received from credit and the cost of raising the sources used to grant the credit (hereinafter - "transfer prices"). These transfer prices are subject to the period, currency and type of interest in the transaction. Transfer prices are the Bank's internal pricing tool and are based on internal models and the Bank's judgment. Spread from deposit taking activity is the difference between the transfer prices and the interest paid to customers for these deposits.
(g) Reclassified. The results of intersegmental operations arising from crediting and debiting the business units for transfer prices were classified to the "Other" line item. This was done in order to sum up, across all segments, the total spread from loans to the public and total spread from deposits by the public, in lieu of interest income from credit and interest expenses on the deposits.
(h) Reclassified.

							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
1,812	902	2,508	28	1,794	-	11,964	401	12,365
244	249	537	641	817	-	2,909	18	2,927
1,568	653	1,971	(613)	977	-	9,055	383	9,438
218	222	(329)	788	1,008	12	32	(32)	-
1,786	875	1,642	175	1,985	12	9,087	351	9,438
665	268	485	144	24[h]	815[h]	3,274	88	3,362
2,451	1,143	2,127	319	2,009	827	12,361	439	12,800
61	2	(56)	-	36	-	182	3	185
1,224	330	390[h]	193	233[h]	438	4,870	236	5,106
-	-	-	3	10	(15)	-	-	-
1,224	330	390	196	243	423	4,870	236	5,106
1,166	811	1,793	123	1,730	404	7,309	200	7,509
399	279	610	42	572	8	2,345	53	2,398
767	532	1,183	81	1,158	396	4,964	147	5,111
-	-	-	-	282	-	282	-	282
767	532	1,183	81	1,440	396	5,246	147	5,393
-	-	-	-	-	-	-	10	10
767	532	1,183	81	1,440	396	5,246	137	5,383
60,270	36,929	109,751	3,993	286,583	6,780	642,154	15,547	657,701
-	-	-	-	1,108	-	1,108	-	1,108
61,125	37,299	110,704	3,999	-	-	351,826	12,200	364,026
65,485	39,796	126,863	2,048	-	-	382,011	5,908	387,919
401	223	1,131	2	-	-	2,474	29	2,503
33	-	-	-	-	-	102	126	228
92,530	64,076	94,003[h]	126,549	68,419	8,148[h]	603,571	9,897	613,468
92,413	63,991	91,384[h]	126,010	-	-	523,536	9,463	532,999
96,391	68,000	93,107	134,728	-	-	546,695	11	546,706
57,172	40,052	128,396	986	31,351	17,440	366,547	23,027	389,574
56,968	42,512	157,579	8,517	31,183	15,811	407,017	7,076	414,093
78,069	32,828	130,220	1,003,133	51,944	-	1,408,913	6,232	1,415,145
1,415	644	1,485	18	-[g]	12	5,514	387	5,901[g]
371	231	157	157	-[g]	-	1,588	(18)	1,570[g]
-	-	-	-	1,985[g]	-	1,985	(18)	1,967[g]
1,786	875	1,642	175	1,985	12	9,087	351	9,438

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 profit 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 attribution to non-controlling interests	1,223	605	45	170
Net income attributable to non-controlling interests	-	-	-	-
Net income 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[f]	76	-	-	-
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[g] from granting loans to the public	2,630	1,365	57	18
Spread[g] 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.
(g) Spread from credit granting activity is the difference between the interest received from credit and the cost of raising the sources used to grant the credit (hereinafter - "transfer prices"). These transfer prices are subject to the period, currency and type of interest in the transaction. Transfer prices are the Bank's internal pricing tool and are based on internal models and the Bank's judgment. Spread from deposit taking activity is the difference between the transfer prices and the interest paid to customers for these deposits.
(h) Reclassified. The results of intersegmental operations arising from crediting and debiting the business units for transfer prices were classified to the "Other" line item. This was done in order to sum up, across all segments, the total spread from loans to the public and total spread from deposits by the public, in lieu of interest income from credit and interest expenses on the deposits.

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
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
20	-	16	-	-	-	112	-	112
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	21	-[(h)]	23	7,635	472	8,107[(h)]
781	475	316	314	-[(h)]	1	3,233	(13)	3,220[(h)]
-	-	-	-	1,964[(h)]	-	1,964	(80)	1,884[(a)]
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 financial performance according to management approach

	For the three months ended September 30, 2023 (unaudited)											
	The Bank									Subsidia-ries in Israel	Foreign subsi-diaries	Total
	Private indivi-duals	Small busines-ses	Private banking - total	Mortgages	Commer-cial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	(644)	262	(382)	1,741	410	596	1,031	328	8	37	166	3,935
Inter-segmental	2,063	278	2,341	(1,375)	324	(313)	(675)	(204)	(2)	9	(105)	-
Interest income, net	1,419	540	1,959	366	734	283	356	124	6	46	61	3,935
Noninterest income	370	121	491	3	145	100	100	438	4	92	28	1,401
Total income	1,789	661	2,450	369	879	383	456	562	10	138	89	5,336
Loan loss expenses (income)	242	144	386	87	95	169	222	14	(7)	21	4	991
Total operating and other expenses	727	233	960	96	181	74	45	107	181	47	31	1,722
Profit (loss) before tax	820	284	1,104	186	603	140	189	441	(164)	70	54	2,623
Provision (benefit) for taxes	281	98	379	64	206	48	65	151	(75)	5	23	866
Net income (loss) attributable to the Bank's shareholders	539	186	725	122	397	92	124	343	(89)	22	31	1,767

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

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

	For the three months ended September 30, 2022 (unaudited)											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Private banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	220	336	556	1,304	386	357	469	237	2	31	72	3,414
Inter-segmental[(a)]	684	84	768	(934)	163	(131)	(185)	327	(2)	2	(8)	-
Interest income, net	904	420	1,324	370	549	226	284	564	-	33	64	3,414
Noninterest income (expenses)[(a)]	358	119	477	4	135	64	91	(6)	19	80	(9)	855
Total income	1,262	539	1,801	374	684	290	375	558	19	113	55	4,269
Loan loss expenses (income)	65	47	112	48	(56)	65	(88)	17	(11)	(4)	16	99
Total operating and other expenses	702	253	955	100	191	69	37	99	148	51	21	1,671
Profit (loss) before tax	495	239	734	226	549	156	426	442	(118)	66	18	2,499
Provision for tax	169	82	251	77	188	53	146	152	21	13	7	908
Net income (loss) attributable to the Bank's shareholders	326	157	483	149	361	103	280	476	(139)	58	11	1,782

(a) As of the third quarter of 2023, a change was introduced to the allocation of profitability resulting from the Bank's asset and liability management activity, such that as from that date, all profitability from this activity is attributed to the "Capital Markets" P&L center. To present comparative information, the comparative results were reclassified.

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

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

	For the nine months ended September 30, 2023 (unaudited)											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Private banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	(1,379)	873	(506)	5,239	1,205	1,580	2,794	1,297	16	96	426	12,147
Inter-segmental	5,591	754	6,345	(4,167)	1,003	(766)	(1,774)	(405)	(1)	13	(248)	-
Interest income, net	4,212	1,627	5,839	1,072	2,208	814	1,020	892	15	109	178	12,147
Noninterest income	1,189	372	1,561	10	440	250	294	1,047	52	206	24	3,884
Total income	5,401	1,999	7,400	1,082	2,648	1,064	1,314	1,939	67	315	202	16,031
Loan loss expenses (income)	574	261	835	158	182	99	375	(4)	(2)	47	25	1,715
Total operating and other expenses	2,067	683	2,750	287	539	215	121	277	610	142	93	5,034
Profit (loss) before tax	2,760	1,055	3,815	637	1,927	750	818	1,666	(541)	126	84	9,282
Provision (benefit) for taxes	944	361	1,305	218	659	256	280	570	(238)	24	45	3,119
Net income (loss) attributable to the Bank's shareholders	1,816	694	2,510	419	1,268	494	538	124[(a)]	(303)	112	39	5,201
Balances as at September 30, 2023												
Loans to the public, net	31,142	25,700	56,842	129,583	64,435	61,643	65,027	24,013	6,464	1,241	8,013	417,261
Deposits by the public	215,144	53,224	268,368	-	88,916	32,796	9,627	144,806	6	-	-	544,519

(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.B.

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

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

	For the nine months ended September 30, 2022 (unaudited)											
	The Bank									Subsidia-ries in Israel	Foreign subsi-diaries	Total
	Private indivi-duals	Small busines-ses	Private banking - total	Mortgages	Commer-cial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	745	895	1,640	3,793	1,147	986	1,153	234	9	92	384	9,438
Inter-segmental[(a)]	1,160	95	1,255	(2,815)	182	(432)	(372)	2,217	(5)	3	(33)	-
Interest income, net	1,905	990	2,895	978	1,329	554	781	2,451	4	95	351	9,438
Noninterest income (expenses)[(a)]	1,086	355	1,441	10	424	178	281	(111)	747	304	88	3,362
Total income	2,991	1,345	4,336	988	1,753	732	1,062	2,340	751	399	439	12,800
Loan loss expenses (income)	88	62	150	46	70	32	(175)	89	(21)	(9)	3	185
Total operating and other expenses	2,008	762	2,770	277	539	205	108	303	521	147	236	5,106
Profit before taxes	895	521	1,416	665	1,144	495	1,129	1,948	251	261	200	7,509
Provision (benefit) for taxes	306	178	484	227	391	169	386	666	(55)	77	53	2,398
Net income attributable to the Bank's shareholders	589	343	932	438	753	326	743	1,501	306	247	137	5,383

Balances as at September 30, 2022												
Loans to the public, net	32,374	26,680	59,054	118,101	60,793	53,557	52,283	26,561	5,875	934	5,865	383,023
Deposits by the public	196,325	53,262	249,587	-	94,365	36,207	13,531	153,001	4	-	11	546,706

(a) As of the third quarter of 2023, a change was introduced to the allocation of profitability resulting from the Bank’s asset and liability management activity, such that as from that date, all profitability from this activity is attributed to the “Capital Markets” P&L center. To present comparative information, the comparative results were reclassified.

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	Private 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[b]	2,328	248	2,576	(3,832)	473	(529)	(696)	2,108	(5)	6	(101)	-
Interest income, net	3,114	1,502	4,616	1,336	2,008	807	1,080	2,849	9	127	379	13,211
Noninterest income[b]	1,430	471	1,901	14	552	245	378	563	778[a]	484	103	5,018
Total income	4,544	1,973	6,517	1,350	2,560	1,052	1,458	3,412	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	1,716	841	2,557	859	1,722	790	1,367	2,884	126	419	172	10,896
Provision (benefit) for taxes	587	288	875	294	589	270	467	986	(64)	101	46	3,564
Net income attributable to the Bank's shareholders	1,129	553	1,682	565	1,133	520	900	2,207	190	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.

(b) As of the third quarter of 2023, a change was introduced to the allocation of profitability resulting from the Bank's asset and liability management activity, such that as from that date, all profitability from this activity is attributed to the "Capital Markets" P&L center. To present comparative information, the comparative results were reclassified.

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 September 30, 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	**4,815**	**461**	**822**	**6,098**	**23**	**6,121**
Loan loss expenses (income)	**722**	**75**	**197**	**994**	**(3)**	**991**
Charge-offs	**(108)**	**(4)**	**(195)**	**(307)**	**-**	**(307)**
Collection of debts written off in previous years	**74**	**-**	**59**	**133**	**-**	**133**
Net charge-offs	**(34)**	**(4)**	**(136)**	**(174)**	**-**	**(174)**
Outstanding loan loss provision as at the end of the reporting period[1]	**5,503**	**532**	**883**	**6,918**	**20**	**6,938**
[1]Of which: in respect of off-balance-sheet credit instruments	**666**	**2**	**34**	**702**	**-**	**702**

	For the three months ended September 30, 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,313	322	737	5,372	41	5,413
Loan loss expenses (income)	(21)	47	70	96	3	99
Charge-offs	(105)	(4)	(97)	(206)	-	(206)
Collection of debts written off in previous years	128	-	50	178	-	178
Net charge-offs	23	(4)	(47)	(28)	-	(28)
Outstanding loan loss provision as at the end of the reporting period[1]	4,315	365	760	5,440	44	5,484
[1]Of which: in respect of off-balance-sheet credit instruments	523	1	20	544	1	545

(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.)

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

1. Change in outstanding loan loss provision (cont.)

	For the nine months ended September 30, 2023 (unaudited)					
	Loan loss provision					
	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					
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)	**1,185**	**119**	**445**	**1,749**	**(34)**	**1,715**
Charge-offs	**(359)**	**(6)**	**(489)**	**(854)**	**-**	**(854)**
Collection of debts written off in previous years	**257**	**-**	**195**	**452**	**-**	**452**
Net charge-offs	**(102)**	**(6)**	**(294)**	**(402)**	**-**	**(402)**
Outstanding loan loss provision as at the end of the reporting period[1]	**5,503**	**532**	**883**	**6,918**	**20**	**6,938**
[1]Of which: in respect of off-balance-sheet credit instruments	**666**	**2**	**34**	**702**	**-**	**702**

	For the nine months ended September 30, 2022 (unaudited)					
	Loan loss provision					
	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					
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	22	54	85	161	24	185
Charge-offs	(402)	(13)	(264)	(679)	-	(679)
Collection of debts written off in previous years	397	-	190	587	-	587
Net charge-offs	(5)	(13)	(74)	(92)	-	(92)
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]	4,315	365	760	5,440	44	5,484
[1]Of which: in respect of off-balance-sheet credit instruments	523	1	20	544	1	545

(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

	September 30, 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	236,462	-	635	237,097	135,835	372,932
Examined on a collective basis	28,209	128,011	30,160	186,380	-	186,380
Total debts[a]	264,671	128,011	30,795	423,477	135,835	559,312
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	4,081	-	222	4,303	20	4,323
Examined on a collective basis	756	530	627	1,913	-	1,913
Total loan loss provision	4,837	530	849	6,216	20	6,236

	September 30, 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	215,729	-	422	216,151	90,799	306,950
Examined on a collective basis	24,854	116,915	29,999	171,768	34	171,802
Total debts,[a] held-to-maturity bonds and available-for-sale bonds:	240,583	116,915	30,421	387,919	90,833	478,752
Outstanding loan loss provision in respect of debts,[a] held-to-maturity bonds and available-for-sale bonds:						
Examined on a specific basis	3,223	-	148	3,371	43	3,414
Examined on a collective basis	569	364	592	1,525	-	1,525
Total loan loss provision	3,792	364	740	4,896	43	4,939

(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.)

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

	September 30, 2023 (unaudited)					
		Troubled[(a)]			Performing debts - additional information	
	Performing	Accruing	Non-accruing	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	64,526	193	1,001	65,720	20	359
Construction & real estate - real estate activities	41,758	682	143	42,583	10	222
Financial services	33,944	14	37	33,995	5	19
Commercial - Other	94,217	2,020	522	96,759	47	147
Commercial - total	234,445	2,909	1,703	239,057	82	747
Private individuals - housing loans	127,401	25	570	127,996	-	408
Private individuals - other	29,780	662	303	30,745	89	234
Total loans to the public - activity in Israel	391,626	3,596	2,576	397,798	171	1,389
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	8,445	175	98	8,718	-	-
Commercial - Other	15,821	603	472	16,896	-	81
Commercial - total	24,266	778	570	25,614	-	81
Private individuals	24	41	-	65	-	-
Total loans to the public - foreign operations	24,290	819	570	25,679	-	81
Total loans to the public	415,916	4,415	3,146	423,477	171	1,470

(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 241 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 arrears (cont.)

	September 30, 2022 (unaudited)					
		Troubled[(a)]			Performing debts - additional information	
	Performing	Accruing	Non-accruing	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	51,706	123	81	51,910	7	81[(d)]
Construction & real estate - real estate activities	38,287	65	97	38,449	1	27[(d)]
Financial services	30,575	12	65	30,652	-	8
Commercial - Other	91,418	1,614	801	93,833	25	125
Commercial - total	211,986	1,814	1,044	214,844	33	241
Private individuals - housing loans	116,314	61	520	116,895	-	393
Private individuals - other	29,689	482	197	30,368	69	155
Total loans to the public - activity in Israel	357,989	2,357	1,761	362,107	102	789
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	6,249	-	129	6,378	-	40
Commercial - Other	17,680	1,069	612	19,361	126	248
Commercial - total	23,929	1,069	741	25,739	126	288
Private individuals	72	-	1	73	-	-
Total loans to the public - foreign operations	24,001	1,069	742	25,812	126	288
Total loans to the public	381,990	3,426	2,503	387,919	228	1,077

(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 326 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. Credit quality and arrears (cont.)

	December 31, 2022 (audited)					
		Troubled[a]			Performing debts - additional information	
	Performing	Accruing	Non-accruing	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

	September 30, 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	
	2023	2022	2021	2020	2019	Past			Total
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	17,554	17,355	14,417	4,222	3,452	6,933	42,587	1,783	108,303
Credit that is rated as performing	17,487	16,915	13,667	4,030	3,412	6,748	42,014	1,769	106,042
Credit that is non-investment-grade nor troubled	39	74	54	29	4	3	37	2	242
Troubled performing credit	22	166	82	22	16	63	503	1	875
Non-performing credit	6	200	614	141	20	119	33	11	1,144
Commercial - other, total	31,807	25,982	15,247	9,109	4,233	10,154	31,749	2,473	130,754
Credit that is rated as performing	31,712	25,324	14,813	8,840	3,997	9,714	30,943	2,439	127,782
Credit that is non-investment-grade nor troubled	11	113	135	35	9	4	71	1	379
Troubled performing credit	65	452	209	162	177	328	632	9	2,034
Non-performing credit	19	93	90	72	50	108	103	24	559
Private individuals - housing loans - total	16,142	26,527	22,593	13,513	9,088	40,133	-	-	127,996
LTV of up to 60%	8,896	13,992	12,490	8,259	5,912	27,604	-	-	77,153
LTV of more than 60% and up to 75%	7,218	12,468	10,021	5,194	3,133	11,429	-	-	49,463
LTV of more than 75%	28	67	82	60	43	1,100	-	-	1,380
Non-delinquent credit	16,133	26,420	22,491	13,414	9,015	39,545	-	-	127,018
In arrears of 30-89 days	9	88	64	55	34	158	-	-	408
In arrears of over 90 days	-	-	-	-	-	-	-	-	-
Non-performing credit	-	19	38	44	39	430	-	-	570
Private individuals - other - total	8,389	7,250	4,269	2,242	738	422	7,206	229	30,745
Non-delinquent credit	8,334	7,065	4,138	2,191	714	408	7,083	186	30,119
In arrears of 30-89 days	27	71	39	12	6	4	75	-	234
In arrears of over 90 days	11	25	10	4	2	1	36	-	89
Non-performing credit	17	89	82	35	16	9	12	43	303
Total loans to the public - activity in Israel	73,892	77,114	56,526	29,086	17,511	57,642	81,542	4,485	397,798
Total loans to the public - foreign operations	8,224	3,867	2,859	256	406	444	9,450	173	25,679
Non-troubled credit	8,148	3,433	2,701	41	401	444	8,949	173	24,290
Troubled performing credit	59	270	55	-	-	-	435	-	819
Non-performing credit	17	164	103	215	5	-	66	-	570
Total loans to the public	82,116	80,981	59,385	29,342	17,917	58,086	90,992	4,658	423,477

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.)

	September 30, 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	Total
	2022	2021	2020	2019	2018	Past			
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	34,686	11,613	5,016	3,597	2,100	3,758	27,932	1,657	90,359
Non-troubled credit	34,647	11,576	4,967	3,569	2,059	3,660	27,871	1,644	89,993
Troubled performing credit	23	27	29	17	13	35	42	2	188
Non-performing credit	16	10	20	11	28	63	19	11	178
Commercial - other, total	47,929	18,728	11,413	5,175	2,720	5,771	31,168	1,581	124,485
Non-troubled credit	47,652	18,394	11,038	4,955	2,521	5,263	30,616	1,554	121,993
Troubled performing credit	206	235	202	134	187	252	396	14	1,626
Non-performing credit	71	99	173	86	12	256	156	13	866
Private individuals - housing loans - total	23,413	25,323	14,962	10,132	6,734	36,330	-	1	116,895
LTV of up to 60%	11,919	13,928	9,164	6,611	4,523	24,150	-	-	70,295
LTV of more than 60% and up to 75%	11,438	11,320	5,739	3,469	2,163	10,978	-	1	45,108
LTV of more than 75%	56	75	59	52	48	1,202	-	-	1,492
Non-delinquent credit	23,382	25,252	14,875	10,068	6,678	35,726	-	1	115,982
In arrears of 30-89 days	22	39	47	30	27	228	-	-	393
Non-performing credit	9	32	40	34	29	376	-	-	520
Private individuals - other - total	9,338	7,546	3,758	1,773	802	517	6,428	206	30,368
Non-delinquent credit	9,285	7,427	3,700	1,732	782	502	6,333	186	29,947
In arrears of 30-89 days	30	41	16	11	5	4	48	-	155
In arrears of over 90 days	10	17	5	3	2	1	31	-	69
Non-performing credit	13	61	37	27	13	10	16	20	197
Total loans to the public - activity in Israel	115,366	63,210	35,149	20,677	12,356	46,376	65,528	3,445	362,107
Total loans to the public - foreign operations	6,990	3,074	618	746	18	56	14,222	88	25,812
Non-troubled credit	6,848	2,667	367	394	18	18	13,601	88	24,001
Troubled performing credit	7	252	138	120	-	-	552	-	1,069
Non-performing credit	135	155	113	232	-	38	69	-	742
Total loans to the public	122,356	66,284	35,767	21,423	12,374	46,432	79,750	3,533	387,919

(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)]

	September 30, 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	987	195	157	1,144	1,557	-
Commercial - Other	346	196	213	559	2,405	2
Commercial - total	1,333	391	370	1,703	3,962	2
Private individuals - housing loans	570	66	-	570	581	1
Private individuals - other	303	156	-	303	597	2
Total loans to the public - activity in Israel	2,206	613	370	2,576	5,140	5
Borrower activity outside Israel						
Total loans to the public - foreign operations	380	51	190	570	801	4
Total - public[1]	2,586	664	560	3,146	5,941	9
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,323	480	465	1,788	3,736	
Measured on a specific basis according to fair value of collateral	693	118	95	788	1,624	
Measured on a collective basis	570	66	-	570	581	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 377 million would be recorded.

Additional information: the total recorded average debt balance of non-performing debts in the nine months ended September 30, 2023 is NIS 2,295 million.

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

A. Loans to the public (cont.)

2.A. Additional information on non-performing debts[(a)] (cont.)

	September 30, 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	113	37	65	178	1,001	-
Commercial - Other	597	174	269	866	2,680	3
Commercial - total	710	211	334	1,044	3,681	3
Private individuals - housing loans	520	69	-	520	782	-
Private individuals - other	179	144	18	197	456	-
Total loans to the public - activity in Israel	1,409	424	352	1,761	4,919	3
Borrower activity outside Israel						
Total loans to the public - foreign operations	740	113	2	742	935	2
Total - public[1]	2,149	537	354	2,503	5,854	5
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,563	430	293	1,856	4,129	
Measured on a specific basis according to fair value of collateral	48	5	53	101	943	
Measured on a collective basis	538	102	8	546	782	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 368 million would be recorded.

Additional information: the total recorded average debt balance of non-performing debts in the nine months ended September 30, 2022 is NIS 2,638 million.

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

A. Loans to the public (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
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	997	364	258	1,255	3,623	
Measured on a specific basis 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 reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 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.)

A. Loans to the public (cont.)

2.B. Additional information on restructured troubled debt

	As at September 30, 2023				As at September 30, 2022			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	Unaudited							
	In NIS million							
Borrower activity in Israel								
Public - commercial								
Construction and real estate	331	1	80	412	98	1	21	120
Commercial - Other	240	4	350	594	554	5	188	747
Commercial - total	571	5	430	1,006	652	6	209	867
Private individuals - housing loans	89	-	70	159	89	1	60	150
Private individuals - other	274	7	242	523	178	4	193	375
Total loans to the public - activity in Israel	934	12	742	1,688	919	11	462	1,392
Borrower activity outside Israel								
Total loans to the public - foreign operations	162	-	364	526	580	-	7	587
Total - public	1,096	12	1,106	2,214	1,499	11	469	1,979

	December 31, 2022			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	Audited			
	In NIS million			
Borrower activity in Israel				
Public - commercial				
Construction and real estate	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.

Comment: As of September 30, 2023, troubled debt which underwent restructuring in the amount of NIS 1,485 million (as of September 30, 2022 - NIS 1,802 million, as of December 31, 2022 - NIS 1,025 million).

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

A. Loans to the public (cont.)

2.B. Additional information on restructured troubled debt (cont.)

1. Debt restructurings

	For the three months ended September 30 (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	**103**	**99**	**99**	66	5	5
Commercial - Other	**440**	**61**	**60**	277	41	41
Commercial - total	**543**	**160**	**159**	343	46	46
Private individuals - housing loans	**30**	**9**	**9**	23	6	6
Private individuals - other	**2,238**	**124**	**123**	1,517	69	69
Total loans to the public - activity in Israel	**2,811**	**293**	**291**	1,883	121	121
Borrower activity outside Israel						
Total loans to the public - foreign operations	**-**	**-**	**-**	-	-	-
Total - public	**2,811**	**293**	**291**	1,883	121	121

	For the nine months ended September 30 (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	275	343	343	205	26	25
Commercial - Other	1,177	151	149	905	142	140
Commercial - total	1,452	494	492	1,110	168	165
Private individuals - housing loans	81	25	25	105	33	33
Private individuals - other	6,323	347	345	4,444	201	200
Total loans to the public - activity in Israel	7,856	866	862	5,659	402	398
Borrower activity outside Israel						
Total loans to the public - foreign operations	1	31	31	2	1	1
Total - public	7,857	897	893	5,661	403	399

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

A. Loans to the public (cont.)

2.B. Additional information on restructured troubled debt (cont.)

2. Failed restructurings[a]

	For the three months ended September 30 (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	**45**	**5**	40	8
Commercial - Other	**169**	**16**	173	13
Commercial - total	**214**	**21**	213	21
Private individuals - housing loans	**16**	**8**	17	4
Private individuals - other	**838**	**32**	584	20
Total loans to the public - activity in Israel	**1,068**	**61**	814	45
Total - public	**1,068**	**61**	814	45

	For the nine months ended September 30 (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	**151**	**19**	128	21
Commercial - Other	**536**	**49**	561	49
Commercial - total	**687**	**68**	689	70
Private individuals - housing loans	**43**	**24**	40	8
Private individuals - other	**2,731**	**95**	1,992	65
Total loans to the public - activity in Israel	**3,461**	**187**	2,721	143
Total - public	**3,461**	**187**	2,721	143

(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

	September 30, 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 over one year and up to 3 years	In arrears of over 3 years and up to 5 years	In arrears of over 5 years and up to 7 years	In arrears of over 7 years	Total
	In NIS million							
Commercial	**1,810**	**86**	**247**	**55**	**69**	**2**	**4**	**2,273**
Housing loans	**37**	**271**	**156**	**91**	**8**	**6**	**1**	**570**
Private individuals - other	**303**	**-**	**-**	**-**	**-**	**-**	**-**	**303**
Total	**2,150**	**357**	**403**	**146**	**77**	**8**	**5**	**3,146**

	September 30, 2022 (unaudited)							
	Is not in arrears of 90 days or more	In arrears of 90 days to 180 days	In arrears of over 180 days and up to one year	In arrears of over one year and up to 3 years	In arrears of over 3 years and up to 5 years	In arrears of over 5 years and up to 7 years	In arrears of over 7 years	Total
	In NIS million							
Commercial	1,598	64	20	97	4	3	1	1,787
Housing loans	44	231	124	93	17	7	3	519
Private individuals - other	194	3	-	-	-	-	-	197
Total	1,836	298	144	190	21	10	4	2,503

	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 over one year and up to 3 years	In arrears of over 3 years and up to 5 years	In arrears of over 5 years and up to 7 years	In arrears of over 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

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

		September 30, 2023 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	**77,162**	**2,101**	**47,260**	**2,507**
	Over 60%	**50,845**	**662**	**31,602**	**2,345**
Unpledged secondary lien		**4**	**-**	**4**	**-**
Total		**128,011**	**2,763**	**78,866**	**4,852**

		September 30, 2022 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	70,304	1,433	44,351	2,505
	Over 60%	46,606	761	29,214	2,539
Unpledged secondary lien		5	-	4	-
Total		116,915	2,194	73,569	5,044

		December 31, 2022 (audited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	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.

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

C. Off-Balance-Sheet Financial Instruments

	September 30				December 31	
	2023		2022		2022	
	Outstanding loan contracts[a]	Balance of loan loss provision[d]	Outstanding loan contracts[a]	Balance of loan loss provision[d]	Outstanding loan contracts[a]	Balance of 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	**807**	**1**	1,239	1	1,151	1
Loan guarantees	**8,382**	**102**	6,290	78	7,289	84
Guarantees for apartment buyers	**36,530**	**17**	34,796	14	35,572	15
Guarantees and other commitments[b]	**27,390**	**93**	23,212	79	26,336	95
Unutilized credit card credit facilities	**12,512**	**26**	9,083	19	8,395	18
Unutilized current loan account facilities and other credit facilities in demand accounts	**14,177**	**52**	13,624	41	13,398	43
Irrevocable loan commitments approved but not yet granted	**52,872**	**344**	48,042	257	49,081	286
Commitments to issue guarantees	**30,894**	**67**	23,249	56	22,039	43
Unutilized credit facilities for derivatives activity	**2,929**	**-**	2,543	-	3,065	-
Approval in principle to maintain interest rate[c]	**4,896**	**-**	4,483	-	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 273 million (as of September 30, 2022 - NIS 647 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

	September 30, 2023 (unaudited)				
	Up to one year	**One to three years**	**Three to five years**	**Over five years**	**Total**
	In NIS million				
Loan guarantees	**5,338**	**1,778**	**414**	**852**	**8,382**
Guarantees for apartment buyers	**-**	**36,530**	**-**	**-**	**36,530**
Guarantees and other commitments	**14,281**	**7,001**	**2,226**	**3,882**	**27,390**
Total guarantees	**19,619**	**45,309**	**2,640**	**4,734**	**72,302**

	September 30, 2022 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	4,540	965	176	609	6,290
Guarantees for apartment buyers	-	34,796	-	-	34,796
Guarantees and other commitments	13,174	5,685	2,064	2,289	23,212
Total guarantees	17,714	41,446	2,240	2,898	64,298

	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:
If the balance of cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled approx. NIS 294 million (as at September 30, 2022 - NIS 311 million, as at December 31, 2022 - NIS 301 million). In addition, the balance of securities and other marketable assets held as collateral, totaled NIS 13 million (as of September 30, 2022 - NIS 7 million, December 31, 2022 - NIS 12 million).

Note 14 - Assets and Liabilities by Linkage Basis

	September 30, 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	86,353	-	7,661	2,490	3,053	1,754	101,311
Securities	63,263	4,210	53,201	3,623	2,337	4,745	131,379
Securities borrowed or purchased under reverse repurchase agreements	1,220	-	1,709	1	-	-	2,930
Loans to the public, net[c]	315,304	59,765	22,741	4,957	9,850	4,644	417,261
Loans to governments	373	-	542	441	-	-	1,356
Investments in associates	-	-	-	-	-	4,078	4,078
Buildings and equipment	-	-	-	-	-	2,795	2,795
Assets in respect of derivatives	6,253	334	15,748	435	392	9,453	32,615
Other assets	5,911	4	50	11	67	993	7,036
Total assets	478,677	64,313	101,652	11,958	15,699	28,462	700,761
Liabilities							
Deposits by the public	384,350	11,607	124,797	12,362	4,992	6,411	544,519
Deposits by banks	13,489	-	1,930	479	145	25	16,068
Deposits by governments	108	-	83	22	-	-	213
Securities loaned or sold under repurchase agreements	570	-	16,283	-	-	-	16,853
Bonds, promissory notes and subordinated bonds	6,305	14,750	6,514	-	-	-	27,569
Liabilities for derivatives	7,437	369	10,972	172	144	9,409	28,503
Other liabilities	4,988	8,578	159	86	201	501	14,513
Total liabilities	417,247	35,304	160,738	13,121	5,482	16,346	648,238
Difference[d]	61,430	29,009	(59,086)	(1,163)	10,217	12,116	52,523
Effect of hedging derivatives:							
Derivatives (excluding options)	729	(729)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(35,535)	(5,128)	49,734	92	(10,357)	1,194	-
In the money options, net (according to underlying asset)	(1,037)	-	768	323	(54)	-	-
Out of the money options, net (according to underlying asset)	(1,480)	-	1,355	94	31	-	-
Grand total	24,107	23,152	(7,229)	(654)	(163)	13,310	52,523
In the money options, net (discounted nominal value)	(1,441)	-	1,132	401	(92)	-	-
Out of the money options, net (discounted nominal value)	(4,775)	-	3,888	801	86	-	-

(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 6,216 million.
(d) Shareholders' equity includes non-controlling interests.

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

	September 30, 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	166,757	-	10,799	1,681	2,772	1,616	183,625
Securities	22,792	4,802	41,526	3,099	3,028	4,425	79,672
Securities borrowed or purchased under reverse repurchase agreements	1,236	-	109	-	-	-	1,345
Loans to the public, net[c]	290,127	52,749	25,512	4,596	6,887	3,152	383,023
Loans to governments	325	192	443	312	-	-	1,272
Investments in associates	-	-	-	-	-	4,867	4,867
Buildings and equipment	-	-	-	-	-	2,698	2,698
Assets in respect of derivatives	5,283	296	18,059	469	181	17,071	41,359
Other assets	5,329	5	28	3	49	842	6,256
Total assets	491,849	58,044	96,476	10,160	12,917	34,671	704,117
Liabilities							
Deposits by the public	380,921	11,161	135,499	10,327	4,028	4,770	546,706
Deposits by banks	21,282	-	3,270	806	69	-	25,427
Deposits by governments	167	-	100	8	-	-	275
Securities loaned or sold under repurchase agreements	1,324	-	3,825	-	483	-	5,632
Bonds, promissory notes and subordinated bonds	7,121	16,112	4,380	-	-	-	27,613
Liabilities for derivatives	7,564	613	11,765	154	125	17,087	37,308
Other liabilities	3,995	8,312	119	83	173	425	13,107
Total liabilities	422,374	36,198	158,958	11,378	4,878	22,282	656,068
Difference[d]	69,475	21,846	(62,482)	(1,218)	8,039	12,389	48,049
Effect of hedging derivatives:							
Derivatives (excluding options)	430	(430)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(41,899)	(3,269)	53,141	714	(8,503)	(184)	-
In the money options, net (according to underlying asset)	(871)	-	899	(72)	2	42	-
Out of the money options, net (according to underlying asset)	(938)	-	918	(38)	(19)	77	-
Grand total	26,197	18,147	(7,524)	(614)	(481)	12,324	48,049
In the money options, net (discounted nominal value)	(1,094)	-	1,176	(109)	(39)	66	-
Out of the money options, net (discounted nominal value)	(3,669)	-	4,054	(209)	(192)	16	-

(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 4,896 million.
(d) Shareholders' equity includes non-controlling interests.

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

	September 30, 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	101,311	87,938	7,221	5,236	100,395
Securities[b]	131,379	84,623	37,060	8,016	129,699
Securities borrowed or purchased under reverse repurchase agreements	2,930	2,930	-	-	2,930
Loans to the public, net	417,261	19,460	-	391,519	410,979
Loans to governments	1,356	-	122	1,141	1,263
Assets in respect of derivatives	32,615	6,650	22,203	3,762	32,615
Other financial assets	376	25	-	351	376
Total financial assets	687,228[c]	201,626	66,606	410,025	678,257
Financial liabilities					
Deposits by the public	544,519	31,717	236,385	263,220	531,322
Deposits by banks	16,068	1,027	3,272	11,398	15,697
Deposits by governments	213	-	181	32	213
Securities loaned or sold under repurchase agreements	16,853	16,853	-	-	16,853
Bonds, promissory notes and subordinated bonds	27,569	25,333	-	964	26,297
Liabilities for derivatives	28,503	6,616	21,761	126	28,503
Other financial liabilities	3,676	600	1,634	1,442	3,676
Total financial liabilities	637,401[c]	82,146	263,233	277,182	622,561
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	338	-	-	338	338
In addition, liabilities in respect of employee benefits, net[d]	8,294	-	-	8,294	8,294

(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 202,161 million and NIS 256,816 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.)

	September 30, 2022 (unaudited)				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	183,625	170,617[(e)]	6,564	5,732[(e)]	182,913
Securities[(b)]	79,672	38,504	33,970	6,000	78,474
Securities borrowed or purchased under reverse repurchase agreements	1,345	1,345	-	-	1,345
Loans to the public, net	383,023	23,658	-	352,241	375,899
Loans to governments	1,272	-	10	1,193	1,203
Assets in respect of derivatives	41,359	13,286	21,379	6,694	41,359
Other financial assets	384	32	-	352	384
Total financial assets	690,680[(c)]	247,442	61,923	372,212	681,577
Financial liabilities					
Deposits by the public	546,706	37,173	289,280[(e)]	210,001[(e)]	536,454
Deposits by banks	25,427	1,507	6,297	16,843	24,647
Deposits by governments	275	-	226	41	267
Securities loaned or sold under repurchase agreements	5,632	5,632	-	-	5,632
Bonds, promissory notes and subordinated bonds	27,613	25,827	-	668	26,495
Liabilities for derivatives	37,308	12,323	24,576	409	37,308
Other financial liabilities	2,734	423	1,124	1,187	2,734
Total financial liabilities	645,695[(c)]	82,885	321,503	229,149	633,537
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	349	-	-	349	349
In addition, liabilities in respect of employee benefits, net[(d)]	8,129	-	-	8,129	8,129

(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 168,365 million and NIS 369,498 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.
(d) The liability is presented on a net basis and takes into account plan assets managed against it.
(e) Reclassified.

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

	December 31, 2022 (audited)				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	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

	September 30, 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	54,627	5,402	26	60,055
Foreign governments bonds	15,496	3,019	-	18,515
Bonds of Israeli financial institutions	47	-	-	47
Bonds of foreign financial institutions	-	9,091	-	9,091
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	5,164	5,329	10,493
Other Israeli bonds	591	160	-	751
Other foreign bonds	-	4,788	-	4,788
Total available-for-sale bonds	70,761	27,624	5,355	103,740
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,029	-	-	2,029
Held-for-trading securities:				
Government of Israel bonds	6,362	-	-	6,362
Bonds of Israeli financial institutions	425	-	-	425
Bonds of foreign financial institutions	-	19	-	19
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	22	6	28
Other Israeli bonds	161	-	-	161
Other foreign bonds	-	65	-	65
Equity securities and mutual funds	61	-	-	61
Total held-for-trading securities	7,009	106	6	7,121
Assets in respect of derivatives:				
NIS-CPI contracts	-	151	187	338
Interest rate contracts	751	11,099	133	11,983
Foreign exchange contracts	-	6,755	2,402	9,157
Stock contracts	4,805	4,135	1,034	9,974
Commodity- and other contracts	439	63	6	508
MAOF (Israeli financial instruments and futures) market activity	655	-	-	655
Total underlying assets for derivatives	6,650	22,203	3,762	32,615
Other:				
Credit and deposits for loaned securities	14,591	-	-	14,591
Securities borrowed or purchased under reverse repurchase agreements	2,930	-	-	2,930
Other	22	-	-	22
Other - total	17,543	-	-	17,543
Total assets	103,992	49,933	9,123	163,048

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

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

	September 30, 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	-	268	111	379
Interest rate contracts	687	10,094	-	10,781
Foreign exchange contracts	-	6,227	8	6,235
Stock contracts	4,836	5,103	7	9,946
Commodity- and other contracts	438	69	-	507
MAOF (Israeli financial instruments and futures) market activity	655	-	-	655
Total liabilities in respect of derivatives	6,616	21,761	126	28,503
Other:				
Deposits in respect of loaned securities	15,454	14	-	15,468
Securities loaned or sold under repurchase agreements	16,853	-	-	16,853
Credit-linked notes (CLN)	-	-	480	480
Other	600	-	-	600
Other - total	32,907	14	480	33,401
Total liabilities	39,523	21,775	606	61,904

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

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

	September 30, 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	16,748	4,310	22	21,080
Foreign governments bonds	9,064	4,476	-	13,540
Bonds of Israeli financial institutions	48	-	-	48
Bonds of foreign financial institutions	-	10,068	-	10,068
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	3,484	3,709	7,193
Other Israeli bonds	482	177	-	659
Other foreign bonds	-	4,902	10	4,912
Total available-for-sale bonds	26,342	27,417	3,741	57,500
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,168	-	-	2,168
Held-for-trading securities:				
Government of Israel bonds	2,298	-	-	2,298
Bonds of Israeli financial institutions	491	-	-	491
Bonds of foreign financial institutions	-	50	-	50
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	24	13	37
Other Israeli bonds	259	-	-	259
Other foreign bonds	-	84	-	84
Equity securities and mutual funds	11	-	-	11
Total held-for-trading securities	3,059	158	13	3,230
Assets in respect of derivatives:				
NIS-CPI contracts	-	157	184	341
Interest rate contracts	886	8,906	96	9,888
Foreign exchange contracts	1	9,139	2,851	11,991
Stock contracts	11,659	3,147	3,560	18,366
Commodity- and other contracts	136	30	3	169
MAOF (Israeli financial instruments and futures) market activity	604	-	-	604
Total underlying assets for derivatives	13,286	21,379	6,694	41,359
Other:				
Credit and deposits for loaned securities	13,267	-	-	13,267
Securities borrowed or purchased under reverse repurchase agreements	1,345	-	-	1,345
Other	30	-	-	30
Other - total	14,642	-	-	14,642
Total assets	59,497	48,954	10,448	118,899

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

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

	September 30, 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	312	159	471
Interest rate contracts	823	8,900	-	9,723
Foreign exchange contracts	-	8,623	243	8,866
Stock contracts	10,758	6,712	7	17,477
Commodity- and other contracts	138	29	-	167
MAOF (Israeli financial instruments and futures) market activity	604	-	-	604
Total liabilities in respect of derivatives	12,323	24,576	409	37,308
Other:				
Deposits in respect of loaned securities	13,045	(13)	-	13,032
Securities loaned or sold under repurchase agreements	5,632	-	-	5,632
Other	423	-	-	423
Other - total	19,100	(13)	-	19,087
Total liabilities	31,423	24,563	409	56,395

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

	September 30, 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	-	-	**788**	**788**	**(89)**
Total	-	-	**788**	**788**	**(89)**

	September 30, 2022 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	101	101	145
Total	-	-	101	101	145

	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 September 30, 2023 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the period	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from Level 3[(c)]	Fair value as at September 30, 2023	Unrealized gain (losses) in respect of instruments held as at September 30, 2023
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	26	-	-	-	-	-	-	-	-	26	-
MBS/ABS	4,356	179	(17)	218	-	(96)	-	237	452	5,329	(16)
Total available-for-sale bonds	4,382	179	(17)	218	-	(96)	-	237	452	5,355	(16)
Held-for-trading bonds:											
MBS/ABS	6	-	-	-	-	-	-	-	-	6	-
Total held-for-trading bonds	6	-	-	-	-	-	-	-	-	6	-
Assets in respect of derivatives:											
NIS-CPI contracts	190	(11)	-	-	-	-	-	8	-	187	3
Interest rate contracts	88	73	-	-	-	(28)	-	-	-	133	55
Foreign exchange contracts	2,512	(196)	-	86	-	-	-	-	-	2,402	1,334
Stock contracts	305	729	-	-	-	-	-	-	-	1,034	871
Commodity- and other contracts	5	1	-	-	-	-	-	-	-	6	1
Total underlying assets for derivatives	3,100	596	-	86	-	(28)	-	8	-	3,762	2,264
Total assets	7,488	775	(17)	304	-	(124)	-	245	452	9,123	2,248
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	109	(34)	-	-	-	-	-	36	-	111	38
Foreign exchange contracts	22	(14)	-	-	-	-	-	-	-	8	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	138	(48)	-	-	-	-	-	36	-	126	38
Other - total	-	(1)	-	500	-	(19)	-	-	-	480	(1)
Total liabilities	138	(49)	-	500	-	(19)	-	36	-	606	37

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.
(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at September 30, 2023, amounted to NIS (16) 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 September 30, 2022 (unaudited)										
	Fair value as at the beginning of the period	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	Realized/unrealized gains (losses), net, including: 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 September 30, 2022	Unrealized gain (losses) in respect of instruments held as at September 30, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	28	(2)	(4)	-	-	-	-	-	-	22	(4)
MBS/ABS	4,070	82	(59)	328	-	(128)	-	-	(584)	3,709	(58)
Other - foreign	-	-	-	-	-	-	-	10	-	10	-
Total available-for-sale bonds	4,098	80	(63)	328	-	(128)	-	10	(584)	3,741	(62)
Held-for-trading bonds:											
MBS/ABS	14	-	-	-	-	-	-	(1)	-	13	-
Other - foreign	4	-	-	-	-	-	-	(4)	-	-	-
Total held-for-trading bonds	18	-	-	-	-	-	-	(5)	-	13	-
Assets in respect of derivatives:											
NIS-CPI contracts	192	(11)	-	-	-	-	-	3	-	184	19
Interest rate contracts	15	98	-	-	-	(17)	-	-	-	96	91
Foreign exchange contracts	2,639	148	-	64	-	-	-	-	-	2,851	1,841
Stock contracts	3,364	196	-	-	-	-	-	-	-	3,560	594
Commodity- and other contracts	-	3	-	-	-	-	-	-	-	3	3
Total underlying assets for derivatives	6,210	434	-	64	-	(17)	-	3	-	6,694	2,548
Total assets	10,326	514	(63)	392	-	(145)	-	8	(584)	10,448	2,486
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	147	(14)	-	-	-	-	-	26	-	159	25
Foreign exchange contracts	279	(36)	-	-	-	-	-	-	-	243	(37)
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	433	(50)	-	-	-	-	-	26	-	409	(12)
Total liabilities	433	(50)	-	-	-	-	-	26	-	409	(12)

(a) Realized gains (losses), net, reported in the income statement under the “noninterest finance income” item.
(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at September 30, 2022, amounted to NIS (62) 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 nine months ended September 30, 2023 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the year	In the income statement[a]	In other comprehensive income[b]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at September 30, 2023	Unrealized gain (losses) in respect of instruments held as at September 30, 2023
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	24	3	(1)	-	-	-	-	-	-	26	(1)
MBS/ABS	4,059	390	35	815	-	(207)	-	237	-	5,329	34
Total available-for-sale bonds	4,083	393	34	815	-	(207)	-	237	-	5,355	33
Held-for-trading bonds:											
MBS/ABS	10	-	-	-	-	(5)	-	1	-	6	-
Other - foreign	2	-	-	-	-	(2)	-	-	-	-	-
Total held-for-trading bonds	12	-	-	-	-	(7)	-	1	-	6	-
Assets in respect of derivatives:											
NIS-CPI contracts	153	8	-	-	-	-	-	26	-	187	60
Interest rate contracts	77	452	-	-	-	(396)	-	-	-	133	72
Foreign exchange contracts	1,823	(1,298)	-	1,877	-	-	-	-	-	2,402	2,088
Stock contracts	1,715	(681)	-	-	-	-	-	-	-	1,034	741
Commodity- and other contracts	4	2	-	-	-	-	-	-	-	6	3
Total underlying assets for derivatives	3,772	(1,517)	-	1,877	-	(396)	-	26	-	3,762	2,964
Total assets	7,867	(1,124)	34	2,692	-	(610)	-	264	-	9,123	2,997
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	148	(137)	-	-	-	-	-	100	-	111	35
Foreign exchange contracts	4	4	-	-	-	-	-	-	-	8	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	159	(133)	-	-	-	-	-	100	-	126	35
Other - total	-	(1)	-	500	-	(19)	-	-	-	480	(1)
Total liabilities	159	(134)	-	500	-	(19)	-	100	-	606	34

(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 September 30, 2023, amounted to NIS 33 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 nine months ended September 30, 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 September 30, 2022	Unrealized gain (losses) in respect of instruments held as at September 30, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	31	(1)	(8)	-	-	-	-	-	-	22	(6)
Foreign financial institutions	32	19	-	933	-	(984)	-	-	-	-	-
MBS/ABS	3,793	478	(221)	1,043	(19)	(424)	-	-	(941)	3,709	(253)
Other - foreign	3	-	(1)	-	-	(3)	-	11	-	10	-
Total available-for-sale bonds	3,859	496	(230)	1,976	(19)	(1,411)	-	11	(941)	3,741	(259)
Held-for-trading bonds:											
MBS/ABS	11	1	-	-	(1)	-	-	2	-	13	-
Total held-for-trading bonds	11	1	-	-	(1)	-	-	2	-	13	-
Assets in respect of derivatives:											
NIS-CPI contracts	146	24	-	-	-	-	-	14	-	184	65
Interest rate contracts	124	226	-	-	-	(254)	-	-	-	96	15
Foreign exchange contracts	728	696	-	1,427	-	-	-	-	-	2,851	2,789
Stock contracts	803	2,757	-	-	-	-	-	-	-	3,560	3,488
Commodity- and other contracts	254	(251)	-	-	-	-	-	-	-	3	3
Total underlying assets for derivatives	2,055	3,452	-	1,427	-	(254)	-	14	-	6,694	6,360
Total assets	5,925	3,949	(230)	3,403	(20)	(1,665)	-	27	(941)	10,448	6,101
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	90	(58)	-	-	-	-	-	127	-	159	21
Foreign exchange contracts	284	(41)	-	-	-	-	-	-	-	243	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	381	(99)	-	-	-	-	-	127	-	409	21
Total liabilities	381	(99)	-	-	-	-	-	127	-	409	21

(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 September 30, 2022, amounted to NIS (259) 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)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[a]	In other comprehensive income[b]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at December 31, 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	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	-	-	-	-	-	-	-	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) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	September 30, 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	5,329	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	6	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	184	Discounted cash flows	Expected inflation	0.38%-2.85%	1.62%
	3	Discounted cash flows	Counterparty risk	0.27%-100%(*)	1.50%
Interest rate contracts	133	Discounted cash flows	Counterparty risk	0.27%-100%(*)	1.50%
Foreign exchange contracts	2,402	Discounted cash flows	Counterparty risk	0.27%-100%(*)	1.50%
Stock contracts	1,034	Discounted cash flows	Counterparty risk	0.27%-100%(*)	1.50%
Commodity contracts	6	Discounted cash flows	Counterparty risk	0.27%-100%(*)	1.50%
Liabilities					
Liabilities for derivatives(2)					
NIS-CPI interest contracts	111	Discounted cash flows	Expected inflation	0.38%-2.85%	1.62%
Foreign exchange contracts	8	Discounted cash flows	Expected inflation	0.38%-2.85%	1.62%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.27%-100%	1.50%
Other liabilities	480	Discounted cash flows	Probability of default	4.61%-6.57%	5.46%
			Effective average duration in years	0.503 - 1.003	0.762
b. Items measured at fair value on a non-recurring basis					
Collateral-dependent non-performing credit	788	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.)

	September 30, 2022 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds[1]					
Government of Israel bonds	22	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	3,709	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	10	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	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	179	Discounted cash flows	Expected inflation	0.60%-3.10%	1.85%
	5	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Interest rate contracts	96	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Foreign exchange contracts	2,851	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Stock contracts	3,560	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Commodity contracts	3	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	159	Discounted cash flows	Expected inflation	0.60%-3.10%	1.85%
Foreign exchange contracts	243	Discounted cash flows	Expected inflation	0.60%-3.10%	1.85%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.93%-100%	1.77%
b. Items measured at fair value on a non-recurring basis					
Collateral-dependent non-performing credit	101	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 bonds[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					
Collateral-dependent non-performing credit	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. The Iron Swords War

On October 7, 2023, a lethal attack was waged on the State of Israel, especially on civilians; as a result of the attack, the State of Israel declared the Iron Swords War. The rocket fire, that reached the center of Israel, the evacuation of localities in southern and northern Israel, extensive mobilization of reserves and shutdown of the education system - all led to disruptions in economic activity in the Israeli economy. The War is expected to have a significant adverse effect on the Israeli economy, especially while the fighting is going on, and as a result - on the Bank's performance. The adverse economic potential is substantial, on the back of the possibility of further escalation to other areas; in any case, this event is expected to materially harm, especially during the fighting, Israel's economic activity and financial markets. The severity of the effect depends, inter alia, on the duration of the War and the extent to which further areas in Israel are directly affected by the War. It appears that the areas of activity which suffered the most harm were: Tourism, culture and leisure, agriculture, construction, commerce, etc. Subsequent to the War, a process of civil and security rehabilitation is expected, which will be manifested in the public expenditure, with investments in fixed assets, healthcare services and social services, as well as private consumption.

On the back of the War's adverse economic potential, the severity level of the local macroeconomic risk was raised from "moderate-high" to "high". **In addition, due to the macroeconomic situation - with emphasis on the potential of the fighting and the trajectory of ongoing interest rate rise, the level of severity of the overall credit risk and the severity of the borrower quality risk and collateral from "moderate" to "moderate-high".

With respect to credit risk, according to the Bank's initial assessments, the economic sectors whose activities are particularly exposed to the War's damages are: construction, agriculture and the culture and leisure sectors (tourism, restaurants, shows, etc.), as well as some industrial and commercial sectors, depending on their location. Due to the high rate of uncertainty and the possible ramifications on the economy and society in Israel during the coming period, it is impossible to accurately estimate the extent of its effect on the Bank's loans portfolio. The implications of the above were reflected in the calculation of the collective provision, leading to an increase in loan loss expenses amounting to NIS 991 million in the third quarter, of which NIS 869 million was for the collective expense.

Upon the outbreak of the War, the Bank adopted the Bank of Israel's relief outline and even implemented additional reliefs for its customer, all in order to help customers, as much as possible, during these difficult and complex times.

The Bank of Israel Outline was published by the Banking Supervision Department for a period of three months, in order to relieve the burden of credit, fees and commissions. The outline distinguishes between the population living within 30 km of the Gaza Strip, the population evacuated from their homes by an official government authority (including the population residing in northern Israel), reservists on duty, and those with first kinship with the War dead or abducted or missing persons (hereinafter - the "first circle customer group") and other customers of the banks (hereinafter - the "second circle customer group"). The Bank adopted the Bank of Israel Outline and implemented additional reliefs for its customers, such as: Reliefs with respect to mortgages, reliefs regarding loan payments for private and business customers, bridge loans and aid fund, exemption from interest for retail customers, exemption from fees and commissions for retail customers and small businesses.

B. Impairment of the investment in Valley

As outlined 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.

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

B. Impairment of the investment in Valley (cont.)

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 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 impairment was allocated in accordance with the fair value of net identifiable assets arising from the Bank's investment in Valley.

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 4.V.1 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 NIS 2.4 billion.

C. 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.

D. The Bank's UK office

During to the first half of 2023, all the terms and conditions for restructuring, including returning BLUK's regulatory license were met, enabling BLUK to serve as a lender. To this end, BLUK was 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 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).

E. Cooperation agreement with Paxos

Following on the agreement outlined in Note 36 to the Bank's financial statements as at December 31, 2022, on October 10, 2023, the High Court of Justice dismissed the petition, ruling that the interpretation whereby banks may also deal in a variety of financial asset types, including crypto currencies, is in line with the language and objective of Section 10 to the Banking Law.

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 third quarter of 2023, there were changes in the composition of the Board of Directors.

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 immediate report regarding the end of tenure on February 2, 2023 (Ref. No. 2023-01-013728).

On July 17, 2023, the shareholders' annual general meeting approved the following resolutions:[1]

1. To reappoint CPA firm Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as the Bank's joint independent auditors, for a period beginning upon the approval of the current annual general meeting until the end of the next annual general meeting of the Bank and to authorize the Bank's Board of Directors to determine their fees.
2. To appoint Mr. Uri Alon as a director who is not an external director, as stated in Section 11D(a)(2) of the Banking Ordinance, 1941 (hereinafter - "Director with an Other Director Status"). Mr. Uri Alon began his tenure on August 30, 2023. For more information, please see the immediate reports dated August 30, 2023 (Ref. No. 2023-01-100350 and 2023-01-100395, respectively).
3. To appoint Adv. Esther Deutsch as an Other Director. Adv. Deutsch began her tenure on September 17, 2023. For more information, please see the Bank's immediate reports dated August 29, 2023 and September 18, 2023 (Ref. No. 2023-01-099528 and 2023-01-107298, respectively).
4. To reappoint Prof. Yedidia Stern as an External Director in accordance with Directive 301. Prof. Yedidia Stern's second tenure will begin on November 22, 2023. For further information, see the immediate report on the Bank's senior officers dated September 27, 2023 (Ref. No.: 2023-01-110031).

At a board meeting held on October 29, 2023, Dr. Shmuel Ben Zvi was appointed Chairman of the Bank's Board of Directors. Dr. Shmuel Ben Zvi's appointment took effect on November 16, 2023, the date on which the Banking Supervision Department gave its approval or non-objection to the appointment. For further information, see the Bank's immediate reports dated October 29, 2023 and November 16, 2023 (Ref. No.: 2023-01-119694 and 2023-01-125022, respectively).

On October 29, 2023, Dr. Samer Haj Yehia, the former Chairman of the Board of Directors, ended his tenure as a director at the Bank. For further information, see the immediate report published by the Bank on October 30, 2023 regarding the end of tenure (Ref. No.: 2023-01-119789).

On November 8, 2023, Mr. Avi Bzura ended his tenure as a director at the Bank. For further information, see the immediate report published by the Bank on November 9, 2023 regarding the end of tenure (Ref. No.: 2023-01-122928).

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 at December 31, 2022.

The Chief Internal Auditor

Information regarding the Group's internal auditing function, including the appointment of a new 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.

A bi-annual compilation of audit reports and records for the first half of 2023 was submitted to the Audit Committee on August 7, 2023 and reported to the Committee on August 14, 2023, submitted to the Board of Directors on August 31, 2023 and reported to the Board of Directors on September 6, 2023.

[1] For more information regarding the shareholders' annual general meeting, please see the immediate reports dated April 4, 2023, May 10, 2023 and July 17, 2023 (Ref. No.: 2023-01-038853, 2023-01-050268, and 2023-01-081393, respectively).

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 on interested parties' holdings in the Bank as at September 30, 2023, please see the immediate report entitled "Status of Holdings of Interested Parties and Senior Officers" dated October 5, 2023 (Ref. No. 2023-01-113379). 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), the immediate reports on who became a holder of material means of control from April 13, 2023 and June 4, 2023 (Ref. No.: 2023-01-040491 and 2023-01-052108, respectively) and immediate report on who ceased to be a holder of material control as from October 1, 2023 (Ref. No.: 2023-01-090922).

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, was appointed, in addition to her position, as Chairperson of the Leumi UK Board of Directors, effective as of May 15, 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. Ron Ben Haim was appointed CEO of Leumi Partners as of April 1, 2023.

Adv. Shelly Bainhoren was appointed Secretary of the Bank and Group and Head of the Bank and Group's Secretariat, effective September 27, 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.

Human resources management during the Iron Swords War period

The Bank acts based on the regulations and guidance issued by government entities and is taking a series of additional measures, in order to enable business continuity at this time.

This includes expanding the existing hybrid work outline beyond one day a week in accordance with the business and organizational needs.

In addition, in order to support and strengthen the human resource, an employee inquiry center was established (by telephone and WhatsApp) for reporting and consulting regarding an operational, emotional or social need.

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 signing date of Annual Financial Statements of 2022, which may have a significant effect on the Bank.

For a description of directives published in the reporting period before the signing date of the Annual 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

Proper Conduct of Banking Business Directive No. 461, Banking Corporation's Activity as a Broker Dealer and the FAQ file for applying the directive

On July 19, 2023, the directive was published with the aim of regulating the financial brokerage activity of banking corporations regarding the receipt of orders to carry out transactions in securities and financial instruments for customers, by way of trading for their own account (broker dealer activity). The main points of the Directive are as follows: Establishment of an organizational structure, policies and procedures for carrying out and overseeing transactions and for the prevention of conflicts of interest; adoption of a code of conduct for operating with integrity, fairness and professionalism for the benefit of the customers' interests, including the provision of information regarding the transaction; adapting the customers' activity in securities and in financial instruments to their level of knowledge or experience; establishment of procedures for fair and swift execution of customers' orders; taking all reasonable measures to achieve the best result for customers; implementation of IT systems for protection against operational risks and cyber risks; maintaining documentation and development of monitoring and control tools.

The Directive is effective eighteen months from the date of its publication.

The Directive requires adjustments to be made to work processes.

Amendment to Proper Conduct of Banking Business Directive 451 - Procedures for Providing Housing Loans

Further to the Legislation and Regulation section in the Corporate Governance Report for 2022, on July 19, 2023, the Banking Supervision Department published an additional amendment to the Directive in which the early repayment process of a housing loan was revised, including by way of a loan from a banking corporation or from another institutional lender (loan recycling).

The Directive will become effective fifteen months from its publication date (after a three-months' deferral, under Proper Conduct of Banking Business Directive No. 251, Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Iron Swords War (Temporary Order).

Amendment to Proper Conduct of Banking Business Directive No. 311 - "Credit Risk Management"

On November 7, 2023, an amendment was published to the directive regarding significant credit exposure, which requires, among other things, a written opinion of the risk management function at the Bank, and the definition of the term "significant credit exposure" was updated, such that the threshold criteria for the involvement of the Bank's Chief Risk Officer in the credit exposure will be NIS 50 million or 1 percent of the Bank's Tier 1 Capital (whichever is lower) (instead of the NIS 25 million prior to the amendment). The Bank may set the threshold at NIS 25 million (as it was prior to the amendment), even if it exceeds 1 percent of the Bank's Tier 1 Capital. The amendment entered into effect at the time of its publication.

Draft Revocation of Proper Conduct of Banking Business Directive No. 354 - Verification of Customer Accounts

The draft, which was published on November 13, 2023, proposes the revocation of the directive, which determines the procedure for sending bank statements of customers for account verification purposes as part of the internal control procedures, since the directive is no longer relevant - the internal control processes are regulated by Proper Conduct of Banking Business Directive No. 309, "Controls and Procedures regarding the Disclosure and Internal Control over Financial Reporting"; in addition, the means of control currently available to customers regarding their accounts include various tools and channels that provide current information regarding the account activity.

Directives regarding banking consumerism

The Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for Budget Years 2023 and 2024), 2023

Under the law published on June 7, 2023, the Banking Law (Service to Customers), 1981 was amended and it was determined that: (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) 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 customer may not be charged a fee or commission unless the service in respect thereof has been provided to the customer.

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 judgment. 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 become effective fifteen months from its publication date (after a three-months' delay, under Proper Conduct of Banking Business Directive No. 251, Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Iron Swords War (Temporary Order).

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 no. 401 - "Opening Days of Banking Corporations' Offices", 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 regardingthe 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 become effective on June 26, 2024 (after a three-months' deferral) under Proper Conduct of Banking Business Directive No. 251, Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Iron Swords War (Temporary Order). Publication of the information regarding times and the manner of providing the services - the provision whereby entering the branch and receiving service as described above must not be prevented entered into effect on June 29, 2023. 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 June 13, 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 debts through means of payment issued to the deceased partner. The amendment will enter into effect fifteen months after its publication date. Within nine months of the amendment's publication date, the bank must contact, once, all existing joint account holders who did not opt for the condition to apply to them, in order to draw their attention to the issue and determine their needs (after a three-month deferral under Proper Conduct of Banking Business Directive No. 251, "Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Iron Swords War" (Temporary Order)).

Draft Amendment to Proper Conduct of Banking Business Directive No. 367 - "E-Banking"

Under the draft, which was published on July 5, 2023, it is proposed to amend Section 29 of the directive such that all customers can be contacted by phone messages, including voice messages, without the need for an e-banking agreement, for notices on the following topics: (1) To encourage customers with a current account balance over a certain amount - to be determined by the banking corporation - to transfer funds held in the current account to more profitable interest-bearing channels or to channels that will reduce their total interest payments; (2) Assistance from the banking corporation to mortgage holders who are in financial difficulties or are likely to.

These directives regarding banking consumerism, and the drafts, if any, require making adjustments in the work processes, as needed.

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 Law (Legislative Amendments for Implementing the Economic Policy for Budget Years 2023 and 2024), 2023

Under the law, which was published on June 7, 2023, the following amendments were made:

(1) It was determined that the directive in the Law for Promotion of Competition and Reduction of Concentration in the Banking Market (Legislative Amendments), 2017 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.

(2) It was determined that the directive in the Law for Promotion of Competition and Reduction of Concentration in the Banking Sector (Legislative Amendments), 2017, according to which 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, 2025.

(3) The Banking Law (Customer Service), 1981 was amended such that as of September 1, 2023, a banking corporation that refuses to open an account for a financial entity and for a payments company will provide a reasoned notice thereof to the Banking Supervision Department. Subsequently on September 7, 2023, the Banking Supervision Department published the Draft Proper Conduct of Banking Business Directive No. 424, which was intended to regulate the requirements applying to a banking corporation regarding the opening and management of an account for such entities that provide non-bank financial services. Among other things, the Directive determines the duty of reasoning and disclosure required of a banking corporation in the event of a refusal to open an account or a delay in opening an account, as well as the format for reporting to the Banking Supervision Department regarding the refusal or delay.

(4) The Banking Law (Customer Service), 1981 was amended such that, starting from September 1, 2023, as part of an engagement agreement between the banking corporation and the customer to whom the debit card is issued, a provision will apply, according to which the banking corporation will allow a financial entity engaged in the operation of issuing debit cards issued by the banking corporation to request and 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.

(5) The Banking Law (Customer Service), 1981 was amended, requiring 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 (such amounts that were collected for a housing loan will be detailed in a separate notice). The amendment will enter into effect: regarding fees and commissions - as from January 1, 2024, and regarding interest and housing loans - as from June 2, 2024. On August 20, 2023 the Banking Supervision Department published a draft amendment to Proper Conduct of Banking Business Directive No. 420 - "Sending Notices via Means of Communications", which includes provisions regarding the methods of delivering the notice to customers. On November 20, 2023, a memorandum of law was published, aimed at postponing the effective date of the amendment regarding notices on fees and commissions to April 1, 2023 following the Iron Swords War.

(6) The Regulation of Payment Services and Payment Initiation Law, 2023 was published. The law covers two main issues: (a) Licensing of payment services - Regulation of payment services provided by non-bank entities, (b) Payment initiation - Regulation of payment initiation, including licensing aspects and consumer protection aspects of the initiation services. The regulation of payment services is intended to produce uniform requirements for entities engaged in the provision of payment services, to encourage competition in the field of payment services in

Israel and to enable the entry of new players into the market. The law will enter into effect one year from its publication date, except for certain topics as detailed in Chapter L of the Law.

Notice of the Competition Commissioner regarding the possible determination that the five largest banking groups are a concentrated groups

On June 29, 2023, the Competition Authority announced that as part of a review its is carrying out with the banks, the Competition Supervisor has decided to initiate a consultation procedure with the Governor of the Bank of Israel and Banking Supervision Department (in accordance with the law) regarding the possible determination that the five largest banks constitute a concentration group and to provide them with guidance regarding deposits and the management of current account balances, as follows: (1) Prohibition on linking a deposit with the administration of other banking services; (2) Imposition of a requirement that the banks accept deposits from non-bank payments companies that request to act as “deposit aggregators”; (3) Reduction of barriers to the transfer of deposits separately from the rest of the banking basket (“separable” deposits); (4) Directives requiring the banks to present relevant comparative information to customers by “push”.

The announcement clarified that the Supervisor’s reviews have not yet been completed. To the extent that the Commissioner decides to declare a concentration group and issue guidance, a hearing will be held regarding the announcement and the guidance.

Proper Conduct of Banking Business Directive No. 473, Distribution of Credit Cards by Issuers Engaged with a Banking Corporation in a Distribution Agreement

Section 7F 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 directive date June 29, 2023, provisions were prescribed 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.

Memorandum of Law Money Funds (Legislative Amendments), 2023

On July 30, 2023, the memorandum of law was published, which proposes to amend the Joint Investment in Trust Law, 1994 and the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, with the aim of enabling the launch of new money funds with characteristics more similar to financial deposits (low-risk fund, expected return estimated in advance and fixed dates). The distribution channels of these funds will be expanded such that they can be distributed not only by an investment advisor or an investment marketer, so as to increase their accessibility to the general public. Among other things, this will increase the competition in “money market” products (the market for short-term liquid products, up to one year, with low credit risk), and encourage the entry of new players into the investment brokerage domain. Subsequently, on August 30, 2023, the Israel Securities Authority published a proposed draft directive regarding investment consulting or investment marketing with respect to a money market fund and a proposed draft directive for fund managers and trustees regarding the terms and conditions that will apply to the money market fund.

Regulatory measures following the Iron Swords War

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

Directives Issued by the Banking Supervision Department

Activity of the banking system branches in view of the security situation

According to a notice dated October 8, 2023, the banking system may operate in a limited format in terms of reception hours: Closing branches within a range of up to 40 km. from the Gaza Strip; opening branches in a limited core branch format within a range of 40-80 km; changes in the opening hours of the branches, as circumstances require.

Misuse of credit cards and bank account information of victims of the security situation

In a notice dated October 11, 2023, the Banking Supervision Department announced that it had formed a special team to handle the misuse of credit cards and bank account information, with the cooperation of the relevant government and security entities. The team defined the method of dealing with the following cases: (1) When a request is made by family members to a specific bank to freeze the account activity - action must be taken to freeze the account, while operating the required risk management and a quick authentication process adapted to the situation; (2) When it is not known where the financial activity of the victim is managed, the public is asked to contact the Banking Supervision Department's inquiry center.

Emphases of the Banking Supervision Department to the banking system due to the Iron Swords War

The letter dated October 12, 2023 emphasized that the banks must operate with increased sensitivity in their contact with customers due to the complex security situation, initiate as much relief as possible for customers in distress, maintain continuity in the provision of services in an appropriate and professional manner and manage all the financial risks unique to this period. The letter included instructions regarding the availability and continuity of the banking services, handling and responding to customer inquiries against the backdrop of the War, lightening the burden and assisting customers in meeting their obligations, relief regarding limitations and clearing checks, relocation of branches in times of emergency, preparations for the distribution of allowances, providing the best telephone service to customers, preparations for overcoming cyber attacks and attempts, and fraud events, adjustments in the risk management, reporting to the Banking Supervision Department and meetings of the Board of Directors.

Outline for assistance to bank customers in dealing with the consequences of the Iron Swords War

On October 15, 2023, an industry-wide outline was published for a three-month period, which was adopted by the banks, for relief from the burden of the credit and fees and commissions to the population living within 30 km. of the Gaza Strip, the population that was evacuated from their homes by an official government authority, as of the publication date of the outline, those serving in the reserves and under a call up order, and those with first kinship with the War dead or the abducted or missing persons (the "first circle customer group"). The outline refers to the deferral of loan payments in three operating segments (mortgages, consumer credit and business credit), an exemption from interest payments on overdraft of up to NIS 10,000 in a current account (an overdraft that is part of the facility approved by the Bank) and an exemption from payment of some of the fees and commissions. For the first circle customer group, the loans will be deferred without charging interest, in accordance with the deferral method detailed in the outline. On November 8, 2023, an announcement was published regarding the expansion of the first circle customer group, such that it will also include the population residing in localities in northern Israel or owners of a business in these localities who were evacuated by an official government entity. The rest of the Bank's customers (the "second circle customer group") will be able to defer these loans for three months, while the deferred payments will bear interest that will not exceed the rate in the loan contract, and the payments will be added at the end of the loan period. The types of loans to which the reliefs will apply are detailed in the outline. The deferral will be carried out without charging fees and commissions. According to the guidelines of the Accountant General and the Ministry of Construction and Housing, the outline will also apply to loans provided to those listed as eligible for housing. It was also determined that loans provided through the government guaranteed fund for small and mid-sized businesses are included in loans eligible for deferral according to the outline.

Supervisory emphases for handling debt and reporting to the public

The letter, dated October 18, 2023 includes emphases regarding the application of the principles prescribed by the Reporting to the Public directives to the 2023 financial statements in view of the flexibility required of the banks in these times regarding repayment of loans, including the establishing of new payment arrangements on an individual or collective basis. Among other things, the letter discusses the following issues: (1) Debt arrears status will be determined according to the contractual terms of the debt as revised in the new payment arrangement; (2) Regarding troubled debts and charge-offs, judgment should be exercised to determine whether to classify debts as troubled debts. As a rule, the Bank is not required to classify debts that have been restructured due to the War as troubled debts that have been restructured; (3) The required public disclosure.

Authentication of customers lacking official documentation

In the letter dated October 16, 2023, the Banking Supervision Department authorized the banking corporations to operate internal work procedures for the authentication of existing customers who lack official documentation. The authentication procedures will be used only for the provision of basic banking services (cash withdrawals and deposits, check deposits, cancelations of checks and credit cards, third party transfers and the receipt of information), while maintaining the appropriate controls and limiting exposure to risk.

Proper Conduct of Banking Business Directive 251, "Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Iron Swords War" (Temporary Order)

On October 16, 2023, October 31, 2023 and November 21, 2023, adjustments were published that will remain in effect until December 31, 2023 (excluding the following exceptions):

- Proper Conduct of Banking Business Directive No. 308A, "Handling of Public Complaints" - relief regarding the handling of public complaints, including the manner of answering customers, the required documentation and the time frames for providing the response.
- Proper Conduct of Banking Business Directive 325, "Managing Credit Facilities in Current Accounts" - Accounts may be overdrawn by amounts not exceeding NIS 5,000 per private individuals; NIS 10,000 per small business; and NIS 100,000 per corporation; without establishing an agreed facility in writing within one business day provided that the facility will be arranged as soon as possible.
- Proper Conduct of Banking Business Directive No. 367, "E-Banking" - Urgent notices that have a significant effect may be sent to all customers via e-banking, in addition to notices sent as agreed with the customer, even if the customer did not sign up for the e-banking service (in effect until November 22, 2023). Information that is not urgent may not be added to the urgent notices sent to those customers, including information on enlisting the customers to e-banking services.
- Proper Conduct of Banking Business Directive No. 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk" - An increase in the rate of financing for loans designated for the purchase of land for development or construction over a threshold of 80 percent from interest accrued until December 31, 2023 due to a "grace period" granted after October 7, 2023 will not be taken into account for the LTV calculation (in effect until March 31, 2024).
- Proper Conduct of Banking Business Directive No. 311, "Credit Risk Management" - Provision of a three-month extension regarding the obligation to receive a current financial statement from borrowers.
- Proper Conduct of Banking Business Directive No. 360, "Rotation and Uninterrupted Vacation" - If the maximum period defined by a banking corporation for a manager or an employee serving in a sensitive position will expire before December 31, 2023, the banking corporation may extend the maximum period until April 30, 2024. In addition, an extension was provided for utilization of an uninterrupted vacation until March 31, 2024. The ability to shorten an uninterrupted vacation was also enabled in certain cases listed in the directive.
- Proper Conduct of Banking Business Directive No. 451, "Procedures for Providing Housing Loans" - The dates were postponed for issuing the bank notice to a borrower regarding insurance on behalf of the bank in cases where the policy provided does not meet the bank's requirements - one calendar month instead of 14 days; letters of intent - 8 business days instead of 3 business days; settlement confirmation - 8 business days instead of 5 business days; confirmation of a junior lien on an asset - 10 days instead of 7 days; approval in principal for a housing loan - 8 business days instead of 5 business days; approval in principal, in exceptional cases of complex loans - for 10 business days instead of 7 business days.
- Proper Conduct of Banking Business Directive No. 449, "Simplifying Agreements for Customers" - The provision requiring fair disclosure using a specific form will not apply to a customer's request for deferral of payments as part of a credit agreement, provided that the deferral is according to the Outline for Assistance to Bank Customers Dealing with the Consequences of the Iron Swords War.

- Proper Conduct of Banking Business Directive No. 460, "Presentation of Data on Activity in a Securities Deposit" - Deferral of one month in the demand for the presentation of cumulative data from the beginning of the calendar year until September 30, 2023 (they may be presented until November 30, 2023).
- Rules of Banking (Customer Service) (Fair Disclosure and Delivery of Documents), 1992 - A customer's signature will not be required for a customer's request to defer payments according to the Outline for Assistance to Bank Customers Dealing with the Consequences of the Iron Swords War, provided that the customer's consent is obtained, including in a documented telephone conversation; in housing loans of two or more borrowers - if one of the borrowers finds it difficult to sign the loan papers due to the Iron Swords War, that borrower's signature will not be required, provided adequate authentication procedures are conducted and the borrower's consent is documented.
- A three-month extension of the effective dates of the following directives: Amendment to Proper Conduct of Banking Business Directive No. 422, "Opening and Managing a Current Account with a Credit Balance"; Amendment to Proper Conduct of Banking Business Directive No. 434, "Joint Accounts - Survivors' Clause and Handling Existing Charges after a Death"; Amendment to Proper Conduct of Banking Business Directive No. 451, "Procedures for Providing Housing Loans"; Proper Conduct of Banking Business Directive No. 501, "Management of a Customer Service and Support System". The updated effective dates are listed in Proper Conduct of Banking Business Directive No. 251.
- Proper Conduct of Banking Business Directive No. 301 - "Board of Directors" - Reliefs regarding a Director's Attendance of a Meeting Using Advanced Means of Communications as Physical Attendance to Comply with the Rate of Attendance set by the directive; deferral of deadlines for approval of minutes of meetings and distribution of a draft decision list.
- Proper Conduct of Banking Business Directive No. 310, "Risk Management" - an extension was given for the review and approval of risk management papers until March 31, 2024, subject to the Board of Directors and management holding discussions regarding the implications of the security and economic situation for the risk management policy and the banks' risk profile.
- Proper Conduct of Banking Business Directive No. 411, "Management of Anti-Money Laundering and Countering Financing of Terrorism Risks" - raising the maximum annual amount allowed on prepaid cards to NIS 10,000, with no more than NIS 5,000 being allowed at any one time.

Additional emphases regarding reporting to the public for the third quarter of 2023

In a letter dated November 9, 2023, the Banking Supervision Department instructed the banking corporations to ensure that their reports to the public for the third quarter of 2023 reflect and provide fair disclosure regarding the effects of the War on the results of operations, financial position, risks to which they are exposed and measures taken to manage these risks and to support the needs of customers and employees. The main emphases are on the following issues: Calculation of the current expected credit losses in the third quarter reports, the disclosure required for material effects of the War - such as the financial results of the banking corporation, capital ratios, leverage and liquidity coverage, main risks, disclosure regarding the main measures taken to support the needs of customers and employees - including an estimate of the quantitative effect and an explanation regarding the estimate calculation method, material developments in the credit risk, information regarding debts whose terms and conditions have been changed and quantitative disclosure regarding the exposure status and results of interest-rate and foreign currency risk scenarios.

Capital planning and profit distribution policy

In a letter dated November 12, 2023, the Banking Supervision Department instructed the banking corporations to reexamine their policies regarding the distribution of dividends and share buybacks in the context of the War and the increased uncertainty regarding its continuation and impact on the market, in view of the new conditions and their consequences; holding sufficient capital cushions for handling the various risks; continued assistance for customers, among other things, by providing credit to customers who have repayment capacity as part of the support for economic activity and as part of the rehabilitation and development efforts following the War.

Guidance by the Payments and Clearing Systems Department

Higher ceiling for mobile check deposits

On November 19, 2023, the Bank of Israel Payments and Clearing Systems Department announced that in order to assist households and businesses to continue to carry out their ongoing financial activity during the War and to offer more possibilities for performing banking transactions remotely, it was decided to increase the mobile check deposit amount limit from NIS 50,000 to NIS 100,000.

Directives of the Supervisor of Credit Data Sharing

Entering a comment in a report to the Central Credit Register in view of the Iron Swords War

In a directive dated October 19, 2023, the Supervisor of Credit Data Sharing in the Bank of Israel issued guidance regarding credit sources reported to the Central Credit Register, to identify and mark the negative data to be reported against the backdrop of the War in order to enable credit bureaus and the credit providers to differentiate between negative data generated prior to the War and negative data created following the outbreak of the War. The directive is applicable from the report for October 2023.

Amendment to Directive No. 201, "Reporting on Credit Data"

According to the amendment to the directive, dated November 9, 2023, an arrears payment of a debt to a source of financial information will be reported to the Central Credit Register only after 60 days (instead of 30 days) from the date on which the amount was due but not paid. The amendment will apply to reports for October and November 2023.

Adjustment to Directive No. 502, "Correction of Information in the Central Credit Register"

In the directive dated November 6, 2023, the Supervisor determined, regarding the resumption of handling a customer's request to correct information, that during the period from October 1, 2023 to December 31, 2023, the rate of complex exceptional cases for which the Bank may provide a response within 21 days, may not exceed 20 percent (instead of 5 percent) of the total requests for a correction in a calendar month.

Measures Published by Additional Entities and Specific Legislation

Appeal by the Authority for the Prohibition of Money Laundering to the financial sector and the public to increase awareness of terrorist financing attempts during the War and state of emergency

In the notice dated October 11, 2023, the Authority emphasized that at this time, appropriate preparations and maximum vigilance is required on the part of the financial sector in general and the reporting entities in particular regarding financial activity whose purpose is to finance and support terrorist activity and to assist the Hamas and Islamic Jihad terrorist organizations. The Authority asks to increase attention and devote all the necessary resources in order to monitor, detect and report to the Authority effectively and immediately regarding activities seen as having a potential risk of terror financing and support, as well as regarding any operation or attempt to perform an operation occurring in the Gaza Strip territory.

Procedure published by the Commissioner of Insolvency Proceedings regarding the deferral of the monthly payment in respect of October and November and deferral of the date for submitting bi-monthly reports

The procedure dated October 12, 2023 allows a deferral of the monthly payment of individuals in insolvency proceedings payable in October-November 2023. The date for completion of the payments will be published in an update notice at the end of the state of emergency period.

Dates Deferral Law (Temporary Order - Iron Swords) (Contract, Judgment or payment to the Authority), 2023

The law published on October 18, 2023 determines a deferral of the dates set in a contract, judgment or payment to a public authority for individuals and businesses from certain populations listed in the law who were impacted by the emergency situation. These individuals and businesses will be entitled to request a 30-day deferral of a payment date occurring in the "effective period" (October 7, 2023 to November 7, 2023). On November 7, 2023, an ordinance was published extending the effective period until December 7, 2023 and deferring the payments by 60 days (instead of 30 days) or until December 31, 2023, the earlier of the two.

Non-enforcement Position - Pension advice by a banking corporation external to the Bank's branches to existing customers regarding pension advice

On November 1, 2023 the Capital Market Authority published a draft non-enforcement position in which it was clarified that the Authority will not take enforcement measures against banking corporations that will provide pension advice digitally or by telephone to existing customers regarding pension advice, which is provided in bank branches at which banking activity is limited or which do not have reception hours, as well as customers who are residents of evacuated localities outlined in the Addendum to the Dates Deferral Law (Temporary Order - Iron Swords) (contract, judgment or payment to an authority), 2023. The position is in effect until the expiration of the declared special situation in the home front, or until January 1, 2024, whichever is earlier.

Bad Checks Regulations (Conditions for Application of the Law), 2023

On October 26, 2023, an amendment to the Bad Checks Regulations was published, according to which from October 7, 2023 to October 31, 2023 dishonored checks will be deducted from the number of dishonored checks. In addition, dishonored checks in the accounts of the populations listed in the regulations, in the period between November 1, 2023 to November 30, 2023, will also be deducted from the number of dishonored checks. The limiting of the accounts is accordingly revoked.

Law for the Protection of Special Grants (Iron Swords), 2023

The law, published on November 1, 2023 provides protection against the transfer, encumbering or seizure of grants given in accordance with government resolutions to individuals evacuated from their place of residence or family members of hostages and missing persons in connection with the Iron Swords War, as well as extends the period of protection set in various laws for a grant, compensation or benefit normally received by various eligible populations (National Insurance, bereaved families, disabled persons, persons disabled prosecution by the Nazis, holocaust survivors) for 90 days (instead of 30 days), if the grant was paid in the period of the special situation in the home front or during the 30 days prior to the effective date of this law. If the period of the special situation in the home front ends before 90 days will have elapsed, the protection will apply during the period from the date of payment until 30 days from the end of the period of the special situation in the home front.

The Succession Law (Amendment No. 19), 1965

On November 7, 2023, Amendment No. 19 to the Succession Law was published in which sections were added to the Succession Law for the purpose of facilitating the inheritance procedures of persons who died in the War and to mitigate the risk of distortions in the distribution of their estate: The ability of the heir to waive his/her share of the estate in favor of others was expanded; it was determined that - regarding the distribution of rights in an estate of two persons who died on October 7, 2023 and October 8, 2023 in the hostilities or War, none of the two shall be considered as having died first. Power was given to the Registrar for Matters of Inheritance or to the court, as the case may be, to set a distribution arrangement between the heirs that differs from the general arrangement in order to avoid unfair results.

The various adjustments were attributable to various time periods, and are dynamically updated in accordance with the changing circumstances.

Additional Topics

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.

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.

Law for Ruling on Interest and Linkage (Amendment No. 9), 2023

The amendment, dated November 19, 2023 revises the mechanisms for ruling interest and linkage by a judicial authority, and accordingly - dozens of laws were amended in which the mechanisms provided in the law were used (including in the Execution Law, 1967 and in the Banking Ordinance, 1941). According to the amendment, the NIS interest rate is the default interest rate. In addition, a mechanism was set for the payment of arrears charges that will be added every three months, from the end of three months from the repayment date, and throughout the entire payment deferral period, and for a period of less than three months, no arrears charges will be added. In addition, arrears charges will not be added to the updated principal.

Credit Ratings

Credit ratings and outlook for the State of Israel and the Bank as at November 29, 2023

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody’s	A1	Negative	P-1
	S&P	AA-	Negative	A-1+
	Fitch	A+	Negative	F1+
Bank Leumi: Foreign exchange	Moody’s	A2	Negative	P-1
	S&P	A	Negative	A-1
	Fitch	A	Negative	F1+
	Fitch	A-(xgs)	Negative	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 November 29, 2023

On February 1, 2023, credit rating agency Moody’s reiterated the Bank's rating and rating outlook.

On May 2, 2023, the Fitch rating agency announced a change in the existing rating methodology for various banks around the world, including Israeli banks and Bank Leumi, in which, in addition to reiterating the existing rating, a rating was added that takes into account a scenario where there is not state support to cover the public’s deposits in a crisis.

On August 1, 2023, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On August 2, 2023, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On September 11, 2023, credit rating agency Moody’s reiterated the Bank's rating and rating outlook.

On October 19, 2023, rating agency Fitch announced that, following the placement of the State of Israel’s rating on a Ratings Watch Negative (RWN) list, it is placing the long-term (A) and short-term (F1+) ratings of the Bank (and that of other Israeli banks) on the RWN list.

On October 24, 2023, rating agency Moody’s announced that, following the placement of the State of Israel’s rating on the Ratings Watch Negative list, it is placing the ratings of the Bank (and of other Israeli banks) for long-term deposits (A2) and short-term deposits (P-1) and the Bank’s (and other Israeli banks’) CRR rating (A1) on the Ratings Watch Negative list.

On October 31, 2023, rating agency S&P announced that following the downgrade of the State of Israel’s outlook from stable to negative, S&P downgraded the outlook of the Bank and other Israeli banks to negative. In addition, S&P reiterated the Bank’s long-term rating at A and its short-term rating at A-1.

On October 31, 2023, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On October 31, 2023, credit rating agency Midroog reiterated the Bank's rating and rating outlook.

Appendix 1 - Income and Expenditure Rates[(a)] and Analysis of Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates – Assets

	For the three months ended September 30					
	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	**403,487**	**6,401**	**6.35**	360,724	3,913	4.34
Outside Israel	**8,068**	**165**	**8.18**	6,058	75	4.95
Total[(i)]	**411,555**	**6,566**	**6.38**	366,782	3,988	4.35
Loans to the government						
In Israel	**1,223**	**15**	**4.91**	1,242	12	3.86
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,223**	**15**	**4.91**	1,242	12	3.86
Deposits with banks						
In Israel	**12,495**	**115**	**3.68**	13,293	48	1.44
Outside Israel	**157**	**-**	**-**	146	-	-
Total	**12,652**	**115**	**3.64**	13,439	48	1.43
Deposits with central banks						
In Israel	**71,656**	**860**	**4.80**	131,907	506	1.53
Outside Israel	**-**	**-**	**-**	442	1	0.90
Total	**71,656**	**860**	**4.80**	132,349	507	1.53
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	**2,844**	**29**	**4.08**	2,158	8	1.48
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**2,844**	**29**	**4.08**	2,158	8	1.48
Bonds - held-to-maturity and available-for-sale[(d)]						
In Israel	**118,599**	**1,094**	**3.69**	75,068	404	2.15
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**118,599**	**1,094**	**3.69**	75,068	404	2.15
Bonds - Held-for-trading[(d)]						
In Israel	**8,749**	**79**	**3.61**	3,049	11	1.44
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**8,749**	**79**	**3.61**	3,049	11	1.44
Total interest-bearing assets	**627,278**	**8,758**	**5.58**	594,087	4,978	3.35
Non-interest-bearing receivables for credit cards	**6,230**			6,201		
Other non-interest-bearing assets[(e)]	**60,704**			68,486		
Total assets	**694,212**	**8,758**		668,774	4,978	
Total interest-bearing assets attributable to foreign operations	**8,225**	**165**	**8.02**	6,646	76	4.57

Please see comments below.

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

	For the three months ended September 30					
	2023			2022		
	Average balance[(b)]	Interest expenses	% of expense	Average balance[(b)]	Interest expenses	% of expense
	In NIS million		In %	In NIS million		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	388,531	4,260	4.39	291,964[(j)]	1,256	1.72[(j)]
Demand deposits	117,869	1,177	3.99	112,292[(j)]	379	1.35[(j)]
Fixed deposits	270,662	3,083	4.56	179,672	877	1.95
Outside Israel	-	-	-	1,065	3	1.13
Demand deposits	-	-	-	12	-	-
Fixed deposits	-	-	-	1,053	3	1.14
Total	388,531	4,260	4.39	293,029[(j)]	1,259	1.72[(j)]
Deposits by the Israeli Government						
In Israel	179	1	2.23	238	1	1.68
Outside Israel	-	-	-	-	-	-
Total	179	1	2.23	238	1	1.68
Deposits by central banks						
In Israel	14,115	2	0.06	16,912	3	0.07
Outside Israel	-	-	-	-	-	-
Total	14,115	2	0.06	16,912	3	0.07
Deposits by banks						
In Israel	5,218	32	2.45	6,573	11	0.67
Outside Israel	57	-	-	60	-	-
Total	5,275	32	2.43	6,633	11	0.66
Securities loaned or sold under repurchase agreements						
In Israel	14,239	209	5.87	2,874	16	2.23
Outside Israel	-	-	-	-	-	-
Total	14,239	209	5.87	2,874	16	2.23
Bonds						
In Israel	31,018	319	4.11	19,945	274	5.50
Outside Israel	-	-	-	-	-	-
Total	31,018	319	4.11	19,945	274	5.50
Total interest-bearing liabilities	453,357	4,823	4.26	339,631[(j)]	1,564	1.84[(j)]
Non-interest-bearing deposits by the public	145,143			245,962[(j)]		
Non-interest-bearing payables for credit cards	1,687			1,730		
Other non-interest bearing liabilities[(f)]	38,465			31,296		
Total liabilities	638,652	4,823		618,619	1,564	
Total capital resources	55,560			50,155		
Total capital commitments and resources	694,212	4,823		668,774	1,564	
Interest rate spread			1.32			1.51 [(j)]
Net return[(g)] on interest-bearing assets						
In Israel	619,053	3,770	2.44	587,441	3,341	2.27
Outside Israel	8,225	165	8.02	6,646	73	4.39
Total	627,278	3,935	2.51	594,087	3,414	2.30
Total interest-bearing liabilities attributable to foreign operations	57	-	-	1,125	3	1.07

Please see comments below.

Part A - Average Balances and Interest Rates – Assets (cont.)

	For the nine months ended September 30					
	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	391,785	18,318	6.23	343,524	10,170	3.95
Outside Israel	7,281	424	7.76	12,188	369	4.04
Total[i]	399,066	18,742	6.26	355,712	10,539	3.95
Loans to the government						
In Israel	1,141	38	4.44	1,147	33	3.84
Outside Israel	-	-	-	-	-	-
Total	1,141	38	4.44	1,147	33	3.84
Deposits with banks						
In Israel	14,868	450	4.04	15,090	91	0.80
Outside Israel	199	-	-	185	-	-
Total	15,067	450	3.98	15,275	91	0.79
Deposits with central banks						
In Israel	88,144	2,876	4.35	130,380	681	0.70
Outside Israel	52	2	5.13	1,297	5	0.51
Total	88,196	2,878	4.35	131,677	686	0.69
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	2,875	95	4.41	2,566	13	0.68
Outside Israel	-	-	-	-	-	-
Total	2,875	95	4.41	2,566	13	0.68
Bonds - held-to-maturity and available-for-sale[d]						
In Israel	104,278	2,636	3.37	80,341	930	1.54
Outside Israel	-	-	-	1,477	27	2.44
Total	104,278	2,636	3.37	81,818	957	1.56
Bonds - Held-for-trading[d]						
In Israel	6,224	154	3.30	2,906	46	2.11
Outside Israel	-	-	-	-	-	-
Total	6,224	154	3.30	2,906	46	2.11
Total interest-bearing assets	616,847	24,993	5.40	591,101	12,365	2.79
Non-interest-bearing receivables for credit cards	6,182			6,032		
Other non-interest-bearing assets[e]	71,568			61,575		
Total assets	694,597	24,993		658,708	12,365	
Total interest-bearing assets attributable to foreign operations	7,532	426	7.54	15,147	401	3.53

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity (cont.)

	For the nine months ended September 30					
	2023			2022		
	Average balance[(b)]	Interest expenses	% of expense	Average balance[(b)]	Interest expenses	% of expense
	In NIS million		In %	In NIS million		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	371,987	11,344	4.07	266,455[(j)]	2,052	1.03[(j)]
Demand deposits	112,533	3,191	3.78	110,314[(j)]	478	0.58[(j)]
Fixed deposits	259,454	8,153	4.19	156,141	1,574	1.34
Outside Israel	6	-	-	4,148	18	0.58
Demand deposits	6	-	-	2,392	2	0.11
Fixed deposits	-	-	-	1,756	16	1.21
Total	371,993	11,344	4.07	270,603[(j)]	2,070	1.02[(j)]
Deposits by the Israeli Government						
In Israel	236	2	1.13	292	2	0.91
Outside Israel	-	-	-	-	-	-
Total	236	2	1.13	292	2	0.91
Deposits by central banks						
In Israel	15,616	7	0.06	16,966	8	0.06
Outside Israel	-	-	-	-	-	-
Total	15,616	7	0.06	16,966	8	0.06
Deposits by banks						
In Israel	6,022	79	1.75	6,574	15	0.30
Outside Israel	19	-	-	50	-	-
Total	6,041	79	1.74	6,624	15	0.30
Securities loaned or sold under repurchase agreements						
In Israel	8,375	386	6.15	2,890	27	1.25
Outside Israel	-	-	-	-	-	-
Total	8,375	386	6.15	2,890	27	1.25
Bonds						
In Israel	29,721	1,028	4.61	21,677	805	4.95
Outside Israel	-	-	-	-	-	-
Total	29,721	1,028	4.61	21,677	805	4.95
Total interest-bearing liabilities	431,982	12,846	3.96	319,052[(j)]	2,927	1.22[(j)]
Non-interest-bearing deposits by the public	163,351			262,396[(j)]		
Non-interest-bearing payables for credit cards	1,737			1,687		
Other non-interest-bearing liabilities[(f)]	43,185			30,333		
Total liabilities	640,255	12,846		613,468	2,927	
Total capital resources	54,342			45,240		
Total capital commitments and resources	694,597	12,846		658,708	2,927	
Interest rate spread			1.44			1.57[(j)]
Net return[(g)] on interest-bearing assets						
In Israel	609,315	11,721	2.56	575,954	9,055	2.10
Outside Israel	7,532	426	7.54	15,147	383	3.37
Total	616,847	12,147	2.63	591,101	9,438	2.13
Total interest-bearing liabilities attributable to foreign operations	25	-	-	4,198	18	0.57

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributable to Activities in Israel

	For the three months ended September 30					
	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	63,522	903	5.69	58,044	1,023	7.05
Total interest-bearing liabilities	29,591	(278)	(3.76)	23,965	(344)	(5.74)
Interest rate spread			1.93			1.31
Non-linked NIS						
Total interest-bearing assets	449,777	6,523	5.80	437,729	3,334	3.05
Total interest-bearing liabilities	309,700	(2,970)	(3.84)	243,854[j]	(713)	(1.17)[j]
Interest rate spread			1.96			1.88[j]
Foreign currency						
Total interest-bearing assets	105,754	1,167	4.41	91,668	545	2.38
Total interest-bearing liabilities	114,009	(1,575)	(5.53)	70,687[j]	(504)	(2.85)[j]
Interest rate spread			(1.12)			(0.47)[j]
Total activity in Israel						
Total interest-bearing assets	619,053	8,593	5.55	587,441	4,902	3.34
Total interest-bearing liabilities	453,300	(4,823)	(4.26)	338,506[j]	(1,561)	(1.84)[j]
Interest rate spread			1.29			1.50 [j]

Please see comments below.

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

	For the nine months ended September 30					
	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	**61,537**	**3,095**	**6.71**	55,905	3,377	8.05
Total interest-bearing liabilities	**28,317**	**(1,031)**	**(4.85)**	22,712	(1,108)	(6.50)
Interest rate spread			**1.86**			1.55
Non-linked NIS						
Total interest-bearing assets	**444,406**	**18,254**	**5.48**	427,989	7,454	2.32
Total interest-bearing liabilities	**291,191**	**(7,615)**	**(3.49)**	228,070[j]	(1,031)	(0.60)[j]
Interest rate spread			**1.99**			1.72[j]
Foreign currency						
Total interest-bearing assets	**103,372**	**3,218**	**4.15**	92,060	1,133	1.64
Total interest-bearing liabilities	**112,449**	**(4,200)**	**(4.98)**	64,072[j]	(770)	(1.60)[j]
Interest rate spread			**(0.83)**			0.04[j]
Total activity in Israel						
Total interest-bearing assets	**609,315**	**24,567**	**5.38**	575,954	11,964	2.77
Total interest-bearing liabilities	**431,957**	**(12,846)**	**(3.97)**	314,854[j]	(2,909)	(1.23)[j]
Interest rate spread			**1.41**			1.54 [j]

Please see comments below.

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

	2023 vs. 2022					
	For the three months ended September 30			For the nine months ended September 30		
	Increase (decrease) due to change[h]		Net change	Increase (decrease) due to change[h]		Net change
	Quantity	Price		Quantity	Price	
	In NIS million					
Interest-bearing assets						
Loans to the public						
In Israel	678	1,810	2,488	2,256	5,892	8,148
Outside Israel	41	49	90	(286)	341	55
Total	719	1,859	2,578	1,970	6,233	8,203
Other interest-bearing assets						
In Israel	(113)	1,316	1,203	(428)	4,883	4,455
Outside Israel	-	(1)	(1)	(22)	(8)	(30)
Total	(113)	1,315	1,202	(450)	4,875	4,425
Total interest income	606	3,174	3,780	1,520	11,108	12,628
Interest-bearing liabilities						
Deposits by the public						
In Israel	1,059	1,945	3,004	3,218	6,074	9,292
Outside Israel	-	(3)	(3)	-	(18)	(18)
Total	1,059	1,942	3,001	3,218	6,056	9,274
Other interest-bearing liabilities						
In Israel	158	100	258	290	355	645
Outside Israel	-	-	-	-	-	-
Total	158	100	258	290	355	645
Total interest expenses	1,217	2,042	3,259	3,508	6,411	9,919

Comments:

(a) The data in the above tables are stated after the effect of derivatives instruments hedging.

(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average on-balance sheet loan loss provisions; foreign subsidiaries - based on quarterly opening balances.

(c) Before deducting the average balance of loan loss provisions. Including non-accrual debts.

(d) The average balance of unrealized gains/losses from fair value adjustments of held-for-trading bonds were deducted from/added to the average outstanding held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholders' equity under Accumulated other comprehensive income (loss), in the Adjustments in respect of presentation of available-for-sale securities at fair value item in respect of bonds transferred from the available-for-sale portfolio for the three- and nine-month periods ended September 30, 2023, in the amount of NIS (3,418) million and (3,469) million, respectively, and for the three- and nine-month periods ended September 30, 2022 - NIS (2,302) million and NIS (1,007) million, respectively.

(e) Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivative instruments and non-monetary liabilities.

(g) Net yield – net interest income divided by total interest-bearing assets.

(h) The change attributable to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributable to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions for the three-month and nine-month periods ended September 30, 2023 in the amount of NIS 102 million and NIS 301 million, respectively, were included in the interest income from loans to the public (fees and commissions for the three-month and nine-month periods ended September 30, 2022 in the amount of NIS 99 million and NIS 352 million, respectively).

(j) Reclassified. During the first quarter of 2023, a change in classification was made between interest-bearing and non-interest-bearing deposits. For comparability reasons, the Bank made an immaterial adjustment to the comparative figures. The aforementioned had no effect on the Bank’s profit and loss and equity. For additional information, please see Note 7.

Glossary of Terms

Term	Definition
A	
Actuarial Calculation	Any calculation that reflects uncertainties, i.e., is risk-adjusted. For example, an Actuarial Calculation reflects past experience and management's estimates as to the expected retirement dates of a bank's employees and the expected retirement benefits which are allocated on a linear basis over the expected service period.
Active Market	A market in which transactions in an asset or liability exist at a sufficient frequency and volume to provide information about pricing on an ongoing basis.
Actuarial Gain/Loss	Mostly reflects adjustments in respect of actuarial estimates, as at the end of the year, of defined benefit pension plans and a deduction of amounts previously recorded in other comprehensive income.
Asset and Liability Management (ALM)	Management of the Bank's assets and liabilities with the aim of avoiding a mismatch between the two and, in the long-term, increasing the Bank's capital for the benefit of its shareholders.
Asset-Backed Securities (ABSs)	A security whose interest and principal payments are collateralized or pledged by a specific financial asset.
Auxiliary Corporation	A corporation which is not in itself a bank and whose activities are limited to the fields of activity permitted to the bank controlling it, except activities reserved exclusively for corporations defined as banks under law.
Average Duration (AD)	Average duration is measured in years and weights the periodic interest payments of the financial instrument over its life until final redemption.
B	
Balanced Score Card (BSC)	A performance metric used for measuring the performance of the Bank and its business lines on a number of quantitative and qualitative issues defined by Bank's management in its strategic plan.
Basel II/Basel III	Banks' risk management directives set by the Basel Committee on Banking Supervision (BCBS), which is the primary supervision and global standard setter for prudential regulation and supervision of banks. The BCBS's directives serve as the benchmark for leading standards designed to ensure the stability of financial institutions.
Basic Earnings per Share	Basic earnings per share will be calculated by dividing the profit or loss attributed to holders of the parent company's ordinary shares (the numerator) by the weighted average number of ordinary shares outstanding during the period (the denominator).
Basis Point (BP)	1/100th of 1 percent; BP is used as a common unit of measure for interest rates.

Basis Risks	Basis Risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases.
Benchmark Interest Rate	Interest determined on an external objective basis according to a pre-set formula, i.e., the bank plays no direct role in setting it.
Bid-Ask Spread	The difference between the offered purchase price and selling price. This is, in fact, the difference between the highest price a buyer is willing to pay for an asset and the lowest price in which a seller is willing to sell it.
Build Operate Transfer (BOT)	A model used to finance public projects whereby a public entity grants a concession to a private company to finance, plan, build and operate a public facility for a fixed period of time, at the end of which control of the facility is transferred to the government.
C	
Capital Adequacy Ratio	The ratio between the Bank's qualifying Regulatory Capital and its risk-weighted assets (the Bank's assets weighted to reflect credit, market and operational risks), calculated in accordance with the Bank of Israel's directives and to reflect the risk associated with exposures undertaken by the Bank during the course of its activities.
Collateralized Debt Obligation (CDO)	A bond backed by a portfolio of bonds and/or loans of various seniority levels and ratings.
Collateralized Loan Obligation (CLO)	A bond backed by a loans portfolio.
Collective Provision	A Collective Provision for Loan losses is applied to large groups of relatively small and homogeneous debts and to debts that were reviewed specifically and were found to be non-performing. The Collective Provision in respect of the off-balance sheet instruments is based on provision rates that were set for on-balance sheet loans, while taking into account the Bank's estimates regarding the probability of utilizing the various off-balance-sheet items..
Common Equity Tier 1 Capital	Going Concern Capital Common Equity Tier 1 (CET1) Capital includes the equity attributed to a bank's shareholders, with the addition of some of the non-controlling interests (minority interests) of consolidated subsidiaries less goodwill, other intangible assets and regulatory adjustments and additional deductions, pursuant to Proper Conduct of Banking Business Directive No. 202, "Measurement and Capital Adequacy – Regulatory Capital" and pursuant to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

Conduct Risk	Conduct Risk is the risk that any dealings with Bank's customers which are not fair, transparent and aimed to meet their needs will lead to losses due to legal damages, fines or reputational damage.
Committee Of Sponsoring Organizations of the Treadway Commission (COSO)	A structured internal controls model. The model is intended to assist businesses and other entities to assess, estimate and enhance their internal control functions.
Cost of Interest	The interest component allocated to a current year and classified into payroll expenses.
Cost of Service	All components of employee benefits costs allocated to a specific period.
Credit Default Swap (CDS)	A financial instrument that transfers the credit exposure between parties to a transaction to the issuing entity.
Credit Derivative	A contract that transfers the credit risk from a buyer to a seller. There are various forms of Credit Derivatives: Credit Default Swap (CDS), a note for partial cover of credit risk, Total Return Swap (TRS), etc..
Credit Valuation Adjustment (CVA)	The calculation of credit risk in derivatives reflects the expected loss to the bank in case the counterparty to the transaction will default.
Credit Risk	Credit risk is the Bank's risk of loss as a result of the possibility that a borrower or counterparty fails to meet its agreed commitments towards the bank.
Cross Border Activity	A term referring to various cross-border financing arrangements, such as cross border loans, letters of credit or bankers' acceptances.
Current Expected Credit Losses (CECL)	A model for expected credit losses.
Cyber Event	An event during which the Bank's IT and/or computer-embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to the bank) and such attack may result in the materialization of the cyber risk, including an attempted attack even if it did not result in actual damage.
D	
Defined Benefit Plan	Fixed and predetermined pension or insurance amounts which are paid to eligible employees, whether or not they depend on the investment results of the pension fund or insurer.

Delinquent Debt	The delinquency (arrears) status of a debt is determined according to its contractual repayment terms. The debt is in arrears if some or all of the debt amount has not been repaid within 30 days of its due date. For this purpose, a debt in a current account in excess of the authorized credit facility will be regarded as being in arrears if not repaid within 30 days, or if that account is not credited with sums sufficient to cover the debt under the credit facility within the period determined by the Bank's management.
Diluted Earnings Per Share	Dividing the profit or loss attributed to holders of the parent company by the weighted average number of ordinary shares outstanding, to assume conversion of all potentially dilutive ordinary shares.
Dodd Frank Wall Street Reform and Consumer Protection Act (DFA)	The DFA is a U.S. federal law which came into force on July 28 2019. The DFA sets in motion a comprehensive financial reform which has various implications for the Leumi Group, the principal of which is associated with transactions involving over-the-counter derivative swaps.
E	
Embedded Derivatives	Embedded Derivatives are derivative instruments which are embedded into other financial contracts and instruments or into commercial contracts for the purchase or sale of products and services (these contracts are known as host contracts). The accounting treatment is applied according to the economic substance of the items and transactions, rather than according to their legal form; therefore, embedded derivatives whose economic characteristics are not clearly and closely related to those of the host contract are bifurcated therefrom for the purpose of measurement in the Bank's books of accounts.
European Market Infrastructure Regulation (EMIR)	A regulation of the European Union which is intended to enhance the stability of over-the-counter markets in all EU countries.
Exposure at Default (EAD)	The expected amount of counterparty exposure in case of credit default.
F	
Fair Value	The amount for which an asset can be exchanged or a liability assumed in a transaction between knowledgeable, willing parties. This value is determined according to the fair value hierarchy set in accounting standards: • Level 1 – Value based on quoted market prices; • Level 2 – Estimated value based on observable inputs; • Level 3 – Estimated value determined by using valuation techniques that include unobservable inputs.

Fannie Mae (FNMA)	A U.S. government-sponsored enterprise which purchases and securitizes mortgages and sells them on the free market. (The company is not backed by the U.S. government).
Federal Deposit Insurance Corporation (FDIC)	An independent federal agency insuring deposits in U.S. banks; FDIC is one of the U.S.'s banking supervisory bodies.
Foreign Accounts Tax Compliance Act (FATCA)	A U.S. tax law intended to improve tax enforcement. Pursuant to FATCA, non-U.S. financial entities must disclose to the U.S. Internal Revenue Service information about accounts held by them for anyone who is required to report under FATCA, even if he/she is not a U.S. resident.
Forwards	Forwards are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Forwards are not standard contracts and are not traded on capital markets, but are drawn up specifically according to the parties' needs.
Freddie Mac (FHLMC)	FHLMC is a U.S. government-sponsored agency that purchases and securitizes mortgages and sells them to the public. (The company is not backed by the U.S. government).
Futures	Futures are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Futures are standard contracts traded on capital markets.
G	
Ginnie Mae (GNMA)	A federal mortgage company. The bonds issued by GNMA are backed by the Government National Mortgage Association.
I	
Indebtedness	The Bank's loan exposures to a borrower or group of borrowers, including loans under the bank's responsibility, the bank's investments in the borrower's securities, commitments of the bank to pay money on a customer's behalf (including guarantees and Documentary Credit) and transactions in over the counter (OTC) derivatives. Indebtedness is calculated according to the provisions of Proper Conduct of Banking Business Directive No. 313 of the Banking Supervision Department.
Interest Rate Risk	The risk of loss or impairment as a result of changes in interest rates across various currencies.

Internal Capital Adequacy Assessment Process (ICAAP)	The capital adequacy assessment process is aimed at calculating the capital required to support the various risks to which the Group is exposed in order to ensure that the Group's effective capital exceeds the capital requirements at any time.
Internal Rate of Return (IRR)	A measure used to estimate the profitability of potential investments. This metric is an indicator of the efficiency and quality of a specific investment in relation to the net present value, which is an indicator of the value and size of the investment. The Internal Rate of Return is the interest rate that discounts the expected cash flow from a financial instrument to its balance in the Bank's balance sheet.
L	
Leverage Ratio	Defined as the measured capital (the numerator) divided by the measured exposure (the denominator), with the ratio expressed as a percentage.
Linkage Base and Exchange Rate Exposure	The exposure to the basis risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases. The exposure to basis risks is measured as a percentage of the Group's exposed capital. At the Bank level, the exposed capital includes common equity and certain provisions, net of property, plant and equipment and investments in investees.
Liquidity Coverage Ratio	Liquidity Coverage Ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a bank has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon.
Liquidity Risk	Liquidity Risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss.
Loan-to-Value (LTV) Ratio	The ratio of a bank loan to the value of a purchased asset. LTV reflects one aspect of the loan risk; a higher LTV reflects a higher risk to the lending bank.
Loss Given Default (LGD)	This is the percentage out of a borrower's total Exposure at Default (EAD), which the Bank is expected to lose on default.
M	
Market Risks	Market Risk is defined as the risk of loss in balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (i.e., changes in: price levels in various markets; interest rate volatility; foreign exchange rates; inflation rates; share and commodity prices, as well as in other economic measures).

Mortgage-Backed Securities (MBS)	Bonds which are backed by financial assets, the principal and interest payments of which are based on a cash flow from repayment of loans collateralized by financial assets. The collateral assets may be pools of loans, including housing mortgages or other financial assets.
N	Impaired non-accruing loans.
Net Interest Margin (NIM)	Ratio between net interest income and the average balance of interest-bearing assets.
Net Stable Funding Ratio (NSFR)	The purpose of NSFR is to improve the long-term liquidity ratio profile of banking corporations by requiring them to maintain a stable funding ratio according to the composition of their assets and off-balance-sheet activities. The ratio limits banking corporations' over-relyance on wholesale short-term financing. Measurement - both for consolidated and separate reporting purposes - is made each quarter and the requirement is to comply with a 100 percent rate.
Non-Performing Credit	On-balance sheet credit that is assessed on a case by case basis and which - based on present circumstances and information - it is probable that the Bank will be unable to collect the full amounts payable (principal plus interest) under the contractual terms of the debt agreement. A debt which is assessed on a case by case basis shall be classified as non-performing whenever the principal or interest has been past due for a period of 90 consecutive days or more, unless it is both well secured and in the process of collection. Off-balance sheet credit is classified as non-performing if it is at least reasonably possible that the contingent liability in respect of the off-balance sheet item will materialize, and if the debts that may result from the materialization of the contingent liability should be classified into this category. Furthermore, a non-performing debt which is assessed on a specific basis and whose terms were changed due to restructuring of a troubled debt will also be considered as non-performing loans.
Non-Performing Loan (NPL)	Non-accrual troubled 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) (Within one year of the rating date in a given period)	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	Special Mention Loan 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.