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

Condensed Financial Statements
As at March 31, 2024
(Unaudited)

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

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Report of the Board of Directors and Management

The Report of the Board of Directors and Management was prepared in accordance with the Reporting to the Public Directives of the Banking Supervision Department. The principles applied to the preparation of the interim financial statements are consistent with those applied to the Annual financial statements as at December 31, 2023, except as outlined in Note 1 to the financial statements. The statements herein should be read in conjunction with the 2023 Annual Financial Statements.

Main Developments in the Israeli Economy[1]

General Background

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 has led to significant disruptions in economic activity, especially in its initial weeks. This was due to the widespread rocket firing, which targeted most highly populated localities, the evacuation of more than 100,000 civilians from southern and northern Israel, substantial drafting of reservists, a sharp decrease in availability of nonresident workers and ongoing disruptions in the educational system. The effects of the War have led to a substantial decrease in GDP in the fourth quarter of 2023.

During the first quarter of 2024, economic activity across most sectors and regions appears to be recovering. Due to a substantial decrease in rocket firing into most regions, a decline in the number of reservists on active duty, the educational system resuming routine activity across most regions and the public's adaptation to the "wartime routine". This process is reflected, inter alia, in a rise in consumer spending using credit cards, higher turnover in businesses across most sectors, etc. On the other hand, activity in some economic sectors is still substantially lower than its pre-War levels, such as in the construction and incoming tourism sectors, as well as in areas adjacent to the northern and southern borders.

A prolonged process of civil and security rehabilitation is expected, with emphasis on local spending which will be manifested in the public expenditure, with investment in fixed assets, in healthcare services and social services, as well as private consumption. Geopolitical risks remained high on the back of the possibility of escalation into additional fronts and due to the risks associated with the sentiment towards Israel in global financial markets. In this context, we shall note that on the night of April 13-14, 2024, Iran launched a missile attack against Israel, a move which increases the likelihood of the materialization of alternative scenarios with more adverse consequences for the Israeli economy. However, it seems that it will not be in the immediate time frame in view of subsequent developments.

Against the backdrop of the War and its immediate and long-term effects on economic activity and on Israel's fiscal situation, the three large credit rating agencies responded with downgrades and/or a downward revision of the rating outlook.

For further details regarding the rating of the State of Israel, please see the paragraph entitled Risk factor severity in the economy below in this chapter.

The Global Economy

On April 16, 2024, the International Monetary Fund (IMF) revised its global growth forecasts for 2024. Compared with the prior forecast from January 2024, there was no significant change in the IMF's global growth forecasts. The IMF noted that economic activity demonstrated strength and continued to expand at a stable pace, with an increase in employment, despite the raising of interest rates around the world in order to cope with the rise in inflation.

The growth forecast for 2024 reflects IMF estimates for growth at a pace similar to 2023. This is, on the one hand, on the back of the expected continued moderation of inflation in most of the world, which will accompany a reduction of interest rates by central banks around the world combined with extensive government support in China, which are expected to boost economic activity and support growth. And on the other hand, due to the need for fiscal restraint, which will be reflected in a reduction of government expenditures and tax increases in order to cope with the government debt which has risen in recent years with the support of economic activity in times of crisis.

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

There are several risks to the growth forecast, primarily: the fragility of the real estate market in China and the possibility of commodity prices rising due to climate-related risks and geopolitical risks around the world, alongside supply disruptions and global trade restrictions. We also note that the IMF warns of the expansion of the Iron Swords War to additional fronts, which could lead to a significant increase in the defense spending of the world's largest economies and place a strain on growth.

According to the current growth forecasts, the gross world product is expected to grow at a rate of approx. 3.2 percent in 2024. As for the major western economies - the US economy is expected to grow by approx. 2.7 percent (a 0.6 percentage point increase compared to the January 2024 forecast), with the Eurozone at approx. 0.8 percent, a forecast reflecting a 0.1 percentage point decrease. As for the Israeli economy, the IMF expects a growth rate of 1.6 percent in 2024, somewhat lower than the Bank of Israel forecast (2 percent).

The inflation is moderating in most countries and therefore, the monetary restraint process is nearing its end. During 2024, most large central banks around the world are expected to start a gradual interest rate reduction process. 2024 is expected to be a year of relatively slow economic growth is expected, although in some countries, the growth rate is especially high. The risk map is inclined downward and includes, among other things, 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, especially on the back of the threat on global shipping routes, especially around the Red Sea.

Global growth/real change rate
Source: IMF - World Economic Outlook - April 2024

	2024	2023
World	**3.2%**	3.2%
USA	**2.7%**	2.5%
Eurozone	**0.8%**	0.4%
Japan	**0.9%**	1.9%
UK	**0.5%**	0.1%
China	**4.6%**	5.2%

The Israeli Economy

Risk factor severity in the economy

The degree of risk to the Israeli economy has increased during 2023 and has further risen due to the outbreak of the Iron Swords War and developments since then, in 2024 as well. Against this backdrop, on February 9, 2024, Moody's downgraded Israel's credit rating from A1 to A2 (comparable to A in other agencies), changing Israel's rating outlook to negative. Moody's report emphasizes the weaknesses stemming from the current situation in Israel in several aspects. Moody's estimates that Israel's debt burden will be significantly higher than expected prior to the War. The negative rating outlook reflects Moody's assessment that the risk of an escalation of the conflict with Hezbollah in northern Israel remains significant, which has a potentially significant negative effect for Israel's economy. On the other hand, the rating process also takes into account the Israeli economy's long-standing strengths. The agency reiterated the rating and the rating outlook on May 10, 2024.

Following the downgrading of the State of Israel's rating, on February 13, 2024, Moody's downgraded the rating of long-term deposits and the counterparty risk for Israel's five major banks, including Leumi, from A2 to A3. At the same time, Moody's reiterated the banks' ratings on matters such as baseline credit assessments and short-term counterparty risk.

On April 2, 2024, Fitch removed the risk watch negative (RWN) on Israel's credit rating and replaced it with a longer risk negative outlook. Fitch is of the opinion that in the short term, the geopolitical risks associated with the War in Gaza remain high and the risks of escalation remain significant. Fitch believes that now the risks are more prolonged and the negative effect may last longer. At the same time, Fitch reiterated the credit rating at A+.

Against a similar backdrop, that is the increased geopolitical risk, on April 18, 2024, S&P reduced Israel's credit rating from AA to A+ with a negative rating outlook. The agency noted that the direct confrontation with Iran increases the geopolitical risks, which were already high. In a negative scenario, S&P may downgrade Israel's rating if the continuing conflicts expand and will further increase the security, economic, social and geopolitical risks facing Israel. On the back of that move, and with an emphasis on concern regarding long term effects of the War on the local banking sector, on May 2, 2024, S&P reduced the rating outlook of the large Israeli banks, including Leumi, from stable to negative (in both foreign and local currency). The agency downgraded the Bank's credit rating (in foreign currency) from A/A-1 (Long-term/Short-term) to A-/A-2. At the same time, there was no change in the Bank's rating in NIS terms.

The rating downgrading may have an adverse effect beyond that embodied in the markets, inter alia, due to the State's recruitment costs and for Israeli banks. The risk level has remained high and therefore, there is still a real and feasible possibility of a future rating downgrade within a relatively short period of time if the various risk scenarios are realized. These are various scenarios concerning the security situation as well as Israel's ability to continue and recover in circumstances where the world's attitude towards Israel will continue to weaken, the probability of their materialization having risen in view of the direct confrontation between Iran and Israel.

For more information on the degree of risk to the Israeli economy, please see the section entitled "Main Developments in the Israeli Economy" in the financial statements as of December 31, 2023.

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

Growth in the Israeli Economy

The GDP was up by a rapid growth pace of 14.1 percent in the first quarter of 2024, annualized, compared to the previous quarter, during which a sharp drop of 21.7 percent was recorded, annualized, on the backdrop of the Iron Swords War, which broke out at the beginning of the fourth quarter of 2023. Notwithstanding the increase in the first quarter of 2024, the level of the GDP in the first quarter of 2024 is approx. 1.4 percent lower than in the first quarter of 2023, and approx. 2.8 percent lower than in the third quarter of 2023, on the eve of the outbreak of the War. The increase in the GDP in the first quarter was supported by local demand, mainly by an increase in private consumption and investment in fixed assets, which dropped significantly in the fourth quarter of 2024. On the other hand, the decrease in the export of goods and services, and an increase in imports, adversely affected the growth rate in this quarter.

The job market continues to recover against the backdrop of the increased demand for workers and with some relief in the limited job supply due to the downsizing of reserve forces during the first quarter of the year. The unemployment rate, under the ordinary definition (unemployed aged 15 or older), was 3.3 percent in March 2024, compared to a level of 3.2 percent in December 2023 and 3.7 percent in March 2023. The unemployment rate under its broad definition (which also includes, in addition to the unemployed, who are included in the regular definition, workers who are temporarily absent from work for economic reasons, workers who do not participate in the workforce who were let go in the last two years and who have stopped looking for work, but not including workers who are not working for non-economic reasons, such as: reserve duty, care of children in the absence of child care solutions, and more) continued to decline and in March 2024 it was 5.3 percent compared to 7.5 percent in December 2023 and 10.4 percent in October 2023. In addition, the rate of absence from work for non-economic reasons has also moderated and according to the Bank of Israel, it now reflects almost exclusively reserve soldiers.

The State Budget and its Funding

The first quarter of 2024 ended with a deficit of approx. NIS 26 billion compared to a surplus of approx. NIS 14.2 billion in the corresponding quarter of 2023. The budget deficit, annualized, rose sharply in recent months due to the consequences of the Iron Swords War. Government activity in the last 12 months ended March 2024 amounted to a cumulative deficit of approx. NIS 117.3 billion, which is approx. 6.2 percent of GDP, according to Ministry of Finance estimates, compared to a deficit of approx. 4.1 percent of GDP at the end of 2023.

The current level of the deficit is nearing the ceiling determined by the Ministry of Finance for 2024 and amounts to 6.6 percent of GDP. In a central scenario, which assumes a moderation in government spending with a decrease in the intensity of the War later in the year, and for technical reasons of a departure of the months at the beginning of the War (October-December 2023) from the calculation window of the annual deficit, the deficit at the end of 2024 is expected to be around the ceiling determined by the Ministry of Finance.

Foreign trade and service exports data

Israel's trade deficit reached approx. USD 7 billion in the first quarter of the year, compared with approx. USD 9.2 billion in the corresponding quarter last year. The decrease in the deficit stems from the decrease in imports, while exports remain stable. Decreases were recorded in imports of all commodity groups: raw materials, investment products and consumer products.

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

Exchange Rate and Foreign Exchange Reserves

In the first three months of 2024, there was volatility in the exchange rate of the NIS, a continuation of the trend in 2023. In the reporting period, the NIS depreciated against the USD by a rate of approx. 1.5 percent, but it appreciated against the EUR by a rate of approx. 0.8 percent and against the currency basket there was also an appreciation of the NIS by a more moderate rate of approx. 0.6 percent. At the beginning of the second quarter of 2024, in the setting of the escalation in the security situation, the NIS again depreciated against the USD, the EUR and the currency basket. The depreciation is partially explained by the increase in the demand for currencies perceived as global “anchors” - in terms of the risk level embodied therein, such as the USD, particularly in periods of uncertainty.

At the end of March 2024, the Bank of Israel's foreign exchange reserves stood at approx. USD 213.8 billion compared to approx. USD 204.7 billion as at the end of December 2023. The increase in balances is mainly explained by the effects of the government’s actions in foreign currency and in revaluation. In the reporting period, the Bank of Israel did not intervene in the foreign exchange market.

Inflation and Monetary Policy

The Consumer Price Index (CPI) (the “in lieu" index) was up by 1 percent in the first quarter of 2024. In the 12 months ended March 2024, the CPI was up by 2.7 percent, a pace that is within the price stability target range (1-3 percent), but higher than the figure for February 2024 (2.5 percent). The index, excluding energy prices, increased in 2.6 percent in the last 12 months ended March 2024. Annual inflation is expected to increase in the coming months and then moderate back to the current level. The risks to the forecast are biased upward: Escalation of the War to additional fronts at the same time as an increase in Israel’s risk premium, which will be reflected in a weakness in the exchange rate, an increase in the cost of imports to Israel and a shortage of supply of products, in view of the various disruptions, including in maritime traffic; and taxation measures on products or services measured in the CPI, with the aim of dealing with the fiscal consequences of the War.

The “known” Consumer Price Index was up 0.3 percent in the first quarter of 2024.

In the first quarter of 2024, the Bank of Israel interest rate was raised by 0.25 percent and it stood at 4.50 percent at the end of the quarter.

In the January 1, 2024 interest rate decision, the Monetary Committee decided to reduce the interest rate by 0.25 percent - to 4.50 percent. The interest remained at this level, without change, even after the decision of April 8, 2024. According to the Bank of Israel, this was mainly due to the significant increase in geopolitical uncertainty, which led the Monetary Committee to take extra caution. It was also noted that the Monetary Committee noted that against the backdrop of the War, its policy focuses on stabilizing the markets and on reducing uncertainty alongside price stability and support for economic activity. The interest rate path will be determined according to the continued convergence of inflation to the target, continued stability in the financial markets, economic activity and fiscal policy. The interest rate reduction process may continue through 2024. According to the Bank of Israel Research Department, the interest rate is expected to be 3.75 percent in the first quarter of 2025.

Israel's Capital Market

The Shares and Convertible Securities Index was up by approx. 9.2 percent in the first quarter of 2024, following an increase of approx. 4.9 percent in 2023. This is in the setting of economic activity following the sharp decrease at the outbreak of the Iron Swords War, and also in the context of rising rates in stock markets around the world. On the other hand, it should be noted that the degree of uncertainty remained high, and it may be reflected in volatility in the financial markets, depending on developments in the War and the risks arising from it, and in the realization of additional risks.

The average daily trade volume of shares and convertible securities in the first quarter of 2024 totaled approx. NIS 2.138 billion, an increase of approx. 7 percent over the average level in 2023.

The CPI-Linked Government Bond Index was down by approx. 0.5 percent in the first quarter of 2024, a rate of decline similar to that of the Unlinked Government Bond Index.

The CPI-linked non-government bond market (corporate bonds) rose in the first quarter of 2024 by approx. 1.9 percent.

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
Return on net income attributable to the Bank's shareholders to equity[(c)]	**20.2**	7.8[(i)]	13.7[(i)(j)]
Return on net income attributable to the Bank's shareholders to average assets[(c)(e)]	**1.5**	0.6	1.0
Ratio of income[(b)] to average assets[(c)(e)]	**3.35**	2.92	3.02
Efficiency ratio	**29.0**	32.6	32.6
Ratio of net interest income to average assets[(c)(e)]	**2.00**	2.30	2.28
Ratio of fees and commissions to average assets[(c)(e)]	**0.50**	0.55	0.53
Rate of tax provision from profit, before taxes	**35.4[(k)]**	30.0	33.5
Net interest income to average balance of interest-bearing assets (NIM)[(c)]	**2.22**	2.59	2.57
Total income to total average assets under management by the Group[(b)(c)(d)]	**1.18**	1.02	1.06
Total operating and other expenses to average total assets under management by the Group[(c)(d)]	**0.34**	0.33	0.34

	As at March 31		As at December 31
	2024	2023	2023
CET1 capital ratio[(h)]	**11.98**	11.23	11.66
Total capital ratio to risk-weighted assets[(a)(h)]	**15.02**	14.45	14.72
Leverage ratio[(g)]	**6.70**	6.63	6.65
Liquidity coverage ratio[(f)]	**133**	128	124
Net stable funding ratio (NSFR)	**119**	118	118
Equity attributable to the Bank's shareholders to total assets	**7.6**	7.3	7.5

Key credit quality indicators (in %)

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
Percentage of expenses in respect of loan losses out of the average outstanding loans to the public[(c)]	**0.21**	0.41	0.58
Percentage of collective loan loss expense out of the average outstanding loans to the public[(c)]	**0.36**	0.39	0.50
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.60**	1.30	1.58
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	**0.68**	0.57	0.88
Percentage of net charge-offs out of average loans to the public[(c)]	**0.03**	0.08	0.13

Please see comments below.

Comments:
(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 further details, please see section entitled “Equity and Capital Adequacy”.
(i) Return on net income attributable to the Bank’s shareholders net of the impairment of the investment in the associate Valley was approx. 17.1 percent in the corresponding quarter last year and approx. 15.9 percent in 2023.
(j) The return on the net income attributable to the Bank’s shareholders to equity was affected, in the second half of 2023 by a substantial increase in loan loss expenses as a result of the estimated expected effect of the War; please see under the section entitled “Material Developments in Income, Expenses and Other Comprehensive Income”, Loan Loss Expenses.
(k) For more information, please see Note 16.D.

Main income statement data

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	In NIS million		
Net income attributable to the Bank's shareholders	**2,785**	981	7,027
Interest income, net	**3,767**	3,928	15,997
Loan loss expenses	**222**	406	2,383
Noninterest income	**2,528**	1,071	5,181
Of which: fees and commissions	**935**	948	3,737
Total operating and other expenses	**1,825**	1,629	6,894
Of which: Salaries and related expenses	**1,071**	845	3,484
Net earnings per share attributable to the Bank's shareholders (in NIS):			
Basic diluted net income	**1.83**	0.64	4.58

Main balance sheet data

	As at March 31		As at December 31
	2024	2023	2023
	In NIS million		
Total assets	**753,673**	682,477	731,497
Of which: Cash and deposits with banks	**144,064**	134,381	105,476
Securities	**137,724**	99,374	160,048
Loans to the public, net	**428,582**	403,817	419,486
Total liabilities	**696,540**	632,681	676,995
Of which: deposits by the public	**595,805**	532,906	567,824
Deposits by banks	**24,139**	24,042	20,776
Bonds, promissory notes and subordinated notes	**30,902**	28,288	32,114
Equity attributable to the Bank’s shareholders	**57,128**	49,791	54,497
Additional data:			
Price per share (in NIS)	**31.0**	27.0	29.5
Dividend per share (in agorot)[(a)(b)]	**23.97**	45.20	135.56

(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

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.

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

The War and its immediate and long-term effects on economic activity and Israel's fiscal situation also have an effect on the credit rating and outlook of the State of Israel and of the Bank.

For more information, please see the section entitled "Main Developments in the Israeli Economy - Risk factor severity in the economy" and Credit Rating in the Corporate Governance Report.

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

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

Reliefs for coping with the War's ramifications

On October 15, 2023 and on November 8, 2023, the Banking Supervision Department published an outline to support bank customers in coping with the consequences of the Iron Swords War in three operating segments (mortgages, consumer credit and business credit) for three months, while distinguishing between the First Circle Customer Group - population living within 30 km of the Gaza Strip, the population evacuated from their homes by an official government authority, reservists on duty, and those with first kinship with the War dead or hostages or missing persons, and other customers of the banks (hereinafter - the "First Outline"). On December 17, 2023, the Banking Supervision Department published a notice regarding the extension of the outline by three months, from January 1, 2024, which, among other things, added hostages and missing persons to the First Circle (who were also included, in effect, in the First Outline), as well as participants of the Nova party at Re'im (hereinafter - the "Second Outline"). On March 4, 2024, the Banking Supervision Department issued an notice regarding the extension of the Outline for an additional three months from

April 1, 2024, under which, as from that date, additional groups have been included in the First Circle, including the residents of eight localities in the north for whom a government decision has been made to evacuate them and they have not yet been evacuated, reserve soldiers who have been hospitalized for a period of at least 7 days for war-related injuries, victims of the Psyduck Festival and victims of the preparation meeting for the Midburn Festival (hereinafter - the “Third Outline”). The First Outline, the Second Outline and the Third Outline will be termed 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) In the period from November 1, 2023 to February 15, 2024, an exemption was given from mortgage payments for three months to 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 first apartment and upsized apartment owners).

(b) In the period spanning from October 29, 2023 to December 31, 2023, an opportunity was given to customers in the First Circle, members of the Israel Police and customers whose property had been pledged in favor of the loan is in front line localities in the north or south to defer, without interest and without fees and commissions, mortgage payments for a period of up to five months (applicable to upsized apartment owners and to owners of first apartments, the price of which at the time the mortgage was taken was up to NIS 2 million).

(c) In the period spanning from October 31, 2023 to December 31, 2023, an opportunity was given to customers in the First Circle to defer, without interest and without fees and commissions, mortgage payments for a period of three months; as from January 1, 2024 for three months, an opportunity is given to customers in the First Circle, members of the Israel Police and customers whose property had been pledged in favor of the loan is located in front line localities in the north or south to defer, without interest and without fees and commissions, mortgage payments for an additional three months, such that the total maximum deferral period (including the months of exemption) will be six months; as from April 1, 2024 for a period of three months, an opportunity will be given to customers in the First Circle to defer, without interest and without fees and commissions, mortgage payments for an additional three months, such that the total maximum deferral period (including the months of exemption) will be nine months (all the above applies to first apartment owners and to upsized apartment owners).

(d) In the period spanning from October 31t, 2023 to March 31, 2024, an opportunity was given to all customers - to defer, without fees and commissions, mortgage payments for a total period of up to six months (from October 2023); as from April 1, 2024 for three months, an opportunity was given to defer mortgage payments, without fees and commissions, for an additional period of three months such that the total maximum deferral period will be nine months. In addition, from October 8, 2023, an opportunity was given to defer part of the mortgage payments for a total period of up to twenty four months (from October 2023).

Reliefs in loan payments for retail and business customers

(a) As from October 31, 2023 until March 31, 2024, an opportunity was given to retail customers in the First Circle to defer, without interest and without fees and commissions, payments for loans with a total balance of up to NIS 100,000, such that the total deferral period will be six months; as from April 1, 2024, for a period of three months, the opportunity to defer payments is extended for an additional period of three months such that the total maximum deferral period will be nine months.

(b) As from October 31, 2023 until March 31, 2024, an opportunity was given to business customers in the First Circle with a turnover of up to NIS 25 million to defer, without interest and without fees and commissions, payments for loans with a total balance of up to NIS 2,000,000, such that the total deferral period will be six months; as from April 1, 2024, for a period of three months, the opportunity to defer payments is extended for an additional period of three months such that the total maximum deferral period will be nine months.

(c) As from October 31, 2023 until March 31, 2024, an opportunity was given to all customers (retail and business) to defer, without fees and commissions, payments for loans, such that the total deferral period will be six months; as from April 1, 2024, for a period of three months, the opportunity to defer payments is extended for an additional period of three months such that the total maximum deferral period will be nine months.

(d) In the period from October 31, 2023 to December 31, 2023, an exemption from loan repayments was given 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.

Exemption from overdraft interest

(a) As of October 31, an exemption was given from overdraft interest, for three months, in the amount of up to NIS 10,000 that is within the approved credit facility in a current account for retail customers in the First Circle, with the exception of soldiers called up to the reserves, who had an overdraft on October 15, 2023; the benefit was extended for an additional three months and was given to such customers who had an overdraft on December 16, 2023; on April 1, 2024, the benefit is extended for an additional three months for retail customers in the First Circle, including soldiers called up to the reserves, who had an overdraft on March 3, 2024.

(b) As of January 1, 2024, an exemption was given from overdraft interest of up to NIS 30,000 for three months, that is within the approved credit facility in a current account (overdraft) for business customers in the First Circle with a turnover of up to NIS 5,000,000 per year, who had an overdraft on that is within the approved credit facility in a current account for customers who had an overdraft on December 16, 2023; on April 1, 2024, the benefit was extended for an additional three months for customers who had an overdraft on March 3, 2024.

Exemption for fees and commissions for retail customers and small businesses

As of October 31, 2023, retail customers and small businesses in the First Circle were given an exemption from fees and commissions, with the exception of fees and commissions in respect of foreign exchange activity, securities, foreign trade and diamonds for a maximum period of nine months.

Donations and bonuses

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 undertook to accompany Kibbutz Be'eri until its rehabilitation.

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 from the Bank, and the "Leumi Matriculation", in which the Bank assists youth throughout the country preparing for the matriculation exams, with special emphasis on study centers where evacuees from the north or south are concentrated.

The following is a breakdown of the expected quantitative effect in respect of the reliefs provided for dealing with the War, from the beginning of the reliefs granted and until close to the report publication date.

	Housing	Private individuals - Other	Micro- and small-businesses	Mid-market businesses	Cor-porations	Total
	In NIS million					
Effect of benefits granted by the Bank as part of dealing with the War						
Changes in debt terms and conditions[(a)]	55	26	22	-	-	103
Zero interest loans	-	1	2	-	-	3
Waiver of fees and commissions	7	31	17	-	-	55
Other benefits[(b)]	-	22	-	-	-	22
Total benefits granted by the Bank	62	80	41	-	-	183
Unutilized benefits	85	136	36	-	-	257
Total economic estimate of benefits granted by the Bank as part of dealing with the War, assuming full utilization	147	216	77	-	-	440
Additional information on activities for the benefit of borrowers as part of dealing with the War						
Credit balance with changes in debt terms and conditions	13,470	2,193	6,599	2,958	3,166	28,386
Amount of payments deferred	266	167	552	203	642	1,830
Average deferral of payments in months	3	4	4	4	2	4
Of which: Troubled credit	-	182	354	39	111	686
Of which: Credit which underwent changes in terms and conditions of troubled debt	-	62	77	7	-	146
Outstanding balance of zero-interest loans	-	114	95	-	-	209
Average Prime interest rate in said period - 6.10%						
Loans granted as part of state-backed funds						
Outstanding loan balance	-	-	2,279	300	52	2,631
Average interest rate (%)	-	-	6.76	7.46	7.60	6.85
Of which:						
Outstanding balance of credit funded by the Bank of Israel	-	-	1,075	-	-	1,075
Average interest rate (%)	-	-	6.00	-	-	6.00
Outstanding balance of loans funded by the Bank of Israel (including through state-backed funds)						
Outstanding loan balance	-	-	2,892	-	-	2,892
Average interest rate (%)	-	-	5.98	-	-	5.98

(a) Including a waiver of the principal, exemption from debit interest in a current account and a deferral of payments at 0 percent interest.

(b) Donations and grants provided were presented under the “private individuals - other” segment.

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.

With respect to credit risk, according to the Bank's assessments, the economic sectors whose activities are particularly exposed to the War's damages are: construction, agriculture, culture and leisure sectors (tourism, restaurants, entertainment, etc.), as well as some industrial and commercial sectors, depending on their location. Due to the high rate of uncertainty regarding the War's impact, and the potential for its continuation or escalation, it is impossible to accurately estimate the extent of its expected effect on the Bank's loan portfolio.

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

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

Additional implications

Uncertainty still prevails in the markets, and volatility in financial markets may persist, mostly on the back on the continued fighting, the expected increase in government spending and related debt raising.

The risk level has remained high and therefore, there is still a real and feasible possibility of a future rating downgrade within a relatively short period of time if the various risk scenarios are realized. These are various scenarios concerning the security situation as well as Israel's ability to continue and recover in circumstances where the world's attitude towards Israel will continue to weaken.

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

For more information, please see under Liquidity Risk and Equity and Capital Adequacy.

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

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".

Investment in Valley shares

The market value of the Valley shares held by the Bank as at March 31, 2024 is approx. NIS 2,106 million. Subsequent to the balance sheet date and up to shortly before the report publication date, the market value of Valley's shares held by the Bank was in the NIS 1.9-2.1 billion range.

Special Payment for Achieving the Budgetary Targets Law (Temporary Order - Iron Swords), 2024 and a change in the payroll and profit tax rate.

On March 17, 2024, the Law of Special Payment for Achieving the Budgetary Targets was published by the Knesset; according to the law, a bank whose scope of activity is not small shall pay the government - for the period beginning on April 1, 2024 and ending on December 31, 2025 (hereinafter - the "effective period") - an annual payment equal to 6 percent of the profits generated for its activity in Israel.

In addition, the tax payable by a bank for its activity in Israel in 2025 will be 17 percent of the salaries it paid and the profit it generated.

At the same time, on February 28, 2024, the Value Added Tax Ordinance was published, according to which the VAT rate will be raised to 18 percent as from January 1, 2025. Accordingly, on March 11, 2024, the Knesset approved the Value Added Tax Ordinance, according to which the salary tax and profit tax will be revised in accordance with the increase in VAT as from 2025.

According to the above, the combined tax rate applicable to the Bank in 2024, considering the effective period, is 38.03 percent, and is expected to increase to 39.32 percent in 2025. In addition, the profit tax payable by the Bank will increase to 18% from January 1, 2026, such that the combined tax rate applicable to the Bank in 2026 and thereafter shall be 34.7 percent.

For more information, please see Note 16.D.

Material Changes in Financial Statement Line Items

The Iron Swords War

For more information regarding the effects of the War, please see the section entitled "Main Changes in the Reporting Period".

Sale of headquarters buildings in Tel Aviv

Beit Lin - on March 25, 2024, the Beit Lin transaction was completed, the balance of the consideration was paid to the Bank and the property was delivered to the buyer. For the Beit Lin transaction, a capital gain (before tax) in the amount of approx. NIS 271 million was included in the reporting period.

Beit Mani - On February 29, 2024, the Beit Mani transaction was completed, the Bank was paid the remaining consideration and the building was delivered to the buyer. For the Beit Mani transaction, a capital gain (before tax) in the amount of approx. NIS 559 million was included in the reporting period.

Below are the results for the first quarter of 2024:

Net income attributable to shareholders (hereinafter - the "net income") in the first quarter of 2024 (hereinafter - the "first quarter") amounted to approx. NIS 2,785 million compared to approx. NIS 981 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 a downgrade of the State of Israel's credit rating and of the banks. The estimated loan loss provision includes the uncertainty and worsening of the macroeconomic indicators and parameters used for the assumptions underlying the model for predicting customers' future default rates until shortly before the Report's publication date.

The return on equity in the first quarter was approx. 20.2 percent, compared to a rate of approx. 7.8 percent (17.1 percent net of the impairment of the investment in Valley) in the corresponding quarter last year. The gain in the reporting period includes capital gains in respect of the sale of headquarters buildings in Tel Aviv in the amount of approx. NIS 830 million before tax (approx. NIS 632 million after tax).

The increase in the return on equity compared to the corresponding quarter last year stems from capital gains recorded in the reporting period from the sale of the headquarters buildings in Tel Aviv as stated above and from the impairment of the investment in Valley in the amount of approx. NIS 1.1 billion after tax that was recorded in the corresponding quarter last year.

Net interest income in the first quarter amounted to approx. NIS 3,767 million, compared to approx. NIS 3,928 million in the corresponding quarter last year, a decrease of approx. 4.1 percent. The decrease in interest income stems mainly from the effect of the index, which was approx. 0.3 percent in the first quarter, compared with an index of approx. 1.1 percent in the corresponding quarter last year, and an erosion of the spreads on credit and deposits. This impact was partially offset by the increase in the Bank's loan portfolio and the increase in interest rates.

Loan loss expenses (income) - in the first quarter reflects an expense of approx. 0.21% of the average outstanding loans to the public compared to an expense rate of approx. 0.41% in the corresponding quarter last year. The decrease in the expense rate stemming mainly from the recording of income from a specific provision from provision reductions and from recoveries. The specific income rate for loan losses in the first quarter was approx. (0.15) percent compared to an expense of 0.02 percent in the corresponding quarter last year. The collective loan loss expense rate in the first quarter was approx. 0.36 percent compared to a rate of 0.39 percent in the corresponding quarter last year. The rate of outstanding loan loss provision relative to the outstanding loans to the public as at March 31, 2024 was approx. 1.60 percent.

Noninterest finance income in the first quarter totaled approx. NIS 734 million, compared to income of approx. NIS 25 million in the corresponding quarter last year. The difference between the periods stems mainly from the increase in income from derivatives, exchange rate differentials and income from investment in shares.

Operational and other fees and commissions in the first quarter totaled approx. NIS 935 million compared to approx. NIS 948 million in the corresponding quarter last year.

Operating and other expenses in the first quarter amounted to approx. NIS 1,825 million, compared to approx. NIS 1,629 million in the corresponding quarter last year. The increase in expenses stems mainly from the increase in salary expenses due to an increase in return-based bonuses. This increase was partially offset by the decrease in pension expenses on actuarial liabilities.

The efficiency ratio in the first quarter was approx. 29.0 percent compared with 32.6 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 increase in noninterest finance income and other income.

Basic earnings per share attributable to the shareholders in the first quarter totaled a gain of approx. NIS 1.83 compared to a gain of approx. NIS 0.64 in the corresponding quarter last year.

The CET1 capital to risk-weighted components ratio as at March 31, 2024 was 11.98 percent compared to 11.23 percent in the corresponding quarter last year.

The total capital ratio as at March 31, 2024 was 15.02 percent compared to 14.45 percent in the corresponding quarter last year.

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

On May 27, 2024, the Bank's Board of Directors approved a distribution of profits at a rate of 40% of the net income for the first quarter of 2024, of which approx. 30 percent as a cash dividend in the amount of approx. NIS 835 million, and the balance by means of a share buyback in the amount of NIS 280 million.

For details, please see section entitled "Equity and Capital Adequacy".

Material Developments in Income, Expenses and Other Comprehensive Income

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 are the changes in net income in the first quarter of 2024 compared to the corresponding quarter last year

	For the three months ended March 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
Interest income, net	**3,767**	3,928	(161)	(4.1)
Loan loss expenses	**222**	406	(184)	(45.3)
Noninterest income	**2,528**[(c)]	1,071	1,457	136.0
Operating and other expenses	**1,825**	1,629	196	12.0
Profit before taxes	**4,248**	2,964	1,284	43.3
Provision for tax	**1,503**[(d)]	889	614	69.1
Profit after taxes	**2,745**	2,075	670	32.3
The Bank's share in the profits (losses) of associates	**40**	(1,094)[(a)]	1,134	
Net income attributable to non-controlling interests[(b)]	**-**	-	-	-
Net income attributable to the Bank's shareholders	**2,785**	981	1,804	183.9
Return on equity (in %)	**20.2**	7.8		
Basic earnings per share (in NIS)	**1.83**	0.64		

Net income development by quarter

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Interest income, net	**3,767**	3,850	3,935	4,284	3,928
Loan loss expenses	**222**	668	991	318	406
Noninterest income	**2,528**[(c)]	1,297	1,401	1,412	1,071
Operating and other expenses	**1,825**	1,860	1,722	1,683	1,629
Profit before taxes	**4,248**	2,619	2,623	3,695	2,964
Provision for tax	**1,503**[(d)]	869	866	1,364	889
Profit after taxes	**2,745**	1,750	1,757	2,331	2,075
The Bank’s share in the profits (losses) of associates	**40**	76	10	122	(1,094)[(a)]
Net income attributable to non-controlling interests[(b)]	**-**	-	-	-	-
Net income attributable to the Bank's shareholders	**2,785**	1,826	1,767	2,453	981
Return on equity (in %)	**20.2**	13.8	13.6	19.4	7.8
Basic earnings per share (in NIS)	**1.83**	1.20	1.15	1.59	0.64

(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 15.A to the financial statements as at December 31, 2023.
(b) Amounts of less than NIS 1 million.
(c) Including capital gains on the sale of the headquarters buildings in Tel Aviv. For further details, please see Note 16.C.
(d) For more information, please see Note 16.D.

Interest Income, Net

	For the three months ended March 31			
	2024		2023	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)
	In NIS million	In %	In NIS million	In %
Interest income	**8,827**	**5.20**	7,572	4.99
Interest expenses	**(5,060)**	**(4.02)**	(3,644)	(3.51)
Interest income, net	**3,767**	**1.18**	3,928	1.48
Net yield on interest-bearing assets (NIM)		**2.22**		2.59
Additional information:				
Credit spread[(a)(c)]	**1,973**		1,881	
Deposit spread[(a)]	**1,879**		1,889	
Other[(b)(c)]	**(85)**		(158)	

(a) 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.

(b) "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.

(c) Reclassified - As from the first quarter of 2024, the notional interest on the equity attributable to each segment is presented at a different spread instead of the spread from the provision of loans to the public. Comparative figures were reclassified accordingly.

Net interest income in the first quarter of 2024 amounted to approx. NIS 3,767 million, compared to approx. NIS 3,928 million in the corresponding quarter last year, a decrease of approx. 4.1 percent. The decrease in interest income stems mainly from the effect of the Consumer Price Index, which was approx. 0.3 percent in the reporting period, compared with an index of approx. 1.1 percent in the corresponding quarter last year, and an erosion of the spreads on credit and deposits. This impact was partially offset by the increase in the Bank's loan portfolio and the increase in interest rates.

The Prime interest rate in the first quarter of 2024 was an average of 6.0 percent, compared with a rate of 5.4 percent in the corresponding quarter last year.

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.

Net interest income in the first quarter was positively affected by the CPI in the amount of approx. NIS 136 million, while in the corresponding quarter last year, they were positively affected by the CPI by a total of approx. NIS 374 million.

Income rate was up 0.21 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 impact of the CPI in the first quarter compared to the corresponding quarter last year.

Expense rate was up 0.51 percent from one period to the next, mainly due to the effect of the increase in interest rates and the erosion of deposit spreads (among other things, from the move from current accounts to deposits). This increase was offset by a lower CPI effect in the first quarter compared to the corresponding quarter last year.

The decrease in the net interest margin (NIM) in the first quarter, as mentioned, mainly stems from the lower CPI effect in the current quarter compared to the corresponding quarter last year and from the erosion of the credit and deposit spreads.

The total interest rate spread in the first quarter is approx. 1.18 percent, compared to an approx. 1.48 percent spread in the corresponding quarter last year.

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

In the non-linked NIS segment, the interest rate spread was 1.60 percent, compared with 2.03 percent in the corresponding quarter last year. In the CPI segment, the interest rate spread is 1.59 percent, compared with 1.73 percent in the corresponding quarter last year. In the foreign exchange segment, the interest rate spread is (0.20) percent, compared with (0.76) percent in the corresponding quarter last year.

For more information regarding the credit spreads and deposits spreads by operating segment, please 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 details regarding exposure to interest rate risk, please see the section entitled "Market Risks" below.

Loan loss expenses (income)

	For the three months ended March 31		Change	
	2024	2023		
	In NIS million		In NIS million	In %
Loan loss expense (income) - specific	**(156)**	17	(173)	
Collective loan loss expense	**378**	389	(11)	(2.8)
Total loan loss expense	**222**	406	(184)	(45.3)
Of which:				
Loan loss expenses in respect of commercial credit risk	**75**	351	(276)	(78.6)
Loan loss expenses for credit risk in respect of housing loans	**3**	13	(10)	(76.9)
Loan loss expenses for other credit risk for private individuals	**144**	74	70	94.6
Loan loss income for credit risk for banks, governments and bonds	**-**	(32)	32	100.0
Total loan loss expenses	**222**	406	(184)	(45.3)
Ratios (in %):[(a)]				
Percentage of specific (income) expense for loan losses out of the average outstanding loans to the public	**(0.15)**	0.02	(0.17)	
Percentage of collective loan loss expense out of the average outstanding loans to the public	**0.36**	0.39	(0.03)	(7.7)
Percentage of loan loss expenses out of average outstanding loans to the public	**0.21**	0.41	(0.20)	(48.8)
Percentage of net charge-offs for loans to the public out of the average outstanding loans to the public	**0.03**	0.08	(0.05)	(62.5)
Percentage of net charge-offs out of the outstanding loan loss provisions for loans to the public	**1.73**	6.24	(4.51)	(72.28)

(a) Annualized.

Development of loan loss expenses (income) by quarter

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Loan loss expense (income) - specific	**(156)**	192	122	19	17
Collective loan loss expense	**378**	476	869	299	389
Total loan loss expense	**222**	668	991	318	406
Of which:					
Loan loss expenses in respect of commercial credit risk	**75**	365	722	112	351
Loan loss expenses for credit risk in respect of housing loans	**3**	102	75	31	13
Loan loss expenses for other credit risk for private individuals	**144**	204	197	174	74
Loan loss expenses (income) for credit risk for banks, governments and bonds	**-**	(3)	(3)	1	(32)
Total loan loss expenses	**222**	668	991	318	406
Ratios (in %):(a)					
Percentage of specific (income) expense for loan losses out of the average outstanding loans to the public	**(0.15)**	0.18	0.12	0.02	0.02
Percentage of collective loan loss expense out of the average outstanding loans to the public	**0.36**	0.45	0.83	0.29	0.39
Percentage of loan loss expenses out of average outstanding loans to the public	**0.21**	0.63	0.95	0.31	0.41
Percentage of net charge-offs for loans to the public out of the average outstanding loans to the public	**0.03**	0.12	0.17	0.14	0.08
Percentage of net charge-offs out of the outstanding loan loss provisions for loans to the public	**1.73**	7.44	11.20	10.58	6.24

(a) Annualized.

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

The expenses in respect of loan losses in the first quarter of 2024 amounted to NIS 222 million, compared to expenses in the amount of NIS 406 million in the corresponding quarter last year. Most of the decrease in loan loss expenses is due to recoveries and a decrease in the specific provision.

Since the outbreak of the War and as of the report publication date, uncertainty prevails in the Israeli economy, which has caused a worsening in macroeconomic indicators that are taken into account in the calculation of the collective loan loss expense for possible consequences of the War. The increase in the provision is intended, among other things, to cover a possible future increase in the specific provision 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.

For further details regarding credit risks and their effect on the loan loss provision, please see the section entitled “Credit Risks”.

Noninterest income

	For the three months ended March 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
Noninterest finance income	**734**	25	709	2,836.0
Fees and commissions	**935**	948	(13)	(1.4)
Other income	**859**[(a)]	98	761	776.5
Total	**2,528**	1,071	1,457	136.0

(a) Including capital gains on the sale of the headquarters buildings in Tel Aviv. For further details, please see Note 16.C.

The weight of noninterest income out of total income (i.e., net interest income and noninterest income) in the first quarter was 40.2 percent, compared with 21.4 percent in the corresponding quarter last year and 24.5 percent in all of 2023. The difference between the years stems mainly from the effect of derivatives and exchange rate differentials, increase in income from investments in shares and capital gains in respect of the sale of the headquarters buildings in Tel Aviv.

Development of noninterest income by quarter

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Noninterest finance income	**734**	336	435	483	25
Fees and commissions	**935**	936	963	890	948
Other income	**859**[(a)]	25	3	39	98
Total	**2,528**	1,297	1,401	1,412	1,071

(a) Including capital gains on the sale of the headquarters buildings in Tel Aviv. For further details, please see Note 16.C.

Breakdown of noninterest finance income

	For the three months ended March 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
Net income for derivatives and net exchange rate differentials for non-trading activities	**488**	130	358	275.4
Losses on sale of available-for-sale bonds, net	**(83)**	(169)	86	50.9
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**178**	96	82	85.4
Net income (expenses) for derivatives for trading activities	**160**	(6)	166	
Realized and unrealized losses from fair value adjustments of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**(9)**	(26)	17	65.4
Total	**734**	25	709	2,836.0

(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.

Breakdown of noninterest finance income by quarter

	2024	2023			
	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	**488**	(44)	210	289	130
Losses on sale of available-for-sale bonds, net	**(83)**	(43)	(68)	(51)	(169)
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**178**	8	123	108	96
Net income (expenses) for derivatives for trading activities	**160**	362	159	85	(6)
Realized and unrealized (losses) gains from fair value adjustments of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**(9)**	53	11	52	(26)
Total	**734**	336	435	483	25

(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.

Breakdown of fees and commissions

	For the three months ended March 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
Account management	**145**	159[(a)]	(14)	(8.8)
Activity in securities and certain derivatives	**164**	155	9	5.8
Credit cards	**97**	98	(1)	(1.0)
Credit handling	**72**	73[(a)]	(1)	(1.4)
Fees and commissions for financial product distribution	**58**	56	2	3.6
Exchange rate differentials	**111**	143	(32)	(22.4)
Financing fees and commissions	**196**	169[(a)]	27	16.0
Other fees and commissions	**92**	95	(3)	(3.2)
Total fees and commissions	**935**	948	(13)	(1.4)

(a) Reclassified.

The 1.4 percent decrease in fees and commissions compared with the corresponding quarter last year stems primarily from commissions on exchange rate differentials due to higher volatility in exchange rates in the first quarter of 2023 and from account management fees resulting from the aide outline to customers as detailed in the section entitled "Main Changes in the Reporting Period", a decrease that was partially offset by an increase in fees and commissions on financing activities.

Breakdown of fees and commissions by quarter

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Account management	**145**	147	158	152[a]	159[a]
Activity in securities and certain derivatives	**164**	151	149	136	155
Credit cards	**97**	76	105	104	98
Credit handling	**72**	51	65	59[a]	73[a]
Fees and commissions for financial product distribution	**58**	56	57	56	56
Exchange rate differentials	**111**	116	124	118	143
Financing fees and commissions	**196**	248	211	173[a]	169[a]
Other fees and commissions	**92**	91	94	92	95
Total fees and commissions	**935**	936	963	890	948

(a) Reclassified.

Breakdown of other income

	For the three months ended March 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
Gains (losses) on central severance pay fund	**2**	(3)	5	
Other income, including on sale of buildings and equipment, net	**857**[a]	101	756	748.5
Total	**859**	98	761	776.5

(a) The increase stems mainly from capital spreads from the sale of the headquarters buildings in Tel Aviv; for further details, please see Note 16.C.

Breakdown of other income by quarter

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Gains (losses) on central severance pay fund	**2**	(3)	4	4	(3)
Other income (expenses), including on sale of buildings and equipment, net	**857**[a]	28	(1)	35	101
Total	**859**	25	3	39	98

(a) The increase stems mainly from capital spreads from the sale of the headquarters buildings in Tel Aviv; for further details, please see Note 16.C.

Operating and other expenses

	For the three months ended March 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**1,071**	845	226	26.7
Depreciation and amortization	**156**	147	9	6.1
Maintenance expenses for buildings and equipment	**219**	194	25	12.9
Other expenses	**379**	443	(64)	(14.4)
Total operating and other expenses	**1,825**	1,629	196	12.0

In the first quarter, there was an increase of approx. NIS 196 million in operating and other expenses compared to the corresponding quarter last year, which stems mainly from an increase in salary expenses, in respect of return-based bonuses. The decrease in other expenses was due to the decrease in pension expenses on actuarial liabilities.

The efficiency ratio in the first quarter was approx. 29.0 percent compared with 32.6 percent in the corresponding quarter last year. The significant improvement in the efficiency ratio stems from growth in the Bank's business activity and from the increase in noninterest finance income and other income.

Total (annualized) operating and other expenses constitute approx. 0.97 percent of total assets, compared with approx. 0.95 percent in the corresponding quarter last year.

Operating and other expenses by quarter

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Salaries and related expenses	**1,071**	872	852	915	845
Depreciation and amortization	**156**	166	217	145	147
Maintenance expenses for buildings and equipment	**219**	224	232	216	194
Other expenses	**379**	598	421	407	443
Total operating and other expenses	**1,825**	1,860	1,722	1,683	1,629

Salary expenses

	For the three months ended March 31			
	2024	2023	Change	
	In NIS million		In NIS million	In %
Salaries and related expenses	**986**	754	232	30.8
Pension, severance and retirement expenses	**85**	91	(6)	(6.6)
Total salary expenses	**1,071**	845	226	26.7

Salaries and related expenses constitute approx. 58.7 percent of total operating and other expenses in the first quarter, compared with approx. 51.9 percent in the corresponding quarter last year.
The increase in salary expenses is mainly a result of the increase in return-based bonus expenses.

Salary expenses by quarter

	2024	2023			
	Q1	Q4	Q3	Q2	Q1
	In NIS million				
Salaries and related expenses	**986**	781	766	831	754
Pension, severance and retirement expenses	**85**	91	86	84	91
Total salary expenses	**1,071**	872	852	915	845

Condensed comprehensive income statement

Comprehensive income for the first quarter totaled approx. NIS 2,995 million compared to approx. NIS 1,050 million in the corresponding quarter last year.

In the first quarter, negative adjustments were recorded in respect of available-for-sale bonds totaling NIS (302) million before tax. These adjustments were offset by positive adjustments for liabilities for employee benefits in the amount of NIS 611 million before tax, which stem mainly from the increase in the discount interest rate. These adjustments were stated directly in other comprehensive income.

It should be noted that the change 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, please see the section entitled Capital and Capital Adequacy.

For the three months ended March 31, 2024 and 2023 and for the year ended December 31, 2023

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	In NIS million		
Net income attributable to the Bank's shareholders	**2,785**	981	7,027
Changes in other comprehensive income attributable to the Bank's shareholders:			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(302)**	253	641
Adjustments of liabilities for employee benefits	**611**	(176)	378
Other adjustments[(a)]	**(10)**	21	60
Related tax effect	**(89)**	(29)	(373)
Other comprehensive income attributable to the Bank's shareholders, after taxes	**210**	69	706
Comprehensive income attributable to the Bank's shareholders	**2,995**	1,050	7,733

(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 March 31, 2024 amounted to NIS 753.7 billion, compared to NIS 731.5 billion as at the end of 2023 - a 3.0 percent increase, and compared to March 2023 - a 10.4 percent increase.

The value of financial assets denominated in, and linked to, foreign currency out of the Group's total assets as of March 31, 2024 is approx. NIS 128.4 billion, approx. 17.0 percent of the total assets. In the first quarter of 2024, the shekel devalued against the US dollar by 1.5 percent, appreciated by 0.8 percent against the euro, and depreciated by 0.7 percent against the pound sterling. The change in the shekel's exchange rates against all foreign currencies during the first quarter contributed to an increase of approx. 0.2 percent in the Group's total consolidated assets.

Total assets under the Group's management – total assets and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached approx. NIS 2,175 billion as at March 31, 2024, compared with a total of approx. NIS 2,082 billion as at the end of 2023.

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

	March 31	December 31	Change	
	2024	2023	From December 2023	From March 2023
	In NIS million		In %	
Total assets	**753,673**	731,497	3.0	10.4
Cash and deposits with banks	**144,064**	105,476	36.6	7.2
Securities	**137,724**	160,048	(13.9)	38.6
Loans to the public, net	**428,582**	419,486	2.2	6.1
Buildings and equipment	**2,682**	2,874	(6.7)	(3.1)
Deposits by the public	**595,805**	567,824	4.9	11.8
Deposits by banks	**24,139**	20,776	16.2	0.4
Bonds, promissory notes and subordinated notes[(a)]	**30,902**	32,114	(3.8)	9.2
Equity attributable to the Bank's shareholders	**57,128**	54,497	4.8	14.7

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

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

	March 31	December 31	Change	
	2024	2023	From December 2023	From March 2023
	In NIS million		In %	
Documentary credit, net	**881**	639	37.9	(23.7)
Guarantees and other commitments, net	**70,598**	70,514	0.1	0.6
Unutilized credit card credit facilities, net	**13,670**	13,882	(1.5)	39.5
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**17,229**	18,986	(9.3)	(3.2)
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**98,497**	93,726	5.1	25.2
Derivative instruments[(a)(b)]	**1,247,602**	1,221,136	2.2	3.0
Options - all types[(b)]	**243,950**	223,871	9.0	12.5

(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 March 31, 2024 totaled approx. NIS 428.6 billion compared to approx. NIS 419.5 billion as of December 31, 2023, an increase of approx. 2.2 percent, and compared to March 2023 - an increase of approx. 6.1 percent.

The loan loss provision balance in the Leumi Group as of March 31, 2024 totaled approx. NIS 7.0 billion compared to approx. NIS 6.7 billion as of December 31, 2023.

In addition to loans to the public, the Group invests in securities, which also embody credit risks of companies; as of March 31, 2024, these totaled approx. NIS 28,362 million, compared to a total of approx. NIS 25,922 million as of the end of 2023.

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.

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

	March 31	December 31		
	2024	2023	Change	
	In NIS million		In NIS million	In %
Private individuals - Housing loans	**132,051**	130,002	2,049	1.6
Private individuals - Other	**28,768**	28,903	(135)	(0.5)
Construction and real estate	**118,723**	116,722	2,001	1.7
Commerce	**32,191**	32,701	(510)	(1.6)
Industry	**22,379**	21,924	455	2.1
Other	**94,470**	89,234	5,236	5.9
Total	**428,582**	419,486	9,096	2.2

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

	March 31			December 31		
	2024			2023		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
	In NIS million					
Non-performing credit risk, net	**1,945**	**103**	**2,048**	2,718	115	2,833
Performing credit risk, net	**2,902**	**528**	**3,430**	2,779	577	3,356
Total	**4,847**	**631**	**5,478**	5,497	692	6,189

	March 31	December 31
	2024	2023
	In NIS million	
Troubled credit risk - Commercial	**6,110**	6,604
Troubled credit risk - retail	**1,685**	1,808
Total	**7,795**	8,412
Balance of loan loss provision	**2,317**	2,223
Troubled loans after loan loss provision	**5,478**	6,189

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

Securities

As of March 31, 2024, the Leumi Group's investments in securities amounted to approx. NIS 137.7 billion, compared to NIS 160.0 billion as of the end of 2023, approx. a 14 percent decrease.

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

Fair value calculation method

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

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

Following is the classification and analysis of the securities line item in the consolidated balance sheet

	March 31, 2024					December 31, 2023				
	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][g]	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	8,957	63,156		4,107	76,220	8,093	74,888		12,905	95,886
Of foreign governments[d]	-	20,679		-	20,679	-	26,916		-	26,916
Of Israeli financial institutions	-	75		330	405	-	45		436	481
Of foreign financial institutions[f]	1,450	9,639		100	11,189	1,389	8,882		26	10,297
Asset-backed (ABS) or mortgage-backed (MBS)	6,216	11,042		42	17,300	5,591	9,951		25	15,567
Of other Israeli entities	-	887		188	1,075	-	823		159	982
Of other foreign entities	339	4,687		320	5,346	333	4,632		37	5,002
Equity securities and mutual funds			5,432	78	5,510			4,828	89	4,917
Total securities	16,962	110,165	5,432	5,165	137,724	15,406	126,137	4,828	13,677	160,048

(a) Including unrealized losses from fair value adjustments of NIS (3,414) million recorded in other comprehensive income (December 31, 2023 - losses of NIS (3,013) million).
(b) Including unrealized gains from fair value adjustments in the amount of NIS 39 million recorded in profit and loss (December 31, 2023 - gains of NIS 317 million).
(c) Including net unrealized losses from fair value adjustments in the amount of NIS 12 million recorded in profit and loss (December 31, 2023 - net losses of NIS (14) million).
(d) The US government - NIS 14.8 billion (December 31, 2023 – NIS 21.9 billion).
(e) The outstanding balance of held-to-maturity bonds are presented net of a NIS 3 million loan loss provision. The outstanding balances of available-for-sale bonds are presented net of the loan loss provision. As of March 31, 2024, there is no Outstanding loan loss provision in respect of available-for-sale bonds.
(f) Most bonds of foreign financial institutions are SSA-rated (Super-nationals, Sovereign and Agencies) or state-backed.
(g) Of which bonds in the amount of approx. NIS 1,024 million classified as held-for-trading securities because the Bank chose to measure them initially according to the fair value alternative, although they were not acquired for trading purposes.

As at March 31, 2024, approx. 80.0 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 3.8 percent as held-for-trading, approx. 3.9 percent as equity securities and mutual funds not held-for-trading and approx. 12.3 percent - as held-to-maturity.

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

Available-for-sale portfolio

1. In the first quarter, there was approx. a NIS (302) million decrease (before tax effect) in other comprehensive income in respect of available-for-sale bonds, compared with an increase of NIS 253 million (before tax) in the corresponding quarter last year.

2. In the first quarter, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to approx. NIS 83 million (before tax effect), compared with net losses of NIS 169 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 March 31, 2024 totaled a negative of approx. NIS (1,704) million (after tax effect), which represents a net realized loss as at the reporting date, compared with a negative of approx. NIS (1,517) million (after tax effect) as at the end of 2023, 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 March 31, 2024, the held-for-trading portfolio has approx. NIS 5.1 billion in bonds, compared with NIS 13.6 billion as at December 31, 2023. As at March 31, 2024, the held-for-trading portfolio constitutes approx. 3.8 percent of the Group's total nostro portfolio, compared with 8.5 percent as at December 31, 2023.

Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 11 million were recorded net in the income statement in the first quarter, compared with net losses of NIS 26 million in the corresponding quarter last year.

Investments in equity securities and mutual funds

As at March 31, 2024, investments in equity securities and mutual funds totaled approx. NIS 5,510 million, of which a total of approx. NIS 2,089 million was marketable equity securities and mutual funds and a total of approx. NIS 3,421 million - in non-marketable.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of approx. NIS 180 million were recorded net in the income statement in the first quarter, compared with net gains of NIS 96 million in the corresponding quarter last year.

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

Investments in foreign securities

A. Investments in foreign asset-backed securities

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, all investment-grade, amounted to approx. NIS 17.3 billion (approx. USD 4.7 billion) as at March 31, 2024, compared to NIS 15.6 billion as at the end of 2023. Out of the above portfolio, as at March 31, 2024, approx. NIS 11.0 billion (approx. USD 3.0 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of March 31 2024, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled approx. NIS 6.5 billion. 95.1 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of March 31 2024, the total net cumulative impairment from the mortgage-backed bonds portfolio charged to shareholders' equity was approx. NIS 572 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total approx. NIS 339 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is approx. 4.96 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 4.6 billion, of which CLO bonds account for approx. NIS 3.1 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is approx. 4.5 years.

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

B. Investments in foreign non-asset-backed securities

As of March 31, 2024, the Group's securities portfolio includes approx. NIS 54.2 billion (USD 14.7 billion) in foreign non-asset-backed securities. NIS 43.4 billion (USD 11.8 billion) is from bonds classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 97.05 percent of the total securities are investment grade and include mainly securities of the US government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli government.

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

As of March 31, 2024, the cumulative decrease in shareholders' equity in respect of foreign non-asset-backed bonds which are in the available-for-sale portfolio was NIS 1,527 million (NIS 1,005 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. 94.89 percent of the securities in the held-for-trading portfolio are investment-grade.

As at March 31, 2024, the value of the non-asset-backed held-for-trading portfolio was NIS 1045.0 million (approx. USD 283.9 million).

Investments in bonds issued in Israel

As at March 31 2024, investments in bonds issued in Israel amounted to NIS 64.6 billion, of which NIS 63.1 billion was in NIS-denominated bonds issued by the Israeli Government and the remainder - corporate bonds. Approx. 65.0 percent of corporate bonds investments - which are approx. NIS 1.0 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 1.0 billion - include a negative capital reserve of NIS (27) million.

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

For more information, please see Note 5.

Deposits by the Public

Following are balances of deposits by the public

	As at March 31	As at December 31	
	2024	2023	Change
	In NIS million		In %
Demand deposits			
Non-interest bearing deposits	**140,795**	150,365	(6.4)
Interest-bearing deposits	**146,676**	137,351	6.8
Total demand deposits	**287,471**	287,716	(0.1)
Fixed deposits	**308,334**	280,108	10.1
Total deposits by the public	**595,805**	567,824	4.9

The increase in the deposits balance during the first quarter stemmed mainly from an increase in deposits of business customers and capital market customers.

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

	March 31	December 31		
	2024	2023	Change	
	In NIS million		In NIS million	In %
Securities portfolios[a]	**1,012,999**	964,128	48,871	5.1
Assets for which operating services are provided:[a][b][c]				
Provident and pension funds	**194,776**	210,734	(15,958)	(7.6)
Advanced study funds	**213,659**	176,010	37,649	21.4

(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 Notes

Shelf prospectus and bond issue

On May 27, 2024, the Bank's Board of Directors approved a new shelf prospectus, according to which securities may be offered, effective for a two-year period from its publication date, after the previous prospectus expired on May 26. The Bank estimates that the Israel Securities Authority permit for the new prospectus is expected to be received shortly after publication of this report.

On April 17, 2024, the Bank issued approx. NIS 0.8 billion par value in Credit Linked Notes (Series 2).

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 real estate 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 Bonds' principal will be payable in one lump sum on August 24, 2030, as long as the Bank does not carry out early redemption, as detailed in the terms of the issuance. The unpaid balance of the bonds' principal will bear annual interest at the Bank of Israel interest rate plus 2.3 percent, which will be paid in 76 monthly installments, from May 24, 2024 to August 24, 2030, the final repayment date of the bonds' principal.
The Bonds (principal and interest) will not be linked to any linkage basis.

For more information, please see the immediate report dated April 16, 2024.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 57,128 million on March 31 2024 compared with NIS 54,497 million as at the end of 2023.

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

The shareholders' equity to total assets ratio as of March 31, 2024 is 7.6 percent.

Capital Adequacy Structure[(a)]

	March 31		December 31
	2024	2023	2023
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments[(c)]	**56,427**	50,205	53,892
Tier 2 capital, after deductions	**14,298**	14,428	14,141
Total capital - total	**70,725**	64,633	68,033
Balances of risk-weighted assets			
Credit risk[(c)(d)(e)]	**433,625**	413,535	426,399
Market risks	**5,960**	5,778	5,834
Operational risk	**31,288**	27,907	29,943
Total balances of risk-weighted assets	**470,873**	447,220	462,176
Capital to risk-weighted assets ratio			
Ratio of CET1 capital to risk-weighted components	**11.98%**	11.23%	11.66%
Total capital to risk-weighted assets	**15.02%**	14.45%	14.72%
Minimum CET1 capital ratio set by the Banking Supervision Department[(b)]	**10.23%**	10.21%	10.22%
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 9B.
(b) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of March 31, 2024 are 10 percent and 13.5 percent, respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term.
(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 further details, please see Note 1.X.1._to the financial statements as at 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 further details, please see directives pertaining to the attribution of capital for derivative financial instruments above in the Report of the Board of Directors and Management as at December 31, 2023.
(e) These figures include adjustments in respect of high-risk loans for the purchase of land. For further details, please see Regulatory and other changes in measuring the capital requirements in the Report of the Board of Directors and Management as at December 31, 2023.

In the first three months of 2024, the Common Equity Tier 1 capital was mainly affected by the net income for the period, net of the dividend, and from the increase in the loan portfolio.

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 equity attributable to the shareholders, 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, for the purpose of financing real estate rights. Accordingly, the minimum capital requirements applicable to the Bank as at March 31, 2024 are 10.23 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

For information regarding the temporary order for dealing with the coronavirus crisis and the relief concerning housing loans provided thereunder, please see Note 9.A and the section entitled "Equity and Capital Adequacy" in the Report of the Board of Directors and Management as at December 31, 2023.

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, 2023.

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.

Dividend distribution policy

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

On May 27, 2024, the Board of Directors approved a distribution of profits at a rate of 40% of the net income for the first quarter of 2024, of which approx. 30 percent as a cash dividend in the amount of approx. NIS 835 million, and the balance by means of a share buyback in the amount of NIS 280 million, as detailed below. The dividend approved amounted is approx. 54.86 agorot p.v. per share of NIS 1 par value. The final dividend amount per share is subject to changes due to a share buyback and the exercise of the Bank's convertible securities. The Board of Directors set June 10, 2024 as the record date for dividend payment purposes and June 20, 2024 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
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 15, 2023	September 7, 2023	48.05	736
November 29, 2023	December 17, 2023	23.21	353
March 19, 2024	April 11, 2024	23.97	365

The Bank's share buyback plan 2023

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 in three separate stages.

In 2023, the Bank completed Stages A and B of the plan, in which it purchased shares in the total amount of approx. NIS 600 million under the aforementioned plan.

On the back of the Banking Supervision Department's letters of November 12, 2023 and March 5, 2024 on capital planning and profit sharing policies, on March 18, 2024 the Bank decided not to implement the third and final part of the buyback plan.

As of the report publication date, the Bank owns 92,773,267 treasury shares.

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, 2023 and immediate reports dated November 29, 2023 and March 19, 2024.

On May 16, 2024, the Banking Supervision Department published an additional letter on "Capital Planning and Profit Distribution Policy", which, along with noting the financial strength of the banking system, asked to continue to carry out a conservative review of the dividend distribution and implementation of the buyback.

The Bank's share buyback plan 2024

On May 27, 2024, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 1 billion, from May 29, 2024 until the earlier of May 22, 2025 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 four separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter - "Stage A", "Stage B", "Stage C" and "Stage D").

Stage A will begin on May 29, 2024 and will end on the earlier of (a) August 7, 2024; or (b) Buyback of the Bank's shares in the amount of NIS 280 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage B on the second trading day following the publication date of the first financial statements after the decision to go forward with Stage B has been made. In such a case, Stage B will end on the earlier of: (a) November 13, 2024; or (b) Completion of the Bank's share buyback in an amount not exceeding NIS 520 million, net of the total amount of purchases actually carried out in Stage A. After the completion of Stage B, if the Bank decides to proceed to Stage C, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage C on the second trading day following the publication of the first financial statements after the decision to go forward with Stage C has been made. In such a case, Stage C will end on the earlier of: (a) February 13, 2025; or (b) Completion of the Bank's share buyback in an amount not exceeding NIS 760 million, net of the total amount of purchases actually carried out in Stages A and B. After the completion of Stage C, if the Bank decides to proceed to Stage D, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage D on the second trading day following the publication of the first financial statements after the decision to go forward with Stage D has been made. In such a case, Stage D will end on the earlier of: (a) May 22, 2025; or (b) Purchase of the Bank's shares in an amount not exceeding NIS 1 billion, less the total amount purchased as part of Stages A, B and C. If, following the completion of Stage A, Stage B or Stage C, a decision will be made not to proceed with Stage B, Stage C or Stage D, mutatis mutandis, the Bank will publish an immediate report to that effect.

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

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 capitalization methodology, please see Critical Accounting Policies and Estimates in the Report of the Board of Directors and Management as at December 31, 2023.

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 efficiency 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 approx. NIS 167 million (after tax). As of March 31 2024, 95 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 "Capital Measurement and Adequacy - Operational Risk". The draft established an updated definition of the calculation of the capital allocation in respect of operational risk such that it is based, among other things, on the business indicator components 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 17, 2024, until December 31, 2028 the internal loss multiplier will be set at one.

Directives pertaining to the attribution of capital for derivative financial instruments

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"

From January 1, 2022, the Bank applies accounting principles on current expected credit losses. 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. This addition is decreasing by 25 percent at the beginning of each year until an addition of 0 percent on January 1 of the fourth application year. Accordingly, on January 1, 2024, 25 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.

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

- Change in the volume of risk-weighted assets – Leumi's risk-weighted assets amounted to approx. NIS 471 billion as at March 31, 2024. 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 March 31, 2024, Common Equity Tier 1 totals approx. NIS 56.4 billion. A NIS 100 million decrease in CET1 capital will decrease the CET1 capital and total capital ratio by approx. 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 approx. 0.02 percent and total capital ratio by approx. 0.01 percent.
- A 1 percent increase in the risk-free interest rate curve across all currencies for the regulatory capital exposure signifies a decrease of approx. 0.06 percent 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 (by one notch) in the credit rating of the State of Israel by one or even several of the rating agencies that rate the State of Israel, will not affect the Bank's capital adequacy ratios.

  For more information, please see The Credit Rating in the Corporate Governance Report and the immediate report dated February 11, 2024.

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

Leverage Ratio

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

	March 31		December 31
	2024	2023	2023
	In NIS million		
Consolidated data			
Tier 1 capital(c)	**56,427**	50,205	53,892
Total exposures(b)	**842,693**	756,692	810,014
Leverage Ratio			
Leverage Ratio	**6.70%**	6.63%	6.65%
Minimum total leverage ratio set by the Banking Supervision Department(a)	**5.50%**	5.50%	5.50%

For more information on capital adequacy and leverage, please see Note 9B.

(a) According to Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio", the relief in the requirement for a minimum leverage ratio of 5.5 percent (instead of 6 percent) is in effect 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 relief in two quarters' time, by June 30, 2026.

(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".

(c) The leverage ratio calculation took into account 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 and adjustments from the implementation of the measurement method for specific actuarial liabilities. For further details, please 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, 2023.

Condensed financial performance according to management approach

	For the three months ended March 31, 2024											
	The Bank									Sub-sidiaries in Israel	Foreign sub-sidiaries	Total
	Private indi-viduals	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	(759)	218	(541)	1,545	344	409	999	782	11	44	174	3,767
Inter-segmental	2,120	307	2,427	(1,192)	354	(135)	(635)	(739)	(1)	10	(89)	-
Interest income, net	1,361	525	1,886	353	698	274	364	43	10	54	85	3,767
Noninterest income	367	116	483	2	147	92	102	703	852[(a)]	138	9	2,528
Total income	1,728	641	2,369	355	845	366	466	746	862	192	94	6,295
Loan loss expenses (income)	146	(8)	138	1	129	87	(118)	(11)	(1)	9	(12)	222
Total operating and other expenses	777	247	1,024	117	199	80	45	112	174	45	29	1,825
Profit before taxes	805	402	1,207	237	517	199	539	645	689	138	77	4,248
Provision for tax	306	153	459	90	197	76	205	245	207	6	18	1,503
Net income attributable to the Bank's shareholders	499	249	748	147	320	123	334	421	482	151	59	2,785
Balances as at March 31, 2024												
Loans to the public, net	29,416	26,474	55,890	134,272	63,278	62,609	67,576	29,189	6,475	1,168	8,125	428,582
Deposits by the public	221,187	56,381	277,568	-	87,618	42,815	11,544	176,253	7	-	-	595,805

(a) Including capital gains in respect of the sale of headquarters buildings in Tel Aviv in the amount of approx. NIS 830 million.

Condensed financial performance according to management approach (cont.)

	For the three months ended March 31, 2023											
	The Bank									Sub-sidiaries in Israel	Foreign sub-sidiaries	Total
	Private indi-viduals	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	(252)	320	68	1,633	376	410	772	440	86	30	113	3,928
Inter-segmental[b]	1,604	221	1,825	(1,277)	343	(154)	(456)	(217)	(3)	3	(64)	-
Interest income, net	1,352	541	1,893	356	719	256	316	223	83	33	49	3,928
Noninterest income (expenses)[b]	457	133	590	2	155	85	92	95	(5)	51	6	1,071
Total income	1,809	674	2,483	358	874	341	408	318	78	84	55	4,999
Loan loss expenses (income)	127	88	215	25	66	15	92	(21)	2	7	5	406
Total operating and other expenses	634	219	853	91	171	68	37	82	239	52	36	1,629
Profit (loss) before taxes	1,048	367	1,415	242	637	258	279	257	(163)	25	14	2,964
Provision (benefit) for taxes	358	125	483	83	218	88	95	87	(176)	8	3	889
Net income (loss) attributable to the Bank's shareholders	690	242	932	159	419	170	184	(939)[a]	13	32	11	981
Balances as at March 31, 2023												
Loans to the public, net	31,748	25,930	57,678	123,305	63,010	59,422	61,527	24,291	6,233	1,123	7,228	403,817
Deposits by the public	209,443	53,510	262,953	-	95,370	35,180	10,543	128,852	8	-	-	532,906

(a) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.

(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 figures were reclassified.

Condensed financial performance according to management approach (cont.)

	For the year ended December 31, 2023											
	The Bank									Subsi-diaries in Israel	Foreign subsi-diaries	Total
	Private indi-viduals	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	(2,113)	1,113	(1,000)	6,689	1,577	2,098	3,829	2,045	24	141	594	15,997
Inter-segmental	7,732	1,051	8,783	(5,270)	1,372	(996)	(2,453)	(1,120)	1	27	(344)	-
Interest income, net	5,619	2,164	7,783	1,419	2,949	1,102	1,376	925	25	168	250	15,997
Noninterest income	1,558	496	2,054	15	580	331	391	1,395	67	296	52	5,181
Total income	7,177	2,660	9,837	1,434	3,529	1,433	1,767	2,320	92	464	302	21,178
Loan loss expenses (income)	844	389	1,233	261	354	59	430	(35)	(4)	65	20	2,383
Total operating and other expenses	2,833	929	3,762	385	721	290	170	384	858	193	131	6,894
Profit (loss) before taxes	3,500	1,342	4,842	788	2,454	1,084	1,167	1,971	(762)	206	151	11,901
Provision (benefit) for taxes	1,197	459	1,656	269	839	371	399	674	(337)	44	73	3,988
Net income (loss) attributable to the Bank's shareholders	2,303	883	3,186	519	1,615	713	768	403[(a)]	(425)	170	78	7,027
Balances as at December 31, 2023												
Loans to the public, net	30,180	26,159	56,339	132,074	62,567	60,667	66,692	25,655	5,987	1,103	8,402	419,486
Deposits by the public	216,898	56,087	272,985	-	88,206	36,305	10,107	160,215	6	-	-	567,824

(a) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.

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, 2023.

Summary of activities by regulatory operating segment

	For the three months ended March 31, 2024										
	Activity in Israel: Households – Housing loans	Households – Other	Private banking	Small- and micro-busi-nesses	Mid-market busi-nesses	Corpo-rations	Institu-tional entities	Financial manage-ment	Other	Foreign ope-rations	Total
	In NIS million										
Interest income (expenses), net	411	1,060	99	962	498	832	175	(368)	13	85	3,767
Noninterest income	11	235	41	224	83	247	55	789	834[b]	9	2,528
Total income	422	1,295	140	1,186	581	1,079	230	421	847	94	6,295
Loan loss expenses (income)	3	144	-	(18)	65	34	2	4	-	(12)	222
Total operating and other expenses	117	641	31	438	135	146	67	70	151	29	1,825
Profit before taxes	302	510	109	766	381	899	161	347	696	77	4,248
Provision for tax	112	198	41	297	147	356	62	108	164	18	1,503
Net income attributable to the Bank's shareholders	190	312	68	469	234	543	99	279	532	59	2,785
Balance as at March 31, 2024											
Loans to the public, gross	132,431	29,777	415[a]	69,277	41,003	148,543	5,886	-	-	8,205	435,537
Deposits by the public	-	139,083	33,177	103,296	60,165	101,542	158,542	-	-	-	595,805

(a) Including outstanding housing loans as at March 31 2024 in the amount of NIS 189 million.
(b) Including capital gains in respect of the sale of headquarters buildings in Tel Aviv in the amount of approx. NIS 830 million.

Summary of activities by regulatory operating segment (cont.)

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

(a) Including outstanding housing loans as at March 31 2023 in the amount of NIS 151 million.
(b) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.

Summary of activities by regulatory operating segment (cont.)

	For the year ended December 31, 2023										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-market businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest income (expenses), net	1,571	4,377	398	3,878	2,109	3,543	590	(758)	39	250	15,997
Noninterest income	46	1,046	159	931	359	875	181	1,491	41	52	5,181
Total income	1,617	5,423	557	4,809	2,468	4,418	771	733	80	302	21,178
Loan loss expenses (income)	221	649	-	681	160	673	(9)	(12)	-	20	2,383
Total operating and other expenses	379	2,352	104	1,560	459	519	228	300	862	131	6,894
Profit (loss) before taxes	1,017	2,422	453	2,568	1,849	3,226	552	445	(782)	151	11,901
Provision (benefit) for taxes	348	837	156	891	638	1,146	192	(25)	(268)	73	3,988
Net income (loss) attributable to the Bank's shareholders	669	1,585	297	1,677	1,211	2,080	360	(416)[(b)]	(514)	78	7,027
Balance as at December 31, 2023											
Loans to the public, gross	130,410	29,946	330[(a)]	66,554	40,038	142,404	8,046	-	-	8,475	426,203
Deposits by the public	-	137,230	32,558	103,573	62,171	93,814	138,478	-	-	-	567,824

(a) Including outstanding housing loans as at December 31, 2023 in the amount of NIS 158 million.
(b) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.

Main changes in the operating results of the regulatory segments

Households segment

Net income attributable to shareholders in respect of the households segment in the first quarter totaled approx. NIS 502 million, compared to NIS 660 million in the corresponding quarter last year. The decrease in gain stems mainly from the decrease in noninterest income and from the increase in operational expenses, mainly resulting from an increase in return-based bonuses.

Net interest income in the first quarter totaled approx. NIS 1,471 million, compared to approx. NIS 1,393 million in the corresponding quarter last year. The increase in interest income stems mainly from an increase in credit and in deposits that were partially offset by the erosion of credit spreads.

Noninterest income in the first quarter totaled approx. NIS 246 million, compared to NIS 337 million in the corresponding quarter last year. Most of the decrease stems from other income.

In the first quarter, loan loss expenses were recorded in the amount of approx. NIS 147 million, compared to income of approx. NIS 87 million in the corresponding quarter 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 for the first quarter totaled approx. NIS 758 million compared to approx. NIS 632 million in the corresponding quarter last year. The increase is mainly due to return-based bonuses.

Outstanding loans to the public as of March 31, 2024 totaled NIS 162.2 billion compared to NIS 160.4 billion as at the end of 2023. Most of the increase stems from growth in the housing loan portfolio.

Balance of deposits by the public as of March 31, 2024 totaled NIS 139.1 billion compared to NIS 137.2 billion at the end of 2023.

Private banking segment

Net income attributable to shareholders in respect of the retail banking segment in the first quarter totaled approx. NIS 68 million, compared to NIS 82 million in the corresponding quarter last year. The decrease in gain stems mainly from an increase in operational expenses, mainly resulting from an increase in return-based bonuses.

Net interest income in the first quarter totaled approx. NIS 99 million, compared to approx. NIS 107 million in the corresponding quarter last year. The decrease in interest income stems mainly from the erosion of deposit spreads.

Noninterest income in the first quarter totaled approx. NIS 41 million, similarly to the corresponding quarter last year.

Micro- and small-business segment

Net income attributable to shareholders in respect of the micro- and small businesses segment in the first quarter totaled approx. NIS 469 million, compared to NIS 422 million in the corresponding quarter last year. The increase in gain stems mainly from a decrease in loan loss expenses.

Net interest income in the first quarter totaled approx. NIS 962 million, compared to approx. NIS 996 million in the corresponding quarter last year. The decrease in interest income stems mainly from the erosion of credit spreads.

Noninterest income in the first quarter totaled approx. NIS 224 million, compared to approx. NIS 247 million in the corresponding quarter last year.

In the first quarter, loan loss income was recorded in the amount of approx. NIS (18) million, compared to an expense of approx. NIS 227 million in the corresponding quarter last year. The decrease stems mainly from the collective provision.

Operating and other expenses for the first quarter totaled approx. NIS 438 million compared to approx. NIS 370 million in the corresponding quarter last year. The increase is mainly due to return-based bonuses.

Outstanding loans to the public as of March 31, 2024 totaled NIS 69.3 billion compared to NIS 66.6 billion as at the end of 2023.

Balance of deposits by the public as of March 31, 2024 totaled NIS 103.3 billion compared to NIS 103.6 billion at the end of 2023.

Mid-market segment

Net income attributable to shareholders in respect of the mid-market segment in the first quarter totaled approx. NIS 234 million, compared to NIS 355 million in the corresponding quarter last year. The decrease stemmed mainly from an increase in loan loss expenses and from a decrease in net interest income.

Net interest income in the first quarter of 2024 totaled approx. NIS 498 million, compared to approx. NIS 521 million in the corresponding quarter last year.

Noninterest income in the first quarter totaled approx. NIS 83 million, compared to approx. NIS 99 million in the corresponding quarter last year.

In the first quarter, a loan loss expense was recorded in the amount of approx. NIS 65 million, compared to income of approx. NIS (22) million in the corresponding quarter last year. Most of the increase stems from the collective provision.

Operating and other expenses for the first quarter totaled approx. NIS 135 million compared to approx. NIS 101 million in the corresponding quarter last year. The increase is mainly due to return-based bonuses.

Outstanding loans to the public as of March 31, 2024 totaled NIS 41 billion, similar to the end of 2023.

Balance of deposits by the public as of March 31, 2024 totaled NIS 60.2 billion compared to NIS 62.2 billion at the end of 2023.

Corporate segment

Net income attributable to shareholders in respect of the corporate segment in the first quarter totaled approx. NIS 543 million, compared to NIS 454 million in the corresponding quarter last year. The increase stemmed mainly from a decrease in loan loss expenses, an increase in net interest income and from an increase in noninterest income.

Net interest income in the first quarter totaled approx. NIS 832 million, compared to approx. NIS 727 million in the corresponding quarter last year. The increase stems mainly from growth in credit and deposit activity, which was partially offset by the erosion of deposit spreads.

Noninterest income in the first quarter totaled approx. NIS 247 million, compared to approx. NIS 212 million in the corresponding quarter last year. The increase stems mainly from fees and commissions from financing fees and commissions from handling credit and contracts, in view of the increase in the volume of activity.

In the first quarter, loan loss expenses were recorded in the amount of approx. NIS 34 million, compared to income of approx. NIS 123 million in the corresponding quarter last year. Most of the decrease stems from income in the specific provision, mainly due to a lower specific provision and recoveries in the first quarter compared to an expense in the corresponding quarter last year.

Outstanding loans to the public as of March 31, 2024 totaled approx. NIS 148.5 billion compared to NIS 142.4 billion as at the end of 2023.

Balance of deposits by the public as of March 31, 2024 totaled approx. NIS 101.5 billion compared to NIS 93.8 billion at the end of 2023.

Financial management segment

Net income of the financial management segment attributable to the Bank's shareholders for the first quarter totaled approx. NIS 279 million compared to a loss of approx. NIS (1,077) million in the corresponding quarter last year. The results of this segment in the first quarter last year include the expense for impairment of the investment in the associate Valley in the amount of NIS 1.1 billion.

Total noninterest income in the first quarter totaled approx. NIS 421 million, compared to NIS 27 million in the corresponding quarter last year. The increase is mainly due to an increase in income from derivatives, equity securities and mutual funds, which was partially offset by a decrease in income for the CPI, due to the smaller increase in the CPI during the quarter and higher prices of the sources in the segment, as a result of an erosion of the deposit spreads due to the transfer from current accounts to deposits.

Operating and other expenses in the first quarter of 2024 totaled approx. NIS 70 million, compared to approx. NIS 72 million in the corresponding quarter last year.

Other segment

Net income attributable to shareholders in respect of the other segment in the first quarter totaled approx. NIS 532 million, compared to a loss of approx. NIS 47 million in the corresponding quarter last year. The increase stemmed mainly from capital gains income in the amount of NIS 830 million from the sale of the headquarters buildings in Tel Aviv.

Operating and other expenses for the first quarter totaled approx. NIS 151 million compared to approx. NIS 220 million in the corresponding quarter last year. The decrease stems mainly from lower pension expenses with respect to actuarial liabilities.

Major Investee Companies

As of the report 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.

As of March 31, 2024, the Bank's total investments in investees (including in capital notes) was approx. NIS 15.8 billion, compared with NIS 15.5 billion as at December 31, 2023. The contribution of the investees to the Group's net income in the first quarter of 2024 amounted to a profit of approx. NIS 236 million, compared to a loss of approx. NIS 978 million in the corresponding quarter last year. The loss is mostly due to the impairment of the Bank's investment in Valley in the amount of NIS 1.1 billion in the first quarter of 2023.

For more information, please see Note 15.A to the financial statements as at December 31, 2023.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 8,708 million as of March 31, 2024, compared to NIS 8,560 million as of December 31, 2023. The contribution of the consolidated companies in Israel to the Group's net income in the first quarter of 2024 was NIS 151 million, compared with NIS 32 million in the corresponding quarter last year. The increase stems mainly from noninterest finance income.

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 Law (Licensing).

Foreign Consolidated Companies (Offices)

The Bank's total investments (including in capital notes) in its foreign offices was NIS 4,328 million as of March 31, 2024, compared to NIS 4,209 million as of December 31, 2023.

In the first quarter of 2024, the foreign offices' contribution to the Group's shekel net income was NIS 64 million, compared with NIS 99 million in the corresponding quarter last year. The decrease stems mainly from the effect of exchange rate differentials.

The Bank's Subsidiary in the UK

Leumi UK Group provides credit primarily in the fields of real estate, hotels and ABL, only to commercial customers in the UK and Europe, including Israeli customers active in these geographies; this includes investments in and development of residential real estate and financing of commercial real estate.

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, 2023 and the 2023 Risk Management Report.

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

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

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

Credit Risks

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

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

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

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

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

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

In the first quarter of 2024, 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 was also a slowdown in Israel's high-tech export activity.

In the last quarter of 2023, there was significant damage to economic activity due to the War. In the first quarter of 2024, there was a recovery of activity in most economic sectors, but the growth rate in 2024 is still expected to be lower than that expected in the main scenario on the eve of the War. Since the beginning of the War, the moderation of inflation has accelerated, which began as early as the beginning of 2023. However, it is not unlikely that down the road the inflation will also be affected by factors supporting its increase, such as the increase in shipping costs to Israel and an increase in indirect taxes. The degree of volatility of the NIS has increased since the beginning of 2023.The War initially caused a weakening of the NIS and increased volatility in its rate, which led to the Bank of Israel working to moderate the volatility.

The economic sectors whose activities are particularly exposed to the War's damages are: construction, agriculture and the culture and leisure sectors (tourism, restaurants, entertainment, etc.), as well as some industrial and commercial sectors, depending on their location.

The War and its immediate and long-term effects on economic activity and Israel's fiscal situation also have an effect on Israel's credit rating.

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

Due to the high rate of uncertainty regarding the War's impact, it is impossible to accurately estimate the extent of its expected effect on the Bank's loan portfolio, which depends, among other things, on the duration of the fighting and possible escalation. In view of the increase in the risk level, emphases were honed in relation to credit and in the various business lines.

Loan loss expenses

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

The estimation process, 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, debt period, debt classification, risk appetite, macroeconomic models for estimating credit losses reflecting the effects of changes in forecasts for the main economic parameters in the coming year (such as: forecasts for growth, private consumption, foreign exchange rates, unemployment rate in the economy, and interest rate). 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 first quarter of 2024 and until shortly before the publication date of the report, the Bank examined the key indicators used in the provision process and revised them accordingly, as mentioned above.

Loan loss expenses amounted to NIS 222 million in the first quarter, of which NIS 378 million was for the collective expense, stemming mainly from the worsening of various macroeconomic parameters and indicators.

In order to test the sensitivity of the collective provision to hypothetical changes at the risk level of economic sectors and in terms of the estimate's underlying macroeconomic parameters, the Bank assessed the effect of a uniform change in the macroeconomic parameters (worsening and improvement by a uniform rate of 1%) and a revision of an expert assessment of the change in the risk profile of the economic sectors compared to the base scenario underlying the provision, without taking into account effects of offsetting or a correlation between the macroeconomic variables.

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

The worsening reflects an addition to the collective loan loss provision in the amount of approx. NIS 352 million in the first quarter of 2024. A benefit will lead to a decrease of approx. NIS 615 million in the collective loan loss provision in the first quarter of 2024 compared to the base 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 has adopted the Bank of Israel Outline and is implementing the guidelines determined by the Banking Supervision Department and other regulators.

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" under "Regulatory measures following the Iron Swords War", in the Corporate Governance Report.

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

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

Credit risk and non-performing assets

	March 31, 2024			
	Commercial	For housing	Private individuals - Other	Total
	In NIS million			
Credit risk in credit performance rating[a]:				
On-balance-sheet credit risk	287,688	128,359	27,207	443,254
Off-balance-sheet credit risk[c]	150,482	5,093	17,136	172,711
Total non-investment grade credit risk	438,170	133,452	44,343	615,965
Non-investment grade credit risk				
a. Non-troubled	649	3,685	1,522	5,856
b. Total troubled	5,381	635	1,011	7,027
Troubled performing	3,504	12	680	4,196
Troubled non-performing	1,877	623	331	2,831
Total on-balance-sheet credit risk	6,030	4,320	2,533	12,883
Off-balance-sheet credit risk[c]	859	-	165	1,024
Total non-investment grade credit risk	6,889	4,320	2,698	13,907
Of which: Performing debts, in arrears of 90 days or more	52	-	67	119
Total overall credit risk incl. of the public[b]	445,059	137,772	47,041	629,872
More information on non-performing assets				
a. Non-performing debts	1,877	623	331	2,831
b. Assets received for settled loans	10	-	-	10
Total non-performing assets of the public	1,887	623	331	2,841
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) On- and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.

Credit risk and non-performing assets (cont.)

	March 31, 2023			
	Commercial	For housing	Private individuals - Other	Total
	In NIS million			
Credit risk in credit performance rating[(a)]:				
On-balance-sheet credit risk	267,877	120,485	28,358	416,720
Off-balance-sheet credit risk[(c)]	131,610	5,036	14,366	151,012
Total non-investment grade credit risk	399,487	125,521	42,724	567,732
Non-investment grade credit risk				
a. Non-troubled	1,268	906	1,574	3,748
b. Total troubled	5,273	532	812	6,617
Troubled performing	3,878	18	557	4,453
Troubled non-performing	1,395	514	255	2,164
Total on-balance-sheet credit risk	6,541	1,438	2,386	10,365
Off-balance-sheet credit risk[(c)]	1,063	-	163	1,226
Total non-investment grade credit risk	7,604	1,438	2,549	11,591
Of which: Performing debts, in arrears of 90 days or more	74	-	74	148
Total overall credit risk incl. of the public[(b)]	407,091	126,959	45,273	579,323
More information on non-performing assets				
a. Non-performing debts	1,395	514	255	2,164
b. Assets received for settled loans	9	-	-	9
Total non-performing assets of the public	1,404	514	255	2,173
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.53%

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

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

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

Credit risk and non-performing assets (cont.)

	December 31, 2023			
	Commercial	For housing	Private individuals - Other	Total
	In NIS million			
Credit risk in credit performance rating[a]:				
On-balance-sheet credit risk	276,981	125,825	27,195	430,001
Off-balance-sheet credit risk[c]	143,904	4,993	17,326	166,223
Total non-investment grade credit risk	420,885	130,818	44,521	596,224
Non-investment grade credit risk				
a. Non-troubled	570	4,087	1,579	6,236
b. Total troubled	5,809	712	1,053	7,574
Troubled performing	3,230	24	710	3,964
Troubled non-performing	2,579	688	343	3,610
Total on-balance-sheet credit risk	6,379	4,799	2,632	13,810
Off-balance-sheet credit risk[c]	956	1	170	1,127
Total non-investment grade credit risk	7,335	4,800	2,802	14,937
Of which: Performing debts, in arrears of 90 days or more	69	-	80	149
Total overall credit risk incl. of the public[b]	428,220	135,618	47,323	611,161
More information on non-performing assets				
a. Non-performing debts	2,579	688	343	3,610
b. Assets received for settled loans	10	-	-	10
Total non-performing assets of the public	2,589	688	343	3,620
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.85%

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) On- and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.

Movement in Non-Performing Loans to the Public

Change in Non-Performing Loans to the Public

	For the three months ended March 31, 2024		
	Commercial	Private individuals[(a)]	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	**2,579**	**1,031**	**3,610**
Loans classified as non-performing debts during the period	**168**	**246**	**414**
Debts reclassified as performing	**(623)**	**(188)**	**(811)**
Written-off non-performing debts	**(65)**	**(23)**	**(88)**
Repaid non-performing debts	**(182)**	**(112)**	**(294)**
Outstanding balance of non-performing debts at the end of the period	**1,877**	**954**	**2,831**

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

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

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

	March 31, 2024			
	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	0.69	0.47	1.11	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	0.71	0.47	1.34	0.68
Percentage of troubled loans to the public out of outstanding loans to the public	1.97	0.48	3.40	1.61
Percentage of non-investment grade credit out of outstanding loans to the public	2.21	3.26	8.52	2.96
Analysis of expenses for loan losses for the reporting period[(a)]				
Percentage of loan loss expenses out of average outstanding loans to the public	0.11	0.01	1.98	0.21[(b)]
Percentage of net charge-offs for loans to the public out of average outstanding loans to the public	(0.10)	(0.01)	1.33	0.03
Analysis of the loan loss provision in respect of loans to the public				
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.96	0.47	3.26	1.60
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	285.51	100.80	292.45	245.67
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	277.81	100.80	243.22	235.76
Ratio of outstanding loan loss provision for loans to the public out of the net charge-offs for loans to the public[(c)]	(20.61)	(78.50)	2.49	57.96

(a) Annualized.
(b) Including loan loss expenses for loans to the public, banks, governments and bonds.
(c) Not presented as percentage.

Since the outbreak of the War and as of the report publication date, uncertainty prevails in the Israeli economy, which has caused a worsening in macroeconomic indicators that are taken into account in the calculation of the collective loan loss expense for possible consequences of the War. The increase in the provision is intended, among other things, to cover a possible future increase in the specific provision 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 the first quarter of 2024, most credit quality indicators of the Bank's loan portfolio improved, due to an improvement of the Bank's credit quality.

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

	March 31, 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	0.54	0.42	0.83	0.53
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	0.57	0.42	1.07	0.57
Percentage of troubled loans to the public out of outstanding loans to the public	2.06	0.44	2.64	1.62
Percentage of non-investment grade credit out of outstanding loans to the public	2.55	1.18	7.76	2.53
Analysis of expenses for loan losses for the reporting period[(a)]				
Percentage of loan loss expenses for the public out of the average outstanding balance of loans to the public	0.58	0.04	0.96	0.41[(b)]
Percentage of net charge-offs for loans to the public out of average outstanding loans to the public	0.03	0.01	0.80	0.08
Analysis of the loan loss provision in respect of loans to the public				
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.63	0.35	2.34	1.30
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	298.92	83.46	282.35	245.79
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public or in arrears of 90 days or more	283.87	83.46	218.84	230.06
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[(c)]	52.13	53.63	2.95	16.02

(a) Annualized.
(b) Including loan loss expenses for loans to the public, banks, governments and bonds.
(c) Not presented as percentage.

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

	December 31, 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	0.97	0.53	1.15	0.85
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	1.00	0.53	1.42	0.88
Percentage of troubled loans to the public out of outstanding loans to the public	2.19	0.55	3.53	1.78
Percentage of non-investment grade credit out of outstanding loans to the public	2.40	3.67	8.83	3.24
Analysis of expenses for loan losses for the reporting period				
Percentage of loan loss expenses for the public out of the average outstanding balance of loans to the public	0.60	0.18	2.14	0.58[(a)]
Percentage of net charge-offs for loans to the public out of average outstanding loans to the public	0.04	-[(c)]	1.40	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	1.95	0.48	3.08	1.58
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	200.70	90.41	267.93	186.07
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	195.47	90.41	217.26	178.69
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[(b)]	53.36	103.67	2.17	12.75

(a) Including loan loss expenses for loans to the public, banks, governments and bonds.
(b) Not presented as percentage.
(c) Rate of less than 0.01 percent.

Total Credit Risk by Economic Sector

	March 31, 2024						
					Loan losses[c]		
	Overall credit risk[a]	Of which: credit perfor-mance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-perfor-ming credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - public - commercial							
Industry	35,130	34,063	957	157	50	(8)	(574)
Construction and real estate - construction[f]	123,257	121,756	1,198	843	(88)	2	(1,551)
Construction and real estate - real estate activity	52,243	51,700	392	73	13	(40)	(1,110)
Commercial[g]	40,121	39,308	787	270	25	12	(759)
Financial services	57,374	57,318	55	39	(32)	(3)	(220)
Agriculture[g]	2,629	2,438	128	20	15	3	(169)
Hotels, accommodation and food services[g]	4,491	4,322	101	13	8	(2)	(66)
Other sectors	53,898	52,749	1,093	208	59	3	(1,153)
Commercial - total	369,143	363,654	4,711	1,623	50	(33)	(5,602)
Private individuals – Housing loans	137,709	133,389	635	623	3	(2)	(639)
Private individuals - Other	47,024	44,327	1,049	330	144	97	(1,004)
Total loans to the public - activity in Israel	553,876	541,370	6,395	2,576	197	62	(7,245)
Banks and governments - in Israel	80,425	80,425	-	-	-	-	(2)
Total activity in Israel	634,301	621,795	6,395	2,576	197	62	(7,247)
For borrowers activity outside Israel							
Total, public – activity outside Israel	75,996	74,595	1,400	414	25	(32)	(412)
Foreign banks and governments	57,757	57,757	-	-	-	-	(14)
Total activity outside Israel	133,753	132,352	1,400	414	25	(32)	(426)
Total activity in and outside Israel	768,054	754,147	7,795	2,990	222	30	(7,673)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 441,244, 132,213, 2,288, 48,587 and 143,722 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) 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.)

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

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 420,031, 95,008, 3,282, 41,694 and 127,538 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.

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

	December 31, 2023						
					Loan losses[c]		
	Overall credit risk[a]	Of which: credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - public - commercial							
Industry	35,530	34,515	912	174	48	(41)	(514)
Construction and real estate - construction[f]	120,160	118,420	1,479	1,113	708	62	(1,697)
Construction and real estate - real estate activity	51,813	51,213	412	149	152	(13)	(1,039)
Commercial[g]	40,570	39,763	775	282	303	54	(749)
Financial services	54,350	54,276	73	40	29	(1)	(250)
Agriculture[g]	2,555	2,372	159	25	17	-	(158)
Hotels, accommodation and food services[g]	4,496	4,338	97	19	11	(2)	(56)
Other sectors	52,381	51,164	1,161	222	230	49	(1,053)
Commercial - total	361,855	356,061	5,068	2,024	1,498	108	(5,516)
Private individuals – Housing loans	135,561	130,761	713	688	221	6	(634)
Private individuals - Other	47,308	44,507	1,094	343	649	424	(957)
Total loans to the public - activity in Israel	544,724	531,329	6,875	3,055	2,368	538	(7,107)
Banks and governments – in Israel	100,194	100,194	-	-	(1)	-	(2)
Total activity in Israel	644,918	631,523	6,875	3,055	2,367	538	(7,109)
For borrowers activity outside Israel							
Total, public - activity outside Israel	66,437	64,895	1,537	728	42	(11)	(358)
Foreign banks and governments	68,887	68,887	-	-	(26)	-	(14)
Total activity outside Israel	135,324	133,782	1,537	728	16	(11)	(372)
Total activity in and outside Israel	780,242	765,305	8,412	3,783	2,383	527	(7,481)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 435,814, 155,133, 3,053, 41,957 and 144,285 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) The Bank believes that these industries are particularly exposed to the damage from the War.

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, among other things in view of the natural demand for housing in Israel, which increases over time, in addition to the fact that this credit is backed by real collateral. As with other economic sectors, the bank's credit policy outlines internal methodologies and criteria for financing transactions in each of the real estate industry's sub-sectors.

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

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

Leumi continues to focus on the housing segment and on selected, financially resilient, customers. The Bank is careful to maintain geographical diversification of the projects, according to demand and macroeconomic forecasts.

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

As of March 31, 2024, the Bank complies with the regulatory limitation pertaining to the concentration ratio. In addition, the Bank set internal limitations that are in line with the Bank's assessment of the risk in the various sub-sectors. Nevertheless, considering the significant credit needs in the sector on the one hand and the regulatory limitation on the other, the Bank is working on implementing a plan to reduce the concentration ratio 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, 2023.

Macroeconomic effects and the Iron Swords War

After a significant surge in demand for housing purchases in the period of exit from the coronavirus crisis, starting from the second half of 2022 and thereafter, there has been a significant weakening in demand, on the back of a significant deterioration in the macroeconomic environment, a rapid rise in inflation and in interest rates, as well as the slowdown in growth.

At its beginning, the Iron Swords War led to a further weakening in demand in the housing market as a result of the increased uncertainty in the economy and the damage to the confidence of consumers and investors. In recent months, however, there has been a substantial recovery in terms of demand and number of transactions. According to the Bank's estimates, demand is expected to continue to recover gradually in the coming quarters, along with the recovery of the economy from the damages of the War, the expected reduction of the Bank of Israel interest rate (following the reduction in January 2024) and against the backdrop of continued high population growth.

On the supply side, on the eve of the Iron Swords War, the number of finished apartments continued to be relatively low for the yearly ongoing housing needs of the economy, while housing starts remained relatively high compared to their levels during most of the last decade. The War caused considerable damage to residential construction activity (due to availability of workers and raw materials, accessibility to construction sites adjacent to conflict areas). As a result, in the last quarter of 2023, there was a certain decrease in housing starts. The damage to housing completions is expected to be reflected gradually in the coming quarters. According to our estimates, the restriction on trade from Turkey has a limited effect on apartment prices.

On the eve of the War, there was a moderate decrease in apartment prices, led by the prices of new apartments on the "free market" (i.e. excluding "Apartment at a Discount" transactions).In recent months, price increases in the housing market have resumed, apparently due to concerns of a future shortage in supply against the backdrop of the War's damage to residential construction activity. The Bank estimates that the trend of rising prices is expected to remain and may even gain momentum towards the end of the year and into 2025, since as reflected in residential construction activity, the demand is expected to recover from the War faster than the supply.

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

In the commercial real estate domain, as of the eve of the War, there was a slowdown in retail sectors, due to the deterioration in the macro environment (the damage from inflation and rising interest rates on the public's purchasing power, along with the increasing economic uncertainty and the weakening consumer sentiment), and continued expansion in the share of online commerce. In the event of a renewed escalation in the War, or other pessimistic scenarios, there may be another weakening in the activity of retail trade sectors and as a result also in the demand for commercial space. These processes may impede the growth of shopping centers' activity in the coming year. Most of the adverse effect may be felt in large shopping centers, while neighborhood shopping centers may continue to fare better.

In the office space sector, since the second half of 2022, a significant slowdown in market activity is being felt, including a continuous decrease in rental prices in Tel Aviv and a substantial decline in occupancy rates in some of Tel Aviv's suburbs. The Bank estimates that the slowdown in demand for office space is expected to continue in the coming year, 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 suburbs of Tel Aviv and Jerusalem) are factors that are expected to put pressure on prices and occupancy rates in the coming year and even result in their decrease.

Due to the War, and in order to reflect the uncertainty regarding its impact on the construction and real estate sectors, the loan loss expenses in the construction and real estate sectors increased, mostly due to a collective expense.

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

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

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

	March 31		December 31		
	2024	2023	2023	Change compared to December 31, 2023	
	In NIS million				In %
On-balance-sheet credit risk	**121,698**	109,637	119,714	1,984	1.7
Guarantees for apartment buyers[(a)]	**10,038**	10,418	9,915	123	1.2
Other off balance sheet credit risk[(a)]	**56,816**	47,190	55,023	1,793	3.3
Total overall credit risk	**188,552**	167,245	184,652	3,900	2.1

(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

	March 31, 2024			
	Overall credit risk[a]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[b]				
Up to 45%	1,570		8,645	10,215
More than 45% to 65%	5,658		15,868	21,526
More than 65% to 80%	23,418		17,480	40,898
More than 80%	7,612[d]		5,609	13,221
Absorption capacity[c]				
Up to 25%		1,404		1,404
More than 25% and up to 50%		9,314		9,314
More than 50% and up to 75%		6,937		6,937
More than 75%		13,579		13,579
Project starts		12,962		12,962
Other[e]				45,442
Total credit risk for construction and real estate in Israel				175,498

Please see comments below.

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

	December 31, 2023			
	Overall credit risk[(a)]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[(b)]				
Up to 45%	1,267		8,831	10,098
More than 45% to 65%	6,384		16,156	22,540
More than 65% to 80%	22,668		16,350	39,018
More than 80%	8,950[(d)]		5,771	14,721
Absorption capacity[(c)]				
Up to 25%		799		799
More than 25% and up to 50%		10,472		10,472
More than 50% and up to 75%		4,824		4,824
More than 75%		14,554		14,554
Project starts		10,203		10,203
Other[(e)]				44,744
Total credit risk for construction and real estate in Israel				171,973

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

Following is the composition of credit secured by real estate properties in Israel (in NIS million) - the Bank

	March 31	December 31
	2024	2023
	Overall credit risk[(a)]	
	In NIS million	
Housing	**87,738**	86,065
Office space	**24,656**	23,253
Industry	**8,190**	7,993
Commerce and services	**25,453**	25,146
Total overall credit risk secured by real estate collateral in Israel	**146,037**	142,457

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

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

	March 31	December 31	
	2024	2023	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**186,273**	182,080	2.3
Non-investment grade credit risk			
Non-troubled	**454**	450	0.9
Troubled performing	**792**	744	6.5
Non-performing	**1,033**	1,378	(25.0)
Total non-investment grade credit risk	**2,279**	2,572	(11.4)
Total	**188,552**	184,652	2.1

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, “Limitations on the Indebtedness of a Borrower or a Group of Borrowers”.

As of March 31 2024, the Bank meets the regulatory restrictions prescribed by the directive.

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

No effective date has yet been set for the update.

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

Exposure to Foreign Countries

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

	March 31, 2024		
	Exposure[(a)(b)(c)(h)]		
	On-balance-sheet	Off-balance-sheet[(d)]	Total
	In NIS million		
USA	44,657	8,630	53,287
UK	20,394	29,479	49,873
France	1,271	1,646	2,917
Switzerland	896	3,753	4,649
Germany	5,805	4,766	10,571
Other	21,777	8,080	29,857
Total exposure to foreign countries	94,800	56,354	151,154
Of which: total exposure to GIPS countries[(e)]	335	140	475
Of which: total exposure to LDC countries[(f)]	984	1,729	2,713
Of which: total exposure to countries with liquidity issues[(g)]	210	1,594[(i)]	1,804

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

Please see comments below.

Exposure to Foreign Countries (cont.)

	December 31, 2023		
	Exposure[a][b][c][h]		
	On-balance-sheet	Off-balance-sheet[d]	Total
	In NIS million		
USA	45,373	9,412	54,785
UK	16,890	24,137	41,027
France	1,529	1,418	2,947
Switzerland	4,184	3,967	8,151
Germany	5,531	4,381	9,912
Other	26,229	8,569	34,798
Total exposure to foreign countries	99,736	51,884	151,620
Of which: total exposure to GIPS countries[e]	253	174	427
Of which: total exposure to LDC countries[f]	1,264	1,726	2,990
Of which: total exposure to countries with liquidity issues[g]	440	1,599[i]	2,039

(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 24 countries (as of March 31, 2023 - 21 countries, as of December 31, 2023 - 24 countries). The measurement does not include exposures to investment-grade countries, unless they were individually identified as having liquidity issues which may have a material effect on their solvency.
(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 further details, please 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 March 31, 2024[(e)]		
	On-balance-sheet credit risk[(b)(f)]	Current off-balance-sheet credit risk[(c)]	Current credit exposure
	In NIS million		
Current credit exposure to foreign financial institutions[(d)]			
AA- to AAA	**22,224**	**1,276**	**23,500**
A- to A+	**5,044**	**1,296**	**6,340**
B- to BB+	**154**	**172**	**326**
B- to BB+	**50**	**9**	**59**
Lower than: B-	**13**	**-**	**13**
No credit rating	**1,016**	**126**	**1,142**
Total current credit exposure to foreign financial institutions[(g)]	**28,501**	**2,879**	**31,380**

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

	As at December 31, 2023[(e)]		
	On-balance-sheet credit risk[(b)(f)]	Current off-balance-sheet credit risk[(c)]	Current credit exposure
	In NIS million		
Current credit exposure to foreign financial institutions[(d)]			
AA- to AAA	26,281	1,257	27,538
A- to A+	2,980	1,414	4,394
B- to BB+	109	171	280
B- to BB+	50	10	60
Lower than: B-	13	-	13
No credit rating	363	-	363
Total current credit exposure to foreign financial institutions	29,796	2,852	32,648

(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 810 million as of March 31, 2024 (as of March 31, 2023 - NIS 648 million and on December 31, 2023 - NIS 776 million).

(c) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).

(d) The Bank uses ratings of well-known rating agencies (ECAIs).

(e) As of March 31 2024, March 31 2023, and December 31 2023, 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 320A (for further details, please see under Capital and Capital Adequacy). Comparative figures were not restated.

(g) Of which: to the US - on-balance sheet credit risk of NIS 5.848 million and off-balance sheet credit risk of NIS 319 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

Throughout 2023, there was a moderate decline in apartment prices, led by the free market new apartment segment (i.e., excluding apartments sold under government programs such as "Affordable Housing").

However, in recent months there was a renewed rise in apartment prices and throughout the entire first quarter of 2024, a real recovery trend can be seen in apartment sales in the economy, led by the new apartment segment.

These developments apparently reflect an increase in market expectations for future excess demand against the backdrop of the expected decrease in interest rates and a slowdown of residential construction activity since the outbreak of the Iron Swords War.
The slowdown in construction activity leads to an extension of the construction duration and as a result, gradual damage to the pace of apartment deliveries in the economy in the coming quarters, which will harm the supply of apartments.

In the first quarter of 2024, contact was initiated, through public advertising and in a targeted appeal to customers with a proposal to examine freezing/recycling, to make it easier for them in view of the high interest rate environment and the effects of the War.

In addition, against the backdrop of the War, reliefs were approved by the Bank of Israel for mortgages, including a freeze on mortgage payments.

As a result, the loans for which payments have been frozen as of the end of March 2024 total approx. NIS 9.0 billion, compared to NIS 12.8 billion as of the end of December 2023 as a result of the freeze period coming to an end in some of the loans.

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 continues to adhere to a 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.

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

	For the three months ended March 31		Rate of change
	2024	2023	
	In NIS million		In percentage
By the Bank	**5,214**	5,322	(2.0)
By the Government of Israel	**33**	41	(19.5)
Total new loans	**5,247**	5,363	(2.2)
Old recycled loans, from the Bank's funds	**1,733**[(a)]	181	857.5
Total performance	**6,980**	5,544	25.9

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

The average loan extended by the Bank in the first quarter of 2024 was NIS 920 thousand, compared to NIS 959 thousand in the first quarter of 2023, NIS 946 thousand in all of 2023.

Development of total outstanding housing loans, net

	Outstanding loans portfolio	Rate of change
	In NIS million	In percentage
December 31, 2022	119,272	15.7
December 31, 2023	129,987	9.0
March 31, 2024	**132,051**	**1.6**

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, 2022	29,061	24.3	49,991	41.9	16,050	13.5	23,694	19.9	476	0.4	119,272
December 31, 2023	32,114	24.7	54,005	41.5	18,313	14.1	25,119	19.3	436	0.3	129,987
March 31, 2024	**33,270**	**25.2**	**54,689**	**41.4**	**18,567**	**14.1**	**25,092**	**19.0**	**433**	**0.3**	**132,051**

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):

	2024	2023				2022
	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance					
	In %					
Fixed - linked	**14.8**	16.2	16.9	20.3	16.8	9.9
Variable every 5 years or more - linked	**3.5**	6.7	8.1	9.9	9.8	8.4
Variable up to 5 years - linked	**6.9**	4.2	3.4	3.9	6.9	7.5
Fixed - non-linked	**29.9**	29.0	25.6	22.0	25.0	31.2
Variable every 5 years or more - non-linked	**21.5**	24.1	24.4	15.3	5.3	1.2
Variable up to 5 years - non-linked	**23.2**	19.6	21.4	28.1	35.9	41.8
Variable - Foreign currency	**0.2**	0.2	0.2	0.5	0.3	0.2

The percentage of new variable-interest housing loans granted by the Bank during the first quarter of 2024 was 55.3 percent, compared to 55.7 percent in 2023.

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

	Recorded outstanding debt	Debt in arrears of 90 days or more or non-performing	Percentage of recorded outstanding debt
	In NIS million		In percentage
December 31, 2022	119,690	559	0.47
December 31, 2023	130,609	688	0.53
March 31, 2024	**132,806**	**623**	**0.47**

The outstanding on-balance sheet loan loss provision, as of March 31, 2024, for the housing loans portfolio is NIS 628 million, constitutes 0.47 percent of the housing loans' outstanding on-balance sheet balance as of that date, similar to the provision balance of NIS 622 million as at December 31, 2023, which constitutes 0.48 percent of the outstanding housing loan balance as of that date.

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

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

	2024				2023	2022
	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[(a)]					
Over 60 and up to 70, inclusive	**20.1**	21.0	22.0	20.4	20.9	22.6
Over 70 and up to 75, inclusive	**18.6**	19.6	20.6	22.5	25.0	25.3
Over 75	**0.2**	0.1	0.2	0.2	0.2	0.3

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

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

The average LTV of the outstanding loan portfolio as at March 31, 2024 stands at 48.4 percent, compared with 48.0 percent in 2023.

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

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.
In the first quarter of 2024, the percentage of loans with a repayment ratio of less than 2.5 on the loan approval date was 1.27 percent of total number of new loans granted compared with 0.78 percent in 2023.
The calculation is in accordance with the Bank of Israel's Reporting Directive No. 876.

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

In the first quarter of 2024, 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 51.9 percent of the total new loans, compared with an average of 58.0 percent in 2023.

For more information, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2023.

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

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

The retail credit policy, formulated by the Risk Management Division in collaboration with the Retail Banking Division, constitutes a key element in outlining the risk appetite and ongoing management of this domain.

The 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 two years (mainly the high interest rate environment and inflation) affect the repayment capacity of private borrowers; the severity of the effect depends, 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, 2023.

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, 2022	43,561
December 31, 2023	47,287
March 31, 2024	**46,994**

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

	March 31, 2024		December 31, 2023	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**6,496**	**21.9**	6,210	20.8
Over one year to 3 years	**4,559**	**15.3**	4,634	15.5
Over 3 years to 5 years	**6,930**	**23.3**	7,104	23.8
Over 5 years to 7 years	**4,521**	**15.2**	4,890	16.4
Over 7 years	**4,436**	**14.9**	4,045	13.6
No repayment term[(a)]	**2,787**	**9.4**	2,933	9.9
Total	**29,729**	**100.0**	29,816	100.0

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

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

Credit risk amount in NIS thousands		March 31, 2024		December 31, 2023	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	6,599	14.0	6,627	14.0
25	50	6,783	14.4	6,793	14.4
50	75	5,564	11.8	5,606	11.9
75	100	4,752	10.1	4,752	10.0
100	150	6,801	14.5	6,878	14.6
150	200	5,006	10.7	5,025	10.6
200	300	6,190	13.2	6,244	13.2
Over 300		5,299	11.3	5,362	11.3
Total overall credit risk		46,994	100.0	47,287	100.0

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

	March 31, 2024		December 31, 2023	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	7,101	15.1	6,925	14.6
Car purchase loans (secured)	1,382	3.0	1,431	3.0
Other loans	21,246	45.2	21,460	45.4
Total on-balance-sheet credit risk	29,729	63.3	29,816	63.0
Unutilized current account credit facilities	7,522	16.0	7,467	15.8
Unutilized credit card facilities	9,353	19.9	9,547	20.2
Other off-balance-sheet credit risk	390	0.8	457	1.0
Total off-balance-sheet credit risk	17,265	36.7	17,471	37.0
Total overall credit risk	46,994	100.0	47,287	100.0

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

	March 31, 2024				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In percentage
Variable interest loans[(a)]	26,925	35	97	27,057	91.0
Fixed interest loans[(b)]	2,598	11	63	2,672	9.0
Total on-balance-sheet credit risk	29,523	46	160	29,729	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.

Breakdown 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, 2023				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In percentage
Variable interest loans[(a)]	27,092	33	64	27,189	91.2
Fixed interest loans[(b)]	2,589	11	27	2,627	8.8
Total on-balance-sheet credit risk	29,681	44	91	29,816	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)

	March 31	December 31
	2024	2023
	In NIS million	
Deposits by the public	**113,155**	111,020
Securities portfolios	**63,897**	59,343
Total financial asset portfolio	**177,052**	170,363
Total indebtedness to customers with financial asset portfolios	**34,550**	34,464

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

	March 31, 2024		December 31, 2023	
Level of income	In NIS million	In percentage	In NIS million	In percentage
Accounts without fixed income	**3,477**	**11.7**	3,447	11.6
Of which: loan accounts[(b)]	**1,602**	**5.4**	1,616	5.4
Less than NIS 10 thousand	**5,938**	**20.0**	5,958	20.0
More than NIS 10 thousand and less than NIS 20 thousand	**10,477**	**35.2**	10,524	35.3
NIS 20 thousand or more	**9,837**	**33.1**	9,887	33.1
Total	**29,729**	**100.0**	29,816	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.

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

	March 31	December 31
	2024	2023
	In NIS million	
Non-troubled credit	**28,718**	28,763
Troubled performing loans	**680**	710
Troubled non-performing loans	**331**	343
Total on-balance-sheet credit risk	**29,729**	29,816
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**3.4%**	3.5%
Charge-offs, net (for the period ended)	**97**	424
Balance of loan loss provision	**968**	919

As of March 31, 2024, the outstanding on-balance sheet loan loss provision for private individuals (net of housing) is NIS 968 million, constituting 3.26 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 919 million as at December 31, 2023, which constitutes 3.08 percent of the outstanding loans to private individuals (net of housing, on-balance sheet) as of that date. The increase stems, among other things, from qualitative adjustments and from macroeconomic indicators related to the War.

For more information, including regarding troubled debts 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, 2023.

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, 2023.

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, 2023.

Outstanding aggregated credit granted to leveraged borrowers

	March 31						December 31		
	2024			2023			2023		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
Economic sector	In NIS million								
Mining and quarrying	-	-	-	267	-	267	-	-	-
Commerce	-	-	-	639	330	969	-	-	-
Transportation and storage	**948**	**24**	**972**	1,540	28	1,568	1,038	23	1,061
Hotels, accommodation and food services	**427**	**-**	**427**	433	-	433	431	-	431
Construction and real estate	**232**	**312**	**544**	276	419	695	211	318	529
Water supply, sewage services, waste and garbage treatment and purification services	-	-	-	253	-	253	-	-	-
Provision of power, gas, steam and air conditioning	**163**	**487**	**650**	288	319	607	157	491	648
Total	**1,770**	**823**	**2,593**	3,696	1,096	4,792	1,837	832	2,669

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

For additional qualitative and quantitative information regarding credit risks, please see the Risk Management Report as at March 31, 2024.

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 three months of 2024, 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. The increase in inflation rates and inflation forecasts has resulted in central banks launching sharp interest rate increases in 2022-2023. At present, it appears that the central banks have halted the interest rate hikes and the forecasts are for an interest rate reduction trend in the coming years.

The Iron Swords War

Uncertainty still prevails in the markets, and volatility in financial markets may persist, mostly against the backdrop of the continued fighting, the expected increase in government spending and related debt raising and the possibility of additional rating downgrades of the State of Israel.

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.

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

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

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 in December 20, 2023, the final directive was published. The directive is expected to enter into effect in July 2025. The Bank is preparing to implement the directive.

For more information, please see the section entitled Interest Rate Risk, please see the Risk Management Report as at December 31, 2023.

Quantitative information about interest rate risk - sensitivity analysis
Net adjusted fair value[(a)] of financial instruments of the Bank and its consolidated companies

	March 31, 2024		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	**47,999**	**(4,221)**	**43,778**
Of which: banking portfolio	**44,831**	**(4,098)**	**40,733**

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

	December 31, 2023[(b)]		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[(a)]	45,978	(5,029)	40,949
Of which: banking portfolio	32,596	(5,295)	27,301

(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) Restated.

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

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

	March 31, 2024		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	(1,545)	(902)	(2,447)
Of which: banking portfolio	(1,662)	(800)	(2,462)
Simultaneous decrease of 1 percent	852	873	1,725
Of which: banking portfolio	947	815	1,762
Non-simultaneous changes			
Steepening[b]	(576)	(742)	(1,318)
Flattening[c]	289	320	609
Short-term interest rate increase	(172)	(260)	(432)
Short-term interest rate decrease	197	270	467

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

	December 31, 2023		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	(1,464)	(592)	(2,056)
Of which: banking portfolio	(1,397)	(574)	(1,971)
Simultaneous decrease of 1 percent	684	583	1,267
Of which: banking portfolio	626	570	1,196
Non-simultaneous changes			
Steepening[b]	(459)	(497)	(956)
Flattening[c]	205	187	392
Short-term interest rate increase	(174)	(230)	(404)
Short-term interest rate decrease	192	261	453

(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.

During the first quarter of 2024, there was a moderate increase in the fair value exposure of the banking portfolio to a 1 percent increase in interest, mainly a result of the effect of the provision of credit, including mortgages, and due to activity in the available-for-sale portfolio and in the held-to-maturity portfolio.

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

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

	March 31, 2024		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	**331**	**618**	**949**
Of which: banking portfolio	**331**	**602**	**933**
Simultaneous decrease of 1 percent	**(508)**	**(640)**	**(1,148)**
Of which: banking portfolio	**(508)**	**(602)**	**(1,110)**

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

	December 31, 2023		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	441	276	717
Of which: banking portfolio	441	359	800
Simultaneous decrease of 1 percent	(625)	(289)	(914)
Of which: banking portfolio	(625)	(359)	(984)

* After netting effects.

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

For more information, please see the Risk Management Report as at December 31, 2023.

Foreign exchange rate risk

During the first three months of 2024, 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 foreign exchange exposures.

Liquidity 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 Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, and the requirements of Proper Conduct of Banking Business Directive 222 - Net Stable Funding Ratio.

Proper Conduct of Banking Business Directive 221 - Liquidity Coverage Ratio is intended to ensure that a banking corporation will hold an adequate inventory of high quality unencumbered liquid assets, comprised of cash or assets that can be converted into cash in private markets with little or no loss of value, in order to meet the banking corporation's liquidity needs in an extreme liquidity scenario lasting 30 days.
The 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 average liquidity coverage ratio for the three months ended March 31, 2024 is low compared to the average liquidity coverage ratio for the three months ended December 31, 2023, mainly resulting from the effect of the raisin of deposits from the public.

In the first quarter of 2024, 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.

Liquidity coverage ratio

	For the three months ended		
	March 31		December 31
	2024	2023	2023
	Average in %		
a. Consolidated data			
Liquidity coverage ratio	**133**	128	124
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100
b. According to the banking corporation's data			
Liquidity coverage ratio	**130**	125	120
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 March 31, 2024 and Note 9.B.

Net stable funding ratio (NSFR)

	As at March 31		As at December 31
	2024	2023	2023
	In %		
a. Consolidated data			
Net stable funding ratio (NSFR)	119	118	118
Net stable funding ratio set by the Banking Supervision Department	100	100	100
b. According to the banking corporation's data			
Net stable funding ratio (NSFR)	117	117	117
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 three months of 2024, 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 three months of 2024 and anticipated changes regarding the measurement of capital adequacy, please see under Equity and Capital Adequacy in this report.

Main operational risk areas:

The Iron Swords War

In order to preserve functional continuity and comply with regulatory requirements and the Bank's policy in an emergency situation, the Bank continues to monitor the events and their development. As necessary, adjustments are carried out with careful and meticulous risk management.

Leumi operates in accordance with its policy and 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 probability of exposure to a cyber event materializing increases as a result of a wider use of digital channels by customers and extensive and remote work by employees and suppliers.

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

During the first three months of 2024, no cyber incidents were discovered which affected Leumi'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.

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, 2023.

Climate and Environmental Risk

On June 12, 2023, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 345, "Principles for Effective Management of Climate-Related Financial Risks". The beginning of the Directive was set for June 12, 2025. In May 2024, the Banking Supervision Department published a draft circular deferring the effective date of the Directive to June 12, 2026.

For more information 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, 2023 and the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2023.

Other Risks

Regulatory Risk

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

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

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, the Competition Authority sent a summons to the five largest banks in the banking system, including Leumi, to a hearing before declaring the banks as a concentration group in the supply of the basket of services to households and small businesses and issuing directives regarding deposits. In addition, as part of the balancing plan to achieve the budget targets for 2024, a law determining that in 2024 and 2025, a special payment will be collected from banks that are not banks with a minor scope of activity (a bank whose assets under management value is less than 5 percent of the asset value of all the banks in Israel) as a temporary order due to the Iron Swords War.

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

These trends and changes affect, and are expected to continue to affect, the Israeli banking system in the coming years. The Bank monitors and identifies relevant regulatory provisions, and examines its preparedness for the following: changing market conditions; increased competition and transparency; entry of new players into traditional banking domains; use of databases and information of the Bank's customers by non-banking entities.

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.

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, open banking initiatives and summoning the banks to a hearing at the Competition Authority before declaring them a concentration group.

Macroeconomic Risk

Globally, the main macroeconomic changes relate to the cumulative effects of the monetary contraction process that took place in most countries around the world, in response to the acceleration of inflation. The inflation is moderating in most countries. 2024 is expected to be a year of relatively slow economic growth is expected, although in some countries, the growth rate is especially high. For example, in the fourth quarter of 2023, the US's GDP was significantly higher than expected, while throughout 2023, growth stood at 2.5 percent compared with 1.9 percent in 2022. Similarly, the US job market continues to show strength. According to the Fed's Senior Credit Officer Opinion Survey, banks are significantly less impacted by the SVB crisis than last year. In the Eurozone, England and Japan, there was a slight contraction in economic activity, albeit limited in scope. The stock markets completed a year of hikes, commencing 2024 with additional hikes. Specific issues in several banking systems (such as the US and Switzerland) were efficiently addressed. 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, especially on the back of the threat on global shipping routes, especially around the Red Sea.

In Israel, the Iron Swords War has led to significant disruptions in economic activity, especially in its initial weeks. This was due to the widespread rocket firing, which targeted most highly populated localities, damage to economic infrastructure and access to it in areas near the borders, the evacuation of more than 100 thousand civilians from southern and northern Israel, substantial drafting of reservists, a sharp decrease in availability of nonresident workers and ongoing disruptions in the educational system. The effects of the War have led to a substantial decrease in GDP in the fourth quarter of 2023.

During the first quarter of 2024, economic activity across most sectors and regions appears to be recovering. Due to a substantial decrease in rocket firing into most regions, a decline in the number of reservists on active duty, the educational system resuming routine activity across most regions and the public's adaptation to the "wartime routine". This process is reflected, inter alia, in a rise in consumer spending using credit cards, higher turnover in businesses across most sectors, etc. On the other hand, activity in some economic sectors is still substantially lower than its pre-War levels, such as in the construction and incoming tourism sectors, as well as in areas adjacent to the northern and southern borders.

A prolonged process of civil and security rehabilitation is expected, with emphasis on local spending which will be manifested in the public expenditure, with investment in fixed assets, in healthcare services and social services, as well as private consumption. Geopolitical risks remained high on the back of the possibility of escalation into additional fronts and due to the risks associated with the sentiment towards Israel in global financial markets. In this context, we shall note that on the night of April 13-14, 2024, Iran launched a missile attack against Israel, a move which increases the likelihood of the materialization of alternative scenarios with more adverse consequences for the Israeli economy. But it seems that it will not be in the immediate time frame in view of development since then.

At this stage, according to the Bank's preliminary assessments, the economic sectors that are particularly exposed to the War's damages are: construction, agriculture, culture and leisure sectors (tourism, restaurants, entertainment, etc.), as well as some industrial and commercial sectors, depending on their location. 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 February 9, 2024, Moody's downgraded the State of Israel's credit rating from A1 to A2, changing the State of Israel's rating outlook to negative. Moody's report emphasizes the weaknesses stemming from the current situation in Israel in several aspects. Moody's estimates that Israel's debt burden will be significantly higher than expected prior to the War. The negative rating outlook reflects Moody's assessment that the risk of an escalation of the conflict with Hezbollah in northern Israel remains significant, which has a potentially significant negative effect for Israel's economy. On the other hand, the rating process also takes into account the Israeli economy's long-standing strengths. The agency reiterated the rating and the rating outlook on May 10, 2024.

Following the downgrading of the State of Israel's credit rating from A1 to A2 with a negative outlook, on February 13, 2024, Moody's announced that it was also downgrading long-term deposits to A3 and the short-term to P-2 of the Bank and other Israeli banks, as well as the CRR rating of the Bank and other Israeli banks to A2, with a negative outlook.

On April 2, 2024, Fitch removed the risk watch negative (RWN) on Israel's credit rating and replaced it with a longer risk negative outlook. Fitch is of the opinion that in the short term, the geopolitical risks associated with the War in Gaza remain high and the risks of escalation remain significant. The agency believes that the risks are more prolonged and the negative effect may last longer. At the same time, Fitch reiterated the credit rating at A+. Similarly, in respect of the increased geopolitical risk, on April 18, 2024, S&P reduced Israel's credit rating from AA to A+ with a negative rating outlook. The agency noted that the direct confrontation with Iran increases the geopolitical risks, which were already high. In a negative scenario, the agency may downgrade Israel's rating if the continuing conflicts expand and will further increase the security, economic, social and geopolitical risks facing Israel. On the back of that move, and with an emphasis on concern regarding long term effects of the War on the local banking sector, on May 2, 2024, S&P reduced the rating outlook of the Bank from stable to negative (in both foreign and local currency). The agency downgraded the Bank's credit rating (in foreign currency) from A/A-1 (Long-term/Short-term) to A-/A-2. At the same time, there was no change in the Bank's rating in NIS terms.

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, 2023.

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, 2023.

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, 2023.

Collective Loan Loss Provision and Classification of Troubled Debts

Collective provision

The Bank is implementing the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL) ASC 326, Financial Instruments - Credit Losses.

The process of estimating the collective provision 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. Accordingly, the risk profile of the various economic sectors and macroeconomic scenarios were examined, among other things with respect to business credit in the economy and to foreign exchange rates, and adjustments were made in respect of the provision estimates. 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 are 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 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 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, 2023.

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 cash flows are lower than the amortized cost, the difference will be recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, the provision is recognized up to the minimum fair value.

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:

- A lack of intention to sell the investment before recovering the impairment.
- No expectation that it is more probably than not that the Bank will be required to sell the investment before recovering the impairment.
- 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.

Liabilities for Employee Benefits

As at March 31 2024, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 743 million, compared to a negative post-tax reserve of NIS 1,147 million as at December 31 2023.

The outstanding liability for employee benefits as at March 31 2024, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is lower by approx. NIS 1,070 million more than the actual outstanding liability.

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

For additional information, please see the section entitled Critical Accounting Policies and Estimates in the financial statements as at December 31, 2023.

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 2024, the Bank validates and updates material control processes and conducts effective evaluations of its entire internal control over financial reporting system.

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 March 31 2024, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

The Board of Directors

From January to March 2024, Leumi's Board of Directors held 11 plenum meetings and its committees held 19 meetings.

At a Board meeting held on May 27 2024, the Board resolved to approve and publish the Group's unaudited condensed consolidated financial statements as at March 31 2024 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 and Chief Executive Officer

May 27, 2024

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi le-Israel B.M. (hereinafter - the "Bank") for the quarter ended March 31, 2024 (hereinafter - the "Report").

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

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

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

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

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

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

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

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

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

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

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

May 27, 2024.

Hanan Friedman
President & CEO

Certification

I, Hagit Argov, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi le-Israel B.M. (hereinafter - the "Bank") for the quarter ended March 31, 2024 (hereinafter - the "Report").

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

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

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

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

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

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

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

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

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

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

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

May 27, 2024.

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

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

Introduction

We have reviewed the accompanying financial information of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter - the “Bank”), which includes the condensed consolidated interim balance sheet as at March 31, 2024 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with Israeli GAAP for interim financial reporting and in accordance with the Banking Supervision Department’s directives and guidance. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

Review scope

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

Conclusion

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

Somekh Chaikin
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

May 27, 2024

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Income Statement
For the Period Ended March 31, 2024

	Note	For the three months ended March 31		For the year ended December 31
		2024	2023	2023
		Unaudited		Audited
		In NIS million		
Interest income	2	**8,827**	7,572	33,655
Interest expenses	2	**5,060**	3,644	17,658
Interest income, net	2	**3,767**	3,928	15,997
Loan loss expenses	13, 6	**222**	406	2,383
Interest income, net after loan loss expenses		**3,545**	3,522	13,614
Noninterest income				
Noninterest finance income	3A	**734**	25	1,279
Fees and commissions		**935**	948	3,737
Other income		**859**	98	165
Total noninterest income		**2,528**	1,071	5,181
Operating and other expenses				
Salaries and related expenses		**1,071**	845	3,484
Buildings and equipment - maintenance and depreciation		**375**	341	1,541
Other Expenses		**379**	443	1,869
Total operating and other expenses		**1,825**	1,629	6,894
Profit before taxes		**4,248**	2,964	11,901
Provision for profit taxes		**1,503**	889	3,988
Profit after taxes		**2,745**	2,075	7,913
The Bank's share in associates' profits (losses), after taxes		**40**	(1,094)	(886)
Net income				
Before attribution to non-controlling interests		**2,785**	981	7,027
Attributable to non-controlling interests[(a)]		**-**	-	-
Attributable to the Bank's shareholders		**2,785**	981	7,027
Basic and diluted earnings per share (in NIS)				
Diluted basic earnings attributable to the Bank's shareholders	3B	**1.83**	0.64	4.58

(a) Amounts of less than NIS 1 million.

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: May 27, 2024.

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Statement of Comprehensive Income

For the Period Ended March 31, 2024

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Net income before attribution to non-controlling interests	**2,785**	981	7,027
Less net income attributable to non-controlling interests[b]	**-**	-	-
Net income attributable to the Bank's shareholders	**2,785**	981	7,027
Other comprehensive income, before taxes			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(302)**	253	641
Net gains (losses) for cash flow hedges	**(5)**	(5)	5
Adjustments of liabilities for employee benefits[a]	**611**	(176)	378
Other comprehensive income (loss) of equity-accounted investees	**(5)**	26	55
Other comprehensive income, before taxes	**299**	98	1,079
Related tax effect	**(89)**	(29)	(373)
Other comprehensive income before attribution to non-controlling interests, after taxes	**210**	69	706
Less other comprehensive income attributable to non-controlling interests[b]	**-**	-	-
Other comprehensive income attributable to the Bank's shareholders, after taxes	**210**	69	706
Comprehensive income before attribution to non-controlling interests	**2,995**	1,050	7,733
Less comprehensive income attributable to non-controlling interests[b]	**-**	-	-
Comprehensive income attributable to the Bank's shareholders	**2,995**	1,050	7,733

(a) 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 8.
(b) Amounts of less than NIS 1 million.

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
Consolidated Balance Sheet

As at March 31, 2024

	Note	March 31		December 31
		2024	2023	2023
		Unaudited		Audited
		In NIS million		
Assets				
Cash and deposits with banks		**144,064**	134,381	105,476
Securities:				
Held-to-maturity bonds		**16,962**	14,790	15,406
Available-for-sale bonds		**110,165**	76,284	126,137
Equity securities not held for trading		**5,432**	4,367	4,828
Held-for-trading securities		**5,165**[d]	3,933	13,677
Total securities[a][b]	5	**137,724**	99,374	160,048
Securities borrowed or purchased under reverse repurchase agreements		**2,288**	3,282	3,053
Loans to the public	6, 13	**435,537**	409,136	426,203
Loan loss provision	6, 13	**(6,955)**	(5,319)	(6,717)
Loans to the public, net		**428,582**	403,817	419,486
Loans to governments		**1,387**	1,123	1,806
Investments in associates		**4,129**	3,786	4,014
Buildings and equipment		**2,682**	2,767	2,874
Assets in respect of derivatives	11	**25,745**	26,959	27,410
Other assets[a]		**7,072**	6,988	7,330
Total assets		**753,673**	682,477	731,497
Liabilities and equity				
Deposits by the public	7	**595,805**	532,906	567,824
Deposits by banks		**24,139**	24,042	20,776
Deposits by governments		**101**	383	160
Securities loaned or sold under repurchase agreements		**6,307**	4,739	13,776
Bonds, promissory notes and subordinated notes		**30,902**	28,288	32,114
Liabilities for derivatives	11	**23,591**	25,601	26,636
Other liabilities[a][c]		**15,695**	16,722	15,709
Total liabilities		**696,540**	632,681	676,995
Shareholders' equity	9	**57,128**	49,791	54,497
Non-controlling interests		**5**	5	5
Total equity		**57,133**	49,796	54,502
Total liabilities and equity		**753,673**	682,477	731,497

(a) For details regarding amounts measured at fair value, please see Note 15A.
(b) Of which: securities totaling NIS 13,924 million (March 31, 2023 - NIS 17,445 million, December 31, 2023 - NIS 13,624 million) pledged to lenders.
(c) Of which: Loan loss provision for off-balance-sheet credit instruments totaling NIS 701 million (as at March 31, 2023 - NIS 607 million; as at December 31, 2023 - NIS 747 million).
(d) Of which bonds in the amount of approx. NIS 1,024 million classified as held-for-trading securities because the Bank chose to measure them initially according to the fair value alternative, although they were not acquired for trading purposes.

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 March 31, 2024

	For the three months ended March 31, 2024 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From stock-based payment and other benefits[(a)]
	In NIS million		
Balance as at December 31, 2023 (audited)	7,111	2,250	63
Net income for the period	-	-	-
Other comprehensive income, net of tax effect	-	-	-
Dividend declared	-	-	-
Employee benefit for stock-based compensation transactions	-	-	1
Balance as at March 31, 2024	**7,111**	**2,250**	**64**

	For the three months ended March 31, 2023 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From stock-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 declared	-	-	-
Employee benefit for stock-based compensation transactions	-	-	2
Balance as at March 31, 2023	7,132	2,829	58

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,075 million that are non-distributable as dividend, of which NIS 2,250 million in respect of share buyback (March 31, 2023 - NIS 5,344 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
9,424	(2,647)	47,720	54,497	5	54,502
-	-	2,785	2,785	-	2,785
-	210	-	210	-	210
-	-	(365)	(365)	-	(365)
1	-	-	1	-	1
9,425	(2,437)	50,140	57,128	5	57,133

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

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Statement of Changes in Equity (cont.)
For the Period Ended March 31, 2024

	For the year ended December 31, 2023 (audited)									
		Capital reserves								
	Share capital	From premiums	From stock-based payment and other benefits[a]	Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
	In NIS million								
Balance as at December 31, 2022	7,132	2,829	56	10,017	(3,353)	42,774	49,438	5	49,443
Net income	-	-	-	-	-	7,027	7,027	-	7,027
Other comprehensive income, net of tax effect	-	-	-	-	706	-	706	-	706
Dividend paid	-	-	-	-	-	(2,081)	(2,081)	-	(2,081)
Share buyback	(21)	(579)	-	(600)	-	-	(600)	-	(600)
Employee benefit for stock-based compensation transactions	-	-	7	7	-	-	7	-	7
Balance as at December 31, 2023	7,111	2,250	63	9,424	(2,647)	47,720	54,497	5	54,502

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,253 million that is non-distributable, of which NIS 2,250 million in respect of share buyback. The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.

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

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Condensed Consolidated Statement of Cash Flows

For the Period Ended March 31, 2024

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Cash flows from operating activities			
Net income for the period	**2,785**	981	7,027
Adjustments:			
Group's share in undistributed (profits) losses of associates[(a)]	**(18)**	1,290	1,103
Depreciation and amortization of buildings and equipment (including impairment)	**156**	147	675
Loan loss expenses	**222**	406	2,383
Net losses on sale of available-for-sale bonds	**83**	136	298
Realized and unrealized losses (gains), net from fair value adjustments of held-for-trading securities	**9**	26	(90)
(Gains) losses on disposal of buildings and equipment - net	**(834)**	1	(22)
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	**(163)**	(90)	(279)
Provision for impairment of available-for-sale bonds	**-**	33	33
Provision for impairment of equity securities not held-for-trading	**3**	2	16
Expenses for stock-based compensation transactions	**1**	2	7
Deferred taxes - net	**32**	(125)	(694)
Severance pay and pension – increase in excess of provision over fund	**70**	125	170
Excess of interest receivable over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds over interest	**(822)**	(65)	(2,211)
Accrual differences and rate in respect of bonds and subordinated notes	**(85)**	365	379
Effect of exchange rate differentials on cash and cash equivalent balances	**104**	(514)	(173)
Other, net	**(1)**	-	(2)
Net change in current assets:			
Assets in respect of derivatives	**1,665**	(321)	(772)
Held-for-trading securities	**8,503**	(1,699)	(11,327)
Other assets	**(16)**	(183)	(272)
Net change in current liabilities:			
Liabilities for derivatives	**(2,869)**	2,121	3,213
Other liabilities	**356**	1,048	405
Net cash provided by operating activities	**9,181**	3,686	(133)

(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 March 31, 2024

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Cash flows from investing activities			
Net change in deposits with banks with original maturities of more than three months	**852**	2,872	2,927
Net change in loans to the public[(a)]	**(9,236)**	(19,444)	(35,392)
Net change in loans to the Israeli Government	**419**	(14)	(696)
Net change in securities borrowed or purchased under reverse repurchase agreements	**765**	(248)	(19)
Purchase of held-to-maturity bonds	**(2,061)**	(384)	(3,164)
Proceeds from redemption of held-to-maturity bonds	**566**	63	2,311
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(60,145)**	(50,492)	(175,653)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**64,613**	25,950	87,816
Proceeds from redemption of available-for-sale bonds	**11,044**	10,526	25,929
Purchase of associates' equity	**(68)**	(2)	(2)
Proceeds from sale of loan portfolios	**165**	-	42
Purchase of loan portfolios	**-**	-	(1,556)
Purchase of buildings and equipment	**(133)**	(177)	(833)
Proceeds from disposal of buildings and equipment	**1,003**	-	41
Central severance pay fund	**2**	1	17
Net cash from (for) investing activities	**7,786**	(31,349)	(98,232)
Cash flow from financing activities			
Net change in deposits by banks with original maturities of more than three months	**3,363**	1,736	(1,530)
Net change in deposits by the public	**27,946**	(24,261)	10,616
Net change in deposits by the government	**(59)**	136	(87)
Net change in securities loaned or sold under repurchase agreements	**(7,469)**	787	9,824
Proceeds from issue of bonds and subordinated notes	**-**	1,691	10,758
Redemption of bonds and subordinated notes	**(1,204)**	(1,556)	(6,874)
Dividend paid to shareholders	**-**	(699)	(2,081)
Share buyback	**-**	-	(600)
Net cash from (for) financing activities	**22,577**	(22,166)	20,026
Increase (decrease) in cash and cash equivalents	**39,544**	(49,829)	(78,339)
Balance of cash and cash equivalents as at the beginning of the period	**102,471**	180,637	180,637
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(104)**	514	173
Balance of cash and cash equivalents as at end of period	**141,911**	131,322	102,471

(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 March 31, 2024

Interest and taxes paid and/or received and dividends received

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Interest received	**7,950**	6,938	29,677
Interest paid	**(5,026)**	(2,490)	(14,078)
Dividends received	**51**	46	208
Income tax paid	**(1,617)**	(1,317)	(4,397)
Income tax received	**2**	6	116

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

For the three months ended March 31, 2024

On March 19, 2024, a distribution of distribution of dividends to the shareholders was announced in the amount of NIS 365 million.

List of Notes

Note 1 - Significant Accounting Policies

A. Basis of Preparation of the Financial Statements

1. Reporting principles

The condensed consolidated interim financial statements as at March 31, 2024 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, 2023, 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, 2023 and their accompanying notes (hereinafter - the “Financial Statements”).

On May 27, 2024, the Bank's Board of Directors approved the condensed consolidated interim financial statements for publication.

2. Use of estimates

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

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

With the exception of what is detailed under item b. below, the policy applied by the Bank in using assessments and estimates is consistent with that used in the annual financial statements as at December 31, 2023. 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 the results of operations.

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, 2024, the Bank applies the following accounting standards and directives:

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

On March 31, 2022, the FASB published ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures. On October 19, 2023, a circular was distributed to update the Reporting to the Public Directives, regarding the standard update. The publication revises the accounting treatment of restructurings 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:

Note 1 - Significant Accounting Policies (cont.)

- Replacing the term "Troubled debt restructurings" (or TDRs) with the term "Financial difficulty modifications" (or FDMs).
- The disclosure requirements for TDRs were replaced by updated disclosure requirements regarding FDMs, including disclosure requirements for any change in debt terms and conditions, for a borrower with financial difficulties, 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 view of this change, the need for an examination as to whether, as part of the restructuring, the borrower was given an economic waiver was revoked. In the updated disclosure requirements, guidelines were integrated for the identification of borrowers with financial difficulties that are similar to the existing guidelines. Due to the regulation of the requirement to examine the existence of an economic waiver, the loans that were classified as FDMs may be different from the loans classified in the past as TDRs.
- The requirement to calculate the loan loss provision by discounting cash flows with respect to restructured troubled debts was revoked.
- The requirement to take expected restructurings into account and measure separately was revoked. Assessment of the effect of changes in debt terms and conditions carried out as an integral part of the process of estimating the expected loan loss provision.
- A disclosure requirement of gross write-offs, by credit granting year, was added, as detailed in Note 13.B.1.1.
- For credit to private individuals, housing loans and commercial credit in respect of a debt whose contractual balance is less than NIS 1 million, relevant emphases were adopted from the guidelines published by US regulators with the aim of strengthening the effectiveness of the internal control over changes in the debt terms and conditions of this type of credit.

The directives established in the circular took effect as of January 1, 2024. As stated above, the main effect of the adoption of the new directives is the additional disclosure 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 borrowers with financial difficulties (hereinafter, these changes are termed FDMs). The new disclosure directives have been implemented without restatement of comparative figures. The balance of the debts of borrowers with financial difficulties that underwent a change in terms and conditions until December 31, 2023 was determined according to the balance of troubled debt restructurings until December 31, 2023. As permitted by the Reporting to the Public Directives, the Bank will include the expanded quantitative disclosure, which includes details regarding the types of FDMs carried out starting from January 1, 2024 and their financial impact starting from the statements for the second quarter of 2024. For more information, please see Note 13.B.2.B.

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

1. ASU 2023-07, Segment Reporting: Improvements to Reportable Segment Disclosures

On November 27, 2023, the FASB published ASU 2023-07, "Disclosure regarding Reportable Operating Segments". This ASU is intended to improve the quality of segment reporting by expanding the scope and frequency of disclosures regarding operating segments, particularly: (1) Disclosure regarding significant segment expenses, to the extent that these are reported to the "Chief Operating Decision Maker" (management and the Board of Directors) and are included in the measure of the segment profit or loss; (2) Disclosure of the amount and composition of other segment items. This amount will match the segment's revenues less significant expenses and the reported measure of the segment profit or loss; (3) Disclosure regarding how the "Chief Operating Decision Maker" (management and the Board of Directors) uses the reported measure of the segment profit or loss to estimate the segment's performance and decide how to allocate resources; (4) Quarterly report regarding all disclosures related to profit or loss and segment assets, including the additional information required under this ASU; (5) Change in the existing standard to enable reporting on several measures of segment profit or loss, under certain conditions.

The provisions of the ASU will be applicable to publicly-traded entities in the US as of the annual periods commencing after December 15, 2023 and to interim periods included in annual period commencing after December 15, 2024 or upon early adoption. The ASU will be retrospectively applied for the periods presented in the financial statements, unless it is impractical. The Bank is assessing the effect of the new directives on its financial statements.

2. ASU 2023-09, Income Taxes: Improvements to Income Tax Disclosures

On December 14, 2023, the FASB published ASU 2023-09, "Improvements to Income Tax Disclosures". This ASU improves the annual disclosures regarding income tax, and specifically expands the information on risks and tax opportunities existing in the entity's global operations. These improvements pertain mainly to the following requirements:

(1) Expansion of the table of adjustments between the theoretical tax amount that would apply if the profit from ordinary activities would be taxable according to the statutory tax rate and the provision profit tax from ordinary activities as recorded in the income statement, as follows: (a) Adjustment based both on percentages and amounts; (b) Definition of specific categories that constitute sub-details in the adjustment; (c) Determination of a materiality threshold for detailing the adjustment components at a rate of 5 percent or more of the theoretical tax; (d) Description of the adjustment components to be detailed according to their materiality or their place of origin, as relevant. Thus, for example, an expansion is required of the adjustment that pertains to the difference between the theoretical tax on foreign subsidiaries and the actual provision for taxes such that it will include a breakdown by country and nature of the adjustment; and (e) An option for disclosure of the changes in tax benefits that were not recognized cumulatively.

(2) A more detailed disclosure, on an annual basis, for net taxes paid, while distinguishing between local and foreign taxes.

(3) An annual disclosure for profit before tax and for taxes on income from ordinary activities, while distinguishing between Israel and abroad.

At the same time, the ASU revokes some of the existing disclosure requirements, such as the amount of the temporary difference that refers to the deferred tax liability that was not recognized in respect of subsidiaries.

The provisions of the ASU will be applicable to annual periods commencing after December 15, 2024 or upon early adoption. The ASU may be implemented prospectively.

Note 2 - Interest Income and Expenses

	For the three months ended March 31	
	2024	2023
	Unaudited	
	In NIS million	
a. Interest income[a]		
From loans to the public	6,117	5,642
From loans to governments	19	10
From deposits with the Bank of Israel and from cash	1,079	1,074
From deposits with banks	137	167
From securities borrowed or purchased under reverse repurchase agreements	28	34
From bonds[b]	1,447	645
Total interest income	8,827	7,572
b. Interest expenses[a]		
For deposits by the public	(4,565)	(3,226)
For deposits by governments	(1)	(1)
For deposits by banks	(64)	(21)
For deposits by the Bank of Israel	(21)	(3)
For securities loaned or sold under repurchase agreements	(151)	(67)
For bonds, promissory notes and subordinated notes	(258)	(326)
Total interest expenses	(5,060)	(3,644)
Total interest income, net	3,767	3,928
c. Details on the net effect of hedging derivatives[c]		
Interest income	54	37
Interest expenses	(3)	(5)
d. Details on interest income from bonds, on accrual basis		
Held-to-maturity	148	77
Available-for-sale	1,177	544
Held-for-trading	122[d]	24
Total included in interest income	1,447	645

(a) Including the effect of hedge relationships.
(b) Including interest in respect of mortgage-backed bonds (MBSs) in the amount of approx. NIS 110 million for the three-month period ended March 31, 2024 (NIS 79 million for the three-month period ended March 31, 2023).
(c) Details about the effect of hedging derivatives on subsections a. and b.
(d) Of which interest income in the amount of approx. NIS 6 million in respect of bonds classified as held-for-trading securities because the Bank chose to measure them initially according to the fair value alternative, although they were not acquired for trading purposes.

Note 3A - Noninterest Finance Income

	For the three months ended March 31	
	2024	2023
	Unaudited	
	In NIS million	
a. Noninterest finance income for non-trading activities		
A.1. Derivatives activity[a]		
Net income in respect of ALM derivatives[b]	1,405	1,144
Total from derivatives activity	1,405	1,144
A.2. From investment in bonds		
Gains on sale of available-for-sale bonds, net	64	7
Losses on sale of available-for-sale bonds	(147)	(143)
Provision for impairment of available-for-sale bonds	-	(33)
Total from investment in bonds	(83)	(169)
A.3. Exchange rate differentials, net	(917)	(1,014)
A.4. Gains (losses) on investment in shares		
Gains on sale of equity securities not held for trading	121	66
Provision for impairment for equity securities not held for trading	(3)	(2)
Losses on sale of equity securities not held-for-trading	(3)	(4)
Dividend from not held-for-trading equity securities	18	8
Unrealized gains, net from not held-for-trading equity securities[h]	45	28
Total from investment in equity securities	178	96
Total noninterest finance income for equity securities not held-for-trading	583	57
b. Noninterest finance income (expenses) for trading activities		
income (expenses) in respect of held-for-trading derivatives, net	160	(6)
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net[c][f]	(11)[e]	(26)
Realized and unrealized gains from fair value adjustments of held-for-trading equity securities, net[d][g]	2	-
Total from trading activities[f]	151	(32)
Details of noninterest finance income (expenses) from trading activities, by risk exposure		
Interest rate exposure	93	(296)
Foreign exchange exposure	36	248
Equity exposure	22	16
Total	151	(32)
Total noninterest finance income	734	25

Please see comments below.
Comments:
(a) Excluding the effect of hedge relationships.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which: approx. NIS 20 million in losses on the three-month period ended March 31, 2024 in respect of held-for-trading bonds held as at the balance sheet date (gains of approx. NIS 7 million for the three-month period ended March 31, 2023).
(d) Of which: approx. NIS 1 million in gains on the three-month period ended March 31, 2024 in respect of held-for-trading shares still held as of the balance sheet date (there were no gains or losses in respect of held-for-trading equity securities still held as of the balance sheet date in the three-month period ended March 31, 2023).
(e) Of which: a loss in the amount of approx. NIS 5 million in respect of bonds classified as held-for-trading securities because the Bank chose to measure them initially according to the fair value alternative, although they were not acquired for trading purposes.
(f) For interest income from investments in held-for-trading bonds, please see Note 2.
(g) Including exchange rate differentials from trading activities.
(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 March 31	
	2024	2023
	Unaudited	
Basic earnings		
Net income attributable to the Bank's shareholders (in NIS million)	**2,785**	981
Weighted average of the number of shares (in thousands of shares)		
Balance as at beginning and end of period[(a)]	**1,522,856**	1,543,805
Weighted average of number of shares	**1,522,856**	1,543,805
Basic earnings per share (in NIS)	**1.83**	0.64

(a) Net of the Bank's share buyback plan.

B. Diluted Earnings Per Share

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

	For the three months ended March 31	
	2024	2023
	Unaudited	
Diluted earnings		
Net income attributable to the Bank's shareholders (in NIS million)	**2,785**	981
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	**1,522,856**	1,543,805
Weighted effect of the issuance of options to employees	**125**	-[(a)]
Weighted average of the number of shares, fully diluted	**1,522,981**	1,543,805
Diluted earnings per share (in NIS)	**1.83**	0.64

(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 24.A. to the financial statements as at December 31, 2023.

C. Share capital

As at March 31, 2024, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 and in 2023 is 1,522,856,088 ordinary shares of NIS 1 p.v. each. (As of March 31, 2023, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,543,805,097 ordinary shares of NIS 1 p.v. each).

Note 4 - Accumulated Other Comprehensive Income (Loss)

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended March 31, 2024 and 2023 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjust-ments in respect of presen-tation of available-for-sale bonds at fair value	Net gains (losses) for cash flow hedges	Oher compre-hensive (loss) income of equity-accounted investees[(a)]	Adjust-ments in respect of employee benefits[(b)]	Total	Other compre-hensive income (loss) attri-butable to non-controlling interests[(c)]	Other compre-hensive income (loss) attri-butable to the Bank's share-holders
	In NIS million						
Balance as at							
December 31, 2022 (audited)	(1,944)	(2)	(10)	(1,397)	(3,353)	-	(3,353)
Net change during the period	161	(3)	25	(114)	69	-	69
Balance as at March 31, 2023	(1,783)	(5)	15	(1,511)	(3,284)	-	(3,284)
Balance as at							
December 31, 2023 (audited)	(1,517)	1	16	(1,147)	(2,647)	-	(2,647)
Net change during the period	**(187)**	**(3)**	**(4)**	**404**	**210**	**-**	**210**
Balance as at March 31, 2024	**(1,704)**	**(2)**	**12**	**(743)**	**(2,437)**	**-**	**(2,437)**

2. Changes in accumulated other comprehensive income (loss) for the year ended December 31, 2023 (audited)

	Other comprehensive income (loss) before attribution to non-controlling interests						
	Adjust-ments in respect of presen-tation of available-for-sale bonds at fair value	Net gains (losses) for cash flow hedges	Oher compre-hensive (loss) income of equity-accounted investees[(a)]	Adjust-ments in respect of employee benefits[(b)]	Total	Other compre-hensive income (loss) attri-butable to non-controlling interests[(c)]	Other compre-hensive income (loss) attri-butable to the Bank's share-holders
	In NIS million						
Balance as at December 31, 2022	(1,944)	(2)	(10)	(1,397)	(3,353)	-	(3,353)
Net change during the year	427	3	26	250	706	-	706
Balance as at December 31, 2023	(1,517)	1	16	(1,147)	(2,647)	-	(2,647)

(a) Including translation adjustments of financial statements of foreign operations whose functional currency is different than the Bank's functional currency and net gains (losses) for hedging of a net investment in foreign currency.
(b) Adjustments for employee benefits are net of adjustments for plan assets.
(c) Amounts of less than NIS 1 million.

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

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

	For the three months ended March 31 (unaudited)					
	2024			2023		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of presentation of available-for-sale bonds at fair value:						
Net unrealized gains (losses) from fair value adjustments	(385)	147	(238)	84	(34)	50
Net losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	83	(32)	51	169	(58)	111
Net change during the period	(302)	115	(187)	253	(92)	161
Cash flow hedges						
Net losses for cash flow hedges	(5)	2	(3)	(5)	2	(3)
Net change during the period	(5)	2	(3)	(5)	2	(3)
Investee companies accounted for using the equity method						
Other comprehensive income of equity-accounted investees[(b)]	29	(12)	17	110	(30)	80
Hedges[(c)]	(34)	13	(21)	(84)	29	(55)
Net change during the period	(5)	1	(4)	26	(1)	25
Employee benefits:[(d)]						
Net actuarial gain (loss)	548	(183)	365	(286)	99	(187)
Net losses reclassified to the income statement[(e)]	63	(24)	39	110	(37)	73
Net change during the period	611	(207)	404	(176)	62	(114)
Total net change during the period	299	(89)	210	98	(29)	69
Less changes in other comprehensive income components attributable to non-controlling interests						
Total change during the period, net[(f)]	-	-	-	-	-	-
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	299	(89)	210	98	(29)	69

(a) The before tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3A.
(b) Including translation adjustments of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(c) Net gains (losses) for hedging a net investment in foreign currency.
(d) The adjustments for employee benefits are net of adjustments for plan assets.
(e) The before-tax amount is reported in the income statement under the other expenses for employee benefits line item. For further details, please see Note 8.
(f) Amounts of less than NIS 1 million.

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

B. Changes in accumulated other comprehensive income (loss) components, before and after tax effect (cont.)

	For the year ended December 31, 2023 (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:			
Net unrealized gains from fair value adjustments	310	(101)	209
Net losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	331	(113)	218
Net change during the year	641	(214)	427
Cash flow hedges			
Net gains for cash flow hedges	5	(2)	3
Net change during the year	5	(2)	3
Investee companies accounted for using the equity method			
Other comprehensive income of equity-accounted investees[(b)]	141	(58)	83
Hedges[(c)]	(86)	29	(57)
Net change during the year	55	(29)	26
Employee benefits:[(d)]			
Net actuarial gain	65	(21)	44
Net losses reclassified to the income statement[(e)]	313	(107)	206
Net change during the year	378	(128)	250
Total change during the year, net	1,079	(373)	706
Less changes in other comprehensive income components attributable to non-controlling interests			
Total change during the year, net[(f)]	-	-	-
Changes in other comprehensive income attributable to the Bank's shareholders			
Total change during the year, net	1,079	(373)	706

(a) The before tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3A.
(b) Including translation adjustments of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(c) Net gains (losses) for hedging a net investment in foreign currency.
(d) The adjustments for employee benefits are net of adjustments for plan assets.
(e) The before-tax amount is reported in the income statement under the other expenses for employee benefits line item. For further details, please see Note 8.
(f) Amounts of less than NIS 1 million.

Note 5 - Securities

	As at March 31, 2024 (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	8,957	8,957	-	1	(811)	8,147
Of foreign financial institutions	1,450	1,451	1	-	(43)	1,408
Asset-backed (ABSs) or mortgage-backed (MBSs)	6,216	6,217	1	3	(478)	5,742
Of other foreign entities	339	340	1	-	(16)	324
Total held-to-maturity bonds[e]	16,962	16,965	3	4	(1,348)	15,621

	As at March 31, 2024 (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	**63,156**	**65,418**	**-**	**56**	**(2,318)**	**63,156**
Of foreign governments	**20,679**	**20,783**	**-**	**25**	**(129)**	**20,679**
Of Israeli financial institutions	**75**	**78**	**-**	**-**	**(3)**	**75**
Of foreign financial institutions	**9,639**	**9,794**	**-**	**48**	**(203)**	**9,639**
Asset-backed (ABSs) or mortgage-backed (MBSs)	**11,042**	**11,631**	**-**	**33**	**(622)**	**11,042**
Of other Israeli entities	**887**	**911**	**-**	**13**	**(37)**	**887**
Of other foreign entities	**4,687**	**4,964**	**-**	**19**	**(296)**	**4,687**
Total available-for-sale bonds[e]	**110,165**	**113,579**	**-**	**194[c]**	**(3,608)[c]**	**110,165**

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31, 2024 (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	**5,432**	**5,393**	**-**	**416**	**(377)**	**5,432**
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	**3,114**	**3,114**	**-**	**-**	**-**	**3,114**
Total not held for-trading equity securities and mutual funds	**5,432**	**5,393**	**-**	**416[(d)]**	**(377)[(d)]**	**5,432**
Total not held-for-trading securities	**132,559**	**135,937**	**3**	**614**	**(5,333)**	**131,218**

	As at March 31, 2024 (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	4,107	4,103	-	10	(6)	4,107
Of Israeli financial institutions	330	343	-	1	(14)	330
Of foreign financial institutions	100	99	-	1	-	100
Asset-backed (ABSs) or mortgage-backed (MBSs)	42	46	-	-	(4)	42
Of other Israeli entities	188	191	-	1	(4)	188
Of other foreign entities	320	321	-	-	(1)	320
Total bonds	5,087	5,103	-	13	(29)	5,087
Equity securities and mutual funds	78	74	-	11	(7)	78
Total held-for-trading securities[(f)]	5,165	5,177	-	24[(d)]	(36)[(d)]	5,165
Total securities	137,724	141,114	3	638	(5,369)	136,383

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31, 2023 (unaudited)					
	Balance sheet value	Amortized cost	Balance of loan loss provision	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million					
1. Held-to-maturity bonds:						
Of the Israeli Government	9,732	9,732	-	-	(705)	9,027
Of foreign financial institutions	1,362	1,362	1	-	(41)	1,322
Asset-backed (ABSs) or mortgage-backed (MBSs)	3,366	3,366	1	2	(381)	2,988
Of other foreign entities	330	330	1	-	(11)	320
Total held-to-maturity bonds[(e)]	14,790	14,790	3	2	(1,138)	13,657

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

Please see comments below.

Note 5 - Securities (cont.)

	As at March 31, 2023 (unaudited)					
	Balance sheet value	Cost	Balance of loan loss provision	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million					
3. Investment in not held-for-trading equity securities and mutual funds:						
Equity securities and mutual funds	4,367	4,063	-	319	(15)	4,367
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	2,367	2,367	-	-	-	2,367
Total not held for-trading equity securities and mutual funds	4,367	4,063	-	319[(d)]	(15)[(d)]	4,367
Total not held-for-trading securities	95,441	98,542	5	507	(4,746)	94,308

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

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31, 2023 (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	8,093	8,093	-	1	(727)	7,367
Of foreign financial institutions	1,389	1,389	1	-	(38)	1,352
Asset-backed (ABSs) or mortgage-backed (MBSs)	5,591	5,591	1	14	(393)	5,213
Of other foreign entities	333	333	1	-	(11)	323
Total held-to-maturity bonds[(e)]	15,406	15,406	3	15	(1,169)	14,255

	As at December 31, 2023 (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	74,888	76,836	-	108	(2,056)	74,888
Of foreign governments	26,916	26,962	-	53	(99)	26,916
Of Israeli financial institutions	45	49	-	-	(4)	45
Of foreign financial institutions	8,882	9,067	-	51	(236)	8,882
Asset-backed (ABSs) or mortgage-backed (MBSs)	9,951	10,472	-	41	(562)	9,951
Of other Israeli entities	823	865	-	12	(54)	823
Of other foreign entities	4,632	4,899	-	23	(290)	4,632
Total available-for-sale bonds[(e)]	126,137	129,150	-	288[(c)]	(3,301)[(c)]	126,137

	As at December 31, 2023 (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	4,828	4,511	-	346	(29)	4,828
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	2,817	2,817	-	-	-	2,817
Total not held for-trading equity securities and mutual funds	4,828	4,511	-	346[(d)]	(29)[(d)]	4,828
Total not held-for-trading securities	146,371	149,067	3	649	(4,499)	145,220

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31, 2023 (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	12,905	12,884	-	26	(5)	12,905
Of Israeli financial institutions	436	459	-	-	(23)	436
Of foreign financial institutions	26	26	-	1	(1)	26
Asset-backed (ABSs) or mortgage-backed (MBSs)	25	29	-	-	(4)	25
Of other Israeli entities	159	167	-	-	(8)	159
Of other foreign entities	37	38	-	-	(1)	37
Total bonds	13,588	13,603	-	27	(42)	13,588
Equity securities and mutual funds	89	88	-	1	-	89
Total held-for-trading securities	13,677	13,691	-	28[(d)]	(42)[(d)]	13,677
Total securities	160,048	162,758	3	677	(4,541)	158,897

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. In the first quarter of 2024, no upward adjustments were made, the total upward adjustments amounted to approx. NIS 17.5 million. In addition, in the first quarter of 2024, downward adjustments and amortizations were made in the amount of approx. NIS 3.9 million, and total downward adjustments and amortizations amounted to approx. NIS 350.9 million.

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

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

(e) Total of NIS 16.6 billion out of total foreign currency securities are rated SSA (Super-nationals, Sovereign and Agencies) (March 31, 2023 - NIS 12.8 billion, December 31, 2023 - NIS 15.2 billion).

(f) Of which bonds in the amount of approx. NIS 1,024 million classified as held-for-trading securities because the Bank chose to measure them initially according to the fair value alternative, although they were not acquired for trading purposes.

General comments:

Loaned securities in the amount of NIS 1,034 million (as at March 31, 2023 - NIS 52 million; as at December 31, 2023 - NIS 63 million) are presented under the Loans to the public line item.

Securities pledged to lenders totaled NIS 13,924 million (as at March 31, 2023 - NIS 17,445 million; as at December 31, 2023 - NIS 13,624 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.)

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

	March 31, 2024 (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	868	2	-	-	2	7,975	486	323	-	809
Asset-backed (ABSs) or mortgage-backed (MBSs)	2,787	21	-	-	21	2,864	261	196	-	457
Of foreign financial institutions	-	-	-	-	-	1,397	43	-	-	43
Of other foreign entities	-	-	-	-	-	339	16	-	-	16
Total held-to-maturity bonds	3,655	23	-	-	23	12,575	806	519	-	1,325

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

(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.)

Further details on Amortized Cost and Unrealized Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in an Unrealized Loss Position (cont.)

	December 31, 2023 (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	232	3	-	-	3	7,827	473	251	-	724
Asset-backed (ABSs) or mortgage-backed (MBSs)	708	4	-	-	4	2,860	340	49	-	389
Of foreign financial institutions	-	-	-	-	-	1,372	38	-	-	38
Of other foreign entities	-	-	-	-	-	334	11	-	-	11
Total held-to-maturity bonds	940	7	-	-	7	12,393	862	300	-	1,162

(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.)

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

	March 31, 2024 (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	30,023	417	-	-	417	29,026	1,492	744	-	2,236
Asset-backed (ABSs) or mortgage-backed (MBSs)	2,045	21	-	-	21	6,053	318	283	-	601
Of others	553	22	-	-	22	3,738	286	25	-	311
Total available-for-sale bonds	32,621	460	-	-	460	38,817	2,096	1,052	-	3,148

	March 31, 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	16,874	377	27	-	404	24,036	1,631	515	-	2,146
Asset-backed (ABSs) or mortgage-backed (MBSs)	2,036	44	-	-	44	5,069	400	142	-	542
Of others	1,990	87	2	-	89	3,128	312	56	-	368
Total available-for-sale bonds	20,900	508	29	-	537	32,233	2,343	713	-	3,056

(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.)

Further details 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, 2023 (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	11,130	298	-	-	298	29,876	1,537	558	2	2,097
Asset-backed (ABSs) or mortgage-backed (MBSs)	1,225	5	-	-	5	5,836	327	230	-	557
Of others	248	30	2	-	32	4,313	297	15	-	312
Total available-for-sale bonds	12,603	333	2	-	335	40,025	2,161	803	2	2,966

(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.)

Further details on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds in an Unrealized Loss Position

	March 31, 2024 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]
	In NIS million					
Mortgage-backed bonds (MBSs)	**1,023**	**(14)**	**1,937**	**(372)**	**2,960**	**(386)**
Other mortgage-backed bonds (including CMOs, REMICs and stripped MBSs)	**740**	**(6)**	**1,381**	**(189)**	**2,121**	**(195)**
Asset-backed bonds (ABSs)	**282**	**(1)**	**2,735**	**(40)**	**3,017**	**(41)**
Total	**2,045**	**(21)**	**6,053**	**(601)**	**8,098**	**(622)**

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

	December 31, 2023 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]	Fair value	Unrealized losses from fair value adjust-ments[(a)]
	In NIS million					
Mortgage-backed bonds (MBSs)	608	(3)	1,906	(327)	2,514	(330)
Other mortgage-backed bonds (including CMOs, REMICs and stripped MBSs)	420	(2)	1,379	(189)	1,799	(191)
Asset-backed bonds (ABSs)	197	-	2,551	(41)	2,748	(41)
Total	1,225	(5)	5,836	(557)	7,061	(562)

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

Note 5 - Securities (cont.)

Further details on Held-to-Maturity Mortgage-Backed Bonds

	March 31, 2024 (unaudited)			
	Amortized cost[(a)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass-through held-to-maturity bonds	4,285	3	(461)	3,827
Of which: GNMA-guaranteed securities	2,898	3	(261)	2,640
Securities issued by FNMA or FHLMC	1,387	-	(200)	1,187
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,676	-	(16)	1,660
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	1,676	-	(16)	1,660
Total mortgage-backed bonds (MBSs)	5,961	3	(477)	5,487
Asset-backed bonds (ABSs)	256	-	(1)	255
Of which: Loans to other than private individuals - CLO-type bonds	256	-	(1)	255
Total mortgage-backed held-to-maturity bonds	6,217	3	(478)	5,742

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

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

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

Note 5 - Securities (cont.)

Further details on Held-to-Maturity Mortgage-Backed Bonds (cont.)

	December 31, 2023 (audited)			
	Amortized cost[a]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass-through held-to-maturity bonds	4,079	5	(388)	3,696
Of which: GNMA-guaranteed securities	2,784	4	(226)	2,562
Securities issued by FNMA or FHLMC	1,295	1	(162)	1,134
Other mortgage-backed bonds (including CMOs and stripped MBSs)	1,262	9	(4)	1,267
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	1,262	9	(4)	1,267
Total mortgage-backed bonds (MBSs)	5,341	14	(392)	4,963
Asset-backed bonds (ABSs)	251	-	(1)	250
Of which: Loans to other than private individuals - CLO-type bonds	251	-	(1)	250
Total mortgage-backed held-to-maturity bonds	5,592	14	(393)	5,213

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

Note 5 - Securities (cont.)

Further details on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds

	March 31, 2024 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass-through bonds	3,771	3	(386)	3,388
Of which: GNMA-backed bonds	2,369	2	(249)	2,122
Bonds issued by FNMA or FHLMC	1,402	1	(137)	1,266
Other mortgage-backed bonds (including CMOs and stripped MBSs)	3,276	6	(195)	3,087
Of which: Bonds issued or guaranteed by FNMA, FHLMC, or GNMA	2,951	4	(193)	2,762
Total mortgage-backed bonds (MBSs)	7,047	9	(581)	6,475
Asset-backed bonds (ABSs)	4,584	24	(41)	4,567
Of which: Loans to other than private individuals - CLO-type bonds	3,039	20	(10)	3,049
Loans to non-individuals - SBA-guaranteed securities	1,170	2	(26)	1,146
Total available-for-sale mortgage-backed and asset-backed bonds	11,631	33	(622)	11,042

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

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

Note 5 - Securities (cont.)

Further details on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds (cont.)

	December 31, 2023 (audited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBSs)				
Pass-through bonds	3,336	7	(330)	3,013
Of which: GNMA-guaranteed securities	2,310	6	(220)	2,096
Securities issued by FNMA or FHLMC	1,026	1	(110)	917
Other mortgage-backed bonds (including CMOs and stripped MBSs)	2,648	12	(191)	2,469
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	2,322	8	(187)	2,143
Total mortgage-backed bonds (MBSs)	5,984	19	(521)	5,482
Asset-backed bonds (ABSs)	4,488	22	(41)	4,469
Of which: Loans to other than private individuals - CLO-type bonds	3,079	19	(15)	3,083
Loans to non-individuals - SBA-guaranteed securities	1,046	1	(20)	1,027
Total available-for-sale mortgage-backed and asset-backed bonds	10,472	41	(562)	9,951

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

Note 5 - Securities (cont.)

Further details on Mortgage-Backed and Asset-Backed Held-for-Trading Securities

	March 31, 2024 (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 (MBSs)				
Pass-through securities	22	-	-	22
Of which: Securities issued by FNMA or FHLMC	22	-	-	22
Other mortgage-backed securities (including CMOs and stripped MBSs)	17	-	(3)	14
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	39	-	(3)	36
Total asset-backed securities (ABSs)	7	-	(1)	6
Total mortgage-backed and asset-backed held-for-trading securities	46	-	(4)	42

	March 31, 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 (MBSs)				
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 (MBSs)	26	-	(1)	25
Total asset-backed securities (ABSs)	9	-	(2)	7
Total mortgage-backed and asset-backed held-for-trading securities	35	-	(3)	32

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

Note 5 - Securities (cont.)

Further details on Mortgage-Backed and Asset-Backed Held-for-Trading Securities (cont.)

	December 31, 2023 (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 (MBSs)				
Pass-through securities	1	-	-	1
Of which: Securities issued by FNMA or FHLMC	1	-	-	1
Other mortgage-backed securities (including CMOs and stripped MBSs)	21	-	(3)	18
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBSs)	22	-	(3)	19
Total asset-backed securities (ABSs)	7	-	(1)	6
Total mortgage-backed and asset-backed held-for-trading securities	29	-	(4)	25

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

Note 5 - Securities (cont.)

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

	For the three months ended March 31, 2024 (unaudited)			
	Governments and financial institutions	Asset-backed (ABSs) or mortgage-backed (MBSs)	Of others	Total
	In NIS million			
Balance of loan loss provision as at the beginning of the reporting period	-	-	-	-
Outstanding loan loss provision as at the end of the reporting period	-	-	-	-

	For the three months ended March 31, 2023 (unaudited)			
	Governments and financial institutions	Asset-backed (ABSs) or mortgage-backed (MBSs)	Of others	Total
	In NIS million			
Balance of loan loss provision as at the beginning of the reporting period	24	-	9	33
Amortization in respect of securities sold during the period	-	-	(7)	(7)
Net decrease in the loan loss provision in respect of past loan losses	(24)	-	-	(24)
Outstanding loan loss provision as at the end of the reporting period	-	-	2	2

	For the year ended December 31, 2023 (audited)			
	Governments and financial institutions	Asset-backed (ABSs) or mortgage-backed (MBSs)	Of others	Total
	In NIS million			
Balance of loan loss provision as at the beginning of the year	24	-	9	33
Amortization in respect of securities sold during the period	-	-	(7)	(7)
Net decrease in the loan loss provision in respect of past loan losses	(24)	-	(2)	(26)
Balance of loan loss provision as at year end	-	-	-	-

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

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

	March 31, 2024 (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	245,663	-	689	246,352	143,182	389,534
Examined on a collective basis	27,459	132,679	29,047	189,185	-	189,185
Total[1]	273,122	132,679	29,736	435,537	143,182	578,719
[1]Of which:						
Non-performing debts	1,877	623	331	2,831	-	2,831
Debts in arrears of 90 days or more	52	-	67	119	-	119
Other troubled debts	3,452	12	613	4,077	-	4,077
Total troubled debts	5,381	635	1,011	7,027	-	7,027
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	4,553	-	289	4,842	17	4,859
Examined on a collective basis	806	628	679	2,113	-	2,113
Total loan loss provision[2]	5,359	628	968	6,955	17	6,972
[2]Of which:						
For non-performing debts	571	104	211	886	-	886
For other troubled debts	859	1	434	1,294	-	1,294

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

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

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

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

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

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

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

	December 31, 2023 (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	239,573	-	661	240,234	162,912	403,146
Examined on a collective basis	26,184	130,624	29,161	185,969	-	185,969
Total[1]	265,757	130,624	29,822	426,203	162,912	589,115
[1]Of which:						
Non-performing debts	2,579	688	343	3,610	-	3,610
Debts in arrears of 90 days or more	69	-	80	149	-	149
Other troubled debts	3,161	24	630	3,815	-	3,815
Total troubled debts	5,809	712	1,053	7,574	-	7,574
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	4,324	-	275	4,599	17	4,616
Examined on a collective basis	852	622	644	2,118	-	2,118
Total loan loss provision[2]	5,176	622	919	6,717	17	6,734
[2]Of which:						
For non-performing debts	617	79	196	892	-	892
For other troubled debts	803	3	379	1,185	-	1,185

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

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

B. Change in Balance of Loan Loss Provision

	For the three months ended March 31, 2024 (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	5,873	634	957	7,464	17	7,481
Loan loss expenses	75	3	144	222	-	222
Charge-offs	(113)	(1)	(164)	(278)	-	(278)
Collection of debts written off in previous years	178	3	67	248	-	248
Net charge-offs	65	2	(97)	(30)	-	(30)
Outstanding loan loss provision as at the end of the reporting period[1]	6,013	639	1,004	7,656	17	7,673
[1]Of which: in respect of off-balance-sheet credit instruments	654	11	36	701	-	701

	For the three months ended March 31, 2023 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,420	419	732	5,571	54	5,625
Loan loss expenses (income)	351	13	74	438	(32)	406
Charge-offs	(95)	(2)	(134)	(231)	-	(231)
Collection of debts written off in previous years	75	-	73	148	-	148
Net charge-offs	(20)	(2)	(61)	(83)	-	(83)
Outstanding loan loss provision as at the end of the reporting period[1]	4,751	430	745	5,926	22	5,948
[1]Of which: in respect of off-balance-sheet credit instruments	581	1	25	607	-	607

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	March 31		December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Non-interest bearing deposits	**140,795**	183,042	150,365
Interest-bearing deposits	**146,676**	102,912	137,351
Total demand deposits	**287,471**	285,954	287,716
Fixed deposits	**308,334**	246,952	280,108
Total deposits in Israel[1]	**595,805**	532,906	567,824
Total deposits by the public	**595,805**	532,906	567,824
[1]Of which:			
Deposits by private individuals	**172,260**	163,129	169,788
Deposits by institutional entities	**158,542**	109,872	138,478
Deposits by corporations and others	**265,003**	259,905	259,558

B. Deposits by the Public, by Amount

	March 31		December 31
	2024	2023	2023
	Unaudited		Audited
Maximum deposit in NIS million	In NIS million		
Up to 1	**136,290**	122,721	128,159
Over 1 and up to 10	**119,110**	120,576	125,586
Over 10 and up to 100	**88,305**	92,552	92,257
Over 100 and up to 500	**63,790**	63,383	57,311
Over 500	**188,310**	133,674	164,511
Total	**595,805**	532,906	567,824

Note 8 - Employee Benefits

A. Composition of Benefits

1. Employee benefits

	As at March 31		As at December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Retirement benefits - pension and severance pay			
Liability amount	**16,698**	17,351	17,210
Fair value of plan assets	**9,048**	8,654	9,018
Excess of liability over plan assets	**7,650**	8,697	8,192
Accrued jubilee vacation leave			
Liability amount	**17**	19	18
Excess of liability over plan assets (included in "other liabilities")	**17**	19	18
Other benefits			
Liability amount	**525**	524	505
Fair value of plan assets	**-**	-	-
Excess of liability over plan assets	**525**	524	505
Total			
Excess of liability included in "other liabilities"[1]	**8,204**	9,256	8,733
[1]Of which: for employee benefits abroad	**10**	-	10
Excess assets included in "Other Assets"[2]	**12**	16	18
[2]Of which: for benefits to employees abroad	**-**	2	-

2. Defined benefit plan

a. Obligation and funding status

1. Change in the obligation in respect of expected benefit

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Obligation in respect of expected benefit as at the beginning of the period	**17,210**	17,214	17,214
Service cost	**31**	31	124
Interest cost	**215**	198	858
Contributions by planholders	**5**	6	23
Actuarial gain	**(507)**	116	(209)
Changes in foreign exchange rates	**1**	6	10
Paid benefits	**(257)**	(220)	(971)
Downsizing, discharges, special and contractual benefits for severance	**-**	-	161
Obligation in respect of expected benefit as at the end of the reporting period	**16,698**	17,351	17,210
Obligation in respect of cumulative benefit as at the end of the reporting period	**15,759**	16,499	16,235

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

A. **Obligation and funding status** (cont.)

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

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Fair value of plan assets as at the beginning of the period	**9,018**	8,816	8,816
Actual return on plan assets[a]	**162**	(81)	339
Plan contributions by the Bank	**13**	15	365
Contributions by planholders	**5**	6	23
Changes in foreign exchange rates	**3**	8	8
Paid benefits	**(153)**	(110)	(533)
Fair value of plan assets as at the end of the reporting period	**9,048**	8,654	9,018
Funding status - net liability recognized at the end of the reporting period	**7,650**	8,697	8,192

(a) Including the effect of the transition to a paying fund in respect of the retirees. Please see Note 23.E. to the financial statements as at December 31, 2023.

3. Amounts recognized in the consolidated balance sheet

	As at March 31		As at December 31
	2024	2023[a]	2023
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other assets" item	**-**	2	-
Amounts recognized in the "Other liabilities" item	**7,650**	8,699	8,192
Net liability recognized at the end of the reporting period	**7,650**	8,697	8,192

(a) Reclassified.

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

	As at March 31		As at December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**1,136**	2,293	1,737
Closing balance of accumulated other comprehensive income	**1,136**	2,293	1,737

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

B. Expenditure for the period

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

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Service cost	**31**	31	124
Interest cost	**215**	198	858
Expected return on plan assets	**(131)**	(96)	(487)
Amortization of unrealized amounts - net actuarial loss	**63**	109	311
Downsizing, discharges, special and contractual benefits for severance, including restructuring	**-**	-	161
Total benefit cost, net	**178**	242	967
Total expense for defined contribution pension plan	**55**	58	214
Total expenses included in profit and loss	**233**	300	1,181

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

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Net actuarial gain for the period	**(538)**	293	(61)
Amortization of unrealized amounts - net actuarial loss	**(63)**	(109)	(311)
Total recognized in other comprehensive income	**(601)**	184	(372)
Total benefit cost, net	**178**	242	967
Total recognized in net benefit cost for the period and in other comprehensive income	**(423)**	426	595

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

3. Assumptions[a]

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

1. The main assumptions used for calculating the benefit obligation

	As at March 31		As at December 31
	2024	2023	2023
	Unaudited		Audited
	In %		
Discount rate	**2.51**	2.12	2.39
Rate of increase in the CPI	**2.72**	2.75	2.61[c]
Departure rate[b]	**0-36.4**	0-36.4	0-38.8
Rate of compensation increase	**0-6.45**	0-6.81	0-6.41

(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.
(c) Restated as an informative figure, with no effect on the reported results.

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

	As at March 31		As at December 31
	2024	2023	2023
	Unaudited		Audited
	In %		
Discount rate	**2.39**	2.06	2.17
Expected long-term return on plan assets	**6.00**	4.50	5.63
Rate of compensation increase	**0-6.45**	0-6.81	0-6.41

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

	Increase by one percentage point			Decrease by one percentage point		
	As at March 31		As at December 31	As at March 31		As at December 31
	2024	2023	2023	**2024**	2023	2023
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(1,963)**	(2,115)	(2,056)	**2,381**	2,590	2,500
Rate of increase in the CPI	**(339)**	(351)	(356)	**387**	392	406
Departure rate	**213**	201	204	**(204)**	(229)	(232)
Rate of compensation increase	**379**	383	397	**(339)**	(344)	(355)

(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).

Note 8 - Employee Benefits (cont.)

A. Composition of Benefits (cont.)

4. Plan assets

A. Composition of the fair value of plan assets

	As at March 31		As at December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	**115**	66	214
Shares	**1,140**	1,127	991
Government bonds	**92**	219	261
Corporate bonds	**469**	504	414
Other	**7,232**	6,738	7,138
Total	**9,048**	8,654	9,018

B. Fair value of plan assets by type of asset and allocation target for 2024

	Allocation target	Percentage of plan assets		
	As at December 31	As at March 31		As at December 31
	2024	**2024**	2023	2023
	Unaudited			Audited
	In %			
Cash and deposits with banks	**-**	**1**	1	2
Shares	**13**	**13**	13	11
Government bonds	**1**	**1**	3	3
Corporate bonds	**6**	**5**	6	5
Other	**80**	**80**	77	79
Total	**100**	**100**	100	100

5. Cash flows

A. Contributions

	Forecast[(a)]	For the three months ended March 31		For the year ended December 31
	2024	**2024**	2023	2023
	Unaudited			Audited
	In NIS million			
Contributions	**456**	**18**	21	388

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2024.

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

Year	In NIS million
2024	622
2025	810
2026	765
2027	818
2028	820
2029-2033	4,827
2034 and onwards	13,755
Total	22,417

(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 the Bank’s option warrants not listed for trading to employees and officers of the Bank, including the President and CEO, please see Note 24.A to the financial statements as of December 31, 2023.

The Bank's share buyback plan for 2023

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 in three separate stages.

In 2023, the Bank completed Stages A and B of the plan, in which it purchased shares in the total amount of approx. NIS 600 million under the aforementioned plan.
On the back of the Banking Supervision Department’s letters of November 12, 2023 and March 5, 2024 on capital planning and profit sharing policies, on March 18, 2024 the Bank decided not to implement the third and final part of the buyback plan.

For more information, please see Note 25.A to the financial statements as at December 31, 2023.

As of the report publication date, the Bank owns 92,773,267 treasury shares.

On May 16, 2024, the Banking Supervision Department published an additional letter on “Capital Planning and Profit Distribution Policy”, which, along with noting the financial strength of the banking system, asked to continue to carry out a conservative review of decisions regarding distribution.

The Bank’s share buyback plan 2024

On May 27, 2024, the Bank's Board of Directors approved a share buyback plan for a total of up to NIS 1 billion, from May 29, 2024 until the earlier of May 22, 2025 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 four separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter - “Stage A”, “Stage B”, “Stage C” and “Stage D”).

Stage A will begin on May 29, 2024 and will end on the earlier of (a) August 7, 2024; or (b) Buyback of the Bank’s shares in the amount of NIS 280 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the TASE member an irreversible order to initiate Stage B on the second trading day following the publication date of the first financial statements after the decision to go forward with Stage B has been made. In such a case, Stage B will end on the earlier of: (a) November 13, 2024; or (b) Completion of the Bank’s share buyback in an amount not exceeding NIS 520 million, net of the total amount of purchases actually carried out in Stage A. After the completion of Stage B, if the Bank decides to proceed to Stage C, it shall give the TASE member an irreversible order to initiate Stage C on the second trading day following the publication of the first financial statements after the decision to go forward with Stage C has been made. In such a case, Stage C will end on the earlier of: (a) February 13, 2025; or (b) Completion of the Bank’s share buyback in an amount not exceeding NIS 760 million, net of the total amount of purchases actually carried out in Stages A and B. After the completion of Stage C, if the Bank decides to proceed to Stage D, it shall give the TASE member an irreversible order to initiate Stage D on the second trading day following the publication of the first financial statements after the decision to go forward with Stage D has been made. In such a case, Stage D will end on the earlier of: (a) May 22, 2025; or (b) Purchase of the Bank’s shares in an amount not exceeding NIS 1 billion, less the total amount purchased as part of Stages A, B and C. If, following the completion of Stage A, Stage B or Stage C, a decision will be made not to proceed with Stage B, Stage C or Stage D, mutatis mutandis, the Bank will publish an immediate report to that effect.

Note 9A - Equity (cont.)

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

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, for the purpose of financing rights in land, excluding housing loans for which a relief was granted during the temporary order for dealing with the coronavirus crisis for the period ended September 30, 2021.

Accordingly, the minimum capital requirements applicable to the Bank as at March 31, 2024 are 10.23 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

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.

On November 29, 2023, the Bank's Board of Directors approved an set in the Bank's internal Tier 1 capital target at 10.6 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

In accordance with the circular published by the Banking Supervision Department on February 7, 2024, the temporary order was revoked.

Dividend Distribution Policy

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

On May 27, 2024, the Board of Directors approved a distribution of profits at a rate of 40% of the net income for the first quarter of 2024, of which approx. 30 percent as a cash dividend in the amount of approx. NIS 835 million, and the balance by means of a share buyback in the amount of NIS 280 million, as detailed above. The dividend approved amounted is approx. 54.86 agorot p.v. per share of NIS 1 par value. The final dividend amount per share is subject to changes due to a share buyback plan and the exercise of the Bank's convertible securities. The Board of Directors set June 10, 2024 as the record date for dividend payment purposes and June 20, 2024 as the payment date.

Note 9A - Equity (cont.)

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
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 15, 2023	September 7, 2023	48.05	736
November 29, 2023	December 17, 2023	23.21	353
March 19, 2024	April 11, 2024	23.97	365

Shelf Prospectus and Bond Issue

On May 27, 2024, the Bank's Board of Directors approved a new shelf prospectus, according to which securities may be offered, effective for a two-year period from its publication date, after the previous prospectus expired on May 26, 2024. The Bank estimates that the Israel Securities Authority permit for the new prospectus is expected to be received shortly after publication of this report.

On April 17, 2024, the Bank issued approx. NIS 0.8 billion par value in Credit Linked Notes (Series 2).

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 real estate 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 Bonds' principal will be payable in one payment on August 24, 2030, as long as the Bank does not carry out early redemption, as detailed in the terms of the issuance. The unpaid balance of the Bond's principal will bear annual interest at the Bank of Israel interest rate plus 2.3 percent, which will be paid in 76 monthly installments, from May 24, 2024 to August 24, 2030, the final repayment date of the Bonds' principal.
The Notes (principal and interest) are not linked to any linkage basis.

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 had a material effect on Leumi's CET1 capital, mainly due to the fact that the liability was measured in accordance with market interest rates, which caused substantial volatility in the Bank's regulatory capital measurement.

In this context, 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).

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.

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at March 31, 2024:

- Change in total risk-weighted assets – risk-weighted assets amounted to approx. NIS 471 billion as at March 31, 2024. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio and total capital ratio by approx. 0.03 percent.
- Change in Common Equity Tier 1 - as of March 31, 2024, Common Equity Tier 1 totals approx. NIS 56.4 billion. A decrease of NIS 100 million in the Common Equity Tier 1 capital will reduce the CET1 capital ratio by approx. 0.02 percent.

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

	March 31	December 31	
	2024	2023	2023
	Unaudited	Audited	
	In NIS million		
a. Data			
Capital for capital ratio calculation purposes			
CET1 capital, after regulatory capital deductions and adjustments(b)(c)(e)	**56,427**	50,205	53,892
Tier 2 capital, after deductions	**14,298**	14,428	14,141
Total capital - total	**70,725**	64,633	68,033
Balance of risk-weighted assets			
Credit risk(b)(d)	**433,625**	413,535	426,399
Market risks	**5,960**	5,778	5,834
Operational risk	**31,288**	27,907	29,943
Total balance of risk-weighted assets	**470,873**	447,220	462,176
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.98%**	11.23%	11.66%
Ratio of total capital to risk-weighted assets	**15.02%**	14.45%	14.72%
Minimum CET 1 capital ratio set by the Banking Supervision Department(a)	**10.23%**	10.21%	10.22%
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 March 31, 2024 are 10 percent and 13.5 percent, respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term.

(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 further details 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 further details 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) The data include adjustments in respect of the efficiency plans in accordance with the directives of the Banking Supervision Department, which decrease gradually until June 30, 2024.

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

B. Capital Components for the Calculation of Capital Ratios

	March 31		December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
1. CET1 capital			
Shareholders' equity	**57,128**	49,791	54,497
Adjustments in respect of the transition from the accounting curve to the regulatory curve[a]	**(160)**	190	(198)
Total CET1 capital before regulatory adjustments and deductions	**56,968**	49,981	54,299
Regulatory adjustments and deductions:			
Goodwill and intangible assets	**(652)**	(33)	(643)
Regulatory adjustments and other deductions - CET1 capital	**(16)**	(24)	(20)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for CECL - CET1 capital	**(668)**	(57)	(663)
Total adjustments for the efficiency plan[c]	**7**	41	16
Total adjustments for current expected credit losses[b]	**120**	240	240
Total CET1 capital, after regulatory adjustments and deductions	**56,427**	50,205	53,892
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**8,878**	9,421	8,811
Tier 2 capital: Provisions for loan losses, before deductions	**5,420**	5,007	5,330
Total Tier 2 capital	**14,298**	14,428	14,141
Total capital - total	**70,725**	64,633	68,033

(a) For further details, please see the Volatile Capital Components section above.

(b) 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 further details regarding the adjustments for current expected credit losses, please see Section C below.

(c) Adjustments in respect of the efficiency plans in accordance with the directives of the Banking Supervision Department, which decrease gradually until June 30, 2024.

Comment: The total capital is calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, and 299, Capital Measurement and 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

	March 31		December 31
	2024	2023	2023
	Unaudited	Audited	
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	**11.96%**	11.14%	11.61%
Adjustments in respect of the efficiency plan[(a)]	**-**	0.01%	0.01%
Adjustments for current expected credit losses[(b)]	**0.02%**	0.05%	0.04%
Adjustments in respect of high-risk loans for the purchase of land	**-**	0.03%	-
Ratio of CET1 capital to risk-weighted assets	**11.98%**	11.23%	11.66%

(a) 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.

(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 further details, 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.

According to the Directive, 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 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.

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

Regarding the reduction of the leverage requirements, on December 20, 2023, the reduction was anchored in Proper Conduct of Banking Business Directive No. 218, Leverage Ratio, and the validity of the relief was extended to 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.

	As at March 31		As at December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
In consolidated data[(a)(b)]			
Tier 1 capital	**56,427**	50,205	53,892
Total exposures[(c)]	**842,693**	756,692	810,014
Leverage ratio			
Leverage ratio	**6.70%**	6.63%	6.65%
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 further details 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 further details regarding the effect of the transition to the new method, please 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.

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

	For the three months ended		
	March 31		December 31
	2024	2023	2023
	Unaudited		Audited
	Average in %		
a. Consolidated data			
Liquidity coverage ratio	**133**	128	124
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**130**	125	120
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100	100

The Bank is in compliance with the regulatory requirements as of March 31, 2024.

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.

	March 31		December 31
	2024	2023	2023
	Unaudited		Audited
	In %		
a. Consolidated data			
Net stable funding ratio	**119**	118	118
Minimum net stable funding ratio set by the Banking Supervision Department	**100**	100	100

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent Liabilities and Other Special Commitments

	March 31		December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Commitments to purchase securities	**1,223**	1,085	1,145
Commitments to invest in, and purchase of, buildings and equipment	**65**	119	9

	For the three months ended March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	In NIS million		
Credit sale activity			
Carrying amount of sold loans	**165**	-	42
Cash proceeds	**165**	-	42
Total net income on sale of loans	-	-	-

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, 2023 (hereinafter - the "Annual Financial Statements") 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 shortly before 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 repeat information regarding reported legal claims 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 353 million.

1. The following are changes in material claims reported:

1.1. On January 21, 2020, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against other banks. The motion claims that the Bank allegedly charges all of its customers (whether private individuals, small businesses or corporations) for transactions to purchase products and/or services overseas, whether for private use or in order to transfer them overseas or import them into Israel, according to Chapter 7 of the Foreign Trade price list, rather than charge lower fees and commissions in accordance with Chapter 5 of the Foreign Currency price list. The plaintiffs valued the damage incurred by all class members at tens of millions of shekels. On March 29, 2024, the Tel Aviv District Court dismissed the motion for class certification and the claim was thus concluded.

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

1.2. In mid-2020, a claim was filed by borrowers with a New York, US, court, against a consortium of senior lenders which financed a project to construct a residential tower in New York (hereinafter - the "Project"), including the Bank. The claim involves the call for immediate repayment of the debt by the consortium of lenders and the violation of the financing agreement by the borrowers. In November 2022, the borrowers filed an amended claim, in which the original claim amount was revised to USD 165 million (against all defendants). In April 2024, the court decided to delete the causes of action against the Bank. It should be clarified that this decision does not change the Bank's exposure for the claim due to the Bank's commitment to indemnify one of the other defendants in the consortium of lenders in respect of the claim, in line with the Bank's share in the financing. At the same time, another legal proceeding is being heard in connection with the project - a legal proceeding that was filed on September 2, 2022 with the New York, US court by the mezzanine lender in the project against the consortium of lenders, including the Bank. The claim amount in this proceeding is USD 170 million.

1.3. On February 19, 2024, a motion for class certification was filed with the Haifa District Court, alleging that the Bank is charging its customers exchange rate differentials for conducting foreign exchange transactions without disclosing the spread rate in the Bank's price list, the Bank's documents, or agreement with the customers. The plaintiffs do not state a damage assessment, either personal or for the class.

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. For details please see Note 26.C.2. For the Annual Financial Statements of the Bank as at December 31, 2023.

C. Other proceedings

For details regarding other proceedings, please see Note 26.E to the Annual Financial Statements of the Bank as at December 31, 2023.As at the publication date of the financial statements, there have been no material changes with respect to the Note which was included in the statements for 2023.

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

A. Volume of Consolidated Activity

	March 31, 2024 (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	3,392	56,122	59,514
Written options	793	2,934	3,727
Purchased options	-	1,658	1,658
Swaps[(a)]	45,411	346,564	391,975
Total[(b)]	49,596	407,278	456,874
Of which: Hedging derivatives[(c)]	9,938	-	9,938
b) Foreign currency contracts			
Futures and forwards[(d)]	51,391	289,802	341,193
Written options	943	26,517	27,460
Purchased options	943	25,053	25,996
Swaps[(a)]	3,865	20,412	24,277
Total	57,142	361,784	418,926
c) Stock contracts			
Futures and forwards	1,146	238,589	239,735
Written options	323	92,118	92,441
Purchased options[(e)]	410	92,118	92,528
Other	7	-	7
Swaps	379	183,537	183,916
Total	2,265	606,362	608,627
d) Commodities and other contracts			
Futures and forwards	-	4,824	4,824
Written options	-	70	70
Purchased options	-	70	70
Swaps	-	2,161	2,161
Total	-	7,125	7,125
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	109,003	1,382,549	1,491,552

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 193,607 million.
(b) Of which: NIS-CPI swaps totaling NIS 16,825 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 19,035 million.
(e) Of which: a total of NIS 92,073 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.)

	March 31, 2023 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	3,188	74,505	77,693
Written options	2,082	44	2,126
Purchased options	-	600	600
Swaps(a)	55,184	372,291	427,475
Total(b)	60,454	447,440	507,894
Of which: Hedging derivatives(c)	9,836	-	9,836
b) Foreign currency contracts			
Futures and forwards(d)	64,691	315,415	380,106
Written options	999	19,527	20,526
Purchased options	999	20,456	21,455
Swaps(a)	3,796	21,513	25,309
Total	70,485	376,911	447,396
c) Stock contracts			
Futures and forwards	691	146,740	147,431
Written options	638	85,428	86,066
Purchased options(e)	655	85,246	85,901
Other	7	-	7
Swaps	251	137,754	138,005
Total	2,242	455,168	457,410
d) Commodities and other contracts			
Futures and forwards	-	11,623	11,623
Written options	-	72	72
Purchased options	-	71	71
Swaps	-	4,127	4,127
Total	-	15,893	15,893
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	133,181	1,295,412	1,428,593

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 205,500 million.
(b) Of which: NIS-CPI swaps totaling NIS 16,097 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 17,993 million.
(e) Of which: a total of NIS 85,204 million is traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

	December 31, 2023 (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	2,888	69,552	72,440
Written options	819	1,027	1,846
Purchased options	-	541	541
Swaps(a)	42,938	344,715	387,653
Total(b)	46,645	415,835	462,480
Of which: Hedging derivatives(c)	9,921	-	9,921
b) Foreign currency contracts			
Futures and forwards(d)	49,465	312,028	361,493
Written options	887	19,240	20,127
Purchased options	887	20,317	21,204
Swaps(a)	3,446	21,006	24,452
Total	54,685	372,591	427,276
c) Stock contracts			
Futures and forwards	1,059	206,093	207,152
Written options	333	89,662	89,995
Purchased options(e)	391	89,661	90,052
Other	7	-	7
Swaps	351	158,285	158,636
Total	2,141	543,701	545,842
d) Commodities and other contracts			
Futures and forwards	-	7,084	7,084
Written options	-	53	53
Purchased options	-	53	53
Swaps	-	2,212	2,212
Total	-	9,402	9,402
e) Credit contracts			
Where the Bank is a guarantor	7	-	7
Where the Bank is a beneficiary	-	-	-
Total	7	-	7
Total nominal amount	103,478	1,341,529	1,445,007

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 187,057 million.
(b) Of which: NIS-CPI swaps totaling NIS 16,749 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 14,004 million.
(e) Of which: a total of NIS 89,610 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.)

	March 31, 2024 (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	1,211	8,123	9,334	507	7,530	8,037
Of which: Hedging derivatives	867	-	867	152	-	152
b) Foreign currency contracts	511	3,588	4,099	27	3,319	3,346
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	71	12,025	12,096	31	11,991	12,022
d) Commodities and other contracts	-	219	219	-	213	213
Total assets/liabilities for derivatives, gross[(a)]	1,793	23,955	25,748	565	23,053	23,618
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,793	23,955	25,748	565	23,053	23,618
Of which: Not subject to a master netting arrangement - or similar arrangements	-	992	992	-	554	554

(a) Of which: NIS 3 million in gross fair value of assets in respect of embedded derivatives, NIS 27 million in gross fair value of liabilities in respect of embedded derivatives.

	March 31, 2023 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	976	7,881	8,857	1,039	7,872	8,911
Of which: Hedging derivatives	752	-	752	82	-	82
b) Foreign currency contracts	256	7,960	8,216	153	6,358	6,511
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	60	9,504	9,564	27	9,837	9,864
d) Commodities and other contracts	-	337	337	-	337	337
Total assets/liabilities for derivatives, gross[(a)]	1,292	25,682	26,974	1,219	24,404	25,623
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,292	25,682	26,974	1,219	24,404	25,623
Of which: Not subject to a master netting arrangement - or similar arrangements	-	2,795	2,795	-	621	621

(a) Of which: NIS 15 million in gross fair value of assets in respect of embedded derivatives, NIS 22 million in gross fair value of liabilities in respect of embedded derivatives.

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

A. Volume of Consolidated Activity (cont.)

	December 31, 2023 (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	1,044	8,654	9,698	628	8,072	8,700
Of which: Hedging derivatives	766	-	766	116	-	116
b) Foreign currency contracts	305	6,600	6,905	33	7,176	7,209
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	49	10,566	10,615	69	10,484	10,553
d) Commodities and other contracts	-	200	200	-	199	199
Total assets/liabilities for derivatives, gross[(a)]	1,398	26,020	27,418	730	25,931	26,661
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,398	26,020	27,418	730	25,931	26,661
Of which: not subject to a master netting arrangement - or similar arrangements	-	950	950	-	1,005	1,005

(a) Of which: NIS 8 million in gross fair value of assets in respect of embedded derivatives, NIS 25 million in gross fair value of liabilities in respect of embedded derivatives.

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

B. Accounting Hedges

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

	For the three months ended March 31, 2024	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) profit and loss[(a)]
	Unaudited	
	In NIS million	
a. Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(2)	(3)

	For the three months ended March 31, 2023	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) profit and loss[(a)]
	Unaudited	
	In NIS million	
a. Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(7)	2

	For the year ended December 31, 2023	
	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)]	1	4

(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 and cash flow hedges on profit (loss)

	For the three months ended March 31, 2024
	Unaudited
	In NIS million
Total interest income (expenses) recognized in the income statement	51
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[(a)]	
Hedged items	(15)
Hedging derivatives	63
b. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	3

	For the three months ended March 31, 2023
	Unaudited
	In NIS million
Total interest income (expenses) recognized in the income statement	32
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[(a)]	
Hedged items	165
Hedging derivatives	(131)
b. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	(2)

	For the year ended December 31, 2023
	Audited
	In NIS million
Total interest income (expenses) recognized in the income statement	171
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[(a)]	
Hedged items	238
Hedging derivatives	(63)
b. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	(4)

(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 March 31, 2024 (unaudited)		
	Carrying amount of the hedged item	Cumulative fair value adjustments that had an effect on the carrying amount	
		Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	**4,912**	**(976)**	**(1)**
Subordinated notes	**(3,524)**	**192**	**-**

	As at March 31, 2023 (unaudited)		
	Carrying amount of the hedged item	Cumulative fair value adjustments that had an effect on the carrying amount	
		Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,302	(766)	1
Subordinated notes	(3,594)	52	-

	For the year ended December 31, 2023 (audited)		
	Carrying amount of the hedged item	Cumulative fair value adjustments that had an effect on the carrying amount	
		Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,046	(800)	(1)
Subordinated notes	(3,601)	115	-

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 March 31, 2024	
	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	**(34)**	-

	For the three months ended March 31, 2023	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[a]
	Unaudited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	(84)	-

	For the year ended December 31, 2023	
	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	(86)	-

(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 March 31, 2024
	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	**326**
Foreign exchange contracts	**1,086**
Stock contracts	**153**
Commodity- and other contracts	-
Total	**1,565**

	For the three months ended March 31, 2023
	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	(401)
Foreign exchange contracts	1,453
Stock contracts	86
Commodity- and other contracts	-
Total	1,138

	For the year ended December 31, 2023
	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]
	Audited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	(58)
Foreign exchange contracts	2,731
Stock contracts	249
Commodity- and other contracts	4
Total	2,926

(a) Included in the noninterest finance income (expenses) item.

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

C. Credit Risk for Derivatives by Contract Counterparty

	March 31, 2024 (unaudited)[g]						
	Stock ex-changes	Banks	Dealers/ brokers	Governments and central banks	Insti-tutional entities	Other	Total
	In NIS million						
Book balance of assets in respect of derivatives[a][b]	321	8,428	12,907	5	2,372	1,715	25,748
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	3,018	9,669	5	1,268	749	14,709
Credit risk mitigation in respect of cash collateral received	-	5,041	3,164	-	880	71	9,156
Total net book balance of assets in respect of derivatives[d]	321	369	74	-	224	895	1,883
Adjustment of book balance, net to on-balance-sheet credit risk[e]	-	(23)	28	-	(40)	133	98
Total on-balance-sheet credit risk for derivatives	321	346	102	-	184	1,028	1,981
Net off-balance-sheet credit risk for derivatives[f]	962	13,628	18,510	43	10,756	2,749	46,648
Total credit risk for derivatives	1,283	13,974	18,612	43	10,940	3,777	48,629
Book balance of liabilities in respect of derivatives[a][c]	251	3,202	10,603	153	7,978	1,431	23,618
Gross amounts not netted on the balance sheet:							
Financial instruments	-	3,018	9,669	5	1,268	749	14,709
Pledged cash collateral	-	116	902	111	5,211	8	6,348
Net amount of liabilities in respect of derivatives	251	68	32	37	1,499	674	2,561

	March 31, 2023 (unaudited)[g]						
	Stock ex-changes	Banks	Dealers/ brokers	Governments and central banks	Insti-tutional entities	Other	Total
	In NIS million						
Book balance of assets in respect of derivatives[a][b]	234	6,316	11,299	1	6,384	2,740	26,974
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	3,906	8,248	1	2,357	943	15,455
Credit risk mitigation in respect of cash collateral received	-	1,749	2,297	-	2,842	277	7,165
Total net book balance of assets in respect of derivatives[d]	234	661	754	-	1,185	1,520	4,354
Adjustment of book balance, net to on-balance-sheet credit risk[e]	-	(59)	(6)	-	(259)	244	(80)
Total on-balance-sheet credit risk for derivatives	234	602	748	-	926	1,764	4,274
Net off-balance-sheet credit risk for derivatives[f]	947	9,781	16,610	54	6,625	3,458	37,475
Total credit risk for derivatives	1,181	10,383	17,358	54	7,551	5,222	41,749
Book balance of liabilities in respect of derivatives[a][c]	235	5,321	9,681	159	8,251	1,976	25,623
Gross amounts not netted on the balance sheet:							
Financial instruments	-	3,906	8,248	1	2,357	943	15,455
Pledged cash collateral	-	1,123	975	136	3,640	-	5,874
Net amount of liabilities in respect of derivatives	235	292	458	22	2,254	1,033	4,294

Please see comments below.

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

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

	December 31, 2023 (audited)[(g)]						
	Stock ex-changes	Banks	Dealers/ brokers	Governments and central banks	Insti-tutional entities	Other	Total
	In NIS million						
Book balance of assets in respect of derivatives[(a)(b)]	265	9,244	12,117	17	3,529	2,246	27,418
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	3,419	8,901	17	2,527	1,132	15,996
Credit risk mitigation in respect of cash collateral received	-	5,595	2,998	-	769	83	9,445
Total net book balance of assets in respect of derivatives[(d)]	265	230	218	-	233	1,031	1,977
Adjustment of book balance, net to on-balance-sheet credit risk[(e)]	(2)	(21)	28	-	(23)	(71)	(89)
Total on-balance-sheet credit risk for derivatives	263	209	246	-	210	960	1,888
Net off-balance-sheet credit risk for derivatives[(f)]	951	13,583	13,907	56	8,816	2,812	40,125
Total credit risk for derivatives	1,214	13,792	14,153	56	9,026	3,772	42,013
Book balance of liabilities in respect of derivatives[(a)(c)]	172	3,983	9,277	153	11,102	1,974	26,661
Gross amounts not netted on the balance sheet:							
Financial instruments	-	3,419	8,901	17	2,527	1,132	15,996
Pledged cash collateral	-	484	198	103	7,320	1	8,106
Net amount of liabilities in respect of derivatives	172	80	178	33	1,255	841	2,559

(a) The Bank did not apply netting agreements.
(b) Of which the carrying amount of standalone assets in respect of derivatives totaling NIS 25,745 million (as at March 31, 2023 - NIS 26,959 million; as at December 31, 2023 - NIS 27,410 million).
(c) Of which the carrying amount of standalone liabilities in respect of derivatives totaling NIS 23,591 million (as at March 31, 2023 - NIS 25,601 million; as at December 31, 2023 - NIS 26,636 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 further details, please see under Capital and Capital Adequacy).

Comments:
1. No credit losses were recognized in respect of derivatives in the three-month periods ended March 31, 2024, March 31, 2023 and the year ended December 31, 2023.
2. The effect of the counterparty credit risk and the effect of deferred gains at the transaction execution date on the valuation of assets for derivatives as at March 31, 2024, March 31, 2023 and December 31, 2023 was NIS 214 million, NIS 271 million and NIS 231 million, respectively.
   The effect of the non-performance risk on the valuation of assets for derivatives as at March 31, 2024, March 31, 2023 and December 31, 2023 was NIS 11 million, NIS 19 million and NIS 16 million, respectively.

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

D. Breakdown of Settlement Dates - Par Value: Balances

	March 31, 2024 (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	947	6,466	6,020	3,393	16,826
Other	61,619	111,064	187,555	79,810	440,048
Foreign exchange contracts	261,718	126,688	24,934	5,586	418,926
Stock contracts	419,511	188,931	185	-	608,627
Commodity- and other contracts	1,412	5,713	-	-	7,125
Total	745,207	438,862	218,694	88,789	1,491,552
Total as at March 31, 2023 (unaudited)	658,950	464,715	215,076	89,852	1,428,593
Total as at December 31, 2023 (audited)	793,782	349,598	215,087	86,540	1,445,007

Note 12A - Regulatory Operating Segments

Information on regulatory operating segments - consolidated

	For the three months ended March 31, 2024 (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	2,058	1,507	20	3
Interest expense from external	710	-	-	299
Interest income, net:				
From external	1,348	1,507	20	(296)
Inter-segmental	123	(1,096)	(2)	395
Total interest income, net	1,471	411	18	99
Total noninterest income	246	11	80	41
Total income	1,717	422	98	140
Loan loss expenses (income)	147	3	(3)	-
Operating and other expenses:				
For external	758	117	63	31
Inter-segmental	-	-	-	-
Total operating and other expenses	758	117	63	31
Profit before taxes	812	302	38	109
Provision for profit taxes	310	112	14	41
Profit after taxes	502	190	24	68
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income before attribution to non-controlling interests	502	190	24	68
Net income attributable to the Bank's shareholders	502	190	24	68
Average balance of assets[b]	158,555	130,366	4,347	362
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	159,705	130,842	4,407	355
Outstanding loans to the public as at the end of the reporting period	162,208	132,431	4,446	415
Outstanding non-performing debts in arrears of over 90 days	1,021	623	4	-
Outstanding other troubled debts	625	12	35	-
Balance of the loan loss provision for loans to the public	1,621	628	60	-
Net charge-offs during the period	95	(2)	-	-
Average outstanding liabilities[b]	137,921	57	18	32,529
Of which: Average balance of deposits by the public[b]	137,791	-	-	32,527
Balance of deposits by the public as at the end of the reporting period	139,083	-	-	33,177
Average balance of risk-weighted assets[b][c]	101,932	75,452	3,987	736
Balance of risk-weighted assets as at the end of the reporting period[c]	108,408	81,842	4,659	916
Average balance of assets under management[b][d]	62,188	1,343	-	55,801
Breakdown of interest income, net:				
Spread[f] from granting loans to the public	598	335	14	-
Spread[f] from deposit taking from the public	773	-	-	90
Other	100	76	4	9
Total interest income (expense), net	1,471	411	18	99

(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 20.2 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.

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

							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
1,100	646	2,082	57	2,706	-	8,652	175	8,827
725	493	984	1,360	489	-	5,060	-	5,060
375	153	1,098	(1,303)	2,217	-	3,592	175	3,767
587	345	(266)	1,478	(2,585)	13	90	(90)	-
962	498	832	175	(368)	13	3,682	85	3,767
224	83	247	55	789	834	2,519	9	2,528
1,186	581	1,079	230	421	847	6,201	94	6,295
(18)	65	34	2	4	-	234	(12)	222
438	135	146	65	68	155	1,796	29	1,825
-	-	-	2	2	(4)	-	-	-
438	135	146	67	70	151	1,796	29	1,825
766	381	899	161	347	696	4,171	77	4,248
297	147	356	62	108	164	1,485	18	1,503
469	234	543	99	239	532	2,686	59	2,745
-	-	-	-	40	-	40	-	40
469	234	543	99	279	532	2,726	59	2,785
469	234	543	99	279	532	2,726	59	2,785
66,231	39,714	140,378	9,918	316,617	8,400	740,175	8,472	748,647
-	-	-	-	4,014	-	4,014	-	4,014
67,648	40,232	141,579	9,923	-	-	419,442	8,476	427,918
69,277	41,003	148,543	5,886	-	-	427,332	8,205	435,537
618	289	940	2	-	-	2,870	80	2,950
1,140	430	1,670	2	-	-	3,867	210	4,077
2,184	914	2,150	8	-	-	6,877	78	6,955
48	(3)	(91)	-	-	-	49	(19)	30
104,074	60,691	101,342	149,969	88,209	11,513	686,248	7,210	693,458
103,931	60,569	98,280	149,556	-	-	582,654	-	582,654
103,296	60,165	101,542	158,542	-	-	595,805	-	595,805
58,330	43,974	179,736	4,175	31,909	17,071	437,863	9,767	447,630
60,498	44,985	190,601	1,285	35,665	18,335	460,693	10,180	470,873
90,470	30,623	103,567	993,818	42,395	-	1,378,862	-	1,378,862
438	214	545	4	-	-	1,799	174	1,973
472	245	129	170	-	-	1,879	-	1,879
52	39	158	1	(368)	13	4	(89)	(85)
962	498	832	175	(368)	13	3,682	85	3,767

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended March 31, 2023 (unaudited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	2,160	1,584	18	4
Interest expense from external	443	-	-	197
Interest income, net:				
From external	1,717	1,584	18	(193)
Inter-segmental	(324)	(1,201)	(1)	300
Total interest income, net	1,393	383	17	107
Total noninterest income (expense)	337	11	130	40
Total income	1,730	394	147	147
Loan loss expenses (income)	87	13	18	-
Operating and other expenses:				
For external	632	91	58	22
Inter-segmental	-	-	-	-
Total operating and other expenses	632	91	58	22
Profit (loss) before taxes	1,011	290	71	125
Provision (benefit) for profit taxes	351	100	25	43
Profit (loss) after taxes	660	190	46	82
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	660	190	46	82
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	660	190	46	82
Average balance of assets[(b)]	149,965	119,996	3,979	392
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	150,715	120,317	4,011	385
Outstanding loans to the public as at the end of the reporting period	152,642	121,697	4,624	376
Outstanding non-performing debts in arrears of over 90 days	843	514	3	-
Outstanding other troubled debts	491	18	-	9
Balance of the loan loss provision for loans to the public	1,179	429	40	1
Net charge-offs during the period	63	2	-	-
Average outstanding liabilities[(b)]	130,112	54	14	30,239
Of which: Average balance of deposits by the public[(b)]	129,987	-	-	30,237
Balance of deposits by the public as at the end of the reporting period	131,993	-	-	31,136
Average balance of risk-weighted assets[(b)(c)]	99,971	73,938	3,640	662
Balance of risk-weighted assets as at the end of the reporting period[(c)]	101,582	75,362	3,847	720
Average balance of assets under management[(b)(d)]	58,596	1,719	-	46,466
Breakdown of interest income, net:				
Spread[(f)] (loss) from granting loans to the public[(i)]	609	327	14	2
Spread[(f)] from deposit taking from the public	708	-	-	98
Other[(i)]	76	56	3	7
Total interest income (expense), net	1,393	383	17	107

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

(a) The classification is based on the office's location.

(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.

(c) Risk-weighted assets - as calculated for capital adequacy purposes.

(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 18.8 billion to customers whose business activity is classified to business segments.

(f) 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) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.

(i) Reclassified - As from the first quarter of 2024, the notional interest on the equity attributable to each segment is presented at a different spread instead of the spread from the provision of loans to the public. Comparative figures were reclassified accordingly.

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

							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
1,045	591	1,700	29	1,928	-	7,457	115	7,572
512	437	743	906	406	-	3,644	-	3,644
533	154	957	(877)	1,522	-	3,813	115	3,928
463	367	(230)	1,060	(1,578)	8	66	(66)	-
996	521	727	183	(56)	8	3,879	49	3,928
247	99	212	49	83	(2)	1,065	6	1,071
1,243	620	939	232	27	6	4,944	55	4,999
227	(22)	123	(8)	(6)	-	401	5	406
370	101	122	52	69	225	1,593	36	1,629
-	-	-	2	3	(5)	-	-	-
370	101	122	54	72	220	1,593	36	1,629
646	541	694	186	(39)	(214)	2,950	14	2,964
224	186	240	65	(56)	(167)	886	3	889
422	355	454	121	17	(47)	2,064	11	2,075
-	-	-	-	(1,094)[h]	-	(1,094)	-	(1,094)
422	355	454	121	(1,077)	(47)	970	11	981
-	-	-	-	-	-	-	-	-
422	355	454	121	(1,077)	(47)	970	11	981
64,216	39,178	128,542	1,730	283,674	6,422	674,119	6,969	681,088
-	-	-	-	4,947	-	4,947	-	4,947
65,264	39,579	129,288	1,739	-	-	386,970	6,486	393,456
65,877	41,394	137,474	4,087	-	-	401,850	7,286	409,136
570	210	553	-	-	-	2,176	136	2,312
781	224	2,586	3	-	-	4,094	211	4,305
2,103	1,084	891	6	-	-	5,264	59	5,323
28	5	(13)	-	-	-	83	-	83
101,097	68,552	91,688	120,367	77,212	11,363	630,630	283	630,913
100,962	68,453	87,371	119,840	-	-	536,850	19	536,869
101,113	68,206	90,586	109,872	-	-	532,906	-	532,906
58,528	42,542	163,247	6,844	30,585	14,846	417,225	8,418	425,643
58,989	44,021	180,490	7,866	27,264	16,536	437,468	9,752	447,220
78,949	29,118	105,909	911,700	53,690	-	1,284,428	-	1,284,428
486	217	446	3	-[g]	(1)	1,762	119	1,881[g]
467	273	167	175	-[g]	1	1,889	-	1,889[g]
43	31	114	5	(56)[g]	8	228	(70)	158[g]
996	521	727	183	(56)	8	3,879	49	3,928

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the year ended December 31, 2023 (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	8,922	6,520	84	13
Interest expense from external	2,428	6	-	1,035
Interest income, net:				
From external	6,494	6,514	84	(1,022)
Inter-segmental	(546)	(4,943)	(12)	1,420
Total interest income, net	5,948	1,571	72	398
Total noninterest income	1,092	46	375	159
Total income	7,040	1,617	447	557
Loan loss expenses (income)	870	221	37	-
Operating and other expenses:				
For external	2,727	375	227	104
Inter-segmental	4	4	-	-
Total operating and other expenses	2,731	379	227	104
Profit (loss) before taxes	3,439	1,017	183	453
Provision (benefit) for profit taxes	1,185	348	63	156
Profit (loss) after taxes	2,254	669	120	297
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before attribution to non-controlling interests	2,254	669	120	297
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	2,254	669	120	297
Average balance of assets[b]	153,127	123,604	4,474	372
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	154,025	123,955	4,515	365
Outstanding loans to the public as at the end of the reporting period	160,356	130,410	4,468	330
Outstanding non-performing debts in arrears of over 90 days	1,111	688	4	-
Outstanding other troubled debts[g]	654	24	35	-
Balance of the loan loss provision for loans to the public	1,513	622	61	-
Net charge-offs during the period	430	6	-	-
Average outstanding liabilities[b]	132,758	53	13	31,690
Of which: Average balance of deposits by the public[b]	132,640	-	-	31,688
Balance of deposits by the public as at the end of the reporting period	137,230	-	-	32,558
Average balance of risk-weighted assets[b][c]	101,932	75,452	3,987	736
Balance of risk-weighted assets as at the end of the reporting period[c]	107,923	81,475	4,237	844
Average balance of assets under management[b][d]	59,334	1,633	-	49,433
Breakdown of interest income, net:				
Spread[g] from granting loans to the public[h]	2,533	1,336	59	1
Spread[g] (loss) from deposit taking from the public	3,096	(6)	-	367
Other[h]	319	241	13	30
Total interest income (expenses), net	5,948	1,571	72	398

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

(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 20.0 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 approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.
(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 - As from the first quarter of 2024, the notional interest on the equity attributable to each segment is presented at a different spread instead of the spread from the provision of loans to the public. Comparative figures were reclassified accordingly.

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

							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
4,481	2,681	8,116	156	8,690	-	33,059	596	33,655
2,690	1,939	3,314	4,311	1,941	-	17,658	-	17,658
1,791	742	4,802	(4,155)	6,749	-	15,401	596	15,997
2,087	1,367	(1,259)	4,745	(7,507)	39	346	(346)	-
3,878	2,109	3,543	590	(758)	39	15,747	250	15,997
931	359	875	181	1,491	41	5,129	52	5,181
4,809	2,468	4,418	771	733	80	20,876	302	21,178
681	160	673	(9)	(12)	-	2,363	20	2,383
1,560	459	518	220	289	886	6,763	131	6,894
-	-	1	8	11	(24)	-	-	-
1,560	459	519	228	300	862	6,763	131	6,894
2,568	1,849	3,226	552	445	(782)	11,750	151	11,901
891	638	1,146	192	(25)	(268)	3,915	73	3,988
1,677	1,211	2,080	360	470	(514)	7,835	78	7,913
-	-	-	-	(886)[f]	-	(886)	-	(886)
1,677	1,211	2,080	360	(416)	(514)	6,949	78	7,027
-	-	-	-	-	-	-	-	-
1,677	1,211	2,080	360	(416)	(514)	6,949	78	7,027
64,406	40,063	139,427	3,864	280,205	7,595	689,059	7,833	696,892
-	-	-	-	4,184	-	4,184	-	4,184
65,668	40,505	140,373	3,869	-	-	404,805	7,482	412,287
66,554	40,038	142,404	8,046	-	-	417,728	8,475	426,203
672	286	1,477	1	-	-	3,547	212	3,759
1,113	383	1,446	20	-	-	3,616	199	3,815
2,174	816	2,135	5	-	-	6,643	74	6,717
201	(9)	(88)	-	-	-	534	(7)	527
101,773	65,816	93,342	121,426	83,897	11,402	642,104	3,295	645,399
101,637	65,724	85,739	120,941	-	-	538,369	10	538,379
103,573	62,171	93,814	138,478	-	-	567,824	-	567,824
58,330	43,974	179,736	4,175	31,909	17,071	437,863	9,767	447,630
58,825	43,734	186,352	1,244	34,934	17,683	451,539	10,637	462,176
82,199	29,472	104,295	932,658	52,412	-	1,309,803	-	1,309,803
1,787	911	2,075	19	-	-	7,326	629	7,955
1,924	1,070	972	561	-	-	7,990	-	7,990
167	128	496	10	(758)	39	431	(379)	52
3,878	2,109	3,543	590	(758)	39	15,747	250	15,997

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, 2023.

Set forth below are the condensed financial performance according to management approach

	For the three months ended March 31, 2024 (unaudited)											
	The Bank									Sub-sidiaries in Israel	Foreign sub-sidiaries	Total
	Private indi-viduals	Small busi-nesses	Retail banking - total	Mortgages	Commer -cial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	(759)	218	(541)	1,545	344	409	999	782	11	44	174	3,767
Inter-segmental	2,120	307	2,427	(1,192)	354	(135)	(635)	(739)	(1)	10	(89)	-
Interest income, net	1,361	525	1,886	353	698	274	364	43	10	54	85	3,767
Noninterest income	367	116	483	2	147	92	102	703	852[(a)]	138	9	2,528
Total income	1,728	641	2,369	355	845	366	466	746	862	192	94	6,295
Loan loss expenses (income)	146	(8)	138	1	129	87	(118)	(11)	(1)	9	(12)	222
Total operating and other expenses	777	247	1,024	117	199	80	45	112	174	45	29	1,825
Profit before taxes	805	402	1,207	237	517	199	539	645	689	138	77	4,248
Provision for taxes	306	153	459	90	197	76	205	245	207	6	18	1,503
Net income attributable to the Bank's shareholders	499	249	748	147	320	123	334	421	482	151	59	2,785

Balances as at March 31, 2024												
Loans to the public, net	29,416	26,474	55,890	134,272	63,278	62,609	67,576	29,189	6,475	1,168	8,125	428,582
Deposits by the public	221,187	56,381	277,568	-	87,618	42,815	11,544	176,253	7	-	-	595,805

(a) Including capital gains in respect of the sale of headquarters buildings in Tel Aviv in the amount of approx. NIS 830 million.

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

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

	For the three months ended March 31, 2023 (unaudited)											
	The Bank									Sub-sidiaries in Israel	Foreign sub-sidiaries	Total
	Private indi-viduals	Small busi-nesses	Retail banking - total	Mortgages	Commer-cial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	(252)	320	68	1,633	376	410	772	440	86	30	113	3,928
Inter-segmental[b]	1,604	221	1,825	(1,277)	343	(154)	(456)	(217)	(3)	3	(64)	-
Interest income, net	1,352	541	1,893	356	719	256	316	223	83	33	49	3,928
Noninterest income (expense)[b]	457	133	590	2	155	85	92	95	(5)	51	6	1,071
Total income	1,809	674	2,483	358	874	341	408	318	78	84	55	4,999
Loan loss expenses (income)	127	88	215	25	66	15	92	(21)	2	7	5	406
Total operating and other expenses	634	219	853	91	171	68	37	82	239	52	36	1,629
Profit (loss) before tax	1,048	367	1,415	242	637	258	279	257	(163)	25	14	2,964
Provision (benefit) for taxes	358	125	483	83	218	88	95	87	(176)	8	3	889
Net income (loss) attributable to the Bank's shareholders	690	242	932	159	419	170	184	(939)[a]	13	32	11	981

Balances as at March 31, 2023												
Loans to the public, net	31,748	25,930	57,678	123,305	63,010	59,422	61,527	24,291	6,233	1,123	7,228	403,817
Deposits by the public	209,443	53,510	262,953	-	95,370	35,180	10,543	128,852	8	-	-	532,906

(a) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.

(b) Reclassified - 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 figures were reclassified.

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

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

	For the year ended December 31, 2023 (audited)											
	The Bank									Sub-sidiaries in Israel	Foreign sub-sidiaries	Total
	Private indi-viduals	Small busi-nesses	Retail banking - total	Mortgages	Commer-cial	Cor-porate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	(2,113)	1,113	(1,000)	6,689	1,577	2,098	3,829	2,045	24	141	594	15,997
Inter-segmental	7,732	1,051	8,783	(5,270)	1,372	(996)	(2,453)	(1,120)	1	27	(344)	-
Interest income, net	5,619	2,164	7,783	1,419	2,949	1,102	1,376	925	25	168	250	15,997
Noninterest income	1,558	496	2,054	15	580	331	391	1,395	67	296	52	5,181
Total income	7,177	2,660	9,837	1,434	3,529	1,433	1,767	2,320	92	464	302	21,178
Loan loss expenses (income)	844	389	1,233	261	354	59	430	(35)	(4)	65	20	2,383
Total operating and other expenses	2,833	929	3,762	385	721	290	170	384	858	193	131	6,894
Profit (loss) before taxes	3,500	1,342	4,842	788	2,454	1,084	1,167	1,971	(762)	206	151	11,901
Provision (benefit) for taxes	1,197	459	1,656	269	839	371	399	674	(337)	44	73	3,988
Net income (loss) attributable to the Bank's shareholders	2,303	883	3,186	519	1,615	713	768	403[(a)]	(425)	170	78	7,027

Balances as at December 31, 2023												
Loans to the public, net	30,180	26,159	56,339	132,074	62,567	60,667	66,692	25,655	5,987	1,103	8,402	419,486
Deposits by the public	216,898	56,087	272,985	-	88,206	36,305	10,107	160,215	6	-	-	567,824

(a) Including the impairment loss from the investment in Valley shares in the amount of approx. NIS 1.1 billion. For more information, please see Note 15.A to the financial statements as at December 31, 2023.

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

A. Debts[(a)] and Off-Balance-Sheet Credit Instruments

1. Change in outstanding loan loss provision

	For the three months ended March 31, 2024 (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	5,873	634	957	7,464	17	7,481
Loan loss expenses	75	3	144	222	-	222
Charge-offs	(113)	(1)	(164)	(278)	-	(278)
Collection of debts written off in previous years	178	3	67	248	-	248
Net charge-offs	65	2	(97)	(30)	-	(30)
Outstanding loan loss provision as at the end of the reporting period[1]	6,013	639	1,004	7,656	17	7,673
[1]Of which: in respect of off-balance-sheet credit instruments	654	11	36	701	-	701

	For the three months ended March 31, 2023 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,420	419	732	5,571	54	5,625
Loan loss expenses (income)	351	13	74	438	(32)	406
Charge-offs	(95)	(2)	(134)	(231)	-	(231)
Collection of debts written off in previous years	75	-	73	148	-	148
Net charge-offs	(20)	(2)	(61)	(83)	-	(83)
Outstanding loan loss provision as at the end of the reporting period[1]	4,751	430	745	5,926	22	5,948
[1]Of which: in respect of off-balance-sheet credit instruments	581	1	25	607	-	607

(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

	March 31, 2024 (unaudited)					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commer-cial	Housing	Private - other	Total - public		Total
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	245,663	-	689	246,352	143,182	389,534
Examined on a collective basis	27,459	132,679	29,047	189,185	-	189,185
Total debts[a]	273,122	132,679	29,736	435,537	143,182	578,719
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	4,553	-	289	4,842	17	4,859
Examined on a collective basis	806	628	679	2,113	-	2,113
Total loan loss provision	5,359	628	968	6,955	17	6,972

	March 31, 2023 (unaudited)					
	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					
Recorded outstanding debt:[a]						
Examined on a specific basis	229,990	-	502	230,492	111,802	342,294
Examined on a collective basis	26,482	121,923	30,239	178,644	-	178,644
Total debts[a]	256,472	121,923	30,741	409,136	111,802	520,938
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	3,512	-	187	3,699	22	3,721
Examined on a collective basis	658	429	533	1,620	-	1,620
Total loan loss provision	4,170	429	720	5,319	22	5,341

(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, 2023 (audited)					
	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					
Recorded outstanding debt:[a]						
Examined on a specific basis	239,573	-	661	240,234	162,912	403,146
Examined on a collective basis	26,184	130,624	29,161	185,969	-	185,969
Total debts[a]	265,757	130,624	29,822	426,203	162,912	589,115
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	4,324	-	275	4,599	17	4,616
Examined on a collective basis	852	622	644	2,118	-	2,118
Total loan loss provision	5,176	622	919	6,717	17	6,734

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

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

B. Loans to the public

1. Credit quality and arrears

	March 31, 2024 (unaudited)					
		Troubled[a]			Performing debts - additional information	
	Non-troubled	Performing	Non-performing	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	66,226	206	779	67,211	21	27
Construction & real estate - real estate activities	43,944	312	64	44,320	11	97
Financial services	39,151	16	30	39,197	-	7
Commercial - Other	92,514	2,073	614	95,201	19	105
Commercial - total	241,835	2,607	1,487	245,929	51	236
Private individuals - housing loans	131,985	12	623	132,620	-	447
Private individuals - other	28,718	680	331	29,729	67	162
Total loans to the public - activity in Israel	402,538	3,299	2,441	408,278	118	845
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	9,452	63	94	9,609	1	4
Commercial - Other	16,454	834	296	17,584	-	161
Commercial - total	25,906	897	390	27,193	1	165
Private individuals	66	-	-	66	-	-
Total loans to the public - foreign operations	25,972	897	390	27,259	1	165
Total loans to the public	428,510	4,196	2,831	435,537	119	1,010

(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 283 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.)

	March 31, 2023 (unaudited)					
		Troubled[a]			Performing debts - additional information	
	Non-troubled	Perfor-ming	Non-perfor-ming	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	59,820	859	148	60,827	18	43
Construction & real estate - real estate activities	40,250	564	44	40,858	9	48
Financial services	35,562	39	39	35,640	1	13
Commercial - Other	94,709	1,671	592	96,972	46	148
Commercial - total	230,341	3,133	823	234,297	74	252
Private individuals - housing loans	121,316	18	514	121,848	-	478
Private individuals - other	29,867	556	255	30,678	74	239
Total loans to the public - activity in Israel	381,524	3,707	1,592	386,823	148	969
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	7,151	102	62	7,315	-	1
Commercial - Other	13,707	643	510	14,860	-	108
Commercial - total	20,858	745	572	22,175	-	109
Private individuals	137	1	-	138	-	-
Total loans to the public – foreign operations	20,995	746	572	22,313	-	109
Total loans to the public	402,519	4,453	2,164	409,136	148	1,078

(a) Non-performing loans to the public, substandard or special mention.
(b) Classified as troubled, performing debts.
(c) Performing. Debts in arrears of 30 and up to 89 days, totaling NIS 300 million, were classified as troubled debt.

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

B. Loans to the public (cont.)

1. Credit quality and arrears (cont.)

	December 31, 2023 (audited)					
		Troubled[a]			Performing debts - additional information	
	Non-troubled	Per-forming	Non-performing	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	65,001	211	1,034	66,246	19	43
Construction & real estate - real estate activities	43,442	250	139	43,831	13	56
Financial services	38,756	32	34	38,822	1	17
Commercial - Other	91,371	2,020	666	94,057	36	113
Commercial - total	238,570	2,513	1,873	242,956	69	229
Private individuals - housing loans	129,856	24	688	130,568	-	407
Private individuals - other	28,763	710	343	29,816	80	166
Total loans to the public - activity in Israel	397,189	3,247	2,904	403,340	149	802
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	8,937	60	93	9,090	-	3
Commercial - Other	12,441	657	613	13,711	-	118
Commercial - total	21,378	717	706	22,801	-	121
Private individuals	62	-	-	62	-	-
Total loans to the public – foreign operations	21,440	717	706	22,863	-	121
Total loans to the public	418,629	3,964	3,610	426,203	149	923

(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 262 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.)

1.1. Credit quality by credit granting year

	March 31, 2024 (unaudited)								
	Recorded outstanding debt of fixed loans to the public						Recorded out-standing debt of renewed loans	Recorded outstanding debt of renewed loans converted to fixed loans	Total
	2024	2023	2022	2021	2020	Past			
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	5,129	18,124	15,377	11,662	3,525	9,003	43,965	4,746	111,531
Credit that is rated as investment-grade	5,116	17,830	14,975	11,114	3,410	8,789	43,834	4,737	109,805
Credit that is non-investment-grade nor troubled	13	61	82	46	45	59	56	3	365
Troubled performing credit	-	112	237	64	21	38	45	1	518
Non-performing credit	-	121	83	438	49	117	30	5	843
Charge-offs during the period	-	(2)	(11)	(3)	-	(1)	(11)	-	(28)
Commercial - other, total	20,331	29,036	21,643	12,382	7,045	11,208	29,189	3,564	134,398
Credit that is rated as investment-grade	20,318	28,471	20,989	11,896	6,747	10,753	28,387	3,539	131,100
Credit that is non-investment-grade nor troubled	8	260	76	97	33	11	74	6	565
Troubled performing credit	5	221	440	260	178	340	638	7	2,089
Non-performing credit	-	84	138	129	87	104	90	12	644
Charge-offs during the period	-	(16)	(14)	(12)	(6)	(5)	(30)	(1)	(84)
Private individuals - housing loans - total	5,809	21,021	25,246	21,445	12,919	46,179	-	1	132,620
LTV of up to 60%	3,349	11,842	13,470	11,972	7,965	31,566	-	1	80,165
LTV of more than 60% and up to 75%	2,401	9,141	11,705	9,391	4,898	13,525	-	-	51,061
LTV of more than 75%	59	38	71	82	56	1,088	-	-	1,394
Credit that is non-delinquent and investment-grade	5,797	20,770	24,665	20,808	12,423	43,401	-	1	127,865
Credit that is non-delinquent nor investment-grade	4	165	454	515	393	2,154	-	-	3,685
In arrears of 30-89 days	8	44	58	54	39	244	-	-	447
Non-performing credit	-	42	69	68	64	380	-	-	623
Charge-offs during the period	-	(1)	-	-	-	-	-	-	(1)
Private individuals - other - total	3,315	7,855	5,579	3,228	1,822	611	7,130	189	29,729
Credit that is non-delinquent and investment-grade	3,262	7,401	5,040	2,926	1,715	541	6,685	152	27,722
Credit that is non-delinquent nor investment-grade	52	337	362	198	75	55	354	14	1,447
In arrears of 30-89 days	1	40	41	20	6	4	50	-	162
In arrears of over 90 days	-	13	13	7	1	2	31	-	67
Non-performing credit	-	64	123	77	25	9	10	23	331
Charge-offs during the period	-	(35)	(36)	(25)	(5)	(4)	(59)	-	(164)
Total loans to the public - activity in Israel	34,584	76,036	67,845	48,717	25,311	67,001	80,284	8,500	408,278
Total loans to the public - foreign operations	7,618	7,663	3,533	2,614	303	532	4,996	-	27,259
Non-troubled credit	7,618	7,649	3,157	2,614	56	461	4,417	-	25,972
Troubled performing credit	-	12	85	-	216	65	519	-	897
Non-performing credit	-	2	291	-	31	6	60	-	390
Charge-offs during the period	-	(1)	-	-	-	-	-	-	(1)
Total loans to the public	42,202	83,699	71,378	51,331	25,614	67,533	85,280	8,500	435,537

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

B. Loans to the public (cont.)

1.1. Credit quality by credit granting year (cont.)

	March 31, 2023 (unaudited)								
	Recorded outstanding debt of fixed loans to the public						Recorded out-standing debt of renewed loans	Recorded outstanding debt of renewed loans converted to fixed loans	Total
	2023	2022	2021	2020	2019	Past			
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	8,731	23,346	16,540	5,681	4,141	8,358	32,812	2,076	101,685
Credit that is rated as investment-grade	8,646	23,190	15,938	5,523	4,107	8,252	32,058	2,065	99,779
Credit that is non-investment-grade nor troubled	70	41	64	30	7	27	48	4	291
Troubled performing credit	9	91	477	112	15	37	682	-	1,423
Non-performing credit	6	24	61	16	12	42	24	7	192
Commercial - other, total	14,584	33,526	17,580	11,112	5,399	11,667	37,256	1,488	132,612
Credit that is rated as investment-grade	14,557	33,016	17,246	10,723	5,111	10,990	36,679	1,448	129,770
Credit that is non-investment-grade nor troubled	7	92	71	134	8	103	80	6	501
Troubled performing credit	12	337	155	157	225	409	390	25	1,710
Non-performing credit	8	81	108	98	55	165	107	9	631
Private individuals - housing loans - total	5,318	27,918	23,880	14,079	9,491	41,162	-	-	121,848
LTV of up to 60%	2,848	14,499	13,130	8,541	6,142	27,696	-	-	72,856
LTV of more than 60% and up to 75%	2,463	13,361	10,661	5,480	3,305	12,300	-	-	47,570
LTV of more than 75%	7	58	89	58	44	1,166	-	-	1,422
Credit that is non-delinquent and investment-grade	5,289	27,605	23,629	13,918	9,372	40,359	-	-	120,172
Credit that is non-delinquent nor investment-grade	19	207	149	62	46	201	-	-	684
In arrears of 30-89 days	9	88	64	55	34	228	-	-	478
Non-performing credit	1	18	38	44	39	374	-	-	514
Private individuals - other - total	3,447	9,695	5,687	2,938	1,162	767	6,781	201	30,678
Credit that is non-delinquent and investment-grade	3,378	8,922	5,125	2,711	1,017	661	6,322	170	28,306
Credit that is non-delinquent nor investment-grade	63	605	422	172	111	82	339	10	1,804
In arrears of 30-89 days	3	86	49	15	10	7	69	-	239
In arrears of over 90 days	-	21	9	3	2	1	38	-	74
Non-performing credit	3	61	82	37	22	16	13	21	255
Total loans to the public - activity in Israel	32,080	94,485	63,687	33,810	20,193	61,954	76,849	3,765	386,823
Total loans to the public - foreign operations	2,524	7,230	2,466	421	478	562	8,541	91	22,313
Non-troubled credit	2,524	7,097	2,139	132	473	520	8,019	91	20,995
Troubled performing credit	-	115	172	1	-	-	458	-	746
Non-performing credit	-	18	155	288	5	42	64	-	572
Total loans to the public	34,604	101,715	66,153	34,231	20,671	62,516	85,390	3,856	409,136

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

B. Loans to the public (cont.)

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

	March 31, 2024 (unaudited)					
	Outstanding[(b)] non-performing debts for which there is a provision	Outstanding provision	Outstanding [(b)] non-performing debts for which there is a provision	Total outstanding balance[(b)] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	723	179	120	843	1,275	4
Commercial - Other	498	309	146	644	2,412	-
Commercial - total	1,221	488	266	1,487	3,687	4
Private individuals - housing loans	623	104	-	623	623	-
Private individuals - other	331	211	-	331	682	-
Total loans to the public - activity in Israel	2,175	803	266	2,441	4,992	4
Borrower activity outside Israel						
Total loans to the public - foreign operations	213	83	177	390	623	-
Total - public[1]	2,388	886	443	2,831	5,615	4
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,321	692	354	1,675	3,635	
Measured on a specific basis according to fair value of collateral	444	90	89	533	1,357	
Measured on a collective basis	623	104	-	623	623	

(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 165 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the three months ended March 31, 2024 is NIS 3,262 million.

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

B. Loans to the public (cont.)

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

	March 31, 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 balance[(b)] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	133	64	59	192	585	-
Commercial - Other	371	166	260	631	2,473	1
Commercial - total	504	230	319	823	3,058	1
Private individuals - housing loans	514	61	-	514	525	-
Private individuals - other	255	136	-	255	505	-
Total loans to the public - activity in Israel	1,273	427	319	1,592	4,088	1
Borrower activity outside Israel						
Total loans to the public - foreign operations	511	53	61	572	798	2
Total - public[1]	1,784	480	380	2,164	4,886	3
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,264	416	297	1,561	3,427	
Measured on a specific basis according to fair value of collateral	6	3	83	89	934	
Measured on a collective basis	514	61	-	514	525	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the 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 93 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the three months ended March 31, 2023 is NIS 1,989 million.

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

B. Loans to the public (cont.)

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

	December 31, 2023 (audited)					
	Out-standing[(b)] non-performing debts for which there is a provision	Out-standing provision	Outstan-ding[(b)] non-perfor-ming debts for which there is no provision	Total out-standing balance[(b)] of non-performing debts	Out-standing 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	1,018	253	155	1,173	1,592	-
Commercial - Other	533	283	167	700	2,517	2
Commercial - total	1,551	536	322	1,873	4,109	2
Private individuals - housing loans	688	79	-	688	688	1
Private individuals - other	343	196	-	343	672	2
Total loans to the public - activity in Israel	2,582	811	322	2,904	5,469	5
Borrower activity outside Israel						
Total loans to the public - foreign operations	520	81	186	706	935	4
Total - public[1]	3,102	892	508	3,610	6,404	9
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,723	654	417	2,140	4,108	
Measured on a specific basis according to fair value of collateral	691	159	91	782	1,608	
Measured on a collective basis	688	79	-	688	688	

(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 642 million would be recorded.
Additional information: the total recorded average outstanding debt of non-performing debts in the year ended December 31, 2023 is NIS 2,691 million.

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

B. Loans to the public (cont.)

2.B. Information regarding debts of borrowers with financial difficulties who underwent a change in terms and conditions

1. The credit quality and extent of arrears of debts of borrowers with financial difficulties who underwent a change in terms and conditions

	As at March 31, 2024 (unaudited)[a]				
	Recorded outstanding debt				
	Troubled		Non-troubled		
	Non-performing	Performing	In arrears of 30 days or more	Non-delinquent	Total
	In NIS million				
Borrower activity in Israel					
Commercial	546	291	1	226	1,064
Private individuals - housing loans	99	21	-	37	157
Private individuals - other	304	131	2	167	604
Total loans to the public - activity in Israel	949	443	3	430	1,825
Total loans to the public - foreign operations	151	-	-	354	505
Total loans to the public	1,100	443	3	784	2,330

(a) As from January 1, 2024, the Bank is implementing a new accounting policy for the identification of debts of borrowers with financial difficulties that underwent a change in terms and conditions (instead of restructurings troubled debt). For more information, please see Note 1.B.1.

	As at March 31, 2023 (unaudited)			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	In NIS million			
Borrower activity in Israel				
Public - commercial				
Construction and real estate	50	1	54	105
Commercial - Other	280	4	379	663
Commercial - total	330	5	433	768
Private individuals - housing loans	87	1	61	149
Private individuals - other	226	5	209	440
Total loans to the public - activity in Israel	643	11	703	1,357
Borrower activity outside Israel				
Total loans to the public - foreign operations	187	-	379	566
Total - public	830	11	1,082	1,923

The disclosure referring to troubled debt restructurings{2} carried out until December 31, 2023 remained in its previous format.

(a) Performing.

Comment: As of March 31, 2023, restructured troubled debt in the amount of NIS 1,114 million was 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.)

2.B. Information regarding debts of borrowers with financial difficulties who underwent a change in terms and conditions (cont.)

1. **The credit quality and extent of arrears of debts of borrowers with financial difficulties who underwent a change in terms and conditions** (cont.)

	December 31, 2023 (audited)			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	In NIS million			
Borrower activity in Israel				
Public - commercial				
Construction and real estate	289	1	80	370
Commercial - Other	271	2	345	618
Commercial - total	560	3	425	988
Private individuals - housing loans	85	-	66	151
Private individuals - other	310	4	269	583
Total loans to the public - activity in Israel	955	7	760	1,722
Borrower activity outside Israel				
Total loans to the public - foreign operations	153	-	365	518
Total - public	1,108	7	1,125	2,240

The disclosure referring to troubled debt restructurings{2] carried out until December 31, 2023 remained in its previous format.

(a) Performing.

Comment: As of December 31, 2023, troubled debt which underwent restructuring in the amount of NIS 1,448 million was 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.)

2.B. Information regarding debts of borrowers with financial difficulties who underwent a change in terms and conditions (cont.)

2. The credit quality and extent of arrears of debts of borrowers with financial difficulties who underwent a change in terms and conditions during the reporting period

	For the three months ended March 31, 2024 (unaudited)[(a)]					
	Recorded outstanding debt					
	Troubled		Non-troubled			
	Non-performing	Performing	In arrears of 30 days or more	Non-delinquent	Total	Charge-offs
	In NIS million					
Borrower activity in Israel						
Commercial	166	8	-	-	174	3
Private individuals - housing loans	21	-	-	-	21	2
Private individuals - other	121	2	-	1	124	2
Total loans to the public - activity in Israel	308	10	-	1	319	7
Total - public	308	10	-	1	319	7

(a) As from January 1, 2024, the Bank is implementing a new accounting policy for the identification of debts of borrowers with financial difficulties that underwent a change in terms and conditions (instead of restructurings troubled debt). For more information, please see Note 1.B.1.

	For the three months ended March 31, 2023 (unaudited)		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
	In NIS million		
Borrower activity in Israel			
Public - commercial			
Construction and real estate	79	9	9
Commercial - Other	356	37	37
Commercial - total	435	46	46
Private individuals - housing loans	15	4	4
Private individuals - other	1,967	106	105
Total loans to the public - activity in Israel	2,417	156	155
Total - public	2,417	156	155

The disclosure referring to restructurings carried out until December 31, 2023 remained in its previous format

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

B. Loans to the public (cont.)

2.B. Information regarding debts of borrowers with financial difficulties who underwent a change in terms and conditions (cont.)

3. Debts of borrowers with financial difficulties who underwent a change in terms and conditions during the reporting year[(a)]

During the first quarter of 2024, changes in the terms and conditions were made for the debts of borrowers with financial difficulties in the amount of NIS 319 million, mainly in the Bank's commercial portfolio, the main change in terms and conditions was carried out through a waiver of interest or a period extension.

	Failed restructurings in the three months ended March 31, 2023 (unaudited)	
	No. of contracts	Recorded outstanding debt
		In NIS million
Borrower activity in Israel		
Public - commercial		
Construction and real estate	68	9
Commercial - Other	189	16
Commercial - total	257	25
Private individuals - housing loans	20	10
Private individuals - other	1,055	34
Total loans to the public - activity in Israel	1,332	69
Total - public	1,332	69

The disclosure referring to restructurings carried out until December 31, 2023 remained in its previous format

(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.

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

B. Loans to the public (cont.)

2.C. Additional information on non-performing delinquent credit

	March 31, 2024 (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	1,121	537	58	95	64	1	1	1,877
Housing loans	53	278	171	99	10	8	4	623
Private individuals - other	331	-	-	-	-	-	-	331
Total	1,505	815	229	194	74	9	5	2,831

	March 31, 2023 (unaudited)							
	Is not in arrears of 90 days or more	In arrears of 90 days to 180 days	In arrears of over 180 days and up to one year	In arrears of 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	1,177	76	47	79	11	3	2	1,395
Housing loans	52	215	144	84	11	5	3	514
Private individuals - other	255	-	-	-	-	-	-	255
Total	1,484	291	191	163	22	8	5	2,164

	December 31, 2023 (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	1,885	290	256	77	67	1	3	2,579
Housing loans	37	343	183	107	9	7	2	688
Private individuals - other	343	-	-	-	-	-	-	343
Total	2,265	633	439	184	76	8	5	3,610

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

B. Loans to the public (cont.)

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV),[(a)] type of repayment and interest

		March 31, 2024 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	79,919	2,949	48,193	2,583
	Over 60%	52,757	845	32,719	2,502
Unpledged secondary lien		3	-	3	-
Total		132,679	3,794	80,915	5,085

		March 31, 2023 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	72,907	1,628	45,293	2,614
	Over 60%	49,012	659	30,524	2,418
Unpledged secondary lien		4	-	4	-
Total		121,923	2,287	75,821	5,032

		December 31, 2023 (audited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	Total off-balance-sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	78,948	2,538	48,141	2,555
	Over 60%	51,672	767	32,097	2,438
Unpledged secondary lien		4	-	4	-
Total		130,624	3,305	80,242	4,993

(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

	March 31				December 31	
	2024		2023		2023	
	Outstanding loan contracts[a]	Balance of loan loss provision	Outstanding loan contracts[a]	Balance of loan loss provision	Outstanding loan contracts[a]	Balance of loan loss provision
	Unaudited				Audited	
	In NIS million					
Off-balance-sheet financial instruments						
Transactions in which the outstanding balance embodies credit risk:						
Documentary credit	**883**	**2**	1,156	2	642	3
Loan guarantees	**7,950**	**97**	7,676	98	8,453	103
Guarantees for apartment buyers	**35,938**	**20**	37,287	17	35,731	19
Guarantees and other commitments[b]	**26,918**	**91**	25,440	90	26,548	96
Unutilized credit card credit facilities	**13,700**	**30**	9,820	20	13,916	34
Unutilized current loan account facilities and other credit facilities in demand accounts	**14,177**	**56**	14,573	52	15,922	58
Irrevocable loan commitments approved but not yet granted	**55,250**	**317**	47,022	268	54,416	339
Commitments to issue guarantees	**36,625**	**87**	26,491	60	34,340	95
Unutilized credit facilities for derivatives activity	**3,109**	**1**	3,278	-	3,122	-
Approval in principle to maintain interest rate[c]	**7,026**	**-**	5,479	-	5,404	-

(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 355 million (as of March 31, 2023 - NIS 315 million and on December 31, 2023 - NIS 381 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".

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

D. Guarantees by Repayment Date

	March 31, 2024 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	5,500	1,313	415	722	7,950
Guarantees for apartment buyers	-	35,938	-	-	35,938
Guarantees and other commitments	13,923	7,379	1,565	4,051	26,918
Total guarantees	19,423	44,630	1,980	4,773	70,806

	March 31, 2023 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	5,241	1,415	310	710	7,676
Guarantees for apartment buyers	-	37,287	-	-	37,287
Guarantees and other commitments	13,720	5,864	3,177	2,679	25,440
Total guarantees	18,961	44,566	3,487	3,389	70,403

	December 31, 2023 (audited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	5,214	2,091	399	749	8,453
Guarantees for apartment buyers	-	35,731	-	-	35,731
Guarantees and other commitments	13,334	6,449	2,509	4,256	26,548
Total guarantees	18,548	44,271	2,908	5,005	70,732

The following collateral information reflects collaterals the Bank has received specifically against guarantees:
The balance of cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled approx. NIS 309 million (as at March 31, 2023 - NIS 310 million, as at December 31, 2023 - NIS 302 million). In addition, the balance of securities and other marketable assets held as collateral, totaled approx. NIS 9 million (as at March 31, 2023 - NIS 15 million, December 31, 2023 - NIS 9 million).

Note 14 - Assets and Liabilities by Linkage Basis

	March 31, 2024 (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	131,446	-	8,594	749	754	2,521	144,064
Securities	60,357	4,021	57,358	6,308	4,170	5,510	137,724
Securities borrowed or purchased under reverse repurchase agreements	874	-	1,413	1	-	-	2,288
Loans to the public, net[c]	320,114	62,334	23,871	6,210	9,713	6,340	428,582
Loans to governments	496	-	343	548	-	-	1,387
Investments in associates	-	-	-	-	-	4,129	4,129
Buildings and equipment	-	-	-	-	-	2,682	2,682
Assets in respect of derivatives	5,076	307	7,662	349	285	12,066	25,745
Other assets	5,867	9	37	9	74	1,076	7,072
Total assets	524,230	66,671	99,278	14,174	14,996	34,324	753,673
Liabilities							
Deposits by the public	433,394	11,082	124,693	12,736	5,013	8,887	595,805
Deposits by banks	14,679	-	6,908	2,372	176	4	24,139
Deposits by governments	37	-	47	17	-	-	101
Securities loaned or sold under repurchase agreements	182	-	6,125	-	-	-	6,307
Bonds, promissory notes and subordinated notes	6,485	18,116	6,301	-	-	-	30,902
Liabilities for derivatives	5,603	289	5,383	170	163	11,983	23,591
Other liabilities	6,191	8,595	125	63	187	534	15,695
Total liabilities	466,571	38,082	149,582	15,358	5,539	21,408	696,540
Difference[d]	57,659	28,589	(50,304)	(1,184)	9,457	12,916	57,133
Effect of hedging derivatives:							
Derivatives (excluding options)	753	(753)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(30,979)	(4,696)	43,282	482	(9,480)	1,391	-
In the money options, net (according to underlying asset)	(1,397)	-	1,283	125	(11)	-	-
Out of the money options, net (according to underlying asset)	(501)	-	544	(42)	(1)	-	-
Grand total	25,535	23,140	(5,195)	(619)	(35)	14,307	57,133
In the money options, net (discounted nominal value)	(1,689)	-	1,565	136	(12)	-	-
Out of the money options, net (discounted nominal value)	(2,143)	-	2,098	31	14	-	-

(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 6,955 million.
(d) Shareholders' equity includes non-controlling interests.

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

	March 31, 2023 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In USD	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	115,036	-	12,493	2,976	2,287	1,589	134,381
Securities	38,169	4,650	45,564	3,331	3,291	4,369	99,374
Securities borrowed or purchased under reverse repurchase agreements	1,220	-	2,061	1	-	-	3,282
Loans to the public, net[c]	308,281	55,813	21,841	5,194	8,728	3,960	403,817
Loans to governments	204	-	546	373	-	-	1,123
Investments in associates	-	-	-	-	-	3,786	3,786
Buildings and equipment	-	-	-	-	-	2,767	2,767
Assets in respect of derivatives	4,644	365	10,425	1,324	644	9,557	26,959
Other assets	5,917	4	52	6	79	930	6,988
Total assets	473,471	60,832	92,982	13,205	15,029	26,958	682,477
Liabilities							
Deposits by the public	364,537	11,211	134,456	12,336	4,780	5,586	532,906
Deposits by banks	19,234	-	4,204	439	164	1	24,042
Deposits by governments	231	-	133	19	-	-	383
Securities loaned or sold under repurchase agreements	609	-	4,130	-	-	-	4,739
Bonds, promissory notes and subordinated notes	5,598	16,368	6,322	-	-	-	28,288
Liabilities for derivatives	6,180	437	7,613	964	560	9,847	25,601
Other liabilities	6,302	9,448	129	72	173	598	16,722
Total liabilities	402,691	37,464	156,987	13,830	5,677	16,032	632,681
Difference[d]	70,780	23,368	(64,005)	(625)	9,352	10,926	49,796
Effect of hedging derivatives:							
Derivatives (excluding options)	441	(441)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(43,574)	(2,955)	55,553	(421)	(9,867)	1,264	-
In the money options, net (according to underlying asset)	(722)	-	519	174	29	-	-
Out of the money options, net (according to underlying asset)	(1,278)	-	1,088	207	8	(25)	-
Grand total	25,647	19,972	(6,845)	(665)	(478)	12,165	49,796
In the money options, net (discounted nominal value)	(1,092)	-	824	232	36	-	-
Out of the money options, net (discounted nominal value)	(3,320)	-	3,003	432	(22)	(93)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 5,319 million.
(d) Shareholders' equity includes non-controlling interests.

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

	December 31, 2023 (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	87,257	1	10,756	2,141	3,002	2,319	105,476
Securities	83,417	4,127	58,531	4,601	4,455	4,917	160,048
Securities borrowed or purchased under reverse repurchase agreements	255	-	2,797	1	-	-	3,053
Loans to the public, net[c]	314,806	60,928	24,417	5,035	9,809	4,491	419,486
Loans to governments	644	-	686	476	-	-	1,806
Investments in associates	-	-	-	-	-	4,014	4,014
Buildings and equipment	-	-	-	-	-	2,874	2,874
Assets in respect of derivatives	8,329	301	7,080	515	573	10,612	27,410
Other assets	6,247	1	2	14	77	989	7,330
Total assets	500,955	65,358	104,269	12,783	17,916	30,216	731,497
Liabilities							
Deposits by the public	406,980	11,941	124,080	12,763	5,222	6,838	567,824
Deposits by banks	12,643	-	6,454	1,503	176	-	20,776
Deposits by governments	83	-	64	13	-	-	160
Securities loaned or sold under repurchase agreements	80	-	13,696	-	-	-	13,776
Bonds, promissory notes and subordinated notes	7,648	18,106	6,360	-	-	-	32,114
Liabilities for derivatives	9,082	308	5,249	752	706	10,539	26,636
Other liabilities	5,766	9,071	130	55	178	509	15,709
Total liabilities	442,282	39,426	156,033	15,086	6,282	17,886	676,995
Difference[d]	58,673	25,932	(51,764)	(2,303)	11,634	12,330	54,502
Effect of hedging derivatives:							
Derivatives (excluding options)	752	(752)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(31,512)	(4,227)	44,912	1,532	(11,968)	1,263	-
In the money options, net (according to underlying asset)	(1,126)	-	1,044	128	(46)	-	-
Out of the money options, net (according to underlying asset)	(300)	-	196	99	5	-	-
Grand total	26,487	20,953	(5,612)	(544)	(375)	13,593	54,502
In the money options, net (discounted nominal value)	(1,478)	-	1,379	175	(76)	-	-
Out of the money options, net (discounted nominal value)	(1,225)	-	713	531	(19)	-	-

(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 6,717 million.
(d) Shareholders' equity includes non-controlling interests.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	March 31, 2024 (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	144,064	133,028	9,756	1,012	143,796
Securities[b]	137,724	81,781	45,963	8,639	136,383
Securities borrowed or purchased under reverse repurchase agreements	2,288	2,288	-	-	2,288
Loans to the public, net	428,582	25,111	-	400,958	426,069
Loans to governments	1,387	-	247	1,049	1,296
Assets in respect of derivatives	25,745	3,861	20,314	1,570	25,745
Other financial assets	288	31	-	257	288
Total financial assets	740,078[c]	246,100	76,280	413,485	735,865
Financial liabilities					
Deposits by the public	595,805	26,731	324,637	243,112	594,480
Deposits by banks	24,139	5,213	7,999	10,825	24,037
Deposits by governments	101	-	51	51	102
Securities loaned or sold under repurchase agreements	6,307	6,307	-	-	6,307
Bonds, promissory notes and subordinated notes	30,902	29,264	-	859	30,123
Liabilities for derivatives	23,591	3,846	19,640	105	23,591
Other financial liabilities	3,683	704	1,333	1,646	3,683
Total financial liabilities	684,528[c]	72,065	353,660	256,598	682,323
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	409	-	-	409	409
In addition, liabilities in respect of employee benefits, net[d]	8,192	-	-	8,192	8,192

(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 189,123 million and NIS 269,822 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

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

	March 31, 2023 (unaudited)				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	134,381	118,290[(e)]	14,749	1,126[(e)]	134,165
Securities[(b)]	99,374	57,123	34,729	6,389	98,241
Securities borrowed or purchased under reverse repurchase agreements	3,282	3,282	-	-	3,282
Loans to the public, net	403,817	19,178	-	377,653	396,831
Loans to governments	1,123	-	17	1,027	1,044
Assets in respect of derivatives	26,959	6,331	17,250	3,378	26,959
Other financial assets	308	21	-	287	308
Total financial assets	669,244[(c)]	204,225	66,745	389,860	660,830
Financial liabilities					
Deposits by the public	532,906	26,515	324,490[(e)]	179,901[(e)]	530,906
Deposits by banks	24,042	1,898	5,406	16,070	23,374
Deposits by governments	383	-	333	35	368
Securities loaned or sold under repurchase agreements	4,739	4,739	-	-	4,739
Bonds, promissory notes and subordinated notes	28,288	26,225	-	651	26,876
Liabilities for derivatives	25,601	6,697	18,744	160	25,601
Other financial liabilities	3,977	662	1,257	2,058	3,977
Total financial liabilities	619,936[(c)]	66,736	350,230	198,875	615,841
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	409	-	-	409	409
In addition, liabilities in respect of employee benefits, net[(d)]	9,240	-	-	9,240	9,240

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.
(b) For more information regarding the book balance and fair value of securities, please see Note 5.
(c) Of which: Assets and liabilities in the amount of NIS 208,190 million and NIS 256,427 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.
(d) The liability is presented on a net basis and takes into account plan assets managed against it.
(e) Restated without discounting derived from the current account rescheduling model.

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

	December 31, 2023 (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	105,476	90,270[(e)]	14,004	1,022[(e)]	105,296
Securities[(b)]	160,048	111,365	39,465	8,067	158,897
Securities borrowed or purchased under reverse repurchase agreements	3,053	3,053	-	-	3,053
Loans to the public, net	419,486	21,610	-	394,830	416,440
Loans to governments	1,806	-	472	1,263	1,735
Assets in respect of derivatives	27,410	5,747	18,803	2,860	27,410
Other financial assets	350	25	-	325	350
Total financial assets	717,629[(c)]	232,070	72,744	408,367	713,181
Financial liabilities					
Deposits by the public	567,824	24,491	325,507[(e)]	216,662[(e)]	566,660
Deposits by banks	20,776	5,758	4,174	10,629	20,561
Deposits by governments	160	-	109	49	158
Securities loaned or sold under repurchase agreements	13,776	13,776	-	-	13,776
Bonds, promissory notes and subordinated notes	32,114	30,117	-	911	31,028
Liabilities for derivatives	26,636	5,811	20,696	129	26,636
Other financial liabilities	3,072	175	1,289	1,607	3,071
Total financial liabilities	664,358[(c)]	80,128	351,775	229,987	661,890
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	346	-	-	346	346
In addition, liabilities in respect of employee benefits, net[(d)]	8,715	-	-	8,715	8,715

(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 235,596 million and NIS 271,375 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

(e) Restated without discounting derived from the current account rescheduling model.

Note 15B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	March 31, 2024 (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	54,768	8,362	26	63,156
Foreign governments bonds	14,794	5,885	-	20,679
Bonds of Israeli financial institutions	75	-	-	75
Bonds of foreign financial institutions	-	9,639	-	9,639
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	-	6,046	4,996	11,042
Other Israeli bonds	708	179	-	887
Other foreign bonds	-	4,687	-	4,687
Total available-for-sale bonds	70,345	34,798	5,022	110,165
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,318	-	-	2,318
Held-for-trading securities:				
Government of Israel bonds	4,107	-	-	4,107
Bonds of Israeli financial institutions	330	-	-	330
Bonds of foreign financial institutions	-	100	-	100
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	-	41	1	42
Other Israeli bonds	188	-	-	188
Other foreign bonds	-	320	-	320
Equity securities and mutual funds	78	-	-	78
Total held-for-trading securities	4,703	461	1	5,165
Assets in respect of derivatives:				
NIS-CPI contracts	-	107	222	329
Interest rate contracts	78	8,808	119	9,005
Foreign exchange contracts	-	2,951	972	3,923
Stock contracts	3,022	8,435	257	11,714
Commodity- and other contracts	206	13	-	219
MAOF (Israeli financial instruments and futures) market activity	555	-	-	555
Total underlying assets for derivatives	3,861	20,314	1,570	25,745
Other:				
Credit and deposits for loaned securities	18,342	-	-	18,342
Securities borrowed or purchased under reverse repurchase agreements	2,288	-	-	2,288
Other	28	-	-	28
Other - total	20,658	-	-	20,658
Total assets	101,885	55,573	6,593	164,051

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

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

	March 31, 2024 (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	-	216	93	309
Interest rate contracts	87	7,650	-	7,737
Foreign exchange contracts	-	3,164	5	3,169
Stock contracts	2,997	8,603	7	11,607
Commodity- and other contracts	206	7	-	213
MAOF (Israeli financial instruments and futures) market activity	556	-	-	556
Total liabilities in respect of derivatives	3,846	19,640	105	23,591
Other:				
Deposits in respect of loaned securities	15,846	24	-	15,870
Securities loaned or sold under repurchase agreements	6,307	-	-	6,307
Credit-linked notes (CLNs)	-	-	374	374
Other	704	-	-	704
Other - total	22,857	24	374	23,255
Total liabilities	26,703	19,664	479	46,846

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

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

	March 31, 2023 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	31,850	5,142	26	37,018
Foreign governments bonds	12,017	4,171	-	16,188
Bonds of Israeli financial institutions	46	-	-	46
Bonds of foreign financial institutions	-	8,959	-	8,959
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	-	4,674	3,987	8,661
Other Israeli bonds	524	174	-	698
Other foreign bonds	-	4,714	-	4,714
Total available-for-sale bonds	44,437	27,834	4,013	76,284
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,001	-	-	2,001
Held-for-trading securities:				
Government of Israel bonds	2,408	-	-	2,408
Foreign governments bonds	676	-	-	676
Bonds of Israeli financial institutions	488	-	-	488
Bonds of foreign financial institutions	-	20	-	20
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	-	22	10	32
Other Israeli bonds	249	-	-	249
Other foreign bonds	-	58	-	58
Equity securities and mutual funds	2	-	-	2
Total held-for-trading securities	3,823	100	10	3,933
Assets in respect of derivatives:				
NIS-CPI contracts	-	164	204	368
Interest rate contracts	146	8,254	88	8,488
Foreign exchange contracts	-	5,400	2,639	8,039
Stock contracts	5,402	3,411	446	9,259
Commodity- and other contracts	315	21	1	337
MAOF (Israeli financial instruments and futures) market activity	468	-	-	468
Total underlying assets for derivatives	6,331	17,250	3,378	26,959
Other:				
Credit and deposits for loaned securities	12,448	-	-	12,448
Securities borrowed or purchased under reverse repurchase agreements	3,282	-	-	3,282
Other	19	-	-	19
Other - total	15,749	-	-	15,749
Total assets	72,341	45,184	7,401	124,926

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

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

	March 31, 2023 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	339	152	491
Interest rate contracts	187	8,232	-	8,419
Foreign exchange contracts	-	6,339	1	6,340
Stock contracts	5,728	3,810	7	9,545
Commodity- and other contracts	313	24	-	337
MAOF (Israeli financial instruments and futures) market activity	469	-	-	469
Total liabilities in respect of derivatives	6,697	18,744	160	25,601
Other:				
Deposits in respect of loaned securities	13,745	7	-	13,752
Securities loaned or sold under repurchase agreements	4,739	-	-	4,739
Other	662	-	-	662
Other - total	19,146	7	-	19,153
Total liabilities	25,843	18,751	160	44,754

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

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

	December 31, 2023 (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	68,202	6,660	26	74,888
Foreign governments bonds	21,896	5,020	-	26,916
Bonds of Israeli financial institutions	45	-	-	45
Bonds of foreign financial institutions	-	8,882	-	8,882
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	-	5,062	4,889	9,951
Other Israeli bonds	672	151	-	823
Other foreign bonds	-	4,632	-	4,632
Total available-for-sale bonds	90,815	30,407	4,915	126,137
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,011	-	-	2,011
Held-for-trading securities:				
Government of Israel bonds	12,905	-	-	12,905
Bonds of Israeli financial institutions	436	-	-	436
Bonds of foreign financial institutions	-	26	-	26
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	-	20	5	25
Other Israeli bonds	159	-	-	159
Other foreign bonds	-	35	2	37
Equity securities and mutual funds	89	-	-	89
Total held-for-trading securities	13,589	81	7	13,677
Assets in respect of derivatives:				
NIS-CPI contracts	-	136	200	336
Interest rate contracts	1,080	8,164	118	9,362
Foreign exchange contracts	-	4,355	2,363	6,718
Stock contracts	4,050	6,128	179	10,357
Commodity- and other contracts	180	20	-	200
MAOF (Israeli financial instruments and futures) market activity	437	-	-	437
Total underlying assets for derivatives	5,747	18,803	2,860	27,410
Other:				
Credit and deposits for loaned securities	14,149	-	-	14,149
Securities borrowed or purchased under reverse repurchase agreements	3,053	-	-	3,053
Other	22	-	-	22
Other - total	17,224	-	-	17,224
Total assets	129,386	49,291	7,782	186,459

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

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

	December 31, 2023 (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	-	212	116	328
Interest rate contracts	1,165	7,207	-	8,372
Foreign exchange contracts	-	7,020	6	7,026
Stock contracts	4,030	6,237	7	10,274
Commodity- and other contracts	179	20	-	199
MAOF (Israeli financial instruments and futures) market activity	437	-	-	437
Total liabilities in respect of derivatives	5,811	20,696	129	26,636
Other:				
Deposits in respect of loaned securities	13,682	17	-	13,699
Securities loaned or sold under repurchase agreements	13,776	-	-	13,776
Credit-linked notes (CLNs)	-	-	419	419
Other	175	-	-	175
Other - total	27,633	17	419	28,069
Total liabilities	33,444	20,713	548	54,705

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

B. Items Measured at Fair Value on a Non-Recurring Basis

	March 31, 2024 (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	-	-	533	533	88
Total	-	-	533	533	88

	March 31, 2023 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	89	89	1
Total	-	-	89	89	1

	December 31, 2023 (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	-	-	782	782	(127)
Total	-	-	782	782	(127)

Note 15C - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3

For the three months ended March 31, 2024 (unaudited)

	Fair value as at the beginning of the year	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from Level 3[(c)]	Fair value as at March 31, 2024	Unrealized gains (losses) in respect of instruments held as at March 31, 2024
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	26	-	-	-	-	-	-	-	-	26	(1)
MBS/ABS	4,889	47	(1)	237	-	(108)	-	-	(68)	4,996	(2)
Total available-for-sale bonds	4,915	47	(1)	237	-	(108)	-	-	(68)	5,022	(3)
Held-for-trading bonds:											
MBS/ABS	5	-	-	-	-	(4)	-	-	-	1	-
Other - foreign	2	-	-	-	(2)	-	-	-	-	-	-
Total held-for-trading bonds	7	-	-	-	(2)	(4)	-	-	-	1	-
Assets in respect of derivatives:											
NIS-CPI contracts	200	-	-	-	-	-	-	22	-	222	25
Interest rate contracts	118	448	-	-	-	(447)	-	-	-	119	6
Foreign exchange contracts	2,363	(3,401)	-	2,010	-	-	-	-	-	972	311
Stock contracts	179	78	-	-	-	-	-	-	-	257	94
Total underlying assets for derivatives	2,860	(2,875)	-	2,010	-	(447)	-	22	-	1,570	436
Total assets	7,782	(2,828)	(1)	2,247	(2)	(559)	-	22	(68)	6,593	433
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	116	(32)	-	-	-	-	-	9	-	93	9
Foreign exchange contracts	6	(1)	-	-	-	-	-	-	-	5	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	129	(33)	-	-	-	-	-	9	-	105	9
Other - total	419	1	-	-	-	(46)	-	-	-	374	1
Total liabilities	548	(32)	-	-	-	(46)	-	9	-	479	10

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.

(b) Unrealized gains (losses) included in "Statement of Changes in Equity" under "Accumulated other comprehensive income (loss)". The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31, 2024, amounted to NIS (3) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended March 31, 2023 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[a]	In other comprehensive income[b]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[c]	Transfers from Level 3[c]	Fair value as at March 31, 2023	Unrealized gains (losses) in respect of instruments held as at March 31, 2023
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	24	1	1	-	-	-	-	-	-	26	(5)
MBS/ABS	4,059	121	18	190	-	(55)	-	-	(346)	3,987	(210)
Total available-for-sale bonds	4,083	122	19	190	-	(55)	-	-	(346)	4,013	(215)
Held-for-trading bonds:											
MBS/ABS	10	-	-	-	-	-	-	-	-	10	-
Other - foreign	2	-	-	-	-	(2)	-	-	-	-	-
Total held-for-trading bonds	12	-	-	-	-	(2)	-	-	-	10	-
Assets in respect of derivatives:											
NIS-CPI contracts	153	34	-	-	-	-	-	17	-	204	62
Interest rate contracts	77	341	-	-	-	(330)	-	-	-	88	15
Foreign exchange contracts	1,823	(908)	-	1,724	-	-	-	-	-	2,639	1,941
Stock contracts	1,715	(1,269)	-	-	-	-	-	-	-	446	(548)
Commodity- and other contracts	4	(3)	-	-	-	-	-	-	-	1	(3)
Total underlying assets for derivatives	3,772	(1,805)	-	1,724	-	(330)	-	17	-	3,378	1,467
Total assets	7,867	(1,683)	19	1,914	-	(387)	-	17	(346)	7,401	1,252
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	148	(26)	-	-	-	-	-	30	-	152	31
Foreign exchange contracts	4	(3)	-	-	-	-	-	-	-	1	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	159	(29)	-	-	-	-	-	30	-	160	31
Total liabilities	159	(29)	-	-	-	-	-	30	-	160	31

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.
(b) Unrealized gains (losses) included in “Statement of Changes in Equity” under “Accumulated other comprehensive income (loss)”. The balance of unrealized other comprehensive income (loss), in respect of available-for-sale bonds held as at March 31, 2023, amounted to NIS (215) million.
(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

For the year ended December 31, 2023 (audited)

	Fair value as at the beginning of year	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at December 31, 2023	Unrealized gains (losses) for instruments held as at December 31, 2023
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	24	2	-	-	-	-	-	-	-	26	-
MBS/ABS	4,059	84	84	881	-	(393)	-	174	-	4,889	83
Total available-for-sale bonds	4,083	86	84	881	-	(393)	-	174	-	4,915	83
Held-for-trading bonds:											
MBS/ABS	10	-	-	-	-	(5)	-	-	-	5	-
Other - foreign	2	-	-	-	-	(2)	-	2	-	2	-
Total held-for-trading bonds	12	-	-	-	-	(7)	-	2	-	7	-
Assets in respect of derivatives:											
NIS-CPI contracts	153	(1)	-	-	-	-	-	48	-	200	75
Interest rate contracts	77	475	-	-	-	(434)	-	-	-	118	58
Foreign exchange contracts	1,823	(1,413)	-	1,953	-	-	-	-	-	2,363	2,131
Stock contracts	1,715	(1,536)	-	-	-	-	-	-	-	179	160
Commodity- and other contracts	4	(4)	-	-	-	-	-	-	-	-	-
Total underlying assets for derivatives	3,772	(2,479)	-	1,953	-	(434)	-	48	-	2,860	2,424
Total assets	7,867	(2,393)	84	2,834	-	(834)	-	224	-	7,782	2,507
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	148	(145)	-	-	-	-	-	113	-	116	26
Foreign exchange contracts	4	2	-	-	-	-	-	-	-	6	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	159	(143)	-	-	-	-	-	113	-	129	26
Other - total	-	-	-	500	-	(81)	-	-	-	419	-
Total liabilities	159	(143)	-	500	-	(81)	-	113	-	548	26

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line 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, 2023, amounted to NIS 83 million.
(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	March 31, 2024 (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 (ABSs) or mortgage-backed (MBSs) bonds	4,996	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 (ABSs) or mortgage-backed (MBSs) bonds	1	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	222	Discounted cash flows	Expected inflation	0.33%-2.65%	1.49%
	-	Discounted cash flows	Counterparty risk	0.19%-100%(*)	0.79%
Interest rate contracts	119	Discounted cash flows	Counterparty risk	0.19%-100%(*)	0.79%
Foreign exchange contracts	972	Discounted cash flows	Counterparty risk	0.19%-100%(*)	0.79%
Stock contracts	257	Discounted cash flows	Counterparty risk	0.19%-100%(*)	0.79%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	93	Discounted cash flows	Expected inflation	0.33%-2.65%	1.49%
Foreign exchange contracts	5	Discounted cash flows	Expected inflation	0.33%-2.65%	1.49%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.19%-100%	0.79%
Other liabilities	374	Discounted cash flows	Probability of default	3.51%-4.84%	4.09%
			Effective average duration in	0.41-0.76	0.602
b. Items measured at fair value on a non-recurring basis					
Collateral-dependent non-performing credit	533	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	March 31, 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 (ABSs) or mortgage-backed (MBSs) bonds	3,987	Discounted cash flows	Spread	200-280 bp	240bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	10	Discounted cash flows	Spread	200-280 bp	240bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	200	Discounted cash flows	Expected inflation	0.20%-2.99%	1.60%
	4	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Interest rate contracts	88	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Foreign exchange contracts	2,639	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Stock contracts	446	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Commodity contracts	1	Discounted cash flows	Counterparty risk	0.30%-100%(*)	1.70%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	152	Discounted cash flows	Expected inflation	0.20%-2.99%	1.60%
Foreign exchange contracts	1	Discounted cash flows	Expected inflation	0.20%-2.99%	1.60%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.30%-100%	1.70%
b. Items measured at fair value on a non-recurring basis					
Collateral-dependent non-performing credit	89	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31, 2023 (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	26	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed (ABSs) or mortgage-backed (MBSs) bonds	4,889	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 (ABSs) or mortgage-backed (MBSs) bonds	5	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%
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	198	Discounted cash flows	Expected inflation	0.03%-2.33%	1.18%
	2	Discounted cash flows	Counterparty risk	0.26%-100%(*)	1.40%
Interest rate contracts	118	Discounted cash flows	Counterparty risk	0.26%-100%(*)	1.40%
Foreign exchange contracts	2,363	Discounted cash flows	Counterparty risk	0.26%-100%(*)	1.40%
Stock contracts	179	Discounted cash flows	Counterparty risk	0.26%-100%(*)	1.40%
Liabilities					
Liabilities for derivatives(2)					
NIS-CPI interest contracts	116	Discounted cash flows	Expected inflation	0.03%-2.33%	1.18%
Foreign exchange contracts	6	Discounted cash flows	Expected inflation	0.03%-2.33%	1.18%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.26%-100%	1.40%
Other liabilities	419	Discounted cash flows	Probability of default	4.08%-5.49%	4.70%
			Effective average duration in	0.54-1.00	0.72
b. Items measured at fair value on a non-recurring basis					
Collateral-dependent non-performing credit	782	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 War has led to significant disruptions in economic activity, especially in its initial weeks. This was due to the widespread rocket firing, which targeted most highly populated localities, the evacuation of more than 100,000 civilians from southern and northern Israel, substantial drafting of reservists, a sharp decrease in availability of nonresident workers and ongoing disruptions in the educational system. The effects of the War have led to a substantial decrease in GDP in the fourth quarter of 2023.

During the first quarter of 2024, economic activity across most sectors and regions appears to be recovering due to a substantial decrease in rocket firing into most regions, a decline in the number of reservists on active duty, the educational system resuming routine activity across most regions and the public's adaptation to the "wartime routine." This process is reflected, inter alia, in a rise in consumer spending using credit cards, higher turnover in businesses across most sectors, etc. On the other hand, activity in some economic sectors is still substantially lower than its pre-War levels, such as in the construction and incoming tourism sectors, as well as in areas adjacent to the northern and southern borders.

A prolonged process of civil and security rehabilitation is expected, with emphasis on local spending which will be manifested in the public expenditure, with investment in fixed assets, in healthcare services and social services, as well as private consumption. Geopolitical risks remained high on the back of the possibility of escalation into additional fronts and due to the risks associated with the sentiment towards Israel in global financial markets. In this context, we shall note that on the night of April 13-14, 2024, Iran launched a missile attack against Israel, a move which increases the likelihood of the materialization of alternative scenarios with more adverse consequences for the Israeli economy. But it seems that it will not be in the immediate time frame in view of development since then.

Against the backdrop of the War and its immediate and long-term effects on economic activity and on Israel's fiscal situation, the three large credit rating agencies responded with downgrades and/or a downward revision of the rating outlook. Moody's downgraded the credit rating of the State of Israel from A1 to A2 and changed Israel's rating outlook to negative, Fitch removed the short term risk watch negative (RWN) on Israel's credit rating and replaced it with a longer risk negative outlook and S&P downgraded Israel's credit rating from AA- to A+ with a negative rating outlook. The downgrading of the credit ratings did not have an effect on the Bank's capital adequacy ratios.

Since the outbreak of the War and as of the report publication date, uncertainty prevails in the Israeli economy, which has caused a worsening in macroeconomic indicators that are taken into account in the calculation of the collective loan loss expense for possible consequences of the War. The increase in the provision is intended, among other things, to cover a possible future increase in the specific provision 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.

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

Reliefs for coping with the War's ramifications

On October 15, 2023 and on November 8, 2023, the Banking Supervision Department published an outline to support bank customers in coping with the consequences of the Iron Swords War in three operating segments (mortgages, consumer credit and business credit) for three months, while distinguishing between the First Circle Customer Group - population living within 30 km of the Gaza Strip, the population evacuated from their homes by an official government authority, reservists on duty, and those with first kinship with the War dead or hostages or missing persons, and other customers of the banks (hereinafter - the "**First Outline**"). On December 17, 2023, the Banking Supervision Department published a notice regarding the extension of the outline by three months, from January 1, 2024, which, among other things, added hostages and missing persons to the First Circle (who were also included, in effect, in the First Outline), as well as participants of the Nova party at Re'im (hereinafter - the "**Second Outline**"). On March 4, 2024, the Banking Supervision Department issued an notice regarding the extension of the Outline for an additional three months from April 1, 2024, under which, as from that date, additional groups have been included in the First Circle, including the residents of eight localities in the north for whom a government decision has been made to evacuate them and they have not yet been evacuated, reserve soldiers who have been hospitalized for a period of at least 7 days for war-related injuries, victims of the Psyduck Festival and victims of the preparation meeting for the Midburn Festival (hereinafter - the "**Third Outline**"). The First Outline, the Second Outline and the Third Outline will be termed hereinafter - the "**Bank of Israel Outline**").

The Bank adopted the Bank of Israel Outline and implemented additional reliefs for its customers. In addition, the Bank undertook to accompany Kibbutz Be'eri until its rehabilitation, it 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 from the Bank, and the "Leumi Matriculation", in which the Bank assists youth throughout the country preparing for the matriculation exams, with special emphasis on study centers where evacuees from the north or south are concentrated.

B. Investment in Valley

The market value of the Valley shares held by the Bank as at March 31, 2024 is approx. NIS 2,106 million. Subsequent to the balance sheet date and up to shortly before the report publication date, the market value of Valley's shares held by the Bank was in the NIS 1.9-2.1 billion range.

C. Sale of headquarters buildings in Tel Aviv

Beit Lin - on March 25, 2024, the Beit Lin transaction was completed, the balance of the consideration was paid to the Bank and the property was delivered to the buyer. For the Beit Lin transaction, a capital gain (before tax) in the amount of approx. NIS 271 million was included in the reporting period.

Beit Mani - On February 29, 2024, the Beit Mani transaction was completed, the Bank was paid the remaining consideration and the building was delivered to the buyer. For the Beit Mani transaction, a capital gain (before tax) in the amount of approx. NIS 559 million was included in the reporting period.

D. Special Payment for Achieving the Budgetary Targets Law (Temporary Order - Iron Swords), 2024 and a change in the payroll and profit tax rate.

On March 17, 2024 - as part of the Balancing Plan Bill (Legislative Amendments for Obtaining the Budgetary Targets for the 2024 Budget Year), 2024 - the Law of Special Payment for Achieving the Budgetary Targets (Temporary Order - Iron Swords), 2024 was published by the Knesset; according to the law, a bank whose scope of activity is not small (a bank whose assets are valued more than 5 percent of Israeli banks' total assets, hereinafter - a "paying bank") shall pay the government - for the period beginning on April 1, 2024 and ending on December 31, 2025 (hereinafter - the "effective period") - an annual payment equal to 6 percent of the profits generated for its activity in Israel (hereinafter - the "annual payment amount").

If the total annual payment of all the paying banks exceeds NIS 1.2 billion for 2024 or NIS 1.3 billion for 2025, paying banks will be refunded the difference between the annual payment amount of all the paying banks and the maximum amount for 2024 or 2025, as the case may be, multiplied by the relative share of the said paying bank from the total annual payment of all paying banks.

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

The Minister of Finance may issue, with the approval of the Knesset's Finance Committee, by October 31, 2024, an ordinance shortening the effective period until December 31, 2024, if he is made aware of a material change in Israel's expected economic conditions for 2025, compared with the economic conditions expected for that year prior to the passing of the law, including in the Bank of Israel's interest rate, inflation rate or rate of the unemployed out of the labor force), such that may materially compromise the banks' ability to generate profits in 2025.

In addition, the tax payable by a bank for its activity in Israel in 2025 will be 17 percent of the salaries it paid and the profit it generated (unless the Minister of Finance promulgates such an ordinance.

At the same time, on February 28, 2024, the Value Added Tax Ordinance (Tax Rate on Transaction and Imports of Goods) (Amendment), 2024 was published, according to which the VAT rate will be raised to 18 percent as from January 1, 2025.

Accordingly, on March 11, 2024, the Knesset approved the Value Added Tax Ordinance (Tax Rate on NPOs and Financial Institutions) (Amendment), 2024, according to which the salary tax and profit tax will be revised in accordance with the increase in VAT as from 2025 (hereinafter - the "Additional Ordinance"). The Additional Ordinance was published in the Official Gazette on April 14, 2024.

According to the above, the combined tax rate applicable to the Bank in 2024, considering the effective period, is 38.03 percent, and is expected to increase to 39.32 percent in 2025. In addition, the profit tax payable by the Bank will increase to 18% from January 1, 2026, such that the combined tax rate applicable to the Bank in 2026 and thereafter shall be 34.7 percent.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Corporate Governance, Additional Details and Appendices

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Changes in the Board of Directors

As of the report publication date, the Board of Directors includes ten members, in accordance with the number of directors allowed in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter - "Directive 301"). During the first quarter of 2024, there were no changes in the composition of the Board of Directors.

On May 5, 2024, the Bank published a preliminary notice regarding the intention to summon an annual general meeting of the Bank's shareholders to discuss several topics, including the appointment of two external directors in accordance with the requirements of the Companies Law, 1999 and appointment of two external directors in accordance with Proper Conduct of Banking Business Directive 301 of the Banking Supervision Department. For more information, please see the immediate report published by the Bank on May 5, 2024 (Ref. No. 2024-01-043501).

For 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, 2023.

The Chief Internal Auditor

Information regarding the Group's internal auditing function, 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, 2023.

The 2023 Internal Audit Report of the Leumi Group was submitted to the Audit Committee on February 21, 2024, discussed by the Committee on February 26, 2024, submitted to the Board of Directors on March 4, 2024 and presented to the Board on March 11, 2024.

Control of the Bank

The Bank is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For up-to-date information regarding interested parties' holdings in the Bank as at March 31, 2024, please see the immediate report on the status of holdings of interested parties and senior officers dated April 7, 2024 (Ref. No.: 2024-01-034297) and immediate report regarding an entity who ceased to serve as an interested party in the Bank as of April 14, 2024 (Ref. No. 2024-01-036958). Please see also the immediate report on the list of holders of significant means of control in the Bank as of March 31, 2024, dated April 7, 2024 (Ref. No.: 2024-01-034303) and the immediate report on who became a holder of material means of control dated April 8, 2024 (Ref. No.: 2024-01-034966).

Appointments and Departures

Appointments

Mr. **Eyal Efrat**, Head of the Strategy, Digital, Data and Projects Division, member of the Bank's management and First Executive Vice President, was appointed Head of Technologies Division as of January 31, 2024.

Ms. **Tamar Mass** was appointed Head of the Strategy Division and Chief of Staff, as a member of the Bank's management and First Executive Vice President starting from March 13, 2024.

Adv. **Nitzan Sandor** will be appointed Head of the Legal Counsel Division, as a member of the Bank's management and First Executive Vice President; the appointment was approved by the Bank of Israel and will enter into effect during 2024.

Departures

Michal Alterman, Adv., Head of the Legal Counsel Division and member of the Bank's management, has ended her tenure during the first quarter of 2024.

Corporate Structure

For details, please see the section entitled "Corporate Structure" in the Corporate Governance Report as of December 31, 2023.

Material Agreements

For details regarding additional material agreements, please see the Note 16 and the Material Agreements section in the financial statements as at December 31, 2023.

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, operational 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 the financial statements for 2023, 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 financial statements for 2023, please see the section entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023.

Directives Issued by the Banking Supervision Department

Draft Amendment of Proper Conduct of Banking Business Directive No. 206 - Capital Measurement and Adequacy - Operational Risk and Draft FAQ File for implementing the Directive

In the draft published on March 18, 2024, a revision to the Directive is proposed, including the adoption of the Basel Committee provisions from December 2017 on the calculation of capital requirements in respect of operational risk, in accordance with the adoption of international accepted regulatory standards for banks. The draft defines operational risk and determines, among other things, the calculation method for the allocation of capital required of a banking corporation in respect of operational risk. The proposed effective date is January 1, 2026.

On the same date as the Draft Directive, the Draft FAQ File for implementing the Directive was also published. The FAQs deal, among other things, with the accounting treatment of operational loss, monetary refunds to customers due to an operational malfunctions and costs in respect of a damaged or ruined asset.

Draft policy and general terms and conditions for an applicant for a holding permit in banking corporations, in acquirers or in their holding corporations

In the Draft Policy published on March 21, 2024, guidelines are detailed for examining an application for a holding permit in a bank, in an acquirer or in a holding corporation therein, in accordance with the Banking Law (Licensing), 1981, including the manner of holding means of control, financial strength and personal and business integrity and guidelines for when the permit applicant is a private equity fund.

Amendment of Proper Conduct of Banking Business Directive No. 368, Application of the Open Banking Standard in Israel

On April 7, 2024, an amendment to the Directive was published, which mainly included technical adjustments to the technological standard (the appendix to the Directive), which were intended to support the transfer of information regarding large corporate customers and adjustments to the standard regarding the payment initiation service.

Regarding the activity of corporations (small and large) - The information sources were required to mark each account as a private or corporate account. In addition, it was clarified that the corporations' activity will be carried out by an authorized person chosen by the corporation.

Regarding payment initiation transactions - The payment initiator, who is also the financial information service provider, must be allowed to link the payment initiation transaction it carried out to an entry on the customer's current account statement. It is also required to allow the customer to choose the account from which the payment is made (in the bank managing the payment account).

The obligation to transfer information in accounts of large corporations entered into effect on April 14, 2024 and the Bank is in compliance with the Directive. The effective date regarding the obligation for access to the payment initiation service is December 6, 2024 for the initiation of a basic payment and June 6, 2026 for an advanced payment initiation service.

Draft Amendment to Proper Conduct of Banking Business Directive No. 425 - "Annual Reports to Customers of the Banking Corporations"

The draft, published on April 10, 2024, proposes that the rate of return in the investment portfolio (securities deposit), managed by a portfolio manager for the customer, will be reported to the customer by the investment portfolio manager rather than by the banking corporation.

Draft Amendment to Proper Conduct of Banking Business Directive No. 414 - "Disclosure of the Cost of Services in Securities"

The draft, published on April 10, 2024, proposes that a banking corporation send to a customer that has a securities deposit in the bank, a semi-annual notice regarding the weighted average rate of fees and commissions collected from the banking corporation's customers with securities deposits in an amount similar to the customer's securities deposit.

Amendment to Proper Conduct of Banking Business Directive No. 417 - "Activity of a Banking Corporation in a Closed System"

On May 20, 2024, an amendment was published to Directive 417, which the requirement to return funds to the original account, at the end of the period, which revokes the requirement to return funds deposited by a customer in a banking corporation where his/her current banking activity is not managed to the source account, and the customer will be able to leave the funds in the aforementioned banking corporation to be deposited for another period.

Proper Conduct of Banking Business Directive - "Interest Rates on Deposits and Credit Balances in an Account"

On May 20, 2024, a new Proper Conduct of Banking Business Directive was published, which includes guidelines for the banking system regarding the presentation of information on deposits and on credit balances in an account. The Directive established principles and a uniform structure for presenting information to the public so as to make it easier for customers to compare value propositions of the various banking corporations, and an obligation was established to offer customers a search mechanism in the digital apps that will enable them to receive targeted information regarding deposits that meets their needs. The Directive will enter into effect on April 1, 2025.

Directives regarding banking consumerism

Draft Amendment to the Banking Principles (Customer Service) (Fees and Commissions), 2008

The draft, published on April 10, proposes several revisions: (a) Revision of the "Small Business" definition to exclude from the definition venture capital funds and a corporation that presents an investment in a venture capital fund in an amount exceeding NIS 5 million; (b) Addition of a section allowing a banking corporation to make effective a customer's request to join the fees and commissions track service or to cancel it before the beginning of a calendar month; (c) It was determined that a banking corporation must return a charge to a customer within 5 days in the event of a check being bounced for a technical reason due to an error; (d) Revocation of a banking corporation's ability to charge an additional payment for additional pages as part of a document search at the customer's request; (e) Determining of a maximum price for the "handling of a housing loan request" service; (f) Revision of the price structure for the "bank guarantee secured by a specific financial deposit" fee in a NIS amount rather than as a percentage of the deposit value, and the addition of a new fee for the "bank guarantee secured by a specific financial deposit for a residential apartment rental agreement" service; (f) Regulation of the collection of an early repayment fee in a mortgage loan; (g) Addition of an "automatic coverage of an overdraft balance in a foreign currency account" service; (h) Benefits in the prices of services offered on e-banking channels.

Initiatives for Increasing Competition

Further to the section entitled Legislation and Regulation Governing the Banking System in the Corporate Governance Report for 2023, following are details of directives in this area, which were published subsequent to the signing date of the annual report for 2023. These directives are expected to affect the Israeli banking system in the coming years.

Joint Investment in Trust Bill (Money Market Fund and Fixed Date Fund), 2024

On March 26, 2024, a 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 market funds with characteristics that are more similar to those of 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.

The Competition Commissioner's announcement of her intention, subject to a hearing, to declare the five main banking groups a concentration group and each of the banks therein as a member of a concentration group regarding the basket of banking services for retail customers

On March 26, 2024, the Competition Commissioner announced her intention, subject to a hearing, to declare the five main banking groups (including Bank Leumi le-Israel B.M.) a concentration group regarding the basket of banking services for retail customers (households and small businesses) and each of the banks therein as a member of a concentration group, and under her authority, the Commissioner is considering including guidance for the those banks regarding deposits, as follows: (1) Obligation to offer a composite financial deposit, independent of the current account or other banking transactions carried out by the customer, as well as access to a Money Market Fund for retail customers as a non-banking product similar to the bank deposit; (2) Obligation to present comparative information to the customer regarding prices and performance of deposits, including information on a Money Market Fund; (3) Obligation to offer deposits on similar terms and conditions to non-banking entities which seek to operate as "financial centers"; (4) Obligation for deposit transition.

Banking Bill (Licensing) (Amendment No. 31), 2024

On April 1, 2024, the bill was published, according to which: (a) A bank with a moderate scope of activity (whose assets constitute 5-10 percent of the total assets of all the banks in Israel) shall not control a corporation which is an acquirer with a broad scope of activity (an acquirer which cleared 20 percent or more of the number of payment cards transactions cleared in Israel by acquirers or of the total consideration paid to suppliers in Israel by acquirers in a year); (b) A bank with a moderate scope of activity will not serve as an acquirer with a broad scope of activity; (c) If a bank with a moderate scope of activity holds means of control in an acquirer with a broad scope of activity and has passively (without increasing its holdings in the acquirer) gained control over the corporation, the prohibition on control will not apply for a period of two years, during which it will be required to sell its holdings such that it will not have control over the acquirer; (d) A bank with a broad scope of activity (whose assets constitute more than 10 percent of the total assets of all the banks in Israel) which controls or holds means of control of a payment card company prior to January 30, 2023 may continue to control or to hold means of control in that company until three years and nine months will have elapsed from the effective date, i.e. - until November 1, 2026. If during the aforementioned period, the bank's means of control in the company decreased to 40 percent or less, and at least 25 percent of the means of control in the company were issued to the public - until four years and nine months will have elapsed from the effective date, i.e. - November 1, 2027; (e) The prohibition on a large institutional entity to acquire means of control in a payment cards company from a bank with a broad scope of activity in an initial acquisition. (This amendment is relevant only with regard to the sale of ICC, which is still owned by Bank Discount and the First International Bank).

Regulatory measures following the Iron Swords War

Against the backdrop of the continuation 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:

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, November 21, 2023, December 28, 2023 and February 7, 2024, various adjustments to Proper Conduct of Banking Business Directives were published following the War, which will remain in effect until March 31, 2024 (unless noted otherwise). For details regarding these adjustments, please see the section entitled "Legislation and Regulation Governing the Banking System" in the Corporate Governance Report for 2023.

On March 31, 2024, the validity of some of the adjustments was extended, as detailed below, until June 30, 2024 (unless stated otherwise):

- Proper Conduct of Banking Business Directive No. 311 - “Credit Risk Management” - An additional three-month extension was provided for the receipt of an up-to-date financial statement from borrowers (a total of eighteen months from the date of the financial statement). In addition, the period for receipt of semiannual financial information from borrowers was extended by an additional three months (a total of twelve months).
- 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 expired before December 31, 2023, the banking corporation may extend the maximum period until June 30, 2024. An extension was provided for utilization of an uninterrupted vacation in 2023 until April 30, 2024 is in effect.
- 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.
- 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.
- Proper Conduct of Banking Business Directive No. 301 - “Board of Directors” - Relief regarding deferral of deadlines for approval of minutes of meetings and distribution of a draft decision list.
- Proper Conduct of Banking Business Directive No. 329, “Restrictions on the Granting of Housing Loans” - An exemption was determined regarding certain restrictions on the granting of housing loans related to a loan for the construction of a mamad (residential secure space), which is exempt from a permit under the Planning and Building Regulations (Work and Structures Exempt from a Permit) (Temporary Order - Iron Swords), 2023, whose amount does not exceed NIS 200,000. The exemption is given in relation to the restrictions determined in Sections 5 to 8 of Proper Conduct of Banking Business Directive No. 329 - The restriction on granting a housing loan at a repayment rate from income exceeding 40 percent; the restriction of 66.6 percent in variable interest rate out of the total housing loan; the restriction on the final repayment period of a maximum of 30 years in a housing loan). On February 7, 2024, it was determined that the exemption from these restrictions will also apply to a loan to improve protection in a residential apartment (in an amount not exceeding NIS 200,000), as detailed in the Home Front Command listing; an exemption was also determined in relation to these restrictions regarding the restriction on the loan to value ratio (LTV), which is set in Section 4 of Proper Conduct of Banking Business Directive No. 329. The exemptions are in effect until October 25, 2024. In addition, it was determined that a banking corporation will be entitled to grant an all-purpose loan with a mortgage on an apartment (a housing loan not for the purpose of acquiring a land right), at a financing rate of 70 percent instead of 50 percent, provided that the amount of the loan that exceeds the LTV ratio of 50 percent does not exceed NIS 200,000.
- Proper Conduct of Banking Business Directive No. 350, “Operational Risk Management” determined that a banking corporation, for which the end of the cyclical period for performing the multi-year gap survey regarding operational risks (a survey that is the Bank’s continuous operational risks mapping process) that it is required to carry out ends by March 31, 2024, will be entitled to complete it by June 30, 2024.

- Proper Conduct of Banking Business Directive No. 357, "Information Technology Management" - Banking corporations are required to perform a safety survey for high-risk systems and e-banking systems once every eighteen months. It was determined that a deferral of the final date for performing the survey of the aforementioned systems will be allowed, for which the eighteen-month period ends in the period to which the temporary order applies. The deferral will be allowed for a period of up to six months, but no later than June 30, 2024. The Chief Risk Officer will be required to approve and document the deferral while ensuring that the banking corporation will make a reasonable effort to prepare the survey even earlier than the final date possible.

Outline for assistance to bank customers in dealing with the consequences of the Iron Swords War

Further to the section entitled "Legislation and Regulation Governing the Banking System" in the Corporate Governance Report for 2023, on March 4, 2024, a notice was published regarding an additional extension of the outline for assistance to bank customers to ease the burden of credit and fees due to the consequences of the Iron Swords War for three months as from April 1, 2024, and its expansion to other populations from that date. According to the notice, the residents of eight localities in the north who were evacuated under a government resolution, but who have not yet inf act been evacuated, reserve soldiers who were hospitalized for a period of at least seven days for injuries incurred during the War, victims of the Psyduck Festival and victims of the preparation meeting for the Midburn Festival will be added to the First Circle Customer Group. The terms and conditions of the outline regarding the First Circle Customer Group will be expanded in April-June, as follows: An exemption will be given to reserve soldiers from overdraft interest in a current account (with regard to a customer who had an overdraft on the eve of the publication date of this outline) up to an overdraft of NIS 10,000 for three months, according to the actual overdraft amounts; the benefits will be granted to reserve soldiers under the outline initiated by the Bank for a three-month period, with no need for documentation.

Banking Supervision Department letter regarding the Iron Swords War - Clarifications regarding the Implementation of the Bad Checks Regulations (Exceptions to the Scope of the Law), 2023

On April 2, 2024, the Banking Supervision Department published a letter stating that further to the Bad Checks Regulations (Exceptions to the Scope of the Law), 2023, in which it was determined, among other things, that a dishonored check in an account of a reserve soldier or his/her spouse during the period stipulated in the regulations (from October 7, 2023 to January 21, 2024) will be removed from the count of checks for the purpose of Section 2(a) to the Bad Checks Law, 1981. It is also stipulated in the regulations that the applicant for the removal of the check must contact the bank, unless the conditions are met (reserve duty) and the fact was made known to the bank while carrying out another transaction. The Banking Supervision Department letter clarifies that the bank's ability to identify the customer account as an account of a reserve soldier based on reserve duty grants transferred to the account will be considered as information on reserve duty made known to the bank while carrying out another transaction. Removal due to the identification of a reserve soldier in the period stipulated in the regulations will apply retroactively regarding dishonored checks in that period.

Capital planning and profit distribution policy

In a letter dated May 16, 2024, the Banking Supervision Department instructed the banking corporations to reexamine the capital planning, the policies regarding the distribution of dividends and share buybacks in the coming period, while paying attention to the actual capital ratios and the capital cushions required in the various possible scenarios in view of the continuation of the War and the current geopolitical situation.

Directives of the Supervisor of Credit Data Sharing

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, with respect to reports for October and November 2023. Due to the duration of the War, the amendment regarding reporting was extended until June 2024.

Measures Published by Additional Entities and Specific Legislation

For a description of regulatory measures published in the reporting period before the signing date of the financial statements for 2023, please see the section entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023.

Additional Topics

The Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order - Novel Coronavirus) (Amendment No. 2), 2023

Further to the details in the chapter Laws and Regulations Governing the Banking System in the Corporate Governance Report for 2023, 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 twelve months, until March 17, 2024. On March 14, 2024, it was announced that the validity of the amendment was extended once more until December 17, 2024.

Credit Ratings

Following are the credit ratings of Israel and the Bank as at May 27, 2024

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A2	Negative	P-2
	S&P	A+	Negative	A-1
	Fitch	A+	Negative	F1+
Bank Leumi: foreign currency	Moody's	A3	Negative	P-2
	S&P	A-	Negative	A-2
	Fitch	A	Negative	F1+
	Fitch	A-	Negative	F1 (xgs)
Local rating (in Israel)	S&P Maalot	AAA	Negative	A-1+
	Midroog	Aaa	Stable	P-1

Following is the development of the Bank's credit rating and credit outlook from January 1, 2024 to May 27, 2024

On February 13, 2024, rating agency Moody's announced that - following the downgrading of the State of Israel's rating from A1 to A2 with a negative outlook - the agency was also downgrading the long-term deposits to A3 and the short-term - to P-2 of the Bank and other Israeli banks, as well as the CRR rating of the Bank and other Israeli banks to A2, with a negative outlook.

On April 6, 2024, Fitch rating agency announced that due to the removal of the State of Israel from the Ratings Watch Negative (RWN), it removed the Bank's long-term IDR rating from the RWN and reiterated the long-term rating at a level of A and the short-term rating at a level of F1+, with a negative outlook.

On May 2, 2024, rating agency S&P announced that - following the downgrading of the State of Israel's rating from AA-/A-1+ to A+/A-1 with a negative outlook - the agency was downgrading the (long-term and short-term) rating of the Bank and other Israeli banks from A/A-1 to A-/A-2, with a negative outlook.

On May 2, 2024, rating agency S&P announced that - following the downgrading of the State of Israel's rating from AA-/A-1+ to A+/A-1 with a negative outlook - the agency was downgrading the rating outlook of the Bank and other Israeli banks from stable to negative and reiterated the Bank's rating.

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

Appendix 1 - Income and Expenditure Rates[a] and Analysis of Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates – Assets

	For the three months ended March 31					
	2024			2023		
	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	412,809	5,942	5.76	375,306	5,528	5.89
Outside Israel	8,476	175	8.26	6,490	114	7.03
Total[i]	421,285	6,117	5.81	381,796	5,642	5.91
Loans to the government						
In Israel	1,555	19	4.89	1,057	10	3.78
Outside Israel	-	-	-	-	-	-
Total	1,555	19	4.89	1,057	10	3.78
Deposits with banks						
In Israel	13,804	137	3.97	15,928	167	4.19
Outside Israel	230	-	-	227	-	-
Total	14,034	137	3.90	16,155	167	4.13
Deposits with central banks						
In Israel	96,980	1,079	4.45	110,987	1,073	3.87
Outside Israel	-	-	-	76	1	5.26
Total	96,980	1,079	4.45	111,063	1,074	3.87
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	2,284	28	4.90	3,328	34	4.09
Outside Israel	-	-	-	-	-	-
Total	2,284	28	4.90	3,328	34	4.09
Bonds - held-to-maturity and available-for-sale[d]						
In Israel	128,895	1,325	4.11	90,382	621	2.75
Outside Israel	-	-	-	-	-	-
Total	128,895	1,325	4.11	90,382	621	2.75
Bonds - held-for-trading[d]						
In Israel[j]	13,485	122	3.62	3,505	24	2.74
Outside Israel	-	-	-	-	-	-
Total	13,485	122	3.62	3,505	24	2.74
Total interest-bearing assets	678,518	8,827	5.20	607,286	7,572	4.99
Non-interest-bearing receivables for credit cards	6,251			6,194		
Other non-interest-bearing assets[e]	67,119			71,128		
Total assets	751,888	8,827		684,608	7,572	
Total interest-bearing assets attributable to foreign operations	8,706	175	8.04	6,793	115	6.77

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity (cont.)

	For the three months ended March 31					
	2024			2023		
	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	**436,616**	**4,565**	**4.18**	360,427	3,226	3.58
Demand deposits	**138,710**	**1,284**	**3.70**	114,674	929	3.24
Fixed deposits	**297,906**	**3,281**	**4.41**	245,753	2,297	3.74
Outside Israel	**-**	**-**	**-**	19	-	-
Demand deposits	**-**	**-**	**-**	19	-	-
Fixed deposits	**-**	**-**	**-**	-	-	-
Total	**436,616**	**4,565**	**4.18**	360,446	3,226	3.58
Deposits by the Israeli Government						
In Israel	**117**	**1**	**3.42**	244	1	1.64
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**117**	**1**	**3.42**	244	1	1.64
Deposits by central banks						
In Israel	**10,805**	**21**	**0.78**	16,916	3	0.07
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**10,805**	**21**	**0.78**	16,916	3	0.07
Deposits by banks						
In Israel	**11,762**	**64**	**2.18**	5,020	21	1.67
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**11,762**	**64**	**2.18**	5,020	21	1.67
Securities loaned or sold under repurchase agreements						
In Israel	**11,978**	**151**	**5.04**	4,441	67	6.03
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**11,978**	**151**	**5.04**	4,441	67	6.03
Bonds						
In Israel	**32,072**	**258**	**3.22**	28,676	326	4.55
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**32,072**	**258**	**3.22**	28,676	326	4.55
Total interest-bearing liabilities	**503,350**	**5,060**	**4.02**	415,743	3,644	3.51
Non-interest-bearing deposits by the public	**146,038**			176,423		
Non-interest-bearing payables for credit cards	**1,695**			1,789		
Other non-interest-bearing liabilities[f]	**42,375**			36,958		
Total liabilities	**693,458**	**5,060**		630,913	3,644	
Total capital resources	**58,430**			53,695		
Total capital commitments and resources	**751,888**	**5,060**		684,608	3,644	
Interest rate spread			**1.18**			1.48
Net return[g] on interest-bearing assets						
In Israel	**669,812**	**3,592**	**2.15**	600,493	3,813	2.54
Outside Israel	**8,706**	**175**	**8.04**	6,793	115	6.77
Total	**678,518**	**3,767**	**2.22**	607,286	3,928	2.59
Total interest-bearing liabilities attributable to foreign operations	**-**	**-**	**-**	19	-	-

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 March 31					
	2024			2023		
	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	**66,320**	**635**	**3.83**	59,745	995	6.66
Total interest-bearing liabilities	**29,619**	**(166)**	**(2.24)**	26,923	(332)	(4.93)
Interest rate spread			**1.59**			1.73
Non-linked NIS						
Total interest-bearing assets	**488,021**	**6,688**	**5.48**	442,397	5,530	5.00
Total interest-bearing liabilities	**343,052**	**(3,325)**	**(3.88)**	281,620	(2,094)	(2.97)
Interest rate spread			**1.60**			2.03
Foreign currency						
Total interest-bearing assets	**115,471**	**1,329**	**4.60**	98,351	932	3.79
Total interest-bearing liabilities	**130,679**	**(1,569)**	**(4.80)**	107,181	(1,218)	(4.55)
Interest rate spread			**(0.20)**			(0.76)
Total activity in Israel						
Total interest-bearing assets	**669,812**	**8,652**	**5.17**	600,493	7,457	4.97
Total interest-bearing liabilities	**503,350**	**(5,060)**	**(4.02)**	415,724	(3,644)	(3.51)
Interest rate spread			**1.15**			1.46

Please see comments below.

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

	2024 vs. 2023		
	For the three months ended March 31		
	Increase (decrease) due to change[h]		Net change
	Quantity	Price	
	In NIS million		
Interest-bearing assets			
Loans to the public			
In Israel	540	(126)	414
Outside Israel	41	20	61
Total	581	(106)	475
Other interest-bearing assets			
In Israel	335	446	781
Outside Israel	-	(1)	(1)
Total	335	445	780
Total interest income	916	339	1,255
Interest-bearing liabilities			
Deposits by the public			
In Israel	797	542	1,339
Outside Israel	-	-	-
Total	797	542	1,339
Other interest-bearing liabilities			
In Israel	85	(8)	77
Outside Israel	-	-	-
Total	85	(8)	77
Total interest expenses	882	534	1,416

Comments:
(a) The data in the above tables are stated after the effect of derivatives instruments hedging.
(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average on-balance sheet loan loss provisions; foreign subsidiaries - based on quarterly opening balances.
(c) Before deducting the average balance of loan loss provisions. Including non-accrual debts.
(d) The average balance of unrealized gains (losses) from fair value adjustments of held-for-trading bonds was added to (deducted from) the average balance of held-for-trading bonds and available-for-sale bonds, as were gains (losses) in respect of available-for-sale bonds included in shareholders' equity under accumulated other comprehensive income (loss), in the "Adjustments in respect of presentation of available-for-sale securities at fair value" line item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS (3,241) million (March 31 2023 – NIS (3,520) million).
(e) Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.
(f) Including book balances of derivative instruments and non-monetary liabilities.
(g) Net yield – net interest income divided by total interest-bearing assets.
(h) The change 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 period ended on March 31, 2024 totaling NIS 89 million were included in the interest income from loans to the public (fees and commissions for the three-month period ended on March 31, 2023, totaling NIS 99 million).
(j) Of which interest income in the amount of NIS 6 million in respect of bonds classified as held-for-trading securities because the Bank chose to measure them initially according to the fair value alternative, although they were not acquired for trading purposes.

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-reliance 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.