Bank Leumi Le-Israel Ltd.
And Its Investee Companies

2024 Annual Statements

The Bank received the Banking Supervision Department's approval to publish its annual financial statements on a consolidated basis only, with condensed (non-consolidated) financial statements in Note 34 to the financial statements. The Bank's separate data are available upon request at the Bank's offices at 3 Abba Hillel Silver, Lod or on its website: www.bankleumi.co.il.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
2024 Annual Financial Statements
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Chairman of the Board's Statement

2024 will be remembered as one of the most complex years since the State has been established. The War on the various fronts continued to affect our every-day life and our situation as a nation in geopolitical, security, economic and social terms. There is no home in Israel that had not been affected over the past year by the War and its implications.

At the same time, Israeli society has shined bright. By committing, volunteering and with mutual responsibility – and one should be thankful for that. Naturally, the prolongation of the War had a direct and significant impact also on the Israeli economy, alongside geopolitical processes occurring worldwide, and which are expected to stay with us also during 2025.

The global growth rate over the upcoming years is expected to remain lower than the potential, and this despite the fact that decreases in interest are expected to continue. At the same time, changes in leadership in a number of leading countries, particularly the United States are expected to affect the rate of growth. In Israel, the economic activity during 2024 has gradually recovered, however has still been adversely affected by the security situation. In 2025, acceleration of growth and local demand is expected.

Alongside, Bank Leumi, as the largest and leading financial body in the economy, continues to constitute a significant anchor for the Israeli economy, for its customers and for the community – particularly during these times. I am very proud that since the outbreak of the War to date, Bank Leumi's employees have devotedly committed to stand by our customers of all sectors, while maintaining optimal business continuity and providing accessible service, adapted to the customers' needs. The Bank has initiated a number of comprehensive relief outlines for private and business customers nationwide – and particularly for the frontline residents in the south and in the north, intended to alleviate their burden to the extent possible.

In addition, the Bank initiated and financed a series of unique assistance initiatives to rehabilitate southern Israel and other populations adversely affected by the War, including: Providing ongoing multi-year assistance to the Kibbutz Be'eri community until its full rehabilitation; the "National Harvest" project – under which college students who volunteered to assist farmers in harvesting crops on an ongoing basis received a full academic year's scholarship from the Bank, the "Leumi Matriculation" project; and the "Leumi Weddings" project, as part of which the Bank has financed a wedding event for dozens of couples who served in military reserve duty over a prolonged period during the War.

This year, as part of implementing a multi-year plan, Leumi has completed the transfer of all the Bank's headquarters units from the Tel Aviv area to the new campus in Lod. Currently, thousands of the Bank's employees benefit from an innovative, convenient and vibrant campus.

This year too Leumi has continued to establish itself as the most convenient bank in Israel. As part of the service revolution the Bank is leading in the banking system, a series of groundbreaking products for the customers have been launched. This is due to the significant leap the Bank has made in the digital transformation domain, as part of which we have developed advanced data and AI based technological capabilities.

The service strategy the Bank is leading combines human service and advanced technology. On the one hand, there is no banking operation at Leumi that cannot be executed remotely, whether through the app or other means. On the other hand, we greatly invest in the aspect of human bonding between the bankers and the customers as well as strengthening this bond.

Currently we are picking the fruits of the service revolution, with an ongoing and increasing trend in the Bank's customers' satisfaction, in all business lines and in all parameters.

As the lading banking institution in Israel, we believe that we bear special responsibility for the surroundings we operate in. The corporate responsibility (ESG) domain constitutes an integral layer in the Bank's overall strategy. Leumi's ESG vision is based on setting strategic goals, implementation of optimal practices, as well as collaborations with local and international entities. During 2024 the Bank has continued and deepened this strategy in all its activity domains, and as part of which has expanded its main strategic goals in the domain, including increasing the financing and green investment goal for 2030, from NIS 35 billion to HIS 40 billion.

The impressive financial results we are presenting today in these statements testify first and foremost to Bank Leumi's stability and strength as well as to its central role in driving the Israeli economy forwards, during the time of the War as well as the day after it. Of course, these achievements are first and foremost due to the Bank's employees, who over the last year have presented infinite devotion, uncompromised and sensitive professionalism both in the ongoing work *vis-a-vis* customers as well as in social activities as part of diverse volunteer projects for the community.

I would like to take this opportunity to thank also our shareholders for the great trust they have been putting and put in us over the years, as well as our customers who choose us every day anew.

In late 2024 Leumi's Board of Directors chose me as chairman of the Bank's Board of Directors, replacing Dr. Muli Be.n Zvi. I wish to take this opportunity to again thank the members of the Bank's Board of Directors for their trust. I, commit to continue the impressive tradition of doing by Leumi's chairpersons of the Board of Directors throughout all the years.

Also 2025 is expected to be a challenging year. The effects of the War will accompany us for a long time and we must continue to stand by our customers in this period and to continue to drive the Israeli economy. I am confident that the Bank's management and employees will continue to navigate the Leumi "ship" also facing the storms and challenges we are yet to face.

My colleagues on the Board and I pray for the speedy return of all the hostages and the recovery of those injured and embrace the families of the fallen and murdered and share their grief.

Sincerely,

Uri Alon
Chairman of the Board

March 3, 2025

Report of the Board of Directors and Management
Overview, Goals and Strategy
Description of the Leumi Group's Business

The Bank is a "Banking Corporation" in accordance with the Banking Law (Licensing), 1981. The Bank is governed by laws, ordinances and regulations, as well as by rules, guidance and positions issued by regulators.

Leumi's Vision

"To lead proactive, innovative and responsible banking for the customers and to grow expeditiously with the customers in focus"

In the spirit of Leumi's vision, Bank Leumi shall be the financial home that provides the most suitable, straightforward, swift and smart solution for target customers.

Underlying this vision – which combines both business leadership and convenience – is the aim to provide the best possible solution for the financial needs of our customers in a dynamic business environment, based on the values of transparency, responsibility and fairness. These values are implemented by nurturing our human capital and by integrating innovation and creativity, while maintaining the Bank's stability and achieving adequate profitability.

As Israel's leading financial group, with significant impact on the entire public, Leumi evaluates the trends and changes in the business environment in which it operates and implements strategies that address these changes. In addition, and out of understanding of the Group's or impact on the business and public space, Leumi also regards its commitment to the community as a social and ethical anchor it will continue to cultivate.

Objectives and Business Strategy

In late 2024, the Bank's management and Board of Directors had approved a multi-year strategic plan for the years 2025 through 2027. The strategic plan supports continued responsible growth in selected central segments, and this alongside continued work in respect of the segments that had been identified as the focus in the previous strategic plan.

The multi-year strategic plan defines the strategic layers and main points that are required for achieving the strategic goals that had been set. As part of the process an examination was conducted of the trends worldwide and expected changes in the local business environment, changes in consumer expectations and practices, the competitive environment, regulation, etc.

As a derivative of the strategic plan, three-year goals have been defined, in light of which all the Bank's division's work plans are set. Initiatives and strategic projects had also been set in several center points:

1. **Continued responsible growth in the segments at the center** – continued leading and responsible growth, while balancing the business lines and focusing on areas with high return on equity.
2. **Focusing on the customer** – the Bank will strive at being our customers' main bank by leading exceptional human and digital service. In so, over the past year, the Bank is in the midst of a transformation process in the service provided to its customers. At the same time, the Bank promoted a series of significant steps, including dealing with customer requests within a banking business day, banker by Zoom, increasing the service center's hours of operation, Saturday night service, direct WhatsApp with the branches' managers service, and more. The Bank will continue to invest resources for making all banking products and services accessible on the Bank's digital platforms with 24/7 availability, while constantly improving user experience and expanding functionality.
3. **Technology and efficiency** – maintaining the Bank's technological leadership and operational efficiency.
4. **Advanced data capabilities** – leveraging advanced data capabilities constitute a central layer in the decisive implementation of the Group's strategy. The Bank promotes banking based on advanced data and models that are used in underwriting and pricing processes, in service models and in the personalization of value propositions for the customer, while adhering to our customer privacy policy and complying with regulations.

5. **Innovation and collaboration with FinTech companies** – accelerating adopting innovation at the Bank, inter alia by way of continued collaboration with FinTech companies and leveraging these collaborations for promoting product and service innovation on or outside of the Bank's platforms. In addition, the Bank promotes synergistic collaborations with startups in the FinTech, cyber (Fin-Sec), data and AI domains through its investment in a venture capital fund – Garage Ventures – opening its doors to the companies in which the fund is invested.
6. ESG as part of the Group's strategy, the Bank promotes decisive implementation of environmental and social initiatives and their integration into business activity, while embedding processes and measurement and reporting mechanisms in accordance with international standards.
The Bank's ESG vision and strategy are derived from the Bank's vision and strategy, and at their core is leadership in the ESG field through three main anchors: establishing strategic goals, standardization according to best practices, and collaboration with international and local entities.

For further information please see the chapter entitled "Principal Trends in the Operating Environment".

Key Financial Targets

Below are the key financial targets for 2025-26 based on the Bank's strategic plan:

Indicator	Financial Targets 2025-2025
Return on Equity	15%-16% *
Annual Net Profit	9-11 NIS billion
Growth in Credit to the Public	8%-10% average annual rate
Profit Distribution	At least 50% from the net profit *

*Subject to Bank of Israel guidelines.

The objectives listed above are forward-looking information, as defined in the Securities Law, based on plans formulated by the bank's management as of the date of this publication, taking into account the information it has and its estimates. These goals are based on estimates, assessments and assumptions that are not certain to be realized and their realization is not necessarily under the control of the bank. Among the assumptions and estimates on which the targets are based, the following macroeconomic assumptions are also included: it was assumed that the Bank of Israel's average interest rate in the relevant period will be 3.75% - 4.25%;

It was assumed that the average annual inflation will be at a rate of 2.5% - 3% in the forecast years. The target of the annual profit distribution rate is subject, among other things, to the removal of the distribution restrictions established by the Bank of Israel and to Bank of Israel guidelines. Also, the goals do not include the effects of one-time events that may occur during the forecast period.

The targets are based on the regulatory directives in effect as of the date hereof, and do not take into account the possible effects of the "Bank of Israel Outline" as published on February 26, 2025 (see details in the regulation chapter of the Corporate Governance Report Legislation and Regulation Relating to the Banking System). Planning for a period of several years involves, by its nature, uncertainty. The objectives may not be realized, all or in part, and the bank's business results may be different, even materially, among other things if the assumptions detailed above are not realized, or are realized in a different way from the assumptions detailed above, If there are changes in the economic and regulatory environment or in the geopolitical or security situation, technological developments, competitiveness, changes in consumption patterns and customer expectations or the realization of any of the risk factors listed in the risk overview section below. The bank will not be obligated to update the information regarding the goals described above, subject to the provisions of the law.

How the strategy is implemented

In order to support the implementation of the Bank's strategy, the Bank operates four main business lines, which specialize in providing banking and financial services to certain customer segments:

1. Retail banking – focuses on providing banking services, mainly to households, high-net-worth customers (Private Banking), and micro- and small business customers. The retail banking offers personal service to its customers in various channels, such as: in the app, website, face-to-face meeting at a branch nationwide, by phone and in a chat on the Bank's app, banking centers, service centers, information machines and ATMs.
2. Mortgages – This line of activity constitutes a strategic focus for growth and leveraging the value offered to the Bank's target audiences.
3. Corporate Banking – focuses on providing services to Israeli and international corporations with varying scopes of activities and in a wide range of sectors. Corporate banking is constantly promoting adjustments in products and services with the aim of optimally matching the value proposition to the varied needs of its customers.
4. Capital Markets and Financial Management – focuses on the management of the Bank's own (Nostro) funds, assets and liabilities management (ALM) as well as the operation of the Bank's trading rooms, aiming to provide services to customers involved in capital market activities, including institutional customers.

In addition to the Bank's business lines, which are managed directly by the Bank, the Leumi Group operates through its Israeli and foreign subsidiaries:

Activity of the subsidiaries in Israel — non-financial investments, underwriting and investment banking activities, carried out mainly by subsidiary Leumi Partners. Another operation is subsidiary Leumi Capital Markets, which is Israel's leading provider of full-range operating services to financial entities.

Leumi UK Group (LUK) engages in providing credit primarily in the fields of real estate, hotels and ABL, only to commercial customers in the UK and Europe, including Israeli customers active in these geographic areas, including investments and development of residential real estate and financing for commercial real estate.

For further information, please see the chapter "Major Investee Companies".

It should be noted that strategic planning involves a considerable degree of uncertainty; the implementation of long-term strategic plans depends on several variables, including the performance of markets in Israel and abroad, the security situation, and the effects of ongoing regulatory changes whose scope and focus in the long-term cannot be predicted with a high degree of certainty.

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

Principal Trends in the Operating Environment

The abovementioned strategy adopted by Leumi is based on, and takes into account, inter alia, the following trends:

a) Macro/geopolitics

1. The global growth rate over the upcoming years is expected to remain slightly lower than the potential, and this notwithstanding the fact that decreases in interest worldwide are expected to continue. It is expected that geopolitical and changes in leadership in a number of leading countries, will affect the rate of growth. Other than the effect of prolongation of military conflicts worldwide, as well as additional ones, the world may arrive at a situation of "trade/currency wars", and this led by the USA and China, and while other blocs join this.

2. The "Iron Swords" War, which broke out following the surprise attack by Hamas on October 7, 2023, has consequences for the population and the economy in Israel and thus, for households and businesses. Due to the War, the Bank has prepared to provide reliefs, deferrals and payment cancellations in accordance with Bank of Israel guidelines and even went beyond the regulatory outline. In addition, the Bank has taken steps to ensure business continuity and to provide continuous service to its customers with greater sensitivity to the needs of the customers and the difficulties they face.

3. In Israel, the economic activity during 2024 has gradually recovered, however has still been adversely affected by the security situation. In 2025, according to the main scenario, acceleration of growth led by local demand is expected. The inflation is expected to return during 2025 up to around the upper limit of the target of the government's price stability (1%-3%), *inter alia* due to the stabilization of the currency against the background of the improvement of Israel's risk premium in the financial markets during the last part of 2024. in view of this, a decrease in the interest rate on the part of the Bank of Israel is expected during the second half of 2025. An improvement in the macro-economic environment, which includes acceleration of growth, inflation convergence, gradual decrease of interest, improvement in the financial markets, and reinforcement of the shekel, may positively affect the banks' profits. On the other hand, the decrease of the interest rate has an adverse impact on the banks, for example: a decrease in income from interest.

4. Global regulation - The trend of legislation for the encouragement of competition in the credit market continues, with an emphasis on retail credit and payments. The field of digital currencies is also in at the focus of regulatory attention in the United States and in the European Union, including advanced dialog concerning the main banks' digital coins (CBDC).

   In addition, recognition of the climate crisis is strengthening. In various countries around the world plans of action are being formed to cope with the issue. The regulators are involved in these plans, mainly with the demand to integrate climate-related risks into the following areas: risk management processes, credit policy and investment policy of financial institutions.

5. The regulation in Israel continues to promote competition while implementing initiatives such as the Central Credit Register, publishing interest rate data on deposits and credit, publishing fees and commissions data and Open Banking, alongside additional moves being examined such as a proposal of a stage-based banking licensing outline, a draft of a directive for publishing financial funds' data and zero-coupon bonds, examination of possible changes in the structure of commissions and remuneration in the public activities concerning securities..

b) Competition/consumer environment

1. The competitive environment continues to expand on the part of FinTechs, neo banks and other technological entities that offer personal, advanced customer experience. This is alongside a trend of collaborations and implementation of the advanced solutions as part of the Bank's value proposition to its customers in order to provide a solution for the varying consumer expectations.

2. In retail banking, the coronavirus crisis accelerated the adoption of digital banking and the rate of use of digital remained high also following it. At the same time, it is clear that there is no substitute for human-facing, professional service in complex matters, where the customer's preference is for a human representative. Hence, service leadership requires providing a full and convenient digital experience from end to end, available 24/7, providing human and personal customer service as needed.

Additional information on competition:

Local banks

- The competition between the local banks is apparent in all the business activity sectors: from domestic and small and medium businesses, acceleration of the competition in the mortgage market, and up to large businesses sectors. All the banks advertise and launch value propositions to customers, based on improved service, technological and digital innovation, and diverse product offerings.

Non-banking competitors

- Loans provided by institutional entities – in recent years, we have witnessed a trend of an increase in loans extended to the business and commercial sector by institutional entities, including funding for infrastructure projects and income-generating assets as well as funding the construction of residential projects. These entities are gradually entering the retail credit domain as well. On the investment side, these entities are also launching products which compete with traditional banking products, such as investment provident funds or savings policies.

- Furthermore, as a result of regulatory changes in recent years, which have encouraged such non-banking financial entities to extend consumer and commercial loans, the activity of non-bank entities has expanded consistently, including loans to households.

- Fintech and BigTech solutions which compete with specific banking areas of activity - in recent years, with the growing use of advanced technology, the supply and quality of innovative initiatives and high-tech financial services have grown significantly. These initiatives accelerate innovation also in the traditional financial industry; while most do not compete head-to-head with the banks, they threaten to reduce the banks' market share in certain areas of activity.

- At the same time, in the payments market, Apple, Google as well as various paid apps provide mobile payments services, which constitutes an additional plane of competition.

Open Banking

Open Banking is a regulatory initiative that encourages use of innovative and secured technologies, and allows customers of the banks and credit card companies to share their financial information with third parties, so they can receive competing value propositions from additional parties.

Leumi is working to maximize the potential benefits of the Open Banking initiative for its customers, including by making the advanced products and services accessible to them.

Environmental, social and governance (ESG) aspects

- The subject of sustainability is gaining momentum among the public, investors and regulators both in Israel and around the world. This is forward-looking information, the materialization of which is uncertain and not under the Bank's sole control, taking into account that this is an "evolving" domain.

- As part of Leumi's effort to boost its work and contribution to ESG aspects, the Bank developed an environmental management strategy, which was approved by management and the Board of Directors. While approving the strategy, Leumi decided to incorporate and boost ESG aspects in the Bank's business activity, inter alia, by increasing financing and investment in projects advancing a "greener" environment and development of environmentally-friendly financial products.

- The Bank actively identifies and promotes business opportunities that advance the implementation of the strategy and works to develop products for the financing of green activity.

These opportunities include mainly:

1. Providing business credit for "green" ventures and companies
2. Investing in "green" through the Nostro account
3. Investing in "green" companies and projects by subsidiary Leumi Partners

- Coping with the climate crisis requires cooperation and an effective effort that includes governments, regulators, financial institutions and businesses. In view of the above, the Bank has defined the collaborations with local and global entities in the ESG domains as one of the key layers in the implementation of the Bank's ESG strategy.
  - One of the world's central and leading entities in this area is the European Investment Bank (EIB), which focuses on climate and the environment issues, the development of infrastructures and support for small-sized and mid-market businesses.
  - Leumi has a strategic partnership with the EIB. under which the EIB will provide Leumi with a line of credit totaling EUR 750 million to be used for providing credit on preferential terms to small-sized and mid-market businesses in Israel, with emphasis on green credit and financing for green and social projects. (Please see the immediate report dated February 1, 2024 Ref. No. 2024-01-012258).

In addition, the Bank has set targets to reduce its own emissions (cutting down areas, reducing its carbon footprint, transitioning to hybrid and electric transportation).

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

Changes in the regulatory environment

- As aforesaid, the effect of regulation on the banking sector continues to grow. The frequent changes and regulatory complexity limit the sources of income, lead to increased expenses for regulatory compliance and require constant improvement in the Bank's work processes and in technological and digital means.
- The growing regulation is reflected in directives (expressly) addressing competitive issues. For example, various legislative initiatives were developed, with the aim to ease the entry of new players into the market, inter alia, by increasing the resources available to them, providing tiered regulatory reliefs, and granting reliefs for connecting to the payment and clearing systems, as well as transfer and sharing of information stored by banks. In this context, the following, *inter alia*, may be mentioned: the Open Banking Reform, the reform for spinning off the credit card companies from the large banks, the account transfer reform and the Central Credit Register Law, launch of new financial funds similar in essence to deposits while excluding them from the Advisory Law and expansion of their distribution channels, as well as establishment of a team for examining possible changes in the structure of commissions and renumeration in the public activity concerning securities.
- In addition to more extensive and stricter regulation, the Bank is also subject to stringent compliance requirements, as well as risk management requirements.
- The regulatory environment is not applied uniformly in terms of its applicability to the various entities operating in the system, such that while the banking regulation is becoming increasingly onerous, there is no similar development in respect of regulation applicable to entities that are not banking corporations. This has led to a material difference and significant gaps between the various players.
- Thus, regulation has an immediate effect on a series of business and strategic decisions of the Bank, including with regard to the Bank's various areas of activity.

  For further information regarding the regulatory environment and the consequences of the main regulatory changes, please see the chapter entitled "Legislation and Regulation Regarding the Banking System".

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	For the year ended December 31				
	2024	2023	2022(j)	2021	2020
Return on net income attributable to the Bank's shareholders	**16.9(L)**	13.7(I)(L)	17.0(H)	15.0	5.7
Return on net income attributable to the Bank's shareholders for average assets(D)	**1.3**	1.0	1.2	1.0	0.4
Ratio of income(b) to average assets(d)	**3.08**	3.02	2.72	2.70	2.55
Efficiency ratio	**29.9**	32.6	37.5	46.8	53.8
Ratio of net interest income to average assets(d)	**2.20**	2.28	1.97	1.76	1.70
Ratio of fees and commissions to average assets(d)	**0.51**	0.53	0.53	0.60	0.64
Rate of tax provision from profit, before taxes	**35.0(K)**	33.5	32.7	35.4	38.8
Net interest income, to average balance of interest bearing assets (NIM)	**2.44**	2.57	2.21	1.95	1.90
Total income to total average assets under management by the Group(b)(c)	**1.04**	1.06	0.89	0.83	0.81
Total operating and other expenses to average total assets under management by the Group(c)	**0.31**	0.34	0.33	0.39	0.44

	As of December, 31				
	2024	2023	2022	2021	2020
Common equity tier 1 ratio(G)	**12.17**	11.66	11.46	11.50	11.87
Total capital to risk-weighted components ratio(A)(G)	**14.83**	14.72	14.29	14.21	15.58
Leverage ratio(e)	**6.94**	6.65	6.36	6.06	6.57
Liquidity coverage ratio(e)	**123**	124	131	124	137
Net stable funding ratio (NSFR)(F)	**118**	118	128	131	
Equity attributable to the Bank's shareholders to total assets	**7.8**	7.5	7.1	6.3	6.8

Following are the key credit quality indicators (in %)

	For the year ended December 31				
	2024	2023	2022(j)	2021	2020
Percentage of expense (income) due to credit losses from the average outstanding balance of loans to the public	**0.16**	0.58	0.13	(0.25)	0.88
Percentage of collective loan loss expense (income) out of the average outstanding loans to the public	**0.23**	0.50	0.25	(0.10)	0.65
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.49**	1.58	1.28	1.30	1.76
Percentage of non-performing loans to the public in arrears of 90 days or more out of outstanding loans to the public	**0.53**	0.88	0.52	1.02	1.42
Percentage of net charge-offs out of average loans to the public	**0.10**	0.13	0.07	(0.03)	0.18

Please see comments on the next page.

Comments:
a) Equity - including non-controlling interests and various adjustments.
b) Total income - net interest income and noninterest income.
c) Including off-balance-sheet operations.
d) Average assets are the total assets - income-generating and others. For further information, please see Appendix 1 - Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses.
e) For further information regarding the leverage ratio, please see the chapter titled "Structure and Development of Assets and Liabilities, Equity and Capital Adequacy", under the section titled "Capital and Capital Adequacy". And for further information regarding the liquidity coverage ratio, please see chapter entitled "Risk Exposure and Management Thereof".
f) NSFR calculated as of the financial statements as at December 31, 2021. For further information, please see the chapter "Liquidity Risk and Financing Risk".
g) For further details, including anticipated regulatory changes regarding the measurement of capital adequacy, please see the chapter entitled "Equity and Capital Adequacy".
h) The return on net income attributable to the Bank's shareholders for 2022, net of the profit from the merger transaction with Valley is 15.6 percent.
i) The return on net income attributable to the Bank's shareholders to equity had been affected during the second half of 2023 by a substantial increase in expenses for the credit losses resulting from the estimated expected effect of the War, see the Chapter titled Material Developments in Income, Expenses and Other Comprehensive Income, Expenses Due to Credit Losses.
j) Includes the results of Bank Leumi USA, which as from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For further information, please see Note 15.A to the financial statements as of December 31, 2022.
k) For further information, please see Note 8.M.
l) The net return on profit attributable to the Bank's shareholders to equity, net of the depreciation due to investment in an associate company, Valley, which was executed in the second quarter is approximately 17.9% (approximately 15.9% in 2023, net of the depreciation due to the value of the investment in Valley that was made in the first quarter of 2023).

Main Environmental, Social and Governance (ESG) Indices

	2024	2023
Green financing and investments(A)	Approx. NIS 27 billion	Approximately NIS 23.8 billion
Reduction of operational carbon footprint(B)	A reduction of 24%	A reduction of 12.3%
Gender equality(C)	Women constitute approximately 53% of the senior management	Women constitute approximately 52.5% of the senior management
a) Women on the Board of Directors(D)	40%	40%

a) Including off-balance sheet credit instruments. The Bank's target for the year 2030 was NIS 40 billion. The primary change between 2024 and 2023 derived from renewable energy and green construction, including with respect to identifying assets financed by the Bank that meet the required green construction permit according to the Bank's methodology.
b) Compared to the base year 2021. The Bank's target for the year 2030 is to reduce the carbon footprint by 50% compared to the base year 2021. The primary change between 2024 and 2023 derived from reduction of electricity consumption due to energy efficiency, in addition to a reduction in office spaces with the Bank's transition to the Lod campus, as well as reduction in fuel consumption for transportation and a reduction in cooling gas due to the prevention of malfunctions and leaks.
c) Senior management is the main level of the layouts and directors of the divisions at the Bank (solo) (as a rule, the second level of management under the Bank CEO).
d) In 2024, the board of directors adopted a decision on ensuring a minimum of 40% representation from each gender in the board's composition and to strive to achieve a 50% representation by the end of 2030.

Following are the main income statement data for the reporting year

	2024	2023	2022	2021	2020
	In NIS million				
Net income attributable to the banking corporation's shareholders	**9,798**	7,027	7,709	6,028	2,102
Interest income, net	**16,509**	15,997	13,211	10,346	8,723
Loan loss expenses (income)	**713**	2,383	498	(812)	2,552
Noninterest income	**6,599**	5,181	5,018	5,511	4,366
Of which: fees and commissions	**3,823**	3,737	3,535	3,506	3,281
Total operating and other expenses	**6,904**	6,894	6,835	7,428	7,046
Of which: Salaries and related expenses	**3,796**	3,484	3,935	4,242	3,742
Net earnings per share attributable to the banking corporation's shareholders (in NIS):					
Basic earnings	**6.46**	4.58	5.14	4.15	1.44
Diluted net earnings	**6.46**	4.58	5.14	4.15	1.44

Following are the main balance sheet data as at the end of the reporting year

	2024	2023	2022	2021	2020
	In NIS million				
Total assets	**785,551**	731,497	699,166	656,454	556,035
Of which: cash and deposits with banks	**155,828**	105,476	186,569	197,402	136,194
Securities	**124,101**	160,048	82,950	86,927	92,297
Loans to the public, net	**455,519**	419,486	384,782	342,879	295,341
Total liabilities	**723,888**	676,995	649,723	614,402	517,940
Of which: deposits by the public	**618,301**	567,824	557,084	537,269	447,031
Deposits by banks	**18,043**	20,776	22,306	25,370	15,143
Bonds, promissory notes and subordinated notes	**31,969**	32,114	27,805	15,428	16,303
The banking corporation's shareholders' equity	**61,658**	54,497	49,438	41,610	37,664
Additional data:					
Price per share (in NIS)	**43.4**	29.5	29.3	33.5	18.9
Dividend per share (in agorot)(a)(b)	**169.50**	135.56	111.52	137.48	20.29
Average number of jobs	**7,865**	7,962	8,173	8,664	9,080

a) According to the declaration date.
b) For further information see Note 24A.B. – The Bank's Share Buyback Plan 2024.

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 forecasts 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 materialized, 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.

Main Risks inherent in the Operations of the Bank

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.
This risk is embodied in the Group's core business and is reflected in its activities with corporate, commercial and retail customers, as well as in the Group's own portfolio activity. The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311, Proper Conduct of Banking Business Directive 311A, "Management of Consumer Credit" and Proper Conduct of Banking Business Directive No. 314, "Sound Credit Risk Assessment and Valuation for Debts", including the accountability of management and the Board of Directors. In addition, the Bank is meticulous about managing risk in compliance with further guidelines and requirements included in the Banking Supervision Department's directives.

For further information regarding the Bank's credit risk and management thereof, please see the chapter entitled "Credit Risks".

Market risks and liquidity risk - Market risk is the risk of a loss arising from a change in the value of assets and liabilities due to changes in the price level in markets, interest rates, exchange rates, inflation rate and stock prices. Liquidity risk is the risk arising from uncertainty regarding the possibility of raising sources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss. Ongoing market risk management plays a supporting role in the achievement of the Bank's business objectives and assesses the expected profit against the damages and losses that may result from exposure to these risks. Management of market risk exposures is carried out on a dynamic basis in compliance with a set of restrictions prescribed by the Board of Directors and Risk Committees, in order to contain the effects of market exposures on fair value, accounting profit, capital reserves and liquidity position.

For further information regarding the market risk and management thereof, please see the chapter entitled "Credit Risks". For further information regarding the liquidity risk and management thereof, please see the chapter "Liquidity Risk and Financing Risk".

The Bank's function as a financial intermediary involves operational risks, including, inter alia, information security and cyber risks, IT risks, embezzlement and fraud risks, business continuity risks, legal and compliance risks.

Operational risk is the risk of loss as a result of inadequate, or failure of, internal processes, system failures, embezzlement, or as result of external events.

Information security and cybersecurity risks – potential for material damage arising from a cyber event, which may result in information theft, in theft of financial assets and/or disruption to the operational continuity (by disrupting information and/or compromising availability).

In addition, the Bank's activity involves other risks that include, among others, macroeconomic risk, regulatory risk, strategic risk, model risk, conduct risk, climate and environmental risk and reputational risk.

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 350 and while applying risk identification and risk management processes, as well as control, monitoring and reporting mechanisms.

For further information regarding the operational risk and management thereof, please see the chapter entitled Operational Risk".

Trends, Phenomena, Developments and Material Changes

Main Developments in the Israeli Economy[1]

General Background and the Severity of the Risk Factors in the Israeli Economy

Commencing October 7, 2023, the State of Israel has been in a war that has been forced upon it - the "Iron Swords" War.

The War has led to significant disruptions in the economic activity, which were expressed by a substantial decrease in GDP in the fourth quarter of 2023. 2024 was characterized by return to activities against the background of the War, as well as partial and gradual recovery from the effects of the War. Among the main areas of activity that were significantly impaired due to the War, activity of which has not yet returned to their level prior to the War, the foreign tourism, construction and agriculture sectors should be noted.

For further information regarding the changes in the construction industry see the chapter titled "Risks in the Construction and Real Estate Industries".

2024 concluded with a significantly lower growth rate than that estimated prior to the War, and the forecast for 2025 onwards also depends on the security developments. So long as the cease fires in the northern and the southern fronts continue, this is expected to assist in accelerating the economy's recovery process, and in reducing and risks related to the markets' sentiment toward Israel. This, following the decrease in these risks in recent months, against the background of the recent security developments, which were expressed by lowering Israel's CDS margins (although its level is still high compared to its level prior to the War), outperformance of the TASE share index compared to the USA, as well as the gap of returns on ten-year government bonds of Israel (shekel)-USA, which turned negative towards the end of 2024 (the shekel return in Israel is lower than that in the USA), and constitutes an expression of the relative power of the Israeli bonds' market *vis-a-vis* the weakness of other markets worldwide.

Against the background of the war and its immediate and long-term impact on financial activity in the economy and on Israel's fiscal position, Israel's credit rating has been lowered during 2024, as well as the rating outlook, which had been updated downwards to negative by all the leading rating firms. The improvement that took place in the economy's risk environment may be expressed by Israel's rating and rating outlook later on.

On January 21, 2025, the rating firms Moody's and Fitch published reports with a positive message, according to which the risk of a further deterioration of Israel's credit rating was halted, and now, depending on the continued stability, the direction may be positive. The end of the War in Gaza will reduce the risks that are included in the negative outlook of Israel's credit rating. Meaning, should the cease fire agreement between Israel and the Hamas indeed be implemented in full, it could reduce the degree of risk in Israel and the entire region. Additionally, it had been noted that the negative financial consequences of the War were more moderate than the concerns at the time of lowering the rating, and there was no real adverse impact on the infrastructures and investments in Israel. At the same time, it had been emphasized that the current agreement for ceasing the War on the Gaza front is limited in scope and continuation, and thus extension of the cease fire remained uncertain, alongside challenges in implementation of the next stages. Additionally, domestic political challenges as well as security concerns in Israel may delay the progress.

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

Israel's Credit Rating as of the Date of Approval of the Report

Credit rating firm	Credit Rating	Rating outlook	Last update
S&P	A	Negative	October 1, 2024 Lowering the rating while leaving a negative outlook
Moody's	Baa1	Negative	September 27, 2024 Lowering the rating by two notches while leaving a negative outlook
Fitch	A	Negative	August 12, 2024 Lowering the rating while leaving a negative outlook

For further information regarding the credit rating and rating outlook of the State of Israel and the Bank, please see the chapter "Credit Rating in a Corporate Governance Report".

For details concerning the possible impact of lowering the State of Israel's rating on the bank's capital adequacy ratio see the chapter "Capital and Capital Adequacy Ratio".

The Global Economy

On January 17, 2025, the International Monetary Fund (IMF) revised its economic activity estimates for 2024 and its forecasts for 2025. Compared to the previous estimate of October 2024, the estimates of global growth for 2024 were revised slightly downwards, in particular a downward revision was recorded in the GDP in the UK, Japan and India. According to the current estimate, the gross world product expanded by approximately 3.2% in 2024, compared with an increase of 3.3% in 2023. The IMF's growth forecast for 2025 was slightly revised upwards compared to the previous forecast, mainly due to the forecasted upwards revision of the USA GDP.

The IMF assess that the goal growth is expected to remain stable yet relatively weak, with a forecasted growth at the rate of 3.3% in 2025-2026, which is still lower than the historical average (2019-2000), which stands at 3.7%, with variance between the world economies. In the United States, the local demands remained strong, due to significant wealth effects, a more facilitating monetary policy and supportive financial conditions, as well as a strong labor market and an expectation of an increase in the scope of investments. In the Eurozone, a moderate improvement of the growth rate is expected, as geopolitical stresses continue to burden the overall sentiment. A more significant recovery is expected in 2026, due to an expected increase in the local demand, an improvement of financial conditions, an increase in the public trust and a certain decrease in the degree of uncertainty. In China, the forecasted growth rate reflects the impact of the fiscal incentives package that was announced in November 2024, which compensates to some degree for the weakness of investments, which is the result of increasing uncertainty in the trade policy as well as the difficulties and risks in the local real estate market. In India, the growth is expected to be strong, at the level of 6.5%. The IMF had revised slightly downwards the forecast of the growth of the global trade volume for 2025-2026, this is against the background of a sharp increase in the degree of uncertainty in the trade policy, led by the Trump Administration, which may adversely affect investments, particularly among companies that greatly depend on trade. At the same time, in the base scenario, the impact of the increasing uncertainty is expected to be temporary.

The global inflation is expected to decrease down to 4.2% in 2025, and to 3.5% in 2026, as it is expected to converge back to price stability targets in developed economies earlier than in developing economies. The global inflation convergence process is supported, *inter alia*, by the gradual chilling of the labor markets, which is expected maintain minimal demand stresses, and the forecasted decrease in energy prices. In the USA, the inflation is expected to be near, however still above the target of 2% in 2025, while in the Eurozone the inflation environment is expected to be more moderate. In China, the inflation is expected to remain low. As a result, the gap between the forecasted interest rates in the United States and other countries is expected to expand.

The risk map is tilted downwards, and includes, *inter alia*, risks stemming from disruptions of the inflation reduction process, which may delay the process of the facilitating the monetary policy, and this will have implications for the fiscal policy and financial stability. Increasing a protectionist policy, for example, through a new wave of protective tariffs, may escalate trade stresses, impair investments, reduce the market efficiency, distort the trade movements and adversely affect the chains of supply. The growth may be adversely affected both in the short-term as well as in the medium-term, however at a varied degree in various economies. Additional shocks in supply, such as disruptions of the labor force, which result from a decrease in the flow of immigrants to the United States may reduce the potential GDP and increase inflation. Additionally, there are risks stemming from climate changes and various geopolitical risks, as well as a higher impairment than that expected in the economic activities in China, emphasizing the real-estate sector crisis in China, could impair the private consumption of Chinese consumers, and lead to negative impacts worldwide, given China's great weight in the global trade.

Global growth/real change rate
Source: IMF - World economic outlook/January 2025

	2025	2024
World	**3.3%**	3.2%
USA	**2.7%**	2.8%
Eurozone	**1.0%**	0.8%
Japan	**1.1%**	%(0.2)
UK	**1.6%**	0.9%
China	**4.6%**	4.8%

The Israeli Economy

Growth in the Israeli Economy

The Israeli economy grew by a real rate of approx. 1.0 percent in 2024, after growth of approx. 1.8 percent in 2023 after being revised downward from a rate of 2.0%. We note that this is the second consecutive year in which a contraction in GDP per capita has been recorded. This follows a decline across all GDP components - private consumption, investment in fixed assets and exports - with the exclusion of public consumption, which rose sharply due to the substantial increase mostly in defense spending, but also in civilian spending. Private consumption also contributed positively to growth last year, whereas investments and the export for goods and services offset the growth rate in 2024.

According to the forecast of the Bank of Israel Research Department, the GDP is expected to grow by a rate of 4.0% in 2025 and by 4.5% in 2026. The growth rate in 2025 has been revised slightly upwards, against the background of the expectation of a more rapid growth of the private consumption and export, and this, *inter alia* given the expectation of an improvement of the geopolitical situation and an increasing demand for security exports. The forecast assumes continuance of the War at moderate intensity, with its direct economic impact until the end of the first quarter of 2025. Additionally, according to the Research Department, the risks downwards of the forecast had contracted following the security developments in recent months, however, they are still higher compared with periods of business as usual. The Bank of Israel notes that the activity within the construction sector remained lower compared to immediately prior the War, and is affected mainly by human resource restrictions which are still significant. The unemployment rate in its standard definition (unemployed only) stood at 3.0% in 2024 (annual average) compared to 3.4% in 2023. The unemployment rate in its broad definition (which also includes, in addition to the unemployed, who are included in the ordinary definition, also 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 given up looking for work, however not including workers who have been absent for non-economic reasons, such as: reserve duty, care of children in the absence of child care solutions, and more) and also continued to decline over the year gone by, and stood at 4.3% in December 2024, compared to 7.5% in December 2023. This decline stems from a decrease in the volume of those temporarily absent from work for economic reasons (mainly due to a decline in the scope of work or shut-down of the workplace following the War) to the lowest level that was recorded since the outbreak of the War, as well as the volume of those absent due to reserve duty.

The State Budget and its Funding

2024 ended with a deficit of approx. NIS 136.2 billion (approx. 6.9% of the GDP, based on the estimate of the Ministry of Finance) in the state budget, higher than the deficit target that was set by the Ministry of Finance (6.6% GDP, original budget) and higher than the deficit in 2023, which totaled at approximately NIS 77.1 billion (approximately 4.1% GDP). The decline in executing the budget compared to the previous year occurred against the background of the significant increase in the Government's expenses, due to the "Iron Swords" War. additionally, the level of the deficit in 2024 had been the highest recorded over the past two decades, except for the year the Coronavirus crisis broke out (2020).

Looking forward, according to a revision of the budget that had been submitted to the Finance Committee, the deficit ceiling in 2025 will stand at 4.9% GDP. The budget includes adjustment steps for decreasing the deficit, such as raising the VAT and other taxes, alongside a forecast that the security expenses will be higher than had been estimated at first, and this following the recommendations of the "Nagel" Committee.

Foreign trade and service exports data

In 2024, Israel's trade deficit in 2024 totaled at approximately USD 34.2 billion compared to approximately USD 31.8 billion in 2023. The increase of the deficit stems from reduction of export, which had decreased by approximately USD 2.0 billion in terms of nominal dollars, and increase of import, which recorded an increase of approximately USD 0.4 billion. The increase in import stems mainly from an increase in import of consumption products and raw materials, alongside a decrease in import of investment products. This is in light of the improvement of the security situation, and due to the increase in consumption and the business sector's preparation for the legislation changes that took place in early 2025. Israel's service exports (excluding startup companies and diamonds) was down by approx. 4.6 percent in 2024, compared to a sharp increase of approx. 0.0 percent in 2023. Amid the impact of the war, a sharp decline was recorded in the export of tourism services, alongside a moderate decline in the export of business services (which primarily includes the export of technology services).

Exchange Rate and Foreign Exchange Reserves

During 2024 the shekel depreciated against the dollar at the rate of approximately 0.6%, however compared to the euro and the currency basket the shekel appreciated. An appreciation of shekel against euro at the rate of approximately 5.4% was recorded, this after two consecutive years of depreciation, and against the currency basket an appreciation of approximately 4.4% had been recorded. During the fourth quarter of 2024 the shekel had strengthened against the dollar, the euro and the currency basket.

During 2024, the shekel's exchange rate had been characterized by volatility, which was affected mainly by the geopolitical developments. The shekel had weakened and had been traded at a level reflecting weakness compared to its level in the past, however it strengthened during the fourth quarter of the year. This is against the background of a significant increase of the economy's risk premium, as measured by the CDS and government bonds' profits, which had sharply declined towards the end of the year, however remained relatively high compared to its level prior to the War. The trend of the shekel's strengthening had accelerated upon the cease fire in the county's north taking effect in late November. Against the background of the aforementioned, and in light of the relatively high level of the current account of the payments balance, we estimate that the exchange rate of the shekel against the dollar, in a main scenario, is expected to continue an appreciation trend during the upcoming year, however, at a slower rate compared to the accelerated appreciation rate during the last weeks of 2024.

At the end of December 2024, the foreign currency reserves at the Bank of Israel stood at approximately USD 214.6 billion, compared to approximately USD 204.7 billion at the end of December 2023. The increase in the reserves is explained mainly by the effects of revaluation and the Government's foreign exchange operations. In the reporting period, the Bank of Israel had not intervened in the foreign exchange market.

Inflation and Monetary Policy

The "in lieu" consumer price index (CPI) had increased in 2024 up to 3.2 percent in 2024, compared to 3.0 percent in 2023. In so, inflation again deviated beyond the Government's price stability target (1%-3%). The CPI, net of energy prices, was up 3.3 percent. Indeed, there had not been a significant change of inflation upon the conclusion of 2024 compared to 2023, however inflation (annual) exhibited varying trends over the year. Its lowest level had been recorded in February (2.5%) and the highest in August (3.6%). The factors that stood at the background of the acceleration of the inflation, originate mainly from the effects of the War, including: a decrease in the supply of flights, disruptions of the economy's workers supply (vast recruitment of reserve duty, prohibition of entrance of Palestinian workers, a slow rate of intaking foreign workers), alongside a demand for workers, a sharp increase in the shekel's risk premium, which was expressed by the weakening of the currency, significant fiscal expansion, impairment of agricultural infrastructures and access to them, increase in shipping costs and impairment of the marine trade channels in the Red Sea, in certain industries a relatively high demand against the background of a decline in Israelis' exit abroad (such as, food and clothing) and expectations of high inflation during most of the year's months. Looking forward, in the first half of 2025 the inflation (annual) is expected to temporarily rise towards around 4%, against the background of the price raises expected in the economy, due to increase of taxes and the other Government's moves, as well as due to the gap between the increase in demand and the shortage in supply in the economy, and later decrease.

In 2024, the "known" CPI was up 3.4 percent.

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

In the interest rate decision that was made on February 24, 2025, the Monetary Committee decided to leave the interest rate intact, at the level of 4.50%, its level since January 2024. The Bank of Israel noted the continuance of the recovery in the economic activity, although at a relatively moderate rate, as well as the expectation of an inflation increase during the upcoming months due to the changes in taxation, and given surplus demands, against the background of an increase in demand combined with the supply limits. This, alongside the assessment that the inflation is expected to moderate back to the target during the second half of 2025. Additionally, risks were emphasized in respect to possible acceleration of inflation, *inter alia*, due to the tight employment market, ongoing supply limitations, and influences of geopolitical developments on the market. Additionally, the Commissioner emphasized that the economy's risk premium has decreased significantly, however remined high compared to its level prior to the War, as well as the strengthening of the shekel. The main factors that led to the decrease of the economy's risk premium are: the cease fire agreements in the north and in Gaza, a decrease in the intensity of combat, approval of the budget by the Government, and the package of taxation moves by the Knesset. As for moving forwards, the Bank of Israel emphasized that against the background of continuation of combat, the Monetary Committee focuses on stabilizing the markets and on reducing uncertainty alongside price stability and support of economic activity. The interest rate path will be determined according to the convergence of inflation to the target, continued stability in the financial markets, economic activity and fiscal policy. The interest rate reduction process is expected to resume during the second half of 2025. The Bank of Israel Research Department assesses that the interest rate is expected to stand at 4.00-4.25 percent on average in the fourth quarter of 2025.

Israel's Capital Market

The shares and convertible securities index increased in 2024 at a sharp rate of approximately 30.7% after it had increased in 2023 by 4.9% This, against the setting of the recovery of economic activity following the sharp decrease that took place at the outbreak of the "Iron Swords" War, and at the same time of the decrease of Israel's risk premium in the financial markets, against the background of the security developments in the last quarter of the year and the cease fire agreements in the north and on the Gaza front. Upon conclusion of 2024 the local share market stood out positively compared to the leading share indices worldwide. On the other hand, it should be noted that Israel's risk indices still indicate some uncertainty compared to the past, which may be expressed by fluctuations in the financial markets.

The average daily trade volume of shares and convertible securities in 2024 totaled approximately NIS 2.198 billion, an increase of approximately 10% compared to its average level in in 2023.

The CPI-Linked Government Bond Index was up approximately 2.3 percent over year gone by while the non-linked Government Bond Index was up by approximately 3.0 percent. The CPI-linked non-government bond index (corporate bonds) rose in 2024 by approx. 6.9 percent.

Major and Emerging Risks in the Operating Environment

In recent years, major emerging risks arise from the Bank's operating environment, which has been highly affected by risks related to regulation and legislation, a volatile macroeconomic environment, and changes in the business model - including the transition to digital "new banking" and new social and consumer trends. In recent years, due to the changes in the competitive environment, consumer environment, regulatory environment and technological environment, non-financial risks have been on the rise.

Following are the most material leading and emerging risks:

- Information security and cyber risk
- Macroeconomic Risk
- Strategic Risk
- Technology risk
- Regulatory Risk
- Construction and real estate industry risk
- Climate and Environmental Risk

For details regarding these risks, please see the chapter "Risk Exposure and Management Thereof". For more information, please see the section entitled Legal Risks dated December 31, 2024 of Annual Risk Management Report..

Main Changes in the last Year

The "Iron Swords" War

Commencing October 7, 2023, the State of Israel has been in a war that has been forced upon it – the "Iron Swords" War.

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 further information see the chapter titled "Key Developments in the Economy – General Background and Severity of Risk Factors" as well as the chapter titled "Credit Rating in a Corporate Governance Report".

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

For detailed information on the Bank of Israel's relevant publications see the chapter titled "Legislation and Regulations Concerning the Banking System in a Corporate Governance Report".

Reliefs for coping with the War's ramifications

Subsequent to that specified in the chapter titled "Key Changes over the Last Year in the Financial Statements as of December 31, 2023", on March 4, 2024, the Banking Supervision Department published an announcement on an additional extension of the outline for assisting the banks' customers in facilitating the burden of credit and commissions in coping with the impacts of the "Iron Swords" War for the duration of three months, commencing April 1, 2024, and extension thereof to additional populations commencing that date. On June 23, 2024, the Bank of Israel announced a further extension and expansion of the relief outline for banking system customers for an additional three months commencing July 1, 2024 through September 30, 2024. On September 22, 2024 the Bank of Israel announced an additional extension and expansion of the outline for assisting the banking system's customers for three additional months commencing October 1, 2024 through December 31, 2024 and on December 3, 2024 the Bank of Israel announced an additional extension and expansion of the outline for assisting the banking system's customers, for three additional months, commencing January 1, 2025 through March 31, 2025, as it is possible to file an application to be included in the updated outline commencing December 10, 2024, through February 10, 2025. According to the updated outline, population residing or owning a business located within the range of up to 7 km from the Gaza Strip had been excluded from the entitlement to easements, as a dedicated outline of easements for business owners operating in the northern region had been defined.

The Bank adopted the outlines and implemented additional reliefs for its customers, as follows:

Mortgage-related reliefs

a) During the period commencing April 1, 2024 up o June 30, 2024, customers in the first circle, Israel Police officers and customers whose asset they pledged in favor of the loan is located in the towns on the frontline in the south or north, were given the possibility to defer, free of interest and free of commissions, mortgage payments for the period of three additional months, so that the total maximal period of deferral (including the exemption months) would be nine months cumulatively. The aforementioned relief had been extended on July 1, 2024, on October 1, 2024, and on January 1, and it remains in effect until March 31, 2025. Commencing October 1, 2024, for customers who reside or own a business in the northern towns that had been evacuated as well as for customers who are reserve soldiers on active duty, the maximal period of deferral will be twelve months cumulatively (all the aforesaid refers to a first apartment and home upgraders).

b) During the period commencing April 1, 2024 up to June 30, 2024, the possibility to defer, free of commissions, mortgage payments for an additional period was given to all customers, so that the total maximal deferral period for customers who deferred mortgage payments through previous outlines, would be nine months cumulatively, and for customers who had not utilized it up to any deferral date – six months. The aforementioned relief had been extended on July 1, 2024, on October 1, 2024, and on January 1, and it remains in effect until March 31, 2025. 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) During the period commencing April 1, 2024 up to June 30, 2024, private customers in the first circle were given the possibility to defer, free of interest and free of commissions, loan payments the balance of which is NIS 100,000 cumulatively for the period of three additional months, so that the total maximal period of deferral would be nine months cumulatively. The aforementioned relief had been extended on July 1, 2024, on October 1, 2024, and on January 1, and it remains in effect until March 31, 2025 for customers who reside or own a business in the northern towns that had been evacuated as well as for customers who are reserve soldiers in active duty, the maximal period of deferral will be twelve months cumulatively.

b) During the period commencing April 1, 2024 up to June 30, 2024, business customers in the first circle with an activity turnover of up to NIS 25,000,000 were given the possibility to defer, free of interest and free of commissions, loan payments the balance of which is NIS 2,000,000 cumulatively (not including loans in commercial collaboration with a third party) for the period of three additional months, so that the total maximal period of deferral would be nine months cumulatively. The aforementioned relief had been extended on July 1, 2024, on October 1, 2024, and on January 1, 2025 and it remains in effect until March 31, 2025. For customers who reside or own a business in the northern towns that had been evacuated as well as for customers who are reserve soldiers in active duty, the maximal period of deferral will be twelve months cumulatively.

   Additionally, commencing January 1, 2025, according to the dedicated outline for business owners operating in the northern region reliefs by deferral of business credit, subject to the customer's request and given that the following characteristics hold true: a business with an activity turnover of up to NIS 25 million per year, will be entitled to defer business credit in a cumulative sum of up to NIS 2 million (excluding loans in commercial collaboration with a third party), for three months without charging additional interest and commissions to be added at the end of the loan term. Definition of the entitled population will be subject to presenting supporting documents that would be attached to the deferral request according to one of the following alternatives, as the customer may choose: (1) a copy of the request the business owner had filed for obtaining compensation from property tax, commencing May 1, 2024; (2) an accountant/tax advisor's confirmation according to which there has been a decrease at the rate of 25% or more in the business's revenue, during the first nine months of 2024 compared to the corresponding period last year.

c) During the period commencing April 1, 2024 up to June 30, 2024, all customers were given the possibility to defer, free of commissions, loan payments (for individuals up to NIS 100,000 and businesses up to NIS 2,000,000, not including loans in commercial collaboration with a third party) for the period of three additional months, so that the total maximal period of deferral would be nine months cumulatively. The aforementioned relief had been extended on July 1, 2024, on October 1, 2024, and on January 1, 2025 and it remains in effect until March 31, 2025.

Exemption from overdraft interest

a) On April 1, 2024, July 1, 2024, October 1, 2024, and January 1, 2025, the benefit of exemption from interest on a debit balance up to NIS 10,000, which constitutes part of the approved credit line in an account of private customers in the first circle whose accounts had been in a deficit balance on March 3, 2024, June 21, 2024, September 20, 2024, and December 2, 2024, had been extended, each time for three months, respectively.

b) On April 1, 2024, July 1, 2024, October 1, 2024 and January 1, 2025, the benefit of exemption from interest on a debit balance up to NIS 30,000, which constitutes part of the approved credit line in an account of business customers in the first circle having an activity turnover of up to NIS 5,000,000 (for the period commencing April 1 through June 30, 2024) or up to NIS 10,000,000 (for the period commencing July 1 through December 31, 2024), whose account had been in a debit balance on March 3, 2024, June 21, 2024, September 2, 2024, and December 2, 2024, had been extended, each time for three months, respectively.

Exemption for fees and commissions for retail customers and small businesses

Commencing April 1, 2024, the Bank of Israel had extended and expanded from time to time the assistance outline for the banking system's customers, so that as of the date of publication of the Statements the outline is in effect until March 31, 2025.

Benefits for reservists

The Bank granted a series of benefits to its reservist customers (those who were on reserve duty during the Iron Swords War for at least 90 days):

A loan totaling up to NIS 100,000 – up to NIS 20,000 for a period of two years, at zero interest, and up to NIS 80,000 for a period of six years, at the prime rate; or, at the customer's discretion, a deposit of up to NIS 50,000 for one year at an annual fixed rate of 5.5 percent.

Additionally – a mortgage free of interest and free of linkage up to NIS 120,000 or 10% of the mortgage sum, the lower of the two (for taking out a new mortgage only, for the purchase of a first single apartment from a contractor or second hand, provided that its value does not exceed NIS 2,500,000).

Donations and bonuses

Commencing the outbreak of the Iron Sword War, the Bank had focused its contributions and social responsibility resources on rehabilitating populations that had been adversely affected by the War. Among other things, the Bank announced the accompaniment of Kibbutz Be'eri, launched the "Katif Leumi" project, which financed scholarships for students who volunteered for a significant period to assist farmers nationwide, initiated the "Leumi Matriculations" project, which financed marathons of preparation for the matriculation exams for children in the areas that had been evacuated from their home, financed a wedding event for couples who had served on active duty for a long period, as part of the Leumi Weddings Project, and more.

At the same time, the Bank has granted a designated contribution for supporting reserve soldiers – both female and male – and their spouses who are independent business owners and, in many cases, experienced financial distress. The grants had been granted through the "Otef for Reserve Businesses" project.

Following the Statements' period, the Bank initiated the "National Gratitude Project", as part of which **private individuals who established a significant volunteering venture during the War, gain gratitude for their actions and are given hundreds of vacations in hotels and lodges in the north, funded by the Bank.**

Benefits awarded to the public during the War

	For the three months ended December 31, 2024						For the year ended December 31, 2024	for 2023
	Housing	Individuals – Other	Micro- and small-businesses	Mid-market businesses	Corporations	Total	Total	Total
	In NIS million							
Benefits granted by the Bank as part of dealing with the War								
Changes in debt terms and conditions[a]	3	4	9	–	–	16	70	87
Zero interest or reduced interest rates	4	1	–	–	–	5	27	3
Waiver of fees and commissions	1	6	3	–	–	10	71	30
Other benefits[b]	1	17	–	–	–	18	66	16
Total benefits granted by the Bank	9	28	12	–	–	49	234	136
Outstanding benefits not yet used as of	53	83	20	–	–	156	156	317
Additional information on activities for the benefit of borrowers during the War								
Total credit that underwent a change in terms and conditions, during the reporting period[c]:								
Changes in terms for loan takers in	14	75	53	–	–	142	533	1,106
Changes in terms for loan takers who were	2,420	422	779	89	–	3,710	21,296	27,117
Total credit	2,434	497	832	89	–	3,852	21,829	28,223

	As at December 31, 2024						As of June 30 In September 2024	As at December 31, 2023
Total credit that underwent a change in								
Changes in terms for loan takers in	167	567	398	127	328	1,587	1,631	1,722
Changes in terms for loan takers who were								
Credit with a deferral of payments and/or period extension, for which the deferral period has not yet ended(f)	3,018	461	832	223	257	4,791	5,062	25,479
Amount of payments deferred(f)	152	60	202	23	32	469	491(i)	1,071
Average deferral of payments in	9	5	7	7	7	8	8	4
Credit with another change in terms	991	–	–	–	–	991	1,084	1,148
Total	4,176	1,028	1,230	350	585	7,369	7,777	28,349
Further information on changes in terms for loan takers who were not in financial difficulty(H)								
Balance of credit with a deferral of payments and/or period extension, for which the deferral period has not yet ended	3,018	461	832	223	257	4,791	5,062	25,479
Of which: Troubled credit	11	20	23	–	–	54	62	557
Of which: Non-troubled loans, in arrears of 30 days or more	40	2	3	–	–	45	12	98
Balance of credit for which the deferral of	11,430	1,404	4,326	1,969	1,804	20,933	21,199	268
Of which: Debt that defaulted after undergoing a change in terms and conditions	309	97	119	31	2	558	589	–
Outstanding Balance of Zero-Interest or Reduced Interest Rates Loans Extended								
Outstanding loan balance	–	241	96	4	–	341	441	166
Average interest rate (%)	–	2.04	–	–	–	1.45	1.20	–
Average Prime interest rate in said period – 6.10%								
Loans granted as part of state-backed funds								
Outstanding loan balance	–	–	2,083	309	56	2,448	2,571	1,460
Average interest rate (%)	–	–	6.75	7.44	7.60	6.86	6.86	6.79
Of which:								
Outstanding balance of credit funded by the Bank of Israel	–	–	987	–	–	987	1,037	693
Average interest rate (%)	–	–	6.00	–	–	6.00	6.00	6.00
Outstanding balance of loans funded by the Bank of Israel (including through state-backed funds)								
Outstanding loan balance	–	–	1,551	29	6	1,586	2,553	2,247
Average interest rate (%)	–	–	6.02	5.99	6.00	6.02	6.00	6.00

Special payment to the State for the War

For reference to expenses that were listed in the section titled "Taxes on Income due to the "Special Payment for Achieving the Budgetary Targets Law (Temporary Order – Iron Swords)", 5784-2024, see Note 13.8.

Please see comments on the next page.

Comments:

a) Including a waiver of the principal, exemption from debit interest in a current account and a deferral of payments.
b) Donations and grants provided were presented under the "private individuals – other" segment.
c) Credit that underwent a change in terms and conditions during the reporting period also includes credit for which an additional payment deferral was given during the reporting period.
d) In changes in terms and conditions until December 31, 2023 – credit that underwent a restructuring of a troubled debt.
e) For further information, please see Note 29.
f) Including a deferral of payments without interest in the deferral period. If an additional deferral of payments was given for a debt, the total duration of the deferral is presented. The deferral of payments does not include a deferral to which the borrower is eligible under any law.
g) For activity in Israel.
h) As part of dealing with the War.
i) Reclassified.

The estimate and the above forecast 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 forecasts 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 forecasts and/or changes in the reliefs that may occur in the future.

In the credit risk aspect, there is still uncertainty, although a lower intensity, in respect of the War's effects, and therefore it is not possible to accurately assess the intensity of the potential harm to the Bank's credit portfolio, which depends, *inter alia*, on the developments as aforementioned.

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 additional information, please see the chapter entitled "Credit Risks".

In the aspect of market risks the War and the related challenges establish uncertainty in the financial markets and the fluctuations in them may continue, albeit to a lesser degree.

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

For further information, please see the chapter titled "Liquidity Risk" and the chapter titled "Capital and Capital Adequacy".

Impairment of the investment in Valley's shares

As specified in Explanatory Note 15.A, the Bank's investment in Valley shares is recorded in the Bank's accounting books based on the book value method. In view of the impairment of the Valley shares as from the beginning of 2024, the Bank examined the need for an impairment of the investment in Valley's shares as recorded in the Bank's books. Accordingly, in the second quarter of 2024 the Bank recorded a depreciation due to the value of the investment in Valley in the sum of approximately NIS 0.6 billion after the tax effect. The impairment was accompanied by a reallocation of the composition of the investment account in accordance with the latest valuation as of the impairment date.

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

Subsequent to the balance sheet date and up to shortly prior to the Statements' publication date, the market value of Valley's shares held by the Bank are within the NIS 2.3-2.7 billion range.

For more information regarding impairment losses in 2023 and 2024, see note 15.A

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[1] had been published, according to which a bank that is not of a small activity scope will pay to the State Treasury in respect of the period commencing April 1, 2024 through December 31, 2025 (the "Determining Period") an annual payment in the sum equaling 6% of the profit it gained due to its activity in Israel, subject to the payment ceiling.

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 had been published, according to which commencing January 1, 2025 the VAT rate will be raised to 18%. 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, the revision will apply in practice commencing 2026.

Pursuant to the aforementioned, the combined tax rate applying to the Bank in 2024, considering the determining period, is 38.03%, and is expected to increase in 2025 to 39.32%. Additionally, the profit tax rate applying to the Bank will increase commencing January 1, 2026 to 18%, so that the rate of the combined tax rate that will apply to the Bank in the years 2026 onwards will be 34.75%.

For further information, please see Note 8.M.

[1] The Special Payment for Achieving the Budgetary Targets (temporary Order - Iron Swords), 5784-2024 (the "Law").

Material Changes in Financial Statement Line Items

The Iron Swords War

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 volumes of activity within it, and to a higher risk regarding the main economic indicators of financial activity in Israel, including downgrades of the State of Israel's and of the banks' credit rating. Against the background of the latest security developments, and amid cease fires on the northern and the southern fronts, in recent months there had been a decrease in the macro risks, the credit risks and risks related to the markets' sentiment towards Israel. In this regard we should note that on January 21, 2025, the rating firms Moody's and Fitch published reports with a positive message, according to which the risk of a further deterioration of Israel's credit rating was halted, and now, depending on the continued stability, the direction may be positive.

Notwithstanding the decrease in risks as described above, and although as of the date of publishing these Statements, the impacts of the War in practice are much more moderate than the assumptions included as part of the Group's provision for credit losses, the assessment of the provision for credit losses reflects the continued security and economic uncertainty following the uncertainty regarding the cease fire on the Gaza front alongside the security and political challenges, as well as conservativism in the macroeconomic indicators and the parameters that serve for assumptions in the future customers' failure rates forecast model.

For further information concerning the impacts of the War see the chapter titled "Key Changes During the Year Gone By".

Sale of headquarters buildings in Tel Aviv

"Beit Lin" – on March 25, 2024 the Beit Lin transaction had been completed, the Bank was paid the balance of the consideration, and possession of the asset had been delivered to the buyer. In respect of the Beit Lin transaction, in 2024 a capital gain (before tax) in the amount of approx. NIS 271 million was included.

"Beit Mani" – on February 29, 2024 the Beit Mani transaction had been completed, the Bank was paid the balance of the consideration, and possession of the asset had been delivered to the buyer. In respect of the Beit Mani transaction, a capital gain (before tax) in the sum of approximately NIS 559 million was included.

Below is an analysis of the results for 2024:

The net profit attributable to the shareholders (hereinafter – the "Net Profit") amounted to the sum of approximately NIS 9,798 million in 2024, compared with the sum of approximately NIS 7,027 million in 2023.

The profit in 2024 includes capital gains due to the sale of the headquarters buildings in Tel Aviv in the sum of approximately NIS 0.6 billion after tax, as well an expense in an identical sum due to the depreciation of the value of the investment in Valley.

The return on equity in 2024 stood at the rate of approximately 16.9% compared to approximately 13.7% in 2023 (approximately 17.9% in 2024 and approximately 15.9% in 2023 net of the depreciation in the value of the investment in Valley.

The increase in the return on equity stems mainly from an increase in the net interest income, capital gains due to the sale of the headquarters buildings in Tel Aviv, as aforementioned, a decrease in credit loss expenses and lower depreciation than that were recorded in 2024 due to the value of the investment in Valley, compared to that recorded in 2023.

Return on equity in the fourth quarter of the year was 16.2 percent, compared with 13.8 percent in the fourth quarter of last year, among other factors, against the backdrop of the increase in non-interest financing income and the decrease of credit loss expenses.

Net interest income in 2024 totaled to the sum of approximately NIS 16,509 million compared to approximately NIS 15,997 in 2023, an increase of approximately 3.2%. The increase in the interest income stems mainly from the impact of the CPI index, which had increased by approximately 3.4% in 2024 compared to the rate of approximately 3.3% in 2023, and from the increase in the Bank's credit portfolio and the Nostro portfolio. This increase was partly offset by the erosion of credit spreads and the deposits. In the fourth quarter of the year the CPI index had decreased at the rate of approximately (0.1%) compared with an increase of approximately 0.1% in the corresponding quarter last year.

The expenses due to credit losses in 2024 reflect an expense at the rate of approx. 0.16% of the average outstanding loans to the public compared to an expense rate of approx. 0.58% in 2023. The decrease in the expense rate in 2024 stems both from a decrease in the rate of the individual expense as well as from a decrease in the rate of the collective expenses as specified below. The individual income rate due to credit losses in 2024 stood at (0.07%) compared to an expense at the rate of 0.08% in 2023, the decrease stems mainly from lowering provisions and collections that were recorded in 2024, compared to increasing provisions due to a reduced number of loan-takers recorded in 2023. The collective expense rate due to credit losses in 2024 stood at 0.23% compared to a rate of 0.50% in 2023, the decrease in the collective expense stems mainly from a decrease in the rate of troubled debts as well as a greater expense in 2023, which is attributed to the worsening of indicators and the macro-economic presumptions due to the outbreak of the "Iron Swords" War. The rate of outstanding loan loss provision relative to the outstanding loans to the public as of December 31, 2024 stood at approximately 1.49%.

Noninterest financing income totaled approximately NIS 1,820 million in 2024, compared to the sum of approximately NIS 1,279 million in 2023. The increase is mainly due to the increase in income from investment in shares, exchange rate differences and derivatives.

The operational and other commissions in 2024 totaled to the sum of approximately NIS 3,823 million compared to the sum of approximately NIS 3,737 million in 2023. Most of the increase stems from commissions on activities involving securities and credit cards, which was partially offset by a decrease in account management commissions.

The operating and operating and other expenses in the year 2024 amounted to approximately 6,904 billion NIS, similar to approximately 6.894 billion NIS in 2023

The Bank's share in associates' losses, after tax in the 2024 totaled approx. to 271 million NIS compared to 886 million NIS in 2023. The loss in the year 2024 stems mainly from recording a loss due to impairment of the value of the investment in Valley in the sum of approximately NIS 0.6 billion compared to a loss, as aforementioned, in the sum of approximately NIS 1.1 billion that was recorded in the corresponding period in the year 2023.

The efficiency ratio in the year 2024 was 29.9% compared to 32.6% in the year 2023. The significant improvement of the efficiency ratio stems from the growth in the Bank's business activity and the increase in income that is not from interest.

Basic earnings per share attributable to shareholders of the banking corporation in 2024 totaled NIS 6.46 compared to NIS 4.58 in the year 2023.

The CET1 capital to risk components ratio as at December 31 2024 was 12.17 percent compared to 11.66% as at December 31 2023.

The total capital ratio as at December 31, 2024 was 14.83% compared to 14.72% as of December 31 2023.

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

On March 3, 2025, the Bank's Board of Directors approved a distribution of profits at a rate of 40% of the net income, of which approx. 29% as a cash dividend in the amount of approx. NIS 706 million, and the balance by means of a share buyback in the amount of NIS 274 million.

For further information, please see **the Chapter titled** "Equity and Capital Adequacy".

Regarding quarterly results, please see the appendix "Consolidated Income Statement - Multi-Quarter Information".

Material Developments in Income, Expenses and Other Comprehensive Income

Following the outbreak of the "Iron Swords" War, the Bank of Israel published an outline for assisting bank customers in coping with the effects of the War; for additional information on the subject, please see under "Legislation and Regulations Governing the Banking Sector" in the Corporate Governance Report.

Interest income, net

	For the year ended December 31			
	2024		2023	
	Income (Expenses) Interest rate	% Income (Expense)	Income (Expenses) Interest rate	% Income (Expense)
	In NIS million	In %	In NIS million	In %
Interest income	**37,462**	**5.54**	33,655	5.41
Interest expenses	**(20,953)**	**(4.17)**	(17,658)	(4.00)
Interest income, net	**16,509**	**1.37**	15,997	1.41
Net yield on interest-bearing assets (NIM)		**2.44**		2.57

Additional information:		
Credit spread[(a)]	**8,346**	7.955[(c)]
Deposit spread[(a)]	**7,740**	7,990
In other comprehensive income[(b)]	**423**	52[(c)]

a) The spread from credit granting to the public activity is the difference between the interest received from credit and the cost of raising the sources used for granting 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. The spread from obtaining deposits activity is the difference between the transfer prices and the interest paid to customers for those deposits. The credit spread and deposits, on the table above, are affected both by the quantity as well as the price.

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 2024 totaled to the sum of approximately NIS 16,509 million compared to approximately NIS 15,997 in 2023, an increase of approximately 3.2%. The increase in the interest income stems mainly from the impact of the index, which had increased by approximately 3.4% in 2024 compared to the rate of approximately 3.3% last year, and from the increase in the Bank's credit portfolio and the Nostro portfolio. This effect was partly offset against the erosion of the credit spreads and deposits.

Net interest income in the fourth quarter of the year totaled approx. NIS 3,819 million, compared to approx. NIS 3,850 million in the corresponding quarter last year. The CPI in the fourth quarter of the year was a positive 0.1 percent, and in the corresponding quarter last year, it was a positive rate of 0.1 percent. The decrease in the net interest income compared to the corresponding quarter last year is mainly due to the decrease in the interest rates and the erosion of credit and deposit margins. This impact was partially offset by the increase in the Bank's credit portfolio.

The prime interest rate in the year 2024 stood at the average rate of approximately 6.0% in the reporting period compared to the year of 2023.

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

The net interest incomes during the year 2024 had been positively affected by the linkage to the index of the contractual principal and interest in the sum of approximately NIS 1,465 million, while during the corresponding period in the year 2023, they well positively affected by the linkage to the index of the contractual principal and interest in the sum of approximately NIS 1,226 million.

The income increased by 0.13% between the periods, mainly due to the increase in interest bearing assets, increase of the interest rates and index, which was partially offset against the erosion of credit spreads.

The expense rate had increased-by 0.17% between the periods, mainly in light of the impact of the increase in the interest rates and erosion of the deposit spread (inter alia, due to the transfer from checking accounts to deposits).

The decrease in the net return on interest bearing interest (NIM) in the reporting period in the year 2024 stems mainly from the erosion of the credit and deposit spreads, as aforementioned, which was partially offset against the increase of the index.

Total interest spread in 2024 is 1.37%, compared with-1.41% in 2023.

The following table presents interest spread information from activity in Israel by linkage segment in the year 2024:

In the non-linked NIS segment, the interest rate spread in 2024 was 1.73 percent, compared with 1.96 percent in 2023. In the CPI segment, the interest rate spread in 2024 was 1.67%, compared with 1.68% in 2023. In the non-linked NIS segment, the interest rate spread in 2024 was 0.10 percent, compared with 0.56 percent in 2023.

The following are data regarding net interest income, by quarter

	2024							
	in the quarter Q4		in the quarter Q3		in the quarter Q2		in the quarter Q1	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)
	In NIS million	In %	In NIS million	In %	In NIS million	In %	In NIS million	In %
Interest income	**8,877**	**5.14**	**9,966**	**6.00**	**9,792**	**5.83**	**8,827**	**5.20**
Interest expenses	**(5,058)**	**(3.90)**	**(5,421)**	**(4.41)**	**(5,414)**	**(4.37)**	**(5,060)**	**(4.02)**
Interest income, net	**3,819**	**1.24**	**4,545**	**1.59**	**4,378**	**1.46**	**3,767**	**1.18**
Net yield on interest-bearing assets (NIM)		**2.21**		**2.73**		**2.61**		**2.22**
Additional information:								
Credit spread	**2,120**		**2,109**		**2,144**		**1,973**	
Deposit spread	**2,169**		**1,994**		**1,989**		**1,879**	
Other	**(470)**		**442**		**245**		**(85)**	

	2023							
	in the quarter Q4		in the quarter Q3		in the quarter Q2		in the quarter Q1	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)
	In NIS million	In %	In NIS million	In %	In NIS million	In %	In NIS million	In %
Interest income	8,662	5.41	8,758	5.58	8,663	5.63	7,572	4.99
Interest expenses	(4,812)	(4.09)	(4,823)	(4.26)	(4,379)	(4.17)	(3,644)	(3.51)
Interest income, net	3,850	1.32	3,935	1.32	4,284	1.46	3,928	1.48
Net yield on interest-bearing assets (NIM)		2.40		2.51		2.79		2.59
Additional information:								
Credit spread	2,069		2,069		1,936		1,881	
Deposit spread	2,229		1,896		1,976		1,889	
Other	(448)		(30)		372		158	

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

For more information, please see "Main changes in the operating results of the regulatory segments" under "Regulatory operating segments".

Loan loss expenses

	For the year ended December 31			
	2024	2023	Change	
	In NIS million			In %
Loan loss expense (income) - specific	**(328)**	350	(678)	193.7
Collective loan loss expense	**1,041**	2,033	(992)	(48.8)
Total loan loss expense	**713**	2,383	(1,670)	(70.1)
Of which:				
Loan loss expenses in respect of commercial credit risk	**250**	1,550	(1,300)	(83.9)
Loan loss expenses for credit risk in respect of housing loans	**36**	221	(185)	(83.7)
Loan loss expenses for other credit risk for private individuals	**397**	649	(252)	(38.8)
Loan loss expenses (income) for credit risk for banks, governments and bonds	**30**	(37)	67	(181.1)
Total loan loss expense	**713**	2,383	(1,670)	(70.1)
Ratios (in %):				
Percentage of the specific loan loss expense (income) out of the average outstanding loans to the public	**(0.07)**	0.08		
Percentage of collective loan loss expense out of the average outstanding loans to the public	**0.23**	0.50		
Percentage of loan loss expenses out of average outstanding loans to the public	**0.16**	0.58		
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.10**	0.13		
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**6.42**	7.85		

The credit loss expenses in 2024 amounted to NIS 713 million compared to expenses of NIS 2.383 million in 2023. The decrease in credit loss expenses is due to both the collective expense and the specific expense, as detailed above.

The expenses due to credit losses in 2024 reflect an expense at the rate of approx. 0.16% of the average outstanding loans to the public compared to an expense rate of approx. 0.58% in 2023. The decrease in the expense rate in 2024 stems both from a decrease in the rate of the individual expense as well as from a decrease in the rate of the collective expenses as specified below. The individual income rate due to credit losses in 2024 stood at (0.07%) compared to an expense at the rate of 0.08% in 2023, the decrease stems mainly from lowering provisions and collections that were recorded in 2024, compared to increasing provisions due to a reduced number of loan-takers recorded in 2023. The collective expense rate due to credit losses in 2024 stood at 0.23% compared to a rate of 0.50% in 2023, the decrease in the collective expense stems mainly from a decrease in the rate of troubled debts as well as a greater expense in 2023, which is attributed to the worsening of indicators and the macro-economic presumptions due to the outbreak of the "Iron Swords" War. The rate of outstanding loan loss provision relative to the outstanding loans to the public as of December 31, 2024 stood at approximately 1.49%.

Against the background of the latest security developments, and amid the cease fires on the northern and the southern fronts, in recent months there had been a decrease in the macro risks, the credit risks and risks related to the markets' sentiment towards Israel.

For further information concerning credit risks and their impact on the provision for credit losses, please see the chapter entitled "Credit Risks", Note 13 and Note 29.

Noninterest income

	For the year ended December 31		Change	
	2024	2023		
	In NIS million			In %
Noninterest Finance Income	**1,820**	1,279	541	42.3
Fees and commissions	**3,823**	3,737	86	2.3
Other income	**956**[a]	165	791	479.4
Total	**6,599**	5,181	1,418	27.4

(א) Including capital gains on the sale of the headquarters buildings in Tel Aviv. For more information, please see Note 35.C.

The weight of noninterest income out of total income (i.e., net interest income and noninterest income) in 2024 was at a rate of 28.6 percent, compared to 24.5 percent in 2023. The difference between the years is based mainly by 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.

Breakdown of noninterest finance income

	For the year ended December 31		Change	
	2024	2023		
	In NIS million			In %
Net income for derivatives and net exchange rate differentials for non-trading activities	**1,047**	585	462	79.0
Losses on sale of available-for-sale bonds, net	**(465)**	(331)	(134)	40.5
Realized and unrealized gains, net[a] and dividend from equity securities not held for trading	**658**	335	323	96.4
Net revenues from derivative instruments for trading activities for trading	**599**	600	(1)	(0.2)
Profits that had been realized and had not been realized as of yet due to fair value adjustments of bonds and tradeable stock, net and dividend from tradeable stock[A]	**(19)**	90	(109)	(121.1)
Total	**1,820**	1,279	541	42.3

a) Realized and unrealized gains from fair value adjustments of held-for-trading and not held for-trading bonds and equity securities, net also include the effect of exchange rate differentials and impairments.

Breakdown of fees and commissions

	For the year ended December 31			
	2024	2023	Change	
	In NIS million			In %
Account management	**582**	616	(34)	(5.5)
Activity in securities and certain derivatives	**654**	591	63	10.7
Credit cards	**422**	383	39	10.2
Credit handling	**255**	248	7	2.8
Fees and commissions for financial product distribution	**241**	225	16	7.1
Exchange rate differentials	**498**	501	(3)	(0.6)
Financing fees and commissions	**803**	801	2	0.2
Other fees and commissions	**368**	372	(4)	(1.1)
Total fees and commissions	**3,823**	3,737	86	2.3

An increase in commissions at the rate of 2.3% compared to the corresponding period last year 2023 originates mainly from commissions on business financing and commissions on securities' activity resulting from the increase in activity. The increase, as aforementioned, had been partially offset against a decrease in account management commissions resulting from the customer assistance outlines as specified in the chapter titled "Key Changes During the Preceding Period"

Breakdown of other income

	For the year ended December 31			
	2024	2023	Change	
	In NIS million			In %
Gains on central severance pay fund	**7**	2	5	250.0
Other income, including on sale of buildings and equipment, net	**949**[(a)]	163	786	482.2
Total	**956**	165	791	479.4

a) Stems mainly from capital gains on the sale of the headquarters buildings in Tel Aviv. For more information, please see Note 35.C.

Operating and other expenses

	For the year ended December 31			
	2024	2023	Change	
	In NIS million			In %
Salaries and related expenses	**3,796**	3,484	312	9.0
Depreciation and amortization	**613**	675	(62)	(9.2)
Maintenance expenses for buildings and equipment	**907**	866	41	4.7
Other Expenses	**1,588**	1,869	(281)	(15.0)
Total operating and other expenses	**6,904**	6,894	10	0.1

In the year 2024 an increase of a total of 10 million in operating expenses compared to the year 2023. The increase is mainly due to an increase in salary expenses due to the increase in return-based bonuses. The decrease in the other expenses is primarily due to a decrease in pension expenses related to actuarial liabilities.

The efficiency ratio in the year 2024 was 29.9% compared to 32.6% in the year 2023. The significant improvement of the efficiency ratio stems from the growth in the Bank's business activity and the increase in incomes that are not from interest.

Total operating and other expenses constitute 0.88 percent of the total balance sheet, compared with 0.94 percent in 2023.

Salary expenses

	For the year ended December 31			
	2024	2023	Change	
	In NIS million			In %
Salaries and related expenses	**3,439**	3,132	307	9.8
Pension, severance and retirement expenses	**357**	352	5	1.4
Total salary expenses	**3,796**	3,484	312	9.0

The salary and related expenses constitute approx. 55.0% of total operating and other expenses in 2024, compared to approx. 50.5% in 2023.

The increase in salary expenses is mainly a result of the increase in return-based bonus expenses.

Please see Note 22.B.1.

Expenses and Investments Relating to the IT Function

Set forth below is a breakdown of expenses and investments relating to the IT function

	For the year ended December 31, 2024			
	Software	Hardware[(a)]	Other	Total
	In NIS million			
Expenses for the IT function, as included Income and Losses Statement				
Expenses for salaries and related expenses	522	116	–	638
Expenses for acquisition or usage licenses not capitalized to assets	297	34	–	331
Outsourcing expenses	39	–	3	42
Depreciation expenses	472	70	9	551
Other Expenses	40	6	34	80
Total expenses	1,370	226	46	1,642
Additions to assets in respect of the IT function which were not recorded as an expense:				
Costs of salaries and related expenses	408	–	–	408
Outsourcing costs	163	–	–	163
Costs of acquisition or usage licenses[(b)(c)]	41	42	–	83
Costs of equipment, buildings and land	–	–	14	14
Total costs	612	42	14	668
Balances of assets for the IT function				
Total amortized cost	1,071	154	392	1,617

	For the year ended December 31, 2023			
	Software	Hardware[(a)]	Other	Total
	In NIS million			
Expenses for the IT function, as included Income and Losses Statement				
Expenses for salaries and related expenses	485	85	–	570
Expenses for acquisition or usage licenses not capitalized to assets	227	30	–	257
Outsourcing expenses	39	–	3	42
Depreciation expenses	532	71	9	612
Other expenses	43	4	37	84
Total expenses	1,326	190	49	1,565
Additions to assets in respect of the IT function which were not recorded as an expense:				
Costs of salaries and related expenses	388	–	–	388
Outsourcing costs	128	–	–	128
Costs of acquisition or usage licenses[(b)(c)]	48	104	–	152
Costs of equipment, buildings and land	–	–	13	13
Total costs	564	104	13	681
Balances of assets for the IT function				
Total amortized cost	929	160	376	1,465

a) Including communications infrastructures.
b) Costs of acquisition or usage licenses for the IT function, which were not classified as property, plant and equipment (costs of equipment, buildings and land) in the financial statements, but rather as a prepaid expense.
c) Including purchases of software and hardware and licenses to use them for all banking corporation's divisions.

Condensed comprehensive income statement

Comprehensive income in 2024 totaled NIS 10.409 million compared to NIS 7.733 million in 2023.

Positive adjustments had been recorded during the reporting period in the year 2024 due to securities available for sale in the sum of NIS 298 million before tax. These adjustments were added to positive adjustments of liabilities regarding employee benefits in the sum of NIS 606 million before tax that originates primarily from the increase in the discount 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, see the section entitled Capital and Capital Adequacy.

For the year ended December 31

	2024	2023
	In NIS million	
Net income attributable to the Bank's shareholders	**9,798**	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	**298**	641
Adjustments of liabilities for employee benefits	**606**	378
Other adjustments[(a)]	**29**	60
Related tax effect	**(322)**	(373)
Other comprehensive income before attribution to non-controlling interests, after taxes	**611**	706
Less comprehensive other profit attributable to non-controlling rights owners[(b)]	**-**	-
Other comprehensive income attributable to the Bank's shareholders, after taxes	**611**	706
Comprehensive income attributable to the Bank's shareholders	**10,409**	7,733

a) For the composition of the other adjustments, please see Note 10.

b) Sums lower than NIS 1 million.

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

The balance of the Leumi Group amounted to NIS 785.6 billion on December 31, 2024, compared to NIS 731.5 billion as of the end of 2023, an increase of 7.4%. The balance of the Leumi Group amounted to NIS 786.6 billion on December 31, 2024, compared to NIS 732.3 billion as of the end of 2023, an increase of 7.4%.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets as at December 31, 2024 is approximately NIS 142.7 billion, 18.2% of the total assets. In the year 2024, the shekel devalued against the US dollar by 0.6% and 5.4% against the euro, and depreciated by 1.0% against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 0.1% decrease in the Group's total assets.

Total assets under the Group's management — total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 2,400 billion as at December 31, 2024, compared with a total of NIS 2.082 billion as at the end of 2023.

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

	December 31		Change	
	2024	2023		
	In NIS million			In %
Total assets	785,551	731,497	54,054	7.4
Cash and deposits with banks	155,828	105,476	50,352	47.7
Securities	124,101	160,048	(35,947)	(22.5)
Loans to the public, net	455,519	419,486	36,033	8.6
Buildings and equipment	2,822	2,874	(52)	(1.8)
Deposits by the public	618,301	567,824	50,477	8.9
Deposits by banks	18,043	20,776	(2,733)	(13.2)
Bonds, promissory notes and deferred liability letters[a]	31,969	32,114	(145)	(0.5)
The Bank's shareholders' equity	61,658	54,497	7,161	13.1

a) For further information see the chapter titled "Bonds, Promissory Notes and Deferred Liability Letters.

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

	December 31		Change	
	2024	2023		
	In NIS million			In %
Documentary credit, net	1,176	639	537	84.0
Guarantees and other commitments, net	81,202	70,514	10,688	15.2
Unutilized credit card credit facilities, net	14,424	13,882	542	3.9
Unutilized current loan account facilities and other credit facilities in demand accounts, net	17,349	18,986	(1,637)	(8.6)
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	106,419	93,726	12,693	13.5
Derivative instruments[a][b]	1,655,783	1,221,136	434,647	35.6
Options - all types[b]	301,001	223,871	77,130	34.5
Customers' off-balance-sheet financial assets	1,614,157	1,350,872	263,285	19.5

a) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives.
b) For further information, please see Note 27.B.

Loans to the Public, Net

Gross loans to the public increased by 8.5% in 2024, compared to the balance at the end of 2023.

Net loans to the public in the Leumi Group as at the end of 2024 totaled NIS 455.5 billion versus NIS 419.5 billion as at the end of 2023, a 8.6% increase. Net of the effect of the change in the shekel's exchange rate against all foreign currencies, loans to the public, net as at December 31 2024 increased by 8.6 percent over 2023.

Total loans to the public, net constitute 58.0% of total assets, compared with 57.3 percent at the end of 2023.

In addition to loans to the public, the Group invests in corporate securities, which totals to NIS 26,429 million in the year 2024 compared to NIS 25,922 million as at the end of 2023, and which also embody credit risks.

Net non-linked shekel loans to the public constitute as at December 31 2024 approx. 74.5% of total loans compared with 75.0% as at the end of 2023. Linked loans constitute, as at December 31 2024, 14.5% of total loans, compared with 14.5% as at the end of 2023.

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

	December 31		Change	
	2024	2023		
	In NIS million			In %
Private individuals - housing loans	**143,993**	130,002	13,991	10.8
Private individuals - other	**29,590**	28,903	687	2.4
Construction and real estate	**127,498**	116,722	10,776	9.2
Commerce	**33,382**	32,701	681	2.1
Industry	**21,613**	21,924	(311)	(1.4)
Other	**99,443**	89,234	10,209	11.4
Total	**455,519**	419,486	36,033	8.6

For additional information regarding the provision for credit losses due to the War and information regarding the development of credit and credit risk by economic sector, please see the chapter titled "Credit Risks".

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions

	December 31					
	2024			2023		
	On-	Off-	Total	On-	Off-	Total
	In NIS million					
Non-performing credit risk, net	**1,588**	**90**	**1,678**	2,718	115	2,833
Performing credit risk, net	**3,361**	**416**	**3,777**	2,779	577	3,356
Total	**4,949**	**506**	**5,455**	5,497	692	6,189

	December 31	
	2024	2023
	In NIS million	
Troubled credit risk - Commercial	**5,711**	6,604
Troubled credit risk - retail	**1,631**	1,808
Total	**7,342**	8,412
Balance of loan loss provision	**1,887**	2,223
Troubled credit risk after loan loss provision	**5,455**	6,189

For additional information regarding troubled credit, please see the chapter titled "Credit Risks" and Note 29.

Securities

Policy for management of investments in securities (own portfolio)

The Group's policy for management of investment in securities (own portfolio) is set out in the Group's annual and multi-year work plan. The policy defines the approved risk appetite for achieving the Group's business targets. The risk appetite includes principles and quantitative limits for the losses which the Group is willing to absorb under scenarios representing different risk levels. The main limits pertain to investment amounts, risk levels (credit rating, average duration, interest, etc.), exposure to the issuing entity, exposure to investment manager/fund manager, geographical exposure, etc. All investments are made using a list of approved investment instruments.

Management of the Group's own portfolios is carried at the Bank and Group level, since the Bank's own (Nostro) portfolios play a crucial role in the management of liquidity and market risks.

Therefore, the Group prefers investments with a partial/low correlation with other activities of the Bank and the Group. Accordingly, the Group takes into account the inherent advantage of its own investments in foreign securities, which contribute to diversifying the risks arising from investment outside Israel.

Risk diversification in the Group's own portfolios is multi-dimensional: By geographic regions, economic sectors, issuing entities, investment managers, investment instruments, etc.

Investments are carried out with a view to obtain on risk-adjusted profitability taking into account the adequate capital requirements.

Avoiding tail risks (leading to significant losses) plays a significant role in the Group's investment management decisions.

The Bank's own activity focuses mainly on key markets, which operate in a developed and effective regulatory environment.

The decision to approve the Bank's use of an investment instrument takes into account various aspects, such as transparency and accessibility to an independent and reliable source for revaluation/pricing of instruments and minimizing the complexity and the operating and legal risks.

As of December 31, 2024, the Group's investments in securities amounted to NIS 124 billion, compared to NIS 160 billion as of the end of 2023, a 22% 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.

Securities purchased by the Bank are classified, on the date of their purchase, to one of the following portfolios: held-for-trading equity securities, available-for-sale bonds, not held-for-trading equity securities and mutual funds, or held-to-maturity bonds - according to the manner in which the Bank intends to use the securities. Securities purchased for trading purposes (or for the purpose of hedging other components of the held-for-trading portfolio), for market-making purposes or as part of the trading room activity are classified to the held-for-trading portfolio. Securities purchased as part of managing the Bank's assets and liabilities are classified to the available-for-sale portfolio or as not held-for-trading equity securities. Bonds purchased to be held to maturity are classified to the held-to-maturity portfolio.

Held-for-trading securities are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is recorded in the income statement. Available-for-sale bonds are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is stated under a separate item entitled "Adjustments in respect of presentation of available-for-sale bonds at fair value" less related tax, in other comprehensive income. In any case of an impairment, the difference is recorded to profit and loss. Held-to-maturity bonds are stated in the balance sheet at amortized cost. Not held-for-trading equity securities and mutual finds for which there is an available fair value are presented in the balance sheet according to their fair value and the difference between the fair value and the cost is recognized in the income statement. Not held-for-trading equity securities and mutual finds for which there is no available fair value are presented in the balance sheet at cost, less impairment plus or net of changes in observable prices in orderly transactions in similar or identical investments of the same issuer. Unrealized gains or losses from adjustments to changes in observable prices are stated, as aforesaid, in the income statement.

Starting from January 1, 2022, the Bank applies US GAAP for measuring loan losses arising from financial instruments as outlined in ASC 326, "Financial instruments - Credit Losses". These guidelines apply, among other things, to bonds; for additional information, see Note 1.H.

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

	December 31									
	2024					2023				
	Held-to-maturity bonds[e]	Held-to-Available-for-sale bonds[a]	Equity securities and mutual funds Not for trading[b]	Held-for-trading for trading[c][f]	Total	Held-to-maturity bonds[e]	Held-to-Available-for-For sale	Shares and funds No for trading[b]	Securities for trading[c]	Total
	In NIS million									
Bonds										
Of the Israeli Government	10,835	47,725		6,825	65,385	8,093	74,888		12,905	95,886
Of foreign governments[d]	-	17,555		307	17,862	-	26,916		-	26,916
Of Israeli financial institutions	-	176		61	237	-	45		436	481
Of foreign banking institutions	1,460	8,487		132	10,079	1,389	8,882		26	10,297
Asset-backed (ABS) Or mortgage-backed (MBS)	6,235	11,502		12	17,749	5,591	9,951		25	15,567
Of other Israeli entities	-	1,022		137	1,159	-	823		159	982
Of other foreign entities	337	4,033		71	4,441	333	4,632		37	5,002
Equity securities and mutual funds			7,178	11	7,189			4,828	89	4,917
Total securities	18,867	90,500	7,178	7,556	124,101	15,406	126,137	4,828	13,677	160,048

a) Including unrealized losses, net from fair value adjustments in the amount of NIS (2.695) million recorded in other comprehensive income (December 31, 2023 - net losses of NIS (3.013) million).

b) Including unrealized gains, net from fair value adjustments in the amount of NIS 150 million recorded in profit and loss (December 31, 2023 - net gains of NIS 317 million).
c) Including unrealized gains, net from fair value adjustments in the amount of NIS 24 million recorded in profit and loss (December 31 2023 - net gains of NIS 14 million).
d) Of which: The US government - NIS 15.1 billion (December 31, 2023 — NIS 21.9 billion).
e) The outstanding balance of held-to-maturity bonds are presented net of a NIS 2 million loan loss provision. December 31, 2023 - NIS 3 million
f) Of which bonds in the amount of approx. NIS 1,224 million classified as held-for-trading securities since the Bank opted to measure them for the first time according to the fair value alternative, although they were not acquired for trading purposes.

As of December 31, 2024, approx. 72.9% of the Group's own (Nostro) portfolio was classified as available-for-sale, approx. 6.1% as held-for-trading, approx. 5.8% as not held-for-trading equity securities and mutual funds and approx. 15.2% as held-to-maturity.

For information on the value of securities by method of measurement, please see Note 32A.

Available-for-sale portfolio

1. In 2024, there was a NIS 298 million increase (before tax) in other comprehensive income in respect of available-for-sale bonds (before tax), compared with a increase of NIS (641) million (before tax) in 2023.
2. In 2024, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 465 million (before tax), compared with net losses of NIS 331 million (before tax) in 2023.

The net accumulated balance of fair value adjustments of available-for-sale bonds portfolio as at December 31, 2024 totaled a negative NIS (1.334) million (after tax) compared with a negative NIS (1.517) million as at the end of 2023. These amounts represent net unrealized losses (after tax) as at the reporting dates.

For information regarding fair value adjustments of available-for-sale securities recognized in equity, please see Note 12.

Held-for-trading portfolio

As of December 31, 2024, the held-for-trading portfolio has NIS 7.5 billion in bonds, compared with NIS 13.6 billion as of December 31, 2023. As at December 31, 2024, the held-for-trading portfolio constitutes 6.1% of the Group's total Nostro (own) 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 26 million were recorded in the income statement, compared with losses of NIS 85 million in 2023.

Investments in equity securities and mutual funds

As at December 31, 2024, investments in equity securities and mutual funds totaled NIS 7,189 million, of which NIS 3.190 million was marketable and NIS 3.999 million - non-marketable.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of NIS 665 million were recorded net in the income statement in 2024, compared with net gains of NIS 340 million in 2023.

For more information on the portfolio's composition, please see Note 12.

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 NIS 17.7 billion (about USD 4.9 billion) as at December 31, 2024, compared to NIS 15.6 billion as at the end of 2023. Out of the above portfolio, as at December 31, 2024, NIS 11.5 billion (about USD 3.2 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of December 31, 2024, the available for sale portfolio of asset backed securities ABS investments abroad included mortgage-backed bonds, 94.5% were issued by US federal agencies (FNMA, FHLMC, GNMA) totaling NIS 7.1 billion and as of reporting date, held AAA rating.

As of December 31, 2024, the aggregate net impairment carried to equity from the mortgage-backed bonds portfolio totaled app. NIS 588 million.

The total mortgage-backed bonds that are not guaranteed by the State (the United States) and are not backed by American federal agencies, amounts to approximately NIS 393 million.

The expected period for maturity of the entire mortgage-backed bond portfolio is approximately 4.81 years on average (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio includes also other non-mortgage asset-backed bonds in the sum of approximately NIS 4.4 billion, from which bonds classified as CLO in the sum of approximately NIS 2.9 billion. The expected maturity period of the non-mortgage asset-backed bonds portfolio is approximately 4.25 years on average.

For more information on investments in asset-backed bonds, please see Note 12.

B. Investments in foreign non-asset-backed securities

As of December 31 2024, the Group's securities portfolio includes NIS 52.8 billion (USD 14.5 billion) in foreign non-asset-backed securities. Out of the above portfolio, NIS 40.1 billion (about USD 11.0 billion) is classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 96.81% 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 the section entitled "Credit Risks".

As at December 31, 2024, the aggregate decrease in the value of the capital reserve for securities which are not backed by assets issued abroad within the available-for sale portfolio amounted to NIS 1,190 million (NIS 737 million after tax).

As aforesaid, in addition to the available-for-sale portfolio, the held-for-trading portfolio and held-to-maturity portfolio also include non-asset-backed securities. The held-for-trading portfolio mainly includes securities issued by governments, banks and financial institutions. 98.3% of the securities in the held-for-trading portfolio are investment-grade.

As of December 31, 2024, the value of the non-asset-backed held-for-trading portfolio was NIS 1,245 million (USD 341.4 million).

Investments in bonds issued in Israel

As at December 31, 2024, investments in bonds issued in Israel amounted to NIS 51.4 billion, of which NIS 50.0 billion was in shekel-denominated bonds issued by the Israeli Government and the remainder - in corporate bonds. Approximately 85.8% of the investments in corporate bonds that are approximately NIS 1.2 billion were included in the available-for-sale portfolio and the balance in the held-for-trading portfolio.

The available-for-sale portfolio corporate bonds - which total NIS 1.2 billion - include a positive capital reserve of NIS 2 million.

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

For more information regarding pledging of securities, please see Note 26.

Deposits by the public

Following are balances of deposits by the public

	December 31		
	2024	2023	Change
	In NIS million		In %
Demand deposits			
Non-interest-bearing deposits	**142,366**	150,365	(5.3)
Interest-bearing deposits	**142,950**	137,351	4.1
Total demand deposits	**285,316**	287,716	(0.8)
Fixed deposits	**332,985**	280,108	18.9
Total deposits by the public	**618,301**	567,824	8.9

The increase in the deposits balance during the period stemmed mainly from an increase in deposits of capital market customers.

Set forth below is the mix of deposits by the public by type and linkage segments

	December 31			
	2024	2023	Change	
	In NIS million			In %
Non-linked NIS	**452,040**	406,980	45,060	11.1
CPI-linked NIS	**11,685**	11,941	(256)	(2.1)
Including foreign currency-linked.	**149,437**	142,065	7,372	5.2
Non-monetary	**5,139**	6,838	(1,699)	(24.8)
Total	**618,301**	567,824	50,477	8.9

Deposits by the public in non-linked NIS increased by NIS 11.1 percent, compared to December 31, 2023. The increase stems mainly from an increase in fixed deposits, that was partially offset by a decrease in demand deposits.

Customers' off-balance-sheet financial assets

Following are the changes in customers' balances of off-balance-sheet financial assets in the Leumi Group

	December 31			
	2024	2023	Change	
	In NIS million			In %
Securities portfolios(a)	**1,160,059**	964,128	195,931	20.3
Assets for which operating services are provided:(a)(b)(c)				
Provident and pension funds	**246,299**	210,734	35,565	16.9
Advanced study funds	**207,799**	176,010	31,789	18.1

a) Most of the changes in the market value of securities and custody 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.

Deposits by governments

Deposits by governments amounted to approx. NIS 172.0 million at the end of 2024 compared with NIS 160.0 million as at the end of 2023, a NIS 12.0 million increase compared to 2023.

Deposits with Banks and by Banks

A. Deposits with Banks (Bank of Israel and Commercial Banks)

	December 31			
	2024		2023	
	The Bank Israel	Banks Commercial	The Bank Israel	Banks Commercial
	In NIS million			
NIS:				
Non-linked	**133,874**	**3,311**	82,246	2,576
CPI-linked	**-**	**-**	-	1
Foreign currency including foreign currency-linked[(a)]	**213**	**14,946**	683	16,969
Total deposits with banks	**134,087**	**18,257**	82,929	19,546

a) Including non-monetary items.

Total deposits with banks decreased by 48.7 percent, mainly due to a increase in the balance of deposits in the Bank of Israel.

On December 31, 2024 the Group's deposits with the Bank of Israel totaled NIS 134 billion NIS (December 31st, 2023 totaled as 83 billion NIS)

The Group's level of liquidity is high and the Group has net deposits with banks amounting to NIS 134.3 billion (as of December 31, 2023 totaled NIS 81.7 billion).

B. Deposits by banks (central and commercial)

	December 31			
	2024		2023	
	From Banks Central	From Banks Commercial	From Banks Central	From Banks Commercial
	In NIS million			
NIS:				
Non-linked	**5,874**	**2,876**	10,121	2,522
Foreign currency including foreign currency-linked	**-**	**9,293**	-	8,133
Total deposits by banks	**5,874**	**12,169**	10,121	10,655

For further information, please see Note 26.

The decrease in the balance of deposits from central banks is due to the repayment of monetary loans taken as part of COVID loan programs.

Securities Bonds, Commercial Securities, and Deferred Notes

	December 31		Change	
	2024	2023		
	In NIS million			In %
Bonds	**19,526**	22,379	(2,853)	(12.7)
Subordinated notes and capital notes	**12,443**	9,735	2,708	27.8
Total	**31,969**	32,114	(145)	(0.5)

Shelf prospectus and the issuance of credit-linked notes

On May 28 2024, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus will be in effect for a period of two years from its publication date.

On April 17, 2024 the Bank issued a total of approximately NIS 0.8 billion p.v credit linked notes (CLN), Leumi Bonds Series 2 v.r.

On December 22, 2024 the Bank issued a total of approximately NIS 1.47 billion par value of CLN. credit linked notes (CLN), Leumi Bonds Series 3 v.r.

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 Bonds 2 and Bonds 3(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 of Series 2 v.r. and 3 v.r. 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 Leumi Bonds Series 2 v.r. and Leumi Bonds Series 3 v.r. were registered for trading on the Tel Aviv Stock Exchange.

For further information, please see Note 24.A to the immediate statements dated April 16, 2024 and the immediate report dated December 19, 2024.

Issue of bonds, subordinated bonds, and commercial securities

On September 10, 2024, the Bank issued a total of approx. NIS 0.62 billion p.v. in Series 185 Bonds, issued by expanding the series in consideration of approx. NIS 0.63 billion, for a total of approx. NIS 1.44 billion p.v. in Bonds (Series 186), issued by expanding the series in consideration of approx. NIS 1.46 billion, and a total of approx. NIS 1.8 billion p.v. in commercial securities (CS Series 6) issued as a new series.

The Commercial Securities Fund (Series 6) and the interest from it will be payable in one payment on September 9, 2025; it is not linked, and it bears interest at the rate of 0.05% above the Bank of Israel's interest rate.

Issuances After the Date of the Report

On January 23, 2025, the Bank issued a total of approx. NIS 1,346 billion p.v. in Series 185 Bonds, issued by expanding the series in consideration of approx. NIS 1,387 billion, and a total of approx. NIS 1.5 billion p.v. in commercial securities (CS Series 7) issued as a new series.

The principal of the Series 7 Commercial Securities and interest in respect thereof shall be payable in one lump sum on January 23, 2026; it is not linked, and carries interest at a rate of 0.02 percent over the Bank of Israel's interest rate.

The bonds (Series 185 and 186) and the commercial securities (CS) (Series 6 and 7) are not recognized for supervised capital purposes.

For more information, please see the immediate reports dated September 10, 2024, and January 23, 2025.

In addition, on January 23, 2025, the Bank issued a total of NIS 1,535 billion par value in Deferred Notes (Series 406).

These subordinated bonds Series 406 are eligible for inclusion in Tier 2 capital as of the issue date.

For more information, please see the Note 24.A and the immediate reports dated January 23, 2025.

Early redemption of subordinated notes

On September 4, 2024, the Bank's board of directors decided to fully redeem by early redemption the subordinated notes (Series 404) that were issued to the public in July 2019. Accordingly, on September 30, 2024 promissory notes had been redeemed in the total sum of approximately NIS 1.44 billion (including linkage differentials).

For more information, please see immediate reports dated September 4, 2024 and September 16, 2024.

Early redemption of deferred notes after the report date

On January 29, 2025, the Bank's Board of Directors decided to exercise full early redemption of Deferred Bonds (Series 403), which were issued to the public in January and March 2019. Accordingly, on February 28, 2025, a total of NIS 1.71 billion in Deferred Bonds was redeemed (including linkage differentials).

For more information, please see the immediate reports dated February 17, 2025, and January 29, 2025.

Equity and Capital Adequacy

Equity attributable to the Bank's shareholders totaled NIS 61,658 million on December 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 December 31, 2024 is 7.8 percent.

Capital Adequacy Structure[(a)]

	December 31	
	2024	2023
	In NIS million	
Capital for capital ratio calculation purposes		
CET1 capital, after regulatory capital deductions and adjustments[(c)(e)]	**61,255**	53,892
Tier 2 capital, after deductions	**13,372**	14,141
Total capital - total	**74,627**	68,033
Balance of risk-weighted assets		
Credit risk[(c)(d)]	**460,765**	426,399
Market Risks	**7,332**	5,834
Operational risk	**35,182**	29,943
Total balance of risk-weighted assets	**503,279**	462,176
Ratio of capital to risk-weighted assets		
Ratio of CET1 capital to risk-weighted assets	**12.17%**	11.66%
Ratio of total capital to risk-weighted assets	**14.83%**	14.72%
Minimum CET1 capital ratio set by the Banking Supervision Department[(b)]	**10.24%**	10.22%
Minimum total capital ratio set by the Banking Supervision Department[(b)]	**13.50%**	13.50%

a) For additional information regarding the capital adequacy structure, please see Note 24B ..
b) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of December 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.
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. regarding the adjustments, please see below in this chapter.
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** in this chapter.
e) These figures include adjustments in respect of high-risk loans for the purchase of land. For further details, please see the section titled "Regulatory and Other Changes in Measuring the Capital Requirements in the Report of the Board of Directors and Management" as of December 31, 2023.

In 2024, the Common Equity Tier 1 capital was mainly affected by the net profit for the period, net of the dividend and buyback, and from the increase in the loan portfolio. The impairment of the investment in Valley shares recorded in the second quarter of 2024 does not have a material effect on the Bank's capital ratios.

For additional 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 capital 1 includes the banking corporation's shareholders' equity, with the addition of some of the minority interests (non-controlling interests of consolidated subsidiaries) less goodwill, other intangible assets and regulatory adjustments and additional deductions.

In addition to these, adjustments to Common Equity Tier 1 capital, which arise from measuring the pension liabilities and assets designated for hedging for regulatory capital purposes, commencing 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 the instrument is required to include are: (1) a mechanism for principal loss absorption through conversion into ordinary shares or amortization of the instrument as the banking corporation's Common Equity Tier 1 capital ratio falls below 5%; (2) a clause determining that, upon the occurrence of the defining event for non-viability (as defined in Appendix E to the 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.. under About us > Financial information > Disclosure under Pillar 3 of the Basel Accord and Additional information on risks.

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 Bank 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 of December 31, 2024 are 10.24 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

The Bank's capital planning and capital adequacy targets

The Leumi Group's capital planning reflects a forward-looking view of its risk appetite and profile, business strategy and the capital adequacy required as a result. The capital plan is approved by the Bank's management and Board of Directors and takes into account the Group's various P&L centers and other factors that affect the Bank's compliance with the capital requirements, such as: profit forecasts, changes in other comprehensive income, regulatory adjustments, the effect of the transitional provisions and the rate of increase in risk-weighted assets. The capital ratios forecast is also subject to various sensitivity tests and stress scenarios.

The Group's policy, which was approved by the Board of Directors, is to maintain a capital adequacy level that is higher than the minimum threshold set by the Bank of Israel from time to time and no less than the rate of capital required to cover the risks as assessed using the ICAAP process. In addition, the Group has set capital targets in case of a stress scenario event. For additional information on the ICAAP process and the use of stress tests, please see the Risk Management Report as at December 31, 2024.

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.

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 March 3, 2025, the Board of Directors approved a dividend consisting of 40 percent of the quarter's net income in respect of Q4 quarter in the year 2024. Of which, approximately 29 percent as a cash dividend totaling to approximately NIS 706 million, and the remaining balance through share buyback in the sum of NIS 274 million, as detailed hereinafter. The sum of the dividend approved for each NIS 1 par value share is approximately 47.01 agorot. The final dividend amount per share will be adjusted to changes due to a share buyback and the exercise of the Bank's convertible securities, and will be published two days prior to the effective date. The Board of Directors designated March 12, 2025 as the record date for purposes of dividend payment and March 20, 2025 as the payment date.

Details of paid cash dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
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
May 28, 2024	June 20, 2024	54.91	835
August 14, 2024	September 5, 2024	44.99	681
November 19, 2024	December 5, 2024	45.63[1]	688

[1] Further to the immediate supplementary report dated November 27, 2024.

The Bank's share buyback plan 2024

On May 27, 2024, the Bank's Board of Directors approved a share buyback plan in a total not to exceed NIS 1 billion, commencing May 29, 2024 up to May 22, 2025 or until the total buyback amount has been reached, the earlier of the two.

The share buyback plan is executed 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, who will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority. The buyback plan is executed in four separate stages, each of which irreversible, in accordance with the safe harbor mechanism (hereinafter – "Stage A", "Stage B", "Stage C" and "Stage D").

As part of Stages A and B, the Bank purchased (through the Stock Exchange Member) 15,091,044 shares totaling NIS 497 million under the said plan.

The implementation of Stage C began on November 20, 2024 and ended on January 12, 2025, during which time the Bank purchased (through the Stock Exchange Member) 5,356,635 Bank shares totaling NIS 229 million under the plan.

Immediately prior to publishing this report, the Bank decided to proceed to Stage D, granting the Stock Exchange Member an irreversible order to initiate Stage D on March 5, 2025. Stage D will end on the earlier of: (a) May 22, 2025; or (b) Completion of the Bank's share buyback in an amount not exceeding NIS 274 million.

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.

As of the report publication date, the Bank owns 113,220,946 treasury shares.

For more information, please see the immediate report dated May 28, 2024.

Adjustments to Common Equity Tier 1 capital and Regulatory Changes in Measuring the Capital Requirements

Measurement of the employee benefits liability and hedging assets

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

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

Draft Revising Proper Conduct of Banking Business Directive No. 201, "Introduction to Measurement and Capital Adequacy, Applicability and calculation of requirements.

On February 11, 2025, a draft directive was sent to banking corporations for their comments. The draft proposes replacing Banking Supervision Directive No. 201 with a new directive, aiming to improve the alignment between the regulatory capital requirements applicable to banking corporations in Israel and the recommendations of the Basel Committee, as well as internationally accepted practices.

The draft directive includes references to regulatory capital ratio requirements, according to which the banking corporation would be required to meet minimum capital ratios and maintain capital buffers and adding capital above the minimum capital ratios. The Bank is reviewing its position on the draft and its possible implications.

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, the implementation is expected to begin in 2025.

In accordance with the policy for the adoption of accepted international standards, the Banking Supervision Department is adopting the Basel Committee provisions from 2017 on the calculation of capital requirements in respect of operational risk. On June 19, 2024, the Banking Supervision Department published a circular to update Proper Conduct of Banking Business Directive 206 "Capital easurement and Adequacy - Operational Risk"; the circular 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 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, until December 31, 2028 the internal loss multiplier will be set at one.

Additionally, on February 11, 2025, the Banking Supervision Department sent a survey to banking corporations to assess the quantitative impact of the reform (QIS) on the calculation of risk-weighted assets under the standardized approach - "Measurement and Capital Adequacy - Calculation of Risk-Weighted Assets for Credit Risk" - in accordance with the updates established by the Basel Committee, as mentioned above.

Directives pertaining to the attribution of capital for derivative financial instruments

On December 1, 2021, the Banking Supervision Department published a circular revising directives on capital allocation for derivative financial instruments (application of the provisions of Proper Conduct of Banking Business Directives Nos. 203A and 208A), in an effort to adjust the directives of the Bank of Israel to the revised Basel Committee provisions regarding counterparty credit risk.
As of July 1, 2022, the Bank applies Directive No. 203A, Treating Counterparty Credit Risk.

Directive 208 A "Credit Valuation Adjustment (CVA) Risk Capital Requirements" establishes new approaches for calculating capital allocation for CVA risk. One of these approaches is the Basic Approach (BA-CVA), in which risk weights are determined based on the borrower's industry sector and credit risk.

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

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

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

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

According to the transitional provisions published by the Banking Supervision Department, and since following the first-time application there was a decrease in the Common Equity Tier 1 capital of the Bank as at January 1, 2022, the Bank partially added to the Common Equity Tier 1 capital 75% of the decrease in the Common Equity Tier 1 capital as of the first-time application. The addition to the Common Equity Tier 1 capital will decrease by 25%, until 0% is added on January 1 of the fourth application year). Accordingly, on January 1, 2024, 25% 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 of the scope of risk assets – as of December 31, 2024 Leumi's risk assets amount to approximately NIS 503.2 billion, an increase of NIS 1 billion in risk assets will reduce the CET1 capital ratio by approximately 0.02%, and the total capital ratio by approximately 0.03%.
- A change of CET1 capital – As of December 31, 2024, the CET1 capital amounts to approximately NIS 61.2 billion. A NIS 100 million decrease in the CET1 capital will decrease the CET1 capital ratio and the total capital ratio by approximately 0.02%.
- Change in the foreign exchange rate – a 1 percent depreciation in the shekel's exchange rate against all currencies will decrease the Common Equity Tier 1 capital and total capital ratio by 0.02 percent.
- A 1 percent increase in the risk-free interest rate curve across all currencies for the regulatory capital exposure signifies a decrease of 0.1% 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 decline of Israel's credit rating the rating firm Moody's announced of on September 27, 2024 by two notches in itself, does not affect the Bank's capital adequacy ratios. The Bank assesses that an additional credit rating decline by one notch by any of the other rating firms, a direct impact on the Bank's capital adequacy ratio is not expected.
  If and should there be a downgrade of two notches or more in Israel's credit rating by one or both of the credit rating firms, Fitch and S&P, a decrease of approximately 0.4% in the CET1 capital ratio is expected, as well as approximately 0.49% in the Bank's total capital ratio, as of December 31, 2024 (standing at 12.17% and 14.83% respectively).

For further information, please see chapter titled "Credit Rating in a Corporate Governance Report" and the immediate reports dated February 11, 2024 and September 29, 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 the chapter "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.

	December 31	
	2024	2023
	In NIS million	
Consolidated data		
Tier 1 capital[c]	**61,255**	53,892
Total exposures[b]	**882,958**	810,014
Leverage Ratio		
Leverage Ratio	**6.94%**	6.65%
Minimum total leverage ratio set by the Banking Supervision Department[a]	**5.50%**	5.50%

For additional information regarding capital adequacy and leverage, please see directives pertaining to the attribution of capital for derivative financial instruments above **and Note 24.B.**

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 No. 218, "Leverage Ratio", following the revision of 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.

c) Calculation of the leverage ratio took into account adjustments in respect of the effect of first-time application of GAAP concerning expected credit losses, which are gradually reduced until December 31, 2024, and adjustments due to implementation of the measuring method in respect of certain actuarial liabilities. For more information, please see Note 24.B.

Operating Segments - Management Approach

An operating segment is a component of the banking corporation engaged in activities from which it may generate income and bear expenses. The operating results of the operating segment are reviewed on an ongoing basis by the Bank's management and Board of Directors in order to make decisions regarding the allocation of resources and the assessment of its performances. Furthermore, separate financial data is available for operating segments.

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.

The Bank's activity in Israel is managed as follows:

1. Banking – provision of banking services to private customers and small businesses. The business line. Comprises three departments: Retail, Small Businesses, and Private Banking. The services and products are adapted to all the customer segments according to the nature of their banking activity, their characteristics and their needs.
2. Mortgages - provision of loans intended to purchase residential apartments or loans pledged by a residential apartment or another asset.
3. Commercial - providing banking and financial services to middle-market companies and interested parties in these companies.
4. Corporate banking - providing banking and financial services to large Israeli corporations and international corporations, supporting their domestic and foreign activities.
5. Real estate – providing banking and financial services to the construction and real estate sector.
6. Capital markets – management of the Bank's own portfolio, management of assets and liabilities and management of investments in financial assets.
7. Other – activities not attributed to the other business lines.

Results of operations are attributed to the line of business in charge of the customer's account.

- Net interest income – interest on loans extended by the business line is credited to the business line, net of the cost of raising the loans (transfer price). Furthermore, the business line is credited with a transfer price in respect of deposits raised net of interest paid to customers.
- Noninterest income (noninterest finance income, fees and commissions and other income) – is allocated to the business lines according to the customer's activity.
- Business line expenses – include the direct expenses of business lines; in addition, expenses of corporate units providing services to those business lines are also charged to the business lines.

The operating results of the business lines, both in terms of on-balance sheet items and in terms of profit and loss items, are assessed on an ongoing basis by the Bank's management and Board of Directors. The results are compared to objectives set in an annual work plan and to the corresponding period in the previous year. Furthermore, the Bank measures a range of other metrics relating to the business lines' activities.

For more information on the main operating segments according to Management Approach, please see under "Main operating segments according to Management Approach" in the Corporate Governance Report.

Following is a summary of financial performance according to management approach

	For the year ended December 31, 2024											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	People Private individuals	Small businesses	Total Banking	Mortgages	Commercial	Corporate	Real estate	Capital markets Capital	Other and adjustments			
	In NIS million											
Net Interest Income - from external sources	(3,133)	894	(2,239)	7,482	1,482	2,081	4,250	2,457	58	204	734	16,509
Net Interest Income - Inter-segmental	8,607	1,206	9,813	(6,144)	1,236	(961)	(2,792)	(809)	(4)	45	(384)	-
Interest income, net	5,474	2,100	7,574	1,338	2,718	1,120	1,458	1,648	54	249	350	16,509
Noninterest income	1,557	483	2,040	9	584	323	426	1,651	963[b]	521	82	6,599
Total income	7,031	2,583	9,614	1,347	3,302	1,443	1,884	3,299	1,017	770	432	23,108
Loan loss expenses (income)	470	94	564	62	194	(139)	55	8	(8)	14	(37)	713
Total operating and other expenses	2,922	920	3,842	439	723	304	179	463	629	209	116	6,904
Profit before taxes	3,639	1,569	5,208	846	2,385	1,278	1,650	2,828	396	547	353	15,491
Provision (benefit) for taxes	1,384	597	1,981	322	907	486	627	1,064	(198)	113	120	5,422
Net income Attributable to the Bank's shareholders	2,255	972	3,227	524	1,478	792	1,023	1.441[a]	594	486	233	9,798

Balance as at December 31, 2024												
Loans to the public, net	30,579	27,574	58,153	146,630	65,101	66,216	71,054	31,057	6,843	1,256	9,209	455,519
Deposits by the public	225,833	61,164	286,997	-	86,666	41,773	13,640	189,221	4	-	-	618,301

a) Including the impairment loss due to the investment in Valley shares in the amount of approximately NIS 0.6 billion. For further information please see Note 15 A.

b) Including capital gains due to the sale of the headquarters buildings in Tel Aviv in the sum of approximately NIS 830 million.

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

	For the year ended December 31, 2023											
	The Bank									Subsidiaries Subsidiaries In Israel	Subsidiaries Subsidiaries Abroad	Total
	People Private individuals	Small businesses	Total Banking	Mortgages	Commercial	Corporate	Real estate	Capital markets Capital	Other and adjustments			
	In NIS million											
Net Interest Income - from external sources	(2,113)	1,113	(1,000)	6,689	1,577	2,098	3,829	2,045	24	141	594	15,997
Net Interest Income - 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
Expenses (incomes) due to credit losses Total loans to the public - activity in Israel	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 tax	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
Balance 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 NIS 1.1 billion. For additional information, please see Note 15A

Regulatory Operating Segments

Regulatory operating segments are reported according to the format and classifications prescribed by the Reporting to the Public Directives of the Banking Supervision Department, as follows:

1. Households segment – private individuals excluding Private Banking customers.
2. Private Banking segment – private individuals with a financial portfolio with the Bank whose balance (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.
3. Micro businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) of less than NIS 10 million.
4. Small businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) of more than NIS 10 million and less than NIS 50 million.
5. Mid-market segment – businesses whose turnover (annual sales turnover or amount of annual revenues) of more than NIS 50 million and less than NIS 250 million.
6. Corporate segment – businesses with a turnover (annual sales turnover or amount of annual revenues) is equal to or higher than NIS 250 million.
7. Institutional entities segment - includes institutional clients as defined by the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, including provident funds, pension funds, study funds, mutual funds, exchange-traded notes (ETNs), insurers, members of the TASE managing customers' money.
8. Financial management segment – includes the following activities:
   a. Trading activities - investment in tradable securities, market-making activity involving securities and derivatives, activity in derivatives not designated as hedges and not used by the Bank in its Asset and Liability Management (ALM) activities, repurchase and lending transactions involving held-for-trading securities, short selling of securities, securities' underwriting services.
   b. Asset and Liability Management (ALM) activities - including investment in available-for-sale bonds and held-to-maturity bonds not allocated to other operating segments (when the borrower has no indebtedness to the Bank, other than securities), hedging derivatives and derivatives used in asset and liability management, deposits with and by domestic and foreign banks, foreign currency hedges of exchange rate differentials in respect of investments in foreign offices, deposits with and by governments.
   c. Non-financial investment activity – investment in not held-for-trading equity securities and investments in associates of businesses.
   d. Other – management, operating, trust and custodial services to banks, advisory services, sale and management of loan portfolios and development of financial products.
9. Other segment – including discontinued operations, profit from reserves and other results related to employee benefits which were not attributed to other operating segments, activities that were not allocated to other segments and adjustments between all items attributed to segments and all items in the consolidated financial statements.

Customer classification

According to the abovesaid, when a banking corporation has no information regarding the total income of a business customer which has no indebtedness towards the banking corporation (including credit line, etc.), the banking corporation may classify them into the relevant regulatory segment according to their total financial assets multiplied by a factor of 10. In addition, when the Bank believes that the total income does not represent the customer's activity volume, the customer should be classified as follows: A customer whose indebtedness is less than NIS 100 million - according to the business's total assets, as stated in the

FAQ file, and a customer whose indebtedness exceeds NIS 100 million – shall be classified to the corporate segment.

During the period, measures were taken to complete missing information, mainly regarding business customers' turnovers. In cases where the information has not yet been completed, customers were classified using estimates and other information in the Bank's possession. The Bank continues to collect additional information and improve the data.

For further information, please see Note 28A.

Summary of activities by regulatory operating segment

	For the year ended December 31, 2024										
	Activity in Israel									Foreign operations	Total Total
	Households										
	Loans For housing	Other	Banking Private	Small businesses small	Small Mid-sized	Small Large	institutional entities	Financial management Financial	Other		
	In NIS million										
Interest income, net	1,602	4,291	366	3,868	1,968	4,053	804	(850)	57	350	16,509
Noninterest income	41	1,002	175	925	343	948	205	2,011	867[c]	82	6,599
Total income	1,643	5,293	541	4,793	2,311	5,001	1,009	1,161	924	432	23,108
Loan loss expenses (income)	36	397	–	168	3	118	3	25	–	(37)	713
Total operating and other expenses	446	2,390	128	1,634	489	575	268	323	535	116	6,904
Profit before tax	1,161	2,506	413	2,991	1,819	4,308	738	813	389	353	15,491
Provision for taxes	423	908	149	1,084	660	1,564	267	174	73	120	5,422
Net income Attributable to the Bank's shareholders	738	1,598	264	1,907	1,159	2,744	471	368[b]	316	233	9,798
Balance as at December 31, 2024											
Loans to the public, gross	144,387	30,670	458[a]	75,044	39,611	159,390	3,604	–	–	9,242	462,406
Deposits by the public	–	139,802	35,781	101,224	59,641	109,860	171,993	–	–	–	618,301

a) Including outstanding housing loans as at December 31, 2024 in the amount of NIS 232 million.
b) Including the impairment loss from the investment in Valley shares in the amount of NIS 0.6 billion. For additional information please see Note 15 A.
c) Including capital gains due to the sale of the headquarters buildings in Tel Aviv in the sum of approximately NIS 830 million.

Following is the summary of activities by regulatory operating segments (cont.)

	For the year ended December 31, 2023										
	Activity in Israel									Foreign operations	Total Total
	Households										
	Loans For housing	Other	Banking Private	Small businesses small	Small Mid-sized	Small Large	institutional entities	Financial management Financial	Other		
	In NIS million										
Interest income, 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 tax	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 of 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 NIS 1.1 billion. For additional information , please see Note 15A

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

Households segment

The net income attributable to shareholders in respect to the mid-market segment totaled NIS 2,336 million in 2024, compared to NIS 2,254 million in 2023.

The increase in gain originates mainly from the decrease in net interest income, which was partially offset against an increase in credit loss expenses.

Net interest income for 2024 totaled NIS 5,893 million, compared to NIS 5,948 million in 2023. Net interest income was affected by an erosion of the credit spreads, which was offset by a growth in the segment's loan portfolio.

The interest expenses for external entities from the average balance of public deposits for 2024 was 2.1 percent, compared with 1.9 percent in 2023.

Non-interest income for 2024 totaled approx. NIS 1,043 million, compared to the NIS 1,092 million in 2023. Most of the decrease stems from a decrease in other income and account management commissions due to benefits that were granted to the customers.

In 2024, loan loss expenses were recorded in the amount of approx. NIS 433 million, compared to expenses of approx. NIS 870 million in the corresponding period in 2023. The decrease is primarily due to a decrease in the collective credit loss expense, among other factors, as a result of a high expense recorded in 2023 following the outbreak of the "Iron Swords" war.

Operating and other expenses in 2024 totaled NIS 2,836 million, compared to NIS 2,731 million in 2023, mainly due to an increase in salary expenses.

The outstanding credit to the public as of December 31, 2024 amounted to the sum of approximately NIS 175.1 billion compared to NIS 160.4 billion as at the end of 2023. The increase stems from growth in the housing loan portfolios.

The balance of public deposits as of September 31, 2024 amounted to the sum of NIS 139.8 billion compared to NIS 137.2 billion at the end of 2023.

Private banking segment

The net income attributable to shareholders in respect of the private banking segment totaled NIS 264 million in 2024, compared to NIS 297 million in 2023. The decrease stemmed mainly from a decrease in net interest income, and an increase in the operating and other expenses.

Net interest income for 2024 totaled NIS 366 million, compared to NIS 398 million in 2023. The decrease stems mainly from the erosion of deposit spreads.

The interest expenses for external entities from the average balance of public deposits for 2024 was 3.7 percent, compared with 3.3 percent in 2023.

Non-interest income for 2024 totaled approx. NIS 175 million, compared to the NIS 159 million in 2023. The increase stems mainly from an increase in securities activities and financial product distribution commissions as a result of an increase in the balance of assets under management.

Micro- and small-business segment

The net income attributable to shareholders in respect of the micro and small business segment in 2024 totaled NIS 1,907 million, compared to NIS 1,677 million in 2023. The increase in gain stems mainly from a decrease in loan loss expenses.

Net interest income for 2024 totaled NIS 3,868 million, compared to NIS 3,878 million in 2023. The decrease stems mainly from the erosion of credit spreads and deposits.

The interest expenses for external entities from the average balance of public deposits for 2024 was 2.7 percent, similar to 2023.

Non-interest income for 2024 totaled approx. NIS 925 million, similar to the NIS 931 million in 2023.

In 2024, loan loss expenses were recorded in the amount of approx. NIS 168 million, compared to income of approx. NIS 681 million in the corresponding period 2023. The decrease is primarily due to a decrease in the collective credit loss expense, among other factors, as a result of a high expense recorded in 2023 following the outbreak of the "Iron Swords" war.

Operating and other expenses in 2024 totaled NIS 1,634 million, compared to NIS 1,560 million in 2023, mainly due to an increase in grants linked to yield-based incentives.

The outstanding credit to the public as of December 31, 2024 amounted to the sum of approximately NIS 75.0 billion compared to NIS 66.6 billion as at the end of 2023.

The balance of public deposits as of December 31, 2024 amounted to the sum of NIS 101.2 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 2024 totaled NIS 1.159 million, compared to NIS 1.211 million in the corresponding period in 2023. The decrease in gain originates mainly from the decrease in net interest income, which was partially offset against an increase in credit loss expenses.

Net interest income for 2024 totaled NIS 1.968 million, compared to NIS 2,109 million in 2023. The decrease stems from a decrease in deposits and from the erosion of deposit spreads.

The interest expenses for external entities from the average balance of public deposits for 2024 was 3.2 percent, compared with 2.9 percent in 2023.

Non-interest income for 2024 totaled approx. NIS 343 million, similar to the NIS 359 million in 2023. The decrease stems mainly from a decrease in commissions for managing credit, contracts and foreign trade activities.

In 2024, loan loss expenses were recorded in the amount of approx. NIS 3 million, compared to expenses of approx. NIS 160 million in the corresponding period 2023. The decrease is mainly due to higher recoveries in the reporting period in 2023 compared to the corresponding period last year and a decrease in the collective provision.

Operating and other expenses in 2024 totaled NIS 489 million, compared to NIS 459 million in 2023, mainly due to an increase in grants linked to yield-based incentives.

The outstanding credit to the public as of December 31, 2024 amounted to the sum of approximately NIS 39.6 billion compared to NIS 40.0 billion as at the end of 2023.

The balance of public deposits as of December 31, 2024 amounted to the sum of NIS 59.6 billion compared to NIS 62.2 billion at the end of 2023.

Corporate segment

Net income attributable to shareholders in respect of the corporation's segment was NIS 2,744 million in 2024, compared to NIS 2,080 million in the corresponding period in 2023. 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 for 2024 totaled NIS 4.053 million, compared to NIS 3,543 million in 2023. The increase stems mainly from growth in credit and deposit activity.

The interest expenses for external entities from the average balance of public deposits for 2024 was 4.2 percent, compared with 3.9 percent in 2023.

Non-interest income for 2024 totaled approx. NIS 948 million, similar to the NIS 875 million in 2023. The increase stems mainly from an increase in commissions on financing business handling contracts.

In 2024, loan loss expenses were recorded in the amount of approx. NIS 118 million, compared to expenses of approx. NIS 673 million in the corresponding period 2023. The decrease is mainly due to lower recoveries in the reporting period in 2023 compared to the corresponding period last year and a decrease in the collective provision of credit losses, among other factors, that were impacted by the recording of a high expense in 2023 due to the outbreak of the "Iron Swords" War.

Operating and other expenses in 2024 totaled NIS 575 million, compared to NIS 519 million in 2023. The increase is mainly due to return-based bonuses.

The outstanding credit to the public as of December 31, 2024 amounted to the sum of approximately NIS 159.4 billion compared to NIS 142.4 billion as at the end of 2023. Most of the increase stems from growth in construction and real estate balances.

The balance of public deposits as of December 31, 2024 amounted to the sum of NIS 109.9 billion compared to NIS 93.8 billion at the end of 2023.

Financial management segment

Net income of the financial management segment in 2024 totaled NIS 368 million compared to net losses of NIS (416) million in 2023. The results of this segment include expenses for impairment of the investment in the associate Valley in the sum of NIS 0.6 billion in the present period and in the sum of NIS 1.1 billion in the corresponding period in 2023.

For further information, please see Note 15A.

Total income for 2024 totaled NIS 1,161 million, compared to interest income of NIS 733 million in 2023. The increase is mainly due to an increase in income from derivatives and securities, which was partially offset against the higher prices of the sources recorded in the segment.

Operating and other expenses in 2024 totaled NIS 323 million, compared to NIS 300 million in 2023, mainly due to an increase in grants linked to return-based bonuses.

Another segment

Net income attributable to shareholders in respect of the corporation's segment was NIS 316 million in 2024, compared to NIS (514) million in the corresponding period in 2023. The increase stemmed mainly from capital gains income in the amount of NIS 830 million (before tax) from the sale of the headquarters buildings in Tel Aviv.

Operating and other expenses in 2024 totaled approx. NIS 535 million compared to NIS 862 million in 2023. The decrease is mainly due to a decrease in other expenses in respect of pension liabilities compared to the corresponding period of 2023.

Information by Geographic Region[a]

Main figures by Geographic Region

	Total assets			Loans to the public, net			Deposits by the public		
	December 31			December 31			December 31		
	2024	2023	Change	**2024**	2023	Change	**2024**	2023	Change
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Israel	**775,995**	722,775	7.4	**446,310**	411,084	8.6	**618,301**	567,824	8.9
UK	**9,524**	8,688	9.6	**9,209**	8,402	9.6	**-**	-	-
Other foreign operations	**32**	34	(5.9)	**-**	-	-	**-**	-	-
Total	**785,551**	731,497	7.4	**455,519**	419,486	8.6	**618,301**	567,824	8.9

Following is a breakdown of the net income by geographic region

	Net income			
	For the year ended December 31			
	2024	2023	Change	
	In NIS million			In %
Israel	**9,191**	6,402	2,789	43.6
UK	**613**	622	(9)	(1.4)
Other foreign operations	**(6)**	3	(9)	-
Total	**9,798**	7,027	2,771	39.4

a) Classified by office's location.

For more information, please see sections "Major Investees", "Credit Risk" and Note 28 A.b.

Major [1] Investment [1]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 December 31, 2024, the Bank's total investments in associate companies (including investments in capital notes) amounted to approximately NIS 15.6 billion, compared to NIS 15.5 billion as of December 31, 2023. In 2024, the investees contributed NIS 415 million in income million to the Group's net income, compared with losses of NIS 444 million in 2023. The increase is mainly due to higher profits from equity investments, growth in interest income, and a lower impairment charge recorded in 2024 for the valuation of the investment in Valley. The investment recorded a loss of NIS 0.6 billion in 2024, compared to a loss of NIS 1.1 billion recorded in 2023.

For information regarding the investment and contribution of each major Group company to the Group's profit and for more information regarding the impairment of the investment in Valley, please see Note 15.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated companies was NIS 9,108 million as of December 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 2024 was NIS 524 million, compared with NIS 170 million in the corresponding period 2023. The increase is mainly due to the increase in incomes from investment in shares, exchange rate differences and derivatives. In 2024, the Group's return on investment in the Israeli consolidated companies was 6.1 percent compared with 2.1 percent in 2023.

Leumi Partners Ltd.

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

Leumi Partners ended 2024 with a net income of approx. NIS 461 million, derived mainly from investments, fees and commissions, compared to a net income of approx. NIS 120 million in 2023.

Leumi Partners' equity totaled NIS 5,316 million as of December 31, 2024, compared to NIS 4,853 million as of the end of 2023.

Leumi Partners focuses on four main areas of activity:

1. **Managing the Leumi Group's non-financial investment portfolio**
   Leumi Partners initiates, identifies and executes direct and indirect investments in companies, projects and private equity funds.

   The Leumi Group's non-financial investment policy is in line with the Group's risk appetite and the restrictions of the Banking Law (Licensing) and therefore only includes minority interests (up to 20 percent of each means of control, with no controlling interest). The Company focuses on mid-term and long-term investments, according to its policy. The non-financial investment strategy dictates a preference for private companies and high probability of disposal.

   During 2024, Leumi Partners made new investments in companies, funds, convertible loans, and mezzanine loans totaling NIS 1.5 billion. Leumi Partners' non-banking investments as of December 31 2024 is NIS 5.6 billion compared to NIS 4.7 billion as of December 31 2023. As of December 31, 2024, Leumi Partners has investment commitments totaling approx. NIS 1.6 billion, compared to approx. NIS 1.5 billion as of December 31, 2023.

2. **Underwriting, consulting and management of private and public capital raising in Israel**
   Leumi Partners provides a wide range of underwriting and consulting services to companies and interested parties through its subsidiary, Leumi Partners Underwriters Ltd.

[1] For a definition of Major Investees, please see Note 1.B...

In 2024, Leumi Partners Underwriters participated in several public offerings where approx. NIS 14 billion were raised and led 22 public offerings where approx. NIS 10 billion were raised.

3. **Consulting for and management of M&As and capital raising**
The services are provided to Israeli and foreign companies wishing to expand strategically through mergers and acquisitions or to investors or controlling shareholders wishing to sell or reduce their holdings.
The services offered in this field include: assistance in characterizing the client's strategic needs and objectives; characterizing the optimal investment or investor to meet them; identifying targets and investors globally; assisting in contacting the target company; assisting through the negotiation process; deal structuring so as to meet the client's objectives; and support in accessing financing resources for the transaction.

Leumi Partners cooperates with investment houses and other entities in Israel and abroad.

4. **Conducting economic analyses and preparing valuations**
Through its subsidiary Leumi Partners Research, the Company performs economic analyses and valuations mainly for the Leumi Group and for external clients.

Consolidated Companies Outside Israel

The Bank's total investments (including in capital notes) in its consolidated companies abroad was NIS 4,365 million as of December 31, 2024, compared to NIS 4,209 million as of December 31, 2023. In 2024, the foreign offices' contribution to the Group's shekel net income was NIS 215 million, compared with NIS 279 million in 2023. The decline is primarily due to the depreciation of the shekel against the GBP in 2024, compared to the appreciation of teh shekel against the GBP in 2023.

For more information regarding the affiliates' contribution to the Group's profit, please see Note 15.

Leumi UK Group

The Bank's activity through foreign offices is currently carried out only through the Bank's office 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 geographic areas, including investments and development of residential real estate and financing for commercial real estate.

Leumi UK Group's net income in 2024 was approx. NIS 202 million, compared with the amount of approx. NIS 261 million in 2023. (in the year 2024 was approx. GBP 47 million, compared with the amount of approx. GBP 27 million in the year 2023). The decline is primarily due to the depreciation of the shekel against the GBP in 2024, compared to the appreciation of the shekel against the GBP in 2023.

Risk Exposure and Management Thereof

Risk Management at Leumi

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 technology risks, cyber risks, regulatory risk, compliance risk, legal risk, reputational risk, strategic risk, model risk, climate-related 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.

Organizational Structure of Leumi Group's Risk Management Function

Leumi's risk management is based on three lines of defense, as required by Proper Conduct of Banking Business Directive No. 310 - "Risk Management".

1. First line of defense — the managements of the business lines, including supportive functions and LeumiTech, bear full responsibility for managing the risks embodied in the products, operations, processes and systems under their purview, and for implementing an adequate control environment over their activities, through processes of identification, measurement, monitoring, control, mitigation and reporting.
2. Second line of defense — The Risk Management Division is an independent function responsible for planning and developing a comprehensive risk management framework for the Bank. The Risk Management Division's main areas of responsibility conform to the requirements of the Proper Conduct of Banking Business Directive No. 310, including: Responsibility for risk management at the Group and Bank levels; creating an up-to-date overall picture of each risk for decision-making purposes; leading the drafting of Leumi's risk policy for all major risks; assisting the Board of Directors in determining the Bank's risk appetite; and leading the process of evaluating the Internal Capital Adequacy Assessment Process (ICAAP), including its various components.

   The second line of defense involves additional functions, such as: the Bank's Chief Legal Counsel - who is responsible for the management of legal risk and the Chief Accountant - who is responsible for financial reporting and SOX.
3. Third line of defense - The Internal Audit Division, which reports directly to the Board of Directors. The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines of defense, ensuring implementation of the legal provisions and instructions of management and the Board of Directors.

The Bank's Board of Directors is responsible, inter alia, for developing the overall risk strategy, including: The risk appetite; supervision of the Group's risk management framework; approval of the corporate structure; approval of the risk management policy for each material risk; overseeing and challenging the risk levels to which the Group and the Bank are exposed, while ensuring compliance with the risk appetite and the provisions of the law and regulations.

The Chief Risk Officer, who is a member of the Bank's management and heads the Risk Management Division, is responsible for managing the Group's and Bank's main risks.

Reporting to the Chief Risk Officer are department managers and managers of the following risk management units (second line of defense), which report to the Risk Management Division – including credit risks, market risks, compliance risks, operational risks, and models risks.

The Bank strives to apply a risk management framework at the Group level, which includes corporate governance and control principles that are in line with the provisions of the law and local regulations. A chief risk officer is appointed for each of the main Israeli subsidiaries and the UK office, reporting to the subsidiary's CEO and professionally (dotted line) to the Group's Chief Risk Officer.

Changes in the Risk Environment and their Effect on the Group

The Bank's activity is affected, inter alia, by macroeconomic developments and the business environment. Global economic activity continues to expand, but at a slower pace compared to previous years, primarily due to the cumulative impact of inflation exceeding target levels in most countries and the rise in the interest rate environment. Inflation is a clear moderating trend but has yet to fully converge toward a stable price environment in most countries. At the same time, growth and employment data in most economies indicate a certain slowdown. Against the background of the convergence of inflation and slowing growth, some of the central banks in the developed economies began lowering the interest rate, including the USA, the Eurozone and England. Likewise, stock markets during 2024 were characterized by price fluctuations. Major risks for global financial activities include, among other factors, the escalation and expansion of significant geopolitical events, political risks fueling social unrest, and extreme weather events that reignite global inflation and disrupt economic activity.

Leumi's risk profile is examined on a quarterly basis, as part of the risk exposure report reported to the Board of Directors. The risk profile is examined, inter alia, by using a methodology for classifying the severity level of exposures to different risks. The methodology is based on quantifying the effect of various scenarios materializing on the Group's capital, i.e. its stability, and includes "expert assessments" by relevant functions in the Bank.

For changes in the severity of the risk factors, please see the risk factor severity table..

The Internal Capital Adequacy Assessment Process (ICAAP)

The Capital Adequacy Assessment Process (ICAAP) is aimed at calculating the capital required to support the various risks to which the Group is exposed - both in the ordinary course of business and under stress scenarios - in order to ensure that the Group's effective capital exceeds the capital requirements at any given time. As part of the process, the risk appetite and the risk tolerance were examined, and a comprehensive mapping and assessment process was conducted for the risks to which the Group is exposed.

According to the process, the Bank is in possession of adequate capital and liquidity to handle all of the risks identified - both in the ordinary course of business and under extreme stress scenarios.

The products of the process are summarized in the ICAAP paper that is submitted to the Banking Supervision Department each year.

For more information regarding risk exposure and assessment, please see the Risk Management Report as at December 31, 2024..

The Group's Risk Appetite

The Group's risk appetite outlines the boundaries for its business activity, both on an ongoing basis and under stress scenarios. The risk appetite is adjusted to Leumi's strategy and to the boundaries of its current and future business focal points. The risk appetite addresses Leumi's risk identification, measurement, control, management and mitigation practices, which have direct impact on the Group's residual risk profile. The risk appetite boundaries are re-examined each year in the various dedicated frameworks and approved from an overall perspective at the Board of Directors' level as part of the ICAAP process.

The risk appetite paper constitutes a reference point for all risk-specific policy papers, which outline additional risk boundaries and risk management guidelines.

The Group's risk appetite statement covers the scope and types of aggregate risk the Bank is willing to take in order to achieve its business goals. Quantitative and qualitative measures were set, based on forward-looking assumptions which reflect the Group's aggregate risk appetite statements.

Using Stress Testing as Part of Risk Management

Using a uniform stress test is an accepted global practice; it is required under the Basel Committee rules and contributes to understanding the risks which the banking system and a single bank are exposed to. The process strengthens the banking system's transparency, allows to examine the resilience of banking corporations under adverse market conditions and draw comparisons. The process supports methodology improvements and the understanding of the risk factors by banking corporations as well as by the Banking Supervision Department.

As of 2012, the Bank of Israel's Banking Supervision Department conducts macroeconomic stress tests for the banking system, based on a uniform scenario. In the framework, the Bank estimates the results of the test using a variety of models and methodologies based on subjective "expert assessments".

During the second quarter of 2024, the effects of the uniform stress scenario – as defined by the Bank of Israel - for 2023 were assessed which constituted a regional war scenario.

The Banking Supervision Department incorporates the results of the uniform stress scenario as a complementary component of the Supervisory Review and Evaluation Process (SREP), including a quantitative and qualitative analysis. At the same time, the banking corporations are required to integrate the uniform stress test into a single process to assess the capital adequacy (ICAAP).

The Leumi Group also implements a set of internal stress tests, updated on a regular basis, with the aim of assessing key risk focal points, taking into account various developments in the Bank's environment.

The impact of the most severe stress tests is also examined with respect to the Group's capital planning, in order to ensure the Group's compliance with all of the regulatory and internal restrictions set for the materialization of the various scenarios.

For more information regarding risk exposure and assessment, please see the Risk Management Report as at December 31, 2024..

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

Credit Risks

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

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

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

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311, "Credit Risk Management", Proper Conduct of Banking Business Directive 311A, "Management of Consumer Credit" and Proper Conduct of Banking Business Directive No. 314, "Sound Credit Risk Assessment and Valuation for Debts", including the 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. In addition, as part of an organizational concept for comprehensive management of credit risk, climate-related and environmental risk and the extent of their impact on the risk profile must be taken into account. The Bank formulated a multi-year plan for the construction and assimilation of processes that will enable the identification, measurement, evaluation, monitoring, reporting and control of these risks, including ways of managing them and reducing their impact on the credit exposures. For further information, please see the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

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 2024, there were no material changes in the corporate governance structure related to credit risk.

For more information about regulatory revisions, please see Laws and Regulations Governing the Banking System in the Corporate Governance Report.

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.

The year 2024 concluded with significantly lower economic growth than initially estimated before the war Among the main areas of activity that were significantly impaired due to the war, activity of which had not yet returned to their level prior to the war, the foreign tourism and agriculture sectors should be noted. The economic forecast for 2025 and beyond depends on a variety of factors, including global economic developments, economic policy in Israel, the security situation in Israel, and more.

For further information, please see the chapter titled "Key Developments in the Economy" in the Report of the Board o f Directors and Management.

In view of the increase in the risk level since the beginning of the war, emphases were honed in relation to credit and in the various business lines, with additional adjustments being made during 2024 along with the pace of market recovery

In the credit risk aspect, there is still uncertainty, although at a lower intensity, in respect of the war's effects, and therefore it is not possible to accurately assess the intensity of the potential harm to the Bank's credit portfolio, which depends, inter alia, on the developments as aforementioned.

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 third 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 was adapted to forecasts pertaining to the War conditions and its development and 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). The estimate is based on scenarios with various levels of severity, and in view of the continuation of the war and the uncertainty, the Bank increased the probability of the realization of the more pessimistic scenarios compared to the base scenario during 2024. A further worsening of any of these criteria and/or worsening of the weighting of pessimistic scenarios may bring about an increase in the loan loss provision.

Due to the rapid changes in the financial and economy-wide conditions, in the fourth 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.

Against the background of the latest security developments, and amid the cease fires on the northern and the southern fronts, in recent months there had been a decrease in the macro risks, the credit risks and risks related to the markets' sentiment towards Israel. In this regard we should note that on January 21, 2025, the rating firms Moody's and Fitch published reports with a positive message, according to which the risk of a further deterioration of Israel's credit rating was halted, and now, depending on the continued stability, the direction may be positive.

Notwithstanding the decrease in risks as described above, and although as of the date of publishing these Statements, the impacts of the War in practice are much more moderate than the assumptions included as part of the Group's provision for credit losses, the assessment of the provision for credit losses reflects the continued security and economic uncertainty following the uncertainty regarding the cease fire on the Gaza front alongside the security and political challenges, as well as conservativism in the macroeconomic indicators and the parameters that serve for assumptions in the future customers' failure rates forecast model.

The expenses due to credit loss amounted to NIS 197 million in the third quarter of 2024, of which an NIS 220 million expense was recorded due to a collective provision, stemming mainly from the worsening of various macroeconomic parameters.

In order to examine the sensitivity of the collective provision to hypothetical changes at the risk level of economic sectors and the macroeconomic parameters underlying the forecast, the Bank assessed the effect of a uniform change in the macroeconomic parameters (worsening and improvement by a uniform rate of 1%) and the odds of materialization of the various scenarios (a main, pessimistic and extreme scenario), through each of the sensitivity tests.

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

The impact of worsening the parameters will reflect an addition to the group provision for credit losses in the fourth quarter of 2024 in the sum of approximately NIS 668 million, an improvement of the parameters will lead to, a decrease in the collective provision for credit losses in the fourth quarter of 2024 relative to the reference scenario in the sum of approximately NIS 663 million.

Some of the above information constitutes "forward-looking information". For the meaning of the term, please see the chapter "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 Aide Outline and is implementing the guidelines determined by the Banking Supervision Department and other regulators.

For additional information on all the relevant publications of the Bank of Israel, please see the chapter entitled "Legislation and Regulations Governing the Banking System" under "Regulatory Measures following the "Iron Swords" War", in a 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.

Risk assessment and classification of debt that have undergone changes in terms and conditions against the backdrop of the "Iron Swords" War

In accordance with the directives of the Banking Supervision Department to allow borrowers who were affected by the War additional flexibility in the repayment of loans. In accordance with the directives of the Banking Supervision Department to allow borrowers who were affected by the war additional flexibility in the repayment of loans and repayment arrangements.

Comprehensive repayment arrangements were determined for customers who meet the Bank of Israel Outline criteria, and changes were made for other customers, with a risk assessment of the debt and the borrower in order to identify troubled debts or debts with difficulties whose terms and conditions have changed. Please note that as a general rule and according to the Bank of Israel's guidelines, such repayment arrangements do not necessarily indicate that the customer is in financial difficulties regarding the classification of the debts as debts to borrowers in financial difficulties that have undergone changes in terms and conditions.

In the risk assessment of the debts for which repayment arrangements were made, the situation of the borrower or the debt on the date of the change is examined, among other things, in relation to the following topics:

- The background for the change in terms and conditions, in other words does the requested change stem from financial or operational difficulties resulting from the consequences of the War
- The repayment history of the borrower's debts, with an emphasis on the proper payment of the loans without exceptions before the War
- The debt coverage ability, taking into consideration all the customers cash flows, including from government support
- The deferral/rescheduling period requested, taking into consideration the expected duration of the effect of the consequences of the War.

To the extent that according to the risk assessment, this is identified as a temporary impairment of the customer's debt service ability (in other words, this customer did not have difficulties before the War, the change in the debt terms and conditions is against the backdrop of the War and the repayment of the debt is expected at the new terms and conditions), the debt is not classified as a troubled debt or as a debt with difficulties that has undergone changes in its terms and conditions. On the other hand, to the extent that the risk assessment indicates that the borrower's financial difficulties began before the War and an impairment of the ability to fully service the debt is expected, the need to classify the debt as a troubled debt or as a debt in difficulties whose terms and conditions have changed is examined according to criteria and quantitative calculations customary at the Bank.

It should be emphasized that debts for which debt settlement arrangements have been made and are not classified are monitored as part of the ongoing management of debts for which the risk has worsened in accordance with the criteria customary at the Bank.

A debt which was not in arrears at the outbreak of the War is not reported as a delinquent debt if payments are made on time in accordance with the revised terms and conditions of the debt. In addition, for debts which had payments in arrears at the outbreak of the War, the extent of arrears was adjusted to the situation at the outbreak of the War, and in fact, the counting of the arrears during the payment deferral period was frozen.

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

	December 31, 2024			
	Commercial	For housing	Private individuals - Other	Total
	In NIS million			
Credit risk in credit performance rating[a]				
On-balance-sheet credit risk	300,149	141,410	28,041	469,600
Off-balance-sheet credit risk[c]	166,945	5,745	17,209	189,899
Total non-investment grade credit risk	467,094	147,155	45,250	659,499
Non-investment grade credit risk				
a. Non-troubled	959	2,523	1,612	5,094
b. Total troubled	5,096	700	899	6,695
Troubled performing	3,683	23	694	4,400
Troubled non-performing	1,413	677	205	2,295
Total on-balance-sheet credit risk	6,055	3,223	2,511	11,789
Off-balance-sheet credit risk[c]	793	63	195	1,051
Total non-investment grade credit risk	6,848	3,286	2,706	12,840
Of which: Performing debts with interest income, in arrears of 90 days or more	91	-	87	178
Overall credit risk incl. of the public[b]	473,942	150,441	47,956	672,339
Additional information on non-performing assets				
a. Non-performing debts	1,413	677	205	2,295
b. Assets received for settled loans	26	-	-	26
Total non-performing assets of the public	1,439	677	205	2,321
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.50%

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.

For additional information with regards to deferred payments debts of 180 days or more, not classified as troubled payments, please see Note 29.B.1

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
Overall credit risk incl. of the public[(b)]	428,220	135,618	47,323	611,161
Additional 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

Movement in Non-Performing Loans to the Public

	For the year ended December 31					
	2024			2023		
	Commercial	Private[a]	Total	Commercial	Private[a]	Total
	In NIS million					
Outstanding balance of non-performing debts at the beginning of the year	**2,579**	**1,031**	**3,610**	1,127	781	1,908
Loans classified as non-performing debts during the period	**752**	**833**	**1,585**	2,249	1,125	3,374
Debts reclassified as performing	**(648)**	**(501)**	**(1,149)**	(177)	(554)	(731)
Written-off non-performing debts	**(441)**	**(155)**	**(596)**	(267)	(174)	(441)
Repaid non-performing debts	**(827)**	**(326)**	**(1,153)**	(347)	(147)	(494)
Other	**(2)**	**-**	**(2)**	(6)	-	(6)
Outstanding balance of non-performing debts at the end of the year	**1,413**	**882**	**2,295**	2,579	1,031	3,610

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

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

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

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

	December 31							
	2024				2023			
	Commercial	Housing	Private individuals – Other	Total	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	**0.49**	**0.47**	**0.67**	**0.50**	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	**0.52**	**0.47**	**0.96**	**0.53**	1.00	0.53	1.42	0.88
Percentage of troubled loans to the public out of outstanding loans to the public	**1.77**	**0.48**	**2.94**	**1.45**	2.19	0.55	3.53	1.78
Percentage of non-investment grade credit out of outstanding loans to the public	**2.11**	**2.23**	**8.22**	**2.55**	2.40	3.67	8.83	3.24
Analysis of expenses for loan losses for the reporting period								
Percentage of loan loss expenses out of the average outstanding balance of loans to the public	**0.09**	**0.03**	**1.35**	**0.16**(a)	0.60	0.18	2.14	0.58(a)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	**0.03**	**–**(c)	**1.25**	**0.10**	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	**1.84**	**0.44**	**3.12**	**1.49**	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	**374.66**	**94.53**	**464.88**	**300.09**	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	**351.99**	**94.53**	**326.37**	**278.49**	195.47	90.41	217.26	178.69
Ratio of the credit loss allowance balance for public credit to the net accounting charge-offs for public credit(c)	**70.59**	**640.00**	**2.60**	**15.58**	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 lower than 0.01 percent.

In 2024, there was an improvement in the credit quality index components in the commercial, housing and private loan portfolios compared to 2023. The improvement in credit metrics is reflected in a decrease in the ratio of non-accrual credit, a reduction in the ratio of problematic credit, and a decline in the ratio of credit not classified as performing. Additionally, there was a decrease in the net charge-off rate compared to the year 2023.

Credit Concentration

Concentration risk is defined as a single exposure or group of exposures having a common attribute, which creates the potential to cause significant losses. Concentration risk is mainly managed by setting limitations and monitoring and controlling compliance therewith.

The sources of concentration relevant to the Bank's loan portfolio are as follows: Economic sectors, single borrowers and groups of borrowers.

The concentration risk is managed by ensuring compliance with all regulatory restrictions, as well as by defining and regularly monitoring compliance with all internal restrictions (which are mostly more stringent than regulatory ones).

Credit portfolio diversification among various economic sectors

To diversify the risk embodied in a high concentration in one sector, the Bank's credit portfolio is split between the various economic sectors. In relatively low risk economic sectors, we aim to reach a higher share than our share of the banking system.

The Bank's credit policy on various operating segments and economic sectors changes from time to time in accordance with the business environment, the Bank's business focus and risk appetite, as well as the Bank of Israel's general and specific directives.

Total Credit Risk by Economic Sector

	December 31, 2024						
					Loan losses[c]		
	Overall credit risk[a]	Of which: Rating Performance credit[e]	Of which: Credit risk Troubled[d]	Of which: Credit risk Non-performing	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
For borrowers activity in Israel Public-commercial							
Industry	35,312	34,495	791	188	(17)	(71)	(569)
Construction and real estate – construction[f]	132,957	131,625	1,023	407	100	118	(1,638)
Construction and real estate – real estate activity	55,413	54,774	380	117	42	(68)	(1,186)
Commerce[g]	42,736	41,879	813	332	42	50	(744)
Financial services	66,665	66,633	30	20	(27)	8	(216)
Agriculture[g]	2,443	2,342	63	12	(24)	5	(125)
Hotels, accommodation and food services[g]	4,997	4,632	86	22	(13)	(5)	(49)
Other sectors	55,627	54,006	1,525	212	150	(31)	(1,242)
Commercial – total	396,150	390,386	4,711	1,310	253	6	(5,769)
Private individuals – housing loans	150,383	147,097	700	677	36	1	(669)
Private individuals – other	47,933	45,228	930	204	397	366	(988)
Total loans to the public – activity in Israel	594,466	582,711	6,341	2,191	686	373	(7,426)
Banks and governments – in Israel	71,182	71,182	–	–	17	–	(19)
Total activity in Israel	665,648	653,893	6,341	2,191	703	373	(7,445)
For borrower's activity outside Israel							
Total loans to the public – foreign operations	77.873[H]	76,788	1,001	267	(3)	69	(281)
Foreign banks and governments	60,673	60,673	–	–	13	–	(26)
Total activity outside Israel	138,546	137,461	1,001	267	10	69	(307)
Total activity in and outside Israel	804,194	791,354	7,342	2,458	713	442	(7,752)

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 due to derivative instruments 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 468.801, 116.912, 4.684, 57.625 and 156.172 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.
h) Including credit risk stemming from investments in asset-backed bonds. For further information, please see Note 12.

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

	December 31, 2023						
					Loan losses[c]		
	Overall credit risk[a]	Of which: Rating Credit performance[a]	Of which: Troubled Credit Risk[d]	Of which: Credit risk Non-performing	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
For borrower's 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)
Commerce[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 borrower's activity outside Israel							
Total loans to the public – foreign operations	66.437[H]	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.
h) Including credit risk stemming from investments in asset-backed bonds. For further information, please see Note 12.

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, the fact that the 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, including the impact of the war, interest rate hikes, and housing demand on real estate companies.

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

The challenges of the period due to the war including absent employees, increase of input prices and increase in financing expenses led to an increase in the projects' budgets.

Over the past year, the scope of non-linear (20/80) payment methods and/or loans are subsidizes by developers. This is a long-time marketing move that has been common among real-estate developers for years and its scope varies according to the market fluctuations and other macroeconomic data.

It should be emphasized that in respect of each project, including projects in which there are non-linear payment methods, a meticulous underwriting process is conducted. As part of projects' underwriting, we take into account the aforementioned impacts, including the updated financing expenses, as we also ensure that the supervisors give this expression in the zero reports and the follow-up reports, and address the up-to-date costs. Additionally, as part of the underwriting process and throughout the project, the cash-flow needs of the project are examined according to the various effects, including the various payment methods for the sales in the project.

It should be further noted that all of the budgets include a significant unexpected clause, which is derived from the overall cost, which grants an additional cushion for coping with the exposure resulting from one or more of the reasons listed above.

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 December 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 using various instruments.

The balance of the provision for credit losses due to the overall credit risk in the construction and real estate segments in Israel as of September 31, 2024 in the sum of NIS 2.824 million, compared to the sum of NIS 2.736 million as of December 31, 2023. The balance of the provision due to the overall credit risk in the construction and real estate segments from the overall credit risk in the portfolio as of December 31, 2024 is 1.50%.

The problematic credit risk in the construction and real estate segments in Israel as of December 31, 2024 is in the sum of NIS 1.403 million, compared to the sum of NIS 1.891 million as of December 31, 2023. The rate of the problematic credit risk in the construction and real estate segments from the overall credit risk in the portfolio as of December 31, 2024 is 0.74% compared to the rate of 1.10% as of December 31, 2023.

Despite improvement in such credit quality indices, the increase in the sums of provision for credit loss reflect, inter alia, the effects of the continued war and uncertainty in the economy regarding the construction and real estate segments.

For further information on the absorption capacity and the rate of financing in the economy, construction and real estate segments in Israel at the Bank see further down this chapter.

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

Macroeconomic effects and the "Iron Swords" War

In addition to the details provided in the credit section above, in the residential construction sector, a decline in housing completions was recorded during 2024, likely due to a decrease in the labor force at some construction sites. This was driven by the replacement of Palestinian construction workers with other workers (Israeli and foreign workers) and also due to the impact on the ability to carry out work under fire. The slowdown in housing construction starts continued in 2024, following a trend that begins even before the war, against the backdrop of high inflation and interest rates.

On the demand side, 2024 saw an improvement in new home sales compared to the previous two years, accompanied by a rise in prices. Housing prices may continue to rise over the coming year. This comes against the backdrop of the war's impact on construction activity and the anticipated interest rate cuts by the Bank of Israel later this year.

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. Since the outbreak of the war, activity in shopping centers has been positively impacted by extensive government support for households and the reduced number of Israelis traveling abroad. However, the expected decline of these effects over the coming year, alongside the erosion of purchasing power due to tax hikes and increases in government service fees in early 2025, may lead to a slowdown in shopping center activity during 2025. Most of the adverse effect may be felt in large shopping centers, while neighborhood shopping centers may continue to fare better.

The office sector experienced a slowdown in demand since the second half of 2022, including a substantial decrease in rental prices in Tel Aviv and surrounding areas along with significant decline in occupancy rates in some areas of Tel Aviv. The economic recovery process from the war, as it gains momentum, my support the stabilization of office rental prices over the coming year and potentially lead to a renewed increase, particularly in Tel Aviv. Conversely, the continued 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, especially on the outskirts of Tel Aviv and Jerusalem.

In order to reflect the uncertainty regarding the effects of the war on the construction and real estate sectors, a collective provision for credit losses in these sectors had been made, as aforementioned.

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 of the term, please see the chapter "Forward-Looking Information".

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

	December 31		Change	
	2024	2023		
	In NIS million		In NIS million	In %
On-balance-sheet credit risk	**130,376**	119,714	10,662	8.9
Guarantees for apartment buyers(a)	**12,203**	9,915	2,288	23.1
Other off-balance sheet credit risk(a)	**60,967**	55,023	5,944	10.8
Total overall credit risk	**203,546**	184,652	18,894	10.2

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

	December 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%	2,014		9,945	11,959
More than 45% to 65%	4,360		16,396	20,756
More than 65% to 80%	26,230		18,520	44,750
More than 80%	3.049[d]		3,793	6,842
Absorption capacity[c]				
More than 25% and up to 50%		9,633		9,633
More than 50% and up to 75%		10,309		10,309
More than 75%		16,350		16,350
Projects not yet started		19,023		19,023
Other[e]				48,245
Total credit risk for construction and real estate in Israel				187,867

	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
Projects not yet started		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 - the Bank

	December 31	
	2024	2023
	Overall credit risk[(a)]	
	In NIS million	
Housing	**98,089**	86,065
Office space	**23,429**	23,253
Industry	**9,363**	7,993
Commerce and services	**26,907**	25,146
Total overall credit risk secured by real estate collateral in Israel	**157,788**	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)

	December 31		
	2024	2023	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**201,275**	182,080	10.5
Non-investment grade credit risk			
Non-troubled	**568**	450	26.2
Troubled performing	**1,096**	744	47.3
Non-performing	**607**	1,378	(56.0)
Total non-investment grade credit risk	**2,271**	2,572	(11.7)
Total	**203,546**	184,652	10.2

Branch concentration in the credit portfolio

The Bank conducts orderly monitoring processes to ensure it complies with the restrictions imposed by Proper Conduct of Banking Business Directive No. 315, "Branch Liability Limitation", in the Banking Supervision Department directives.

As of December 31, 2024, the Bank complies with these Directive's restrictions.

On October 29, 2024, an amendment to Proper Conduct of Banking Business Directive No. 315 had been published.

Due to the prolongation of the "Iron Swords" War, and in order to support the economy's credit needs, the Supervision of Banks Department extended by two additional years (up to December 31, 2027) an existing temporary relief in the prices of the construction and real estate segment under restriction, so that the total liabilities of the construction and real estate segment would not exceed the higher of the following: the total "construction and real estate, industry and trade of construction products" liabilities do not exceed 26% of the total public liabilities towards a banking institution; and the total "real estate, industry and trade of construction products" deducting liabilities for financing projects in collaboration with the private segment included in the "civil engineering works" do not exceed 22% of the public liabilities towards the banking institution.
In addition, the Supervision of Banks Department added a temporary relief regarding the rate of limitation of the financial services and insurance services segment, so that by December 31, 2027, the limitation will be examined separately in respect of the activities in Israel and abroad, according to which the total liabilities of each of them separately would not exceed 20% of the total public liabilities towards the Bank, as the aggregate constraint (Israel and abroad) would not exceed 25%.

The amendment to the directive took effect on the date of its publication, October 29, 2024.

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 December 31, 2024, the Bank complies with these Directive's restrictions.

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.
Pursuant to the draft of the directive, the date it will take effect will be January 1, 2026.

[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.

Below are additional data regarding the overall credit

Following is a breakdown of total loans to the public and off-balance-sheet credit risk by individual borrowers' loan amount

Maximum credit in NIS thousands		December 31					
		2024			2023		
		% Number of Total No. of borrowers	% Total credit On-balance-sheet	% Total Total loans to the public - activity in Israel Off-balance-sheet	% Number of Total No. of borrowers	% Total credit On-balance-sheet	% Total Total loans to the public - activity in Israel Off-balance-sheet
From	To	In %					
-	80	**70.9**	**2.2**	**7.0**	72.1	2.4	8.1
80	600	**20.5**	**12.8**	**5.7**	20.1	13.7	6.1
600	1,200	**5.0**	**13.9**	**2.3**	4.7	14.3	2.6
1,200	2,000	**2.2**	**9.9**	**2.3**	1.9	9.4	2.4
2,000	8,000	**1.0**	**9.2**	**3.8**	0.9	8.7	3.9
8,000	20,000	**0.2**	**5.0**	**2.9**	0.1	5.3	3.5
20,000	40,000	**0.07**	**4.7**	**3.8**	0.07	5.2	3.9
40,000	200,000	**0.08**	**16.6**	**15.1**	0.08	17.1	17.7
200,000	800,000	**0.02**[(a)]	**14.8**	**24.4**	0.02[(a)]	14.4	23.9
Over 800,000		-[(b)]	**10.9**	**32.7**	-[(b)]	9.5	27.9
Total		**100.0**	**100.0**	**100.0**	100.0	100.0	100.0

a) in 2024 - 317 borrowers, in 2023 - 277 borrowers.
b) In 2024 - 69 borrowers, and in 2023 - 51 borrowers (in percentages - less than 0.01).

For more information regarding credit granting by size - please see Note 29. C.

Following is the credit risk by size of credit totaling more than NIS 800 million extended to a borrower

		December 31					
		2024			2023		
Maximum credit in NIS millions		Number of No. of borrowers	Total loans to the public – activity in Israel On-balance-sheet	Credit risk Off-balance-sheet	Number of No. of borrowers	Total loans to the public – activity in Israel On-balance-sheet	Credit risk Off-balance-sheet
From	To		In NIS million			In NIS million	
800	1,200	**35**	**16,793**	**16,340**	21	10,649	9,679
1,200	1,600	**11**	**8,991**	**6,489**	11	8,613	6,845
1,600	2,000	**9**	**5,196**	**10,823**	8	7,039	7,133
2,000	2,400	**4**	**5,356**	**3,664**	3	3,656	3,373
2,400	2,800	**2**	**4,864**	**263**	2	4,107	1,001
2,800	3,200	**3**	**4,849**	**4,165**	1	958	2,027
Over 3.200		**5**	**3,599**	**20,709**	5	4,797	16,680
Total		**69**	**49,648**	**62,453**	51	39,819	46,738

Exposure to Foreign Countries

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:

	December 31					
	2024			2023		
	Exposure[(a)(b)(c)]			Exposure[(a)(b)(c)]		
	On-balance-sheet	Off-balance-sheet[(d)]	Total	On-balance-sheet	Off-balance-sheet[(d)]	Total
	In NIS million					
USA	**45,681**	**9,161**	**54,842**	45,373	9,412	54,785
UK	**18,299**	**30,651**	**48,950**	16,890	24,137	41,027
France	**1,033**	**4,624**	**5,657**	1,529	1,418	2,947
Switzerland	**2,831**	**3,657**	**6,488**	4,184	3,967	8,151
Germany	**3,458**	**5,692**	**9,150**	5,531	4,381	9,912
Cayman Islands[(i)]	**8,562**	**673**	**9,235**	6,495	776	7,271
Other	**15,453**	**7,586**	**23,039**	19,734	7,793	27,527
Total exposure to foreign countries	**95,317**	**62,044**	**157,361**	99,736	51,884	151,620
Of which: total exposure to GIPS countries[(e)]	**604**	**167**	**771**	253	174	427
Of which: total exposure to LDC countries[(f)]	**1,207**	**1,591**	**2,798**	1,264	1,726	2,990
Of which: total exposure to countries with liquidity issues[(g)]	**685**	**1.648[(h)]**	**2,333**	440	1,599[(h)]	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 30 countries (as of December 31, 2023 to 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) 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 position of financial institutions with which the Bank cooperates. The Bank monitors the financial position of the foreign financial institutions as part of the management of its exposure to foreign financial institutions and is adjusting its exposure 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 December 31, 2024[e]		
		Credit risk	
	On-balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	**25,981**	**1,374**	**27,355**
A- to A+	**7,228**	**1,235**	**8,463**
BBB- to BBB+	**354**	**156**	**510**
B- to BB+	**101**	**3**	**104**
Lower than: B-	**3**	**-**	**3**
No rating	**1,025**	**-**	**1,025**
Total current credit exposure to foreign financial institutions[f]	**34,692**	**2,768**	**37,460**

	As at December 31, 2023[e]		
		Credit risk	
	On-balance-sheet credit risk[b]	Current off-balance-sheet credit risk[c]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[d]			
AA- to AAA	26,281	1,257	27,538
A- to A+	2,980	1,414	4,394
BBB- to BBB+	109	171	280
B- to BB+	50	10	60
Lower than: B-	13	-	13
No 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 assets in respect of derivatives, and investments in bonds, including subordinated bonds of banks totaled NIS 1.002 million as at December 31, 2024 and on December 31, 2023 in the amount of 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 December 31, 2024, and December 31, 2023, there is no troubled credit risk vis a vis foreign financial institution.
f) Of which: concerning the US - on-balance sheet credit risk of NIS 6.436 million and off-balance sheet credit risk of NIS 314 million. The vast majority of the institutions in which there is a credit risk are rated A or higher and are not regional banks.

Comments:
1. The credit exposures do not include investments in asset-backed securities (for more information, please see Note 12).)
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 27.B.C.

Housing Loans Portfolio Risks

Credit risk developments

After a significant increase in home sales in the first half of 2024, a slight decline in sales volumes was observed from then until the eve of ceasefire in the north. Additionally, the quarterly rate of housing price increases moderated, led by the resale housing segment. This occurs against the backdrop of a less supportive macroeconomic environment, characterized by high uncertainty, inflation, and relatively high interest rates. The volume of residential construction activity continued to recover in the second half of 2024. However, industry output remains lower than pre-war levels due to the significant shortage of construction workers throughout most of the past year.

In the fourth quarter of 2024, the reliefs given to customers by the Bank of Israel were again extended, including reliefs freezing mortgage payments. It should be noted that many freezes, which were given over the last period, have ended and were not extended by the borrowers.

As a result, the scope of the loans in which there is a suspension of payments as of the end of December 2024 is approximately NIS 3.2 billion, compared to approximately NIS 3.4 billion as of September 2024 and NIS 4.4 billion as of the end of June 2024, and NIS 9.0 billion as of the end of March 2024.

During the year gone by the scope of loans subsidized by the developer in the first-hand apartments segment increased as a tool serving for encouragement of the project's marketing and lowering the financing expenses. It should be emphasized that as part of the meticulous underwriting process on the full scope of the financing an underwiring is conducted in respect of the mortgage for the full scope of financing already at the initial stage of the subsidized loan, in order to ensure that the borrower obtaining the credit is of full repayment capacity under the customary terms.

In November 2024, the bank announced its intention to establish internal limits on the financing ratio and the required equity volume for contractor subsidized loans.

For additional information of all the relevant publications of the Bank of Israel and additional reliefs provided by the Bank, please see the chapter titled "Main Changes in the Period Gone By - the "Iron Swords War" in the Report of the Board of Directors and Management and the chapter entitled "Legislation 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.

In case of default, the risk of default is managed by the Bank in two ways - the first is preventive, to mitigate the risk of default and the second - collecting debt in case of default.

The first stage - Actions for reducing the probability of default:

- Underwriting - based on regulatory restrictions (Directive No. 329 - examining repayment capacity, LTV and credit mix) and is backed by models testing credit risk, which rely - inter alia - on information from the customer's Leumi account or the Bank of Israel's Central Credit Register.
- Building a mix customized to the customer's needs, which allows meeting monthly repayments.
- Real estate collateral - credit is subject to providing collateral to the Bank's satisfaction, according to the nature of the credit and property. The collateral is examined by the mortgage consultants; in complex cases - additional a review is conducted.
- Payment deferment (grace) - partial grace is optional, in accordance with the provisions of the Banking Law - Service to Customers.

Second stage - collection:

- "Soft collection" - a call center which contacts customers experiencing repayment difficulties immediately when the first default event occurs; assistance is provided to customers, reaching debt settlement agreements and support until the debt is repaid.

- Legal claim -

  - Collection of debt through the Collection System Authority.
  - Disposal of the property through the collateral provided.

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

	2024	2023	
	Total for the year	Total for the year	Rate of change
	In NIS million		In percentages
By the Bank	**27,484**	21,209	29.6
By the Government of Israel	**171**	174	(1.7)
New loans	**27,655**	21,383	29.3
Recycled loans[(a)]	**5,941**	9,131	(34.9)
Total performance	**33,596**	30,514	10.1

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

The average loan extended by the Bank in 2024 was NIS 987 thousand, compared to NIS 946 thousand in 2023.

Development of total outstanding housing loans, net

	Balance Loan portfolio	% Change
	In NIS million	in percentages
December 31, 2022	119,272	15.7
December 31, 2023	129,987	9.0
December 31, 2024	**143,979**	**10.8**

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		Total credit portfolio
	Balance millions NIS	% of portfolio credit in %	Balance millions NIS	% of portfolio credit in %	Balance millions NIS	% of portfolio credit in %	Balance millions NIS	% of portfolio credit in %	Balance millions NIS	% of portfolio credit in %	millions NIS
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
December 31, 2024	**38,011**	**26.4**	**60,067**	**41.7**	**20,059**	**13.9**	**25,455**	**17.7**	**387**	**0.3**	**143,979**

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
	Q4	Q3	in the quarter Q2	Q1	Annual average	Annual average
	Rate of performance					
	In %					
Fixed - linked	11.8	14.6	16.6	14.8	17.6	9.9
Variable every 5 years or more - linked	1.3	1.8	2.6	3.5	8.6	8.4
Variable up to 5 years - linked	7.0	7.6	7.5	6.9	4.6	7.5
Fixed - non-linked	35.3	31.8	28.9	29.9	25.4	31.2
Variable every 5 years or more - non-linked	19.6	18.8	20.0	21.5	17.3	1.2
Variable up to 5 years - non-linked	24.9	25.3	24.2	23.2	26.3	41.8
Variable - Foreign currency	0.1	0.1	0.2	0.2	0.3	0.2

The percentage of new variable-interest housing loans granted by the Bank during 2024 was 54.1% compared to approx. 55.7% in 2023.

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

	Debit balance Recorded	Amount in arrears	% Delinquent amount
	In NIS million		In %
December 31, 2022	119,690	559	0.47
December 31, 2023	130,609	688	0.53
December 31, 2024	**144,619**	**677**	**0.47**

The outstanding on-balance sheet loan loss provision, as of December 31, 2024, for the housing loans portfolio is NIS 640 million, constitutes 0.44 percent of the housing loans' outstanding on-balance sheet balance as of that date, compared with 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
	in the quarter Q4	in the quarter Q3	in the quarter Q2	in the quarter Q1	Average yearly	Average yearly
LTV ratio	In %(a)					
Over 60 and up to 70, inclusive	24.1	24.2	22.2	20.1	21.1	22.6
Over 70 and up to 75, inclusive	20.2	21.2	21.4	18.6	21.9	25.3
Over 75	0.1	0.2	0.4	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 December 31, 2024 stands at 48.9%, compared with 48.0% in 2023.

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

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.
The percentage of loans with a repayment ratio of less than 2.5 on the loan approval date in 2024 was 1.09% of the total number of new loans granted compared with 0.78% in 2023.
The calculation is in accordance with the Bank of Israel's Reporting Directive No. 876.

Development of new credit, with repayment dates longer than 25 years, in Israel

In 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% of the total new loans, compared with an average of 58% in 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.

In recent years, the Retail Banking Division has operated special-purpose units. Following are the key ones:

Credit and risk management center– The Bank operates a single credit center which coordinates the handling of all non-automated credit applications that do not come under the purview of the branches, creating a silo between account managers and parties which challenge the granting of the credit; the center serves as a professional resource for loan officers at the branches; regularly monitor and control the provision of credit at the branches, with lessons drawn and conveyed both to the field (branches) and to the Division's management.

Early collection units and troubled debt centers – coordinate the handling of debts in arrears before classifying the borrower as troubled as well as handling borrowers classified as troubled. These units provide professional services of handling, making arrangements and collection, including through external law firms.

The Risk Management Division monitors and maintains a second line of defense, which includes – inter alia – identification of trends and segments in the private loan's portfolio; monitoring the prediction quality of risk estimation models for borrowers; examining the quality and integrity of business entities' control procedures; reviewing samples of individual portfolios, as needed, etc.

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 metrics and constraints.

The set of measures is regularly monitored, at least once per quarter. The parameters under consideration address numerous aspects and characteristics which reflect diverse and complementary points of view regarding the new credit risk profile and reflect the limits of the desired risk appetite at the level of the private credit portfolio.

The potential effects of the War, in addition to the macroeconomic trends of the past two years (mainly the increase in interest rates and inflation) affect the repayment capacity of private borrowers; the severity of the effect depends, among other things, on developments related to the macroeconomic environment, the continuation of the war, and the extent of government support.

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

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

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

	Balance of credit risk
	In NIS million
December 31, 2022	43,561
December 31, 2023	47,287
December 31, 2024	**47,891**

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

	December 31			
	2024		2023	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**6,732**	**22.0**	6,210	20.8
Over one year to 3 years	**4,472**	**14.6**	4,634	15.5
Over 3 years to 5 years	**6,865**	**22.5**	7,104	23.8
Over 5 years to 7 years	**3,831**	**12.6**	4,890	16.4
Over 7 years	**5,671**	**18.6**	4,045	13.6
No repayment term[(a)]	**2,962**	**9.7**	2,933	9.9
Total	**30,533**	**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		December 31			
		2024		2023	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	**6,406**	**13.3**	6,627	14.0
25	50	**6,741**	**14.1**	6,793	14.4
50	75	**5,599**	**11.7**	5,606	11.9
75	100	**4,682**	**9.8**	4,752	10.0
100	150	**6,812**	**14.2**	6,878	14.6
150	200	**5,209**	**10.9**	5,025	10.6
200	300	**6,644**	**13.9**	6,244	13.2
Over 300		**5,798**	**12.1**	5,362	11.3
Total overall credit risk		**47,891**	**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)

	December 31			
	2024		2023	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	**7,476**	**15.8**	6,925	14.6
Car purchase loans (secured)	**1,353**	**2.9**	1,431	3.0
Other loans	**21,704**	**44.9**	21,460	45.4
Total on-balance-sheet credit risk	**30,533**	**63.6**	29,816	63.0
Unutilized current account credit facilities	**7,588**	**15.9**	7,467	15.8
Unutilized credit card facilities	**9,473**	**19.7**	9,547	20.2
Other off-balance-sheet credit risk	**297**	**0.8**	457	1.0
Total off-balance-sheet credit risk	**17,358**	**36.4**	17,471	37.0
Total overall credit risk	**47,891**	**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)

	December 31, 2024				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				in %
Variable interest loans[(a)]	**27,249**	**37**	**102**	**27,388**	**89.7**
Fixed interest loans	**3,087**	**9**	**49**	**3,145**	**10.3**
Total on-balance-sheet credit risk	**30,336**	**46**	**151**	**30,533**	**100.0**

	December 31, 2023				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				in %
Variable interest loans[(a)]	27,092	33	64	27,189	91.2
Fixed interest loans	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.

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

	December 31	
	2024	2023
	In NIS million	
Deposits by the public	**114,989**	111,020
Securities portfolios	**73,055**	59,343
Total financial asset portfolio	**188,044**	170,363
Total indebtedness to customers with financial asset portfolios	**35,108**	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)

	December 31			
	2024		2023	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**3,385**	**11.1**	3,447	11.6
Of which: loan accounts[(b)]	**1,446**	**4.7**	1,616	5.4
Lower by NIS 10 thousand	**4,975**	**16.3**	5,958	20.0
That is higher than NIS 10 thousand and lower than NIS 20 thousand	**10,649**	**34.9**	10,524	35.3
NIS 20 thousand or more	**11,524**	**37.7**	9,887	33.1
Total	**30,533**	**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. Correspondingly, over 85 percent of balance-sheet credit is from fixed-income earners.

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

	December 31	
	2024	2023
	In NIS million	
Non-troubled credit	**29,635**	28,763
Troubled performing credit	**694**	710
Troubled non-performing loans	**204**	343
Total on-balance-sheet credit risk	**30,533**	29,816
Percentage of troubled credit risk out of total on-balance sheet credit risk to private individuals	**2.9%**	3.5%
Net accounting charge-offs (for the year ended)	**366**	424
Balance of loan loss provision	**953**	919

As of December 31, 2024, the outstanding on-balance sheet loan loss provision for private individuals (net of housing) is NIS 953 million, constituting 3.12 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 the effects of the war and high interest environment and despite the improvement in credit indicators it reflects the ongoing uncertainty regarding the war's impact on households.

For more information, including regarding troubled debt and loan loss expenses, please see Note 13,. Note 29, 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.

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.

As of December 31, 2024, leveraged finance is defined by the Bank in line with the Bank of Israel's directives, and includes loans, borrowers or borrower groups which meet one of the following criteria (the gross indebtedness of each of which does not exceed 0.5 percent of the Bank's Tier 1 capital):

1. Credit for the purpose of equity transactions as defined for the restriction in Proper Conduct of Banking Business Directive No. 323, with credit for acquiring a means of control or against means of control held without recourse is included in each LTV ratio (even if it is lower than prescribed by the Directive).
2. Financing for holding companies the sole purpose of which is to hold subsidiaries (without significant independent operations), as defined by the Bank's policy.
3. Financing for borrowers, by various predefined economic sectors, characterized by significant unusual values of certain parameters in relation to the norms in their respective economic sector.

As of December 31 2024, the gross outstanding balance of the leveraged credit, as defined by the Bank, stands at NIS 2.8 billion, a NIS 0.13 billion increase compared with the previous year. The Bank complies with the Bank of Israel's requirements.

Outstanding aggregated credit granted to leveraged borrowers

	December 31					
	2024			2023		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
Economic sector	In NIS million					
Commerce	**512**	**2**	**514**	-	-	-
Transportation and storage	**883**	**25**	**908**	1,038	23	1,061
Hotels, accommodation and food services	**400**	**-**	**400**	431	-	431
Construction and real estate	**97**	**219**	**316**	211	318	529
Provision of power, gas, steam and A/C	**415**	**275**	**690**	157	491	648
Total	**2,307**	**521**	**2,828**	1,837	832	2,669

For additional qualitative and quantitative information regarding credit risks , please see the Risk Management Report as of December 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.

In 2024, there were no significant changes in the corporate governance structure, policies and market risk management.

At present, it appears that the leading trend among the central banks in the US and Europe is to decrease the interest rate in the coming years, taking into consideration developments in key economic parameters, such as: unemployment rates, growth and a move towards the inflation goals. In Israel, interest rate cuts are expected in the coming year, but at a more moderate pace compared to the trend set by central banks in the US and Europe. The is contingent on meeting the Bank of Israel's inflation target and occurs against the backdrop of expected increases in government spending and the associated debt issuance.

The "Iron Swords" War

In the aspect of market risks the war and the related challenges establish uncertainty in the financial markets and the fluctuations in them may continue, albeit to a lesser degree.

The Bank tracks and closely monitors developments, applying stringent risk management practices, applying extreme 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. 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 December 20, 2023, the final Proper Conduct of Banking Business Directive 333 was published on the subject of Interest Rate Risk in the Banking Portfolio. The directive is expected to enter into effect in July 2025. The Bank is preparing to implement the directive.

For additional information, please see the chapter **entitled Interest Rate Risk**, **in the** Risk Management Report as of December 31, 2024.

Quantitative information about interest rate risk – sensitivity analysis

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

	December 31					
	2024			2023[(c)]		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	In NIS million					
Book balance, net[(a)]	47,654	(6,476)	41,178	40,459	(7,007)	33,452
Adjusted net fair value[(a)(b)]	54,832	(4,831)	50,001	45,978	(5,029)	40,949
Of which: Banking portfolio	51,420	(4,802)	46,618	32,596	(5,295)	27,301
Of which: The effect of behavioral assumptions	8,341	2,251	10,592	7,948	2,098	10,046
Of which: Effect of attribution to periods of demand deposits	8,758	2,261	11,019	7,978	2,111	10,089
Of which: effect of early repayments on housing loans	(417)	(10)	(427)	(30)	(13)	(43)

a) Net fair value of the financial instruments, excluding non-monetary items, including liability for employee benefits, offset against all underlying plan assets and attribution of demand deposits to periods.
b) In 2024, the Bank had updated the assessment of the adjusted fair value of the financial assets. The impact as at December 31, 2023, had the aforementioned assessment been implemented, is a reduction of the adjusted fair value of the financial assets, in the sum of approximately NIS 0.5 billion and increase in the influence of the early repayment model on housing loans, of approximately NIS 0.2 billion.
c) Restated.

For more information regarding the assumptions used to calculate the adjusted fair value of the financial instruments, please see Note 32A.

The gap between the adjusted net fair value balance and the net balance sheet amount stands at NIS 8.8 billion, with increase of NIS 1.3 billion, compared to the gap in 2023.

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

	December 31					
	2024			2023		
	NIS	Foreign currency	Total*	NIS	Foreign currency	Total*
	In NIS million					
Simultaneous changes						
Simultaneous increase of 1 percent	**(2,165)**	**(1,023)**	**(3,188)**	(1,464)	(592)	(2,056)
Of which: Banking portfolio	**(2,106)**	**(992)**	**(3,098)**	(1,397)	(574)	(1,971)
Of which: The effect of behavioral assumptions	**2,504**	**531**	**3,035**	2,335	436	2,771
Of which: Effect of attribution to periods of demand deposits	**1,754**	**477**	**2,231**	1,799	493	2,292
Of which: effect of early repayments on housing loans	**751**	**4**	**755**	536	5	541
Simultaneous decrease of 2%	**(4,298)**	**(2,071)**	**(6,369)**	(2,904)	(1,237)	(4,141)
Of which: Banking portfolio	**(4,186)**	**(2,010)**	**(6,196)**	(2,647)	(1,200)	(3,847)
Simultaneous decrease of 1 percent	**1,419**	**1,028**	**2,447**	684	583	1,267
Of which: Banking portfolio	**1,359**	**1,018**	**2,377**	626	570	1,196
Of which: The effect of behavioral assumptions	**(3,675)**	**(661)**	**(4,336)**	(3,437)	(544)	(3,981)
Of which: Effect of attribution to periods of demand deposits	**(1,885)**	**(510)**	**(2,395)**	(1,933)	(528)	(2,461)
Of which: effect of early repayments on housing loans	**(1,789)**	**(4)**	**(1,793)**	(1,504)	(5)	(1,509)
Simultaneous decrease of 2%	**1,757**	**1,967**	**3,724**	281	1,097	1,378
Of which: Banking portfolio	**1,618**	**1,982**	**3,600**	30	1,075	1,105
Non-simultaneous changes						
Steepening(b)	**(981)**	**(819)**	**(1,800)**	(459)	(497)	(956)
Flattening(c)	**574**	**325**	**899**	205	187	392
Short-term interest rate increase	**(179)**	**(316)**	**(495)**	(174)	(230)	(404)
Short-term interest rate decrease	**193**	**348**	**541**	192	261	453

a) Net fair value of the financial instruments, excluding non-monetary items, including liability for employee benefits, offset against all underlying 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.

Foreign currency exposure in the banking portfolio - since the beginning of the year, there has been an increase of approx. NIS 709 million in exposure for every 1% increase in foreign exchange rates. The main growth is driven by the increase in the mortgage portfolio, which was partially offset by bond issuances and deposit raising, as well as activity in the Nostro portfolio.

Foreign currency exposure in the banking portfolio - since the beginning of the year, there has been an increase of approx. NIS 418 million in exposure for every 1% increase in foreign exchange rates, due to Nostro portfolio activities.

In the year 2024 no update was made to the behavioral models. In 2023, an update of the early repayment model for housing loans increased the exposure to an increase in 1 percent, totaling approx. NIS 170 million; this increase was offset by the update to the demand deposit distribution model, totaling approx. NIS 200 million. Details of the influence of material behavioral models appear in the table above. Additionally, we note that if the bank had assumed full utilization of the first exit point for public deposits that include and exit option, the net fair value exposure in the case of a respective 1% increase, as of December 31, 2024, would have increased by approx. NIS 200 million compared to the exposure reported in the table above.

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

	December 31					
	2024			2023		
	Income Interest rate	Non-interest finance income (expenses) of interest	Total*	Income Interest rate	Non-interest finance income (expenses) of interest	Total*
	In NIS million					
Simultaneous changes						
Simultaneous increase of 1 percent	**516**	**36**	**552**	441	276	717
Of which: Banking portfolio	**516**	**123**	**639**	441	359	800
Simultaneous decrease of 1 percent	**(704)**	**(55)**	**(759)**	(625)	(289)	(914)
Of which: Banking portfolio	**(704)**	**(123)**	**(827)**	(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.

During the year 2024, the total revenue exposure to a 1% interest rate decrease was reduced by approx. NIS 155 million. Most of the reduction resulted from a decrease in exposure in non-interest income due to derivative activities.

For additional information , please see the Risk Management Report as of December 31, 2024.

Effect of scenarios of interest rate changes on equity[(a)]

	December 31	
	2024	2023
	In NIS million	
Simultaneous increase of 1 percent	**(1,041)**	(395)
Simultaneous decrease of 1 percent	**875**	182

a) The effect presented is before the tax effect.

During the year 2024, an increase of approx. NIS 646 million in equity exposure to a 1% rise in interest rates, mostly by activity in the available for sale portfolio.

Basis Risk (Foreign Currency and CPI)

Linkage basis risk is the risk of loss as a result of changes in the consumer price index or foreign exchange rates, due to the difference between the value of the assets and the value of the liabilities, including in respect of future transactions in each of the linkage segments.

Leumi is active in currency markets through spot, forward and option transactions both for its customers and its own account. Transactions in derivatives in the banking portfolio are mainly used to financially hedge the on-balance sheet activity. These, however, most are not considered a perfect hedge under accounting principles, and therefore affect the accounting profit and loss as a result of the difference in accounting for on-balance sheet assets and liabilities and derivatives. The effect is managed, monitored and reported to the Investment Committee and Assets and Liabilities Management committee.

The linkage basis exposure is managed according to the Board of Directors' restrictions.

The actual group-level economic exposure; the data are presented as a percentage of the accounting capital

	Actual situation	
	December 31	
	2024	2023
	In %	
Non-linked	**(44.3)**	(42.0)
CPI-linked	**42.5**	41.3
Foreign currency	**1.8**	0.7

In 2024, the effect of the change in foreign currency rates on the net income was non-material since the Bank does not have substantial Forex exposures.

For quantitative information regarding balances in the linkage bases, please see Note 30.

The sensitivity to changes in the exchange rates of the main currencies as at December 31, 2024.

The measurement relates to the effect of the changes on the Bank's capital and includes the on-balance sheet and off-balance-sheet instrument activity

	USD	EUR	GBP	CHF	YEN
	In NIS million				
10 percent increase in the exchange rate	**133**	**3**	**29**	**(1)**	**5**
10 percent decrease in the exchange rate	**(30)**	**21**	**(27)**	**1**	**(3)**

The sensitivity to changes in the CPI as at December 31, 2024.

The measurement relates to the effect of the changes on the Bank's capital and includes the on-balance sheet and off-balance-sheet instrument activity

	Effect of the changes on the Bank's capital
	In NIS million
3% increase in the CPI	**778**
3% decrease in the CPI	**(778)**

Investment in Equity Securities and Mutual Funds

The Bank has defined the Group's investment policy, including restrictions both on the overall investment amount and the amount per company, the investment mix and the different risk levels for various types of investments.

Exposure of the investments in equity securities and mutual funds in the banking portfolio

	Book balance and fair value	
	December 31	
	2024	2023
	In NIS million	
Marketable equity securities and mutual funds in the not held-for-trading portfolio	**3,179**	2,011
Non-marketable shares in the not held-for-trading portfolio	**3,999**	2,817
Total	**7,178**	4,828

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

Liquidity Risk and Financing Risk

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

Funding risk is the risk of being unable to raise new sources for funding or refinance existing sources needed for ongoing operations, or that such funding will be obtained under conditions and timeframes that would significantly impair the bank's net interest income.

The concentration of the sources is audited and managed by the Bank as part of its liquidity risk management. The Bank performs follow-up on the composition and concentration of sources by several categories, including: Customer size and type, single depositor. The bank conducts continuous and close monitoring of liquidity indications and tracks warning signs that enable early identification of liquidity needs and trends related to its funding sources.

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

Public deposits in local and foreign currency serve as the bank's primary source of funding accounting for approx. 91% of total financial liabilities, excluding derivatives, as of December 31, 2024. Retail deposits from households and small businesses constitute approx. 45% of total public deposits. The contractual term of deposits is short, with approx. 97% of the cash flow, based on the contractual maturity date of public deposits (including credit balances in customers' current accounts), having a maturity period of up to one year. However, public deposits are generally rolled over and remain in the bank for an extended period.

In 2024, the average balances of public deposits increased by approx. NIS 45 billion, of which about NIS 31 billion were in eh institutional sector. The main growth, approx. NIS 37 billion, is driven by an increase in time deposits and was recorded across all regulatory activity sectors, except for medium-sized businesses. The main increase in time deposits occurred in the institutional sector (total of NIS 15 billion), the household sector (approx. NIS 7 billion), and the large business sector (approx. NIS 11 billion).

The weighted average expense rate on total public deposits in annual terms for 2024 increased by at approx. 3.2 percent, an increase of 0.25% compared to the corresponding data for the year 2023. This increase is primarily driven by a rise in the expense rate for institutional entities, large businesses and households by approx. 0.18%, and 0.34%, and 0.26%, respectively.

As of December 31, 2024, the deposit balance of the three largest depositor groups, according to the Banking Capital definition of 1981, stood at NIS 58.5 billion. These three depositors are classified under the definition of public deposits from financial institutions, as outlined in Proper Conduct of Banking Business Directive No. 221 on Liquidity Coverage Ratio, and account for approx. NIS 50 billion, as 37%, as of December 31, 2023, respectively) The majority of the balances of the three largest depositors have a maturity period of up to one month. As a result, they receive a 100% withdrawal rate both in the measurement of the regulatory LCR according to Proper Conduct of Banking Business Directive No. 221 and under the Bank's internal model, in accordance with Proper Conduct of Banking Business Directive No. 342. In other words, these financial deposits do not serve as a source that the bank relies on for liquidity risk management. We note that these clients engage in business activities with the bank across various products. Therefore, the bank classifies a small portion of these balances as operational deposits, which receive reduced withdrawal rates in accordance with Proper Conduct of Banking Business Directive No. 221.

Bonds and subordinated notes serve as additional source of funding of the bank, a longer-term source compared to public deposits. As at December 31, 2024 bonds and deferred promissory notes constitute approx. 5% of total financial liabilities, excluding derivatives. Approx. 91% of the future contractual cash flow from bonds and deferred promissory notes has a contractual maturity of more than one year.

The balance of bonds and subordinated notes as of 31 December 2024 amounted to NIS 32 billion, similar to the balance as of December 31, 2023. Average balance during the year 2024 amounted to NIS 31.1 billion, compared to average balance of NIS 29.2 billion in the year 2023. The expense rate in the year 2024 amounted to 4.83%, compared to approx. 4.21% during the year 2023.

For additional information, please see Note 20.

The public's outstanding credit balance in local and foreign currency as of December 31, 2024 amounts to approx. NIS 448.2 billion. The contractual term of public credit is generally longer compared to public deposits, with approx. 57% of the future contractual cash flow of the credit extending beyond one year.

For additional information regarding cash flows according to the contractual repayment date see Note 31.

A gap between the future contractual cash flows of deposits and credit is a key component in managing liquidity risk.

The Bank sets growth targets for both sources and uses and conducts an ongoing monitoring process to ensure compliance with these targets. As part of liquidity and funding risk management, the bank monitors, among other factors, the projected repayment of large deposits, as well as the expected redemption of bonds and deferred promissory notes. It also manages forecasts and tracks the pace of credit issuance, aligning its preparation in advance for sourcing necessary funding.

The Bank monitors liquidity risk using various regulatory models, including the Liquidity coverage ratio (LCR) and the Net Stable Funding Ration (NSFR). Regulatory directives define stability coefficients for different types of funding sources (based on customer type), which are taken as part of liquidity risk management and influence the liquid assets the back holds.

Below is a breakdown of the bank's liquid asset inventory

Table Inventory - Composition of high-quality liquid assets[(a)] by average balance per

	For the three months ended December 31					
	2024			2023		
	NIS	Currency external/ foreign quarter	CPI-linked NIS	NIS	Currency external/ foreign quarter	CPI-linked NIS
	Total weighted value in NIS millions					
Total Tier 1 assets	**137,058**	**45,118**	**182,176**	123,889	37,558	161,447
Total Tier 2a assets	**-**	**3,352**	**3,352**	-	4,476	4,476
Total Tier 2b assets	**118**	**158**	**276**	305	244	549
Total high-quality liquid assets	**137,176**	**48,628**	**185,804**	124,194	42,278	166,472

a) See Banking Business Directive No. 221.

Table Inventory - Composition of high-quality liquid assets[(a)] of Bank of Israel at the end of the period

	As of December, 31					
	2024			2023		
	NIS	Currency external/ foreign quarter	CPI-linked NIS	NIS	Currency external/ foreign quarter	CPI-linked NIS
	Total weighted value in NIS millions					
Total Tier 1 assets	**157,255**	**39,939**	**197,194**	137,766	43,691	181,457
Total Tier 2a assets	**-**	**3,575**	**3,575**	-	4,577	4,577
Total Tier 2b assets	**77**	**128**	**205**	331	238	569
Total high-quality liquid assets	**157,332**	**43,642**	**200,974**	138,097	48,506	186,603

The high-quality liquid asset inventory includes assets that can be easily and quickly converted into cash with little or no loss of value. Classification of Assets according to Banking Business Directive No. 221. Not pledged assets.

For details on the assets pledged by the bank to the central bank, clearinghouses, and others see Note 26 and Risk Report dated December 31, 2024.

Level 1 assets constitute approx. 98% of the bank total high-quality liquid asset (HQLA) inventory as of December 31, 2024. These assets primarily include cash, balances with the Bank of Israel, Israeli Government bonds in both NIS and foreign currency, U.S. government bonds, and bonds fully guaranteed by the U. S. government.

The balances of the banking industry (current accounts and monetary deposits) in the Bank of Israel as at the end of December 2024, was NIS 134 billion, compared with NIS 82 billion as at the end of December 31, 2023.

The Bank can increase its high-quality liquid (NQLA) both by selling them in the markets and by conducting REPO (Repurchase Agreement Transactions) The Bank has an operational and legal infrastructure in place to execute these transactions.

Additionally, the Bank has the options to obtain credit from the Bank of Israel through the central bank's monetary auctions. This credit is provided against collateral or deposits held at the Bank of Israel, including Israeli Government bonds and foreign securities issued by government and corporations that meet specific criteria (such as credit rating, duration, etc.)

The liquidity risk management policy

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 Directives. The management of exposure to liquidity risks is regularly examined, controlled and discussed by the forums and committees at the Board of Directors and management. In this framework, ongoing follow-up is conducted on cash flow forecasts, trends in various deposit segments, concentration of depositors and fund-raising costs.

The Bank has a comprehensive infrastructure, management routines, and specialized tools for managing liquidity in foreign currency. This includes daily monitoring of a set of internal risk indicators, as well as internal and regulatory limits. Leumi monitors its liquidity position using indicators capable of providing early warning of changes in the liquidity position, inter alia, by using a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel's directives and accepted international standards. The Bank has a contingency plan in place for early identification handling of a liquidity crisis, which includes a system of warning signs that can indicate a change in the Bank's liquidity status, and establishes an action plan for handling such situations.

The Bank's Board of Directors defines the risk probability and sets internal limits that are stricter than regulatory requirements for the purpose for managing liquidity risk. The CRO sets internal limits that are stricter than those established by the board of directors for day-to-day management purposes. Internal limits serve as additional reserve to ensure compliance in a liquidity stress scenario.

The Bank measures and manages liquidity risk using models for all currencies combined and separately for foreign currency, as follows:

- The regulatory metric LCR, in accordance with Proper Conduct of Banking Business Directive No. 221, measures the ratio between the bank's available high-quality liquid assets (HQLA inventory) and the net cash outflows in a 30-day stress scenario. The ratio is measured for all currencies combined as well as specifically for foreign currency.

  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. Liquidity Coverage Ratio (LCR) simulates the Bank's liquidity position under a combined liquidity stress scenario, which applies both to Leumi and the overall financial system and lasts for 30 days.

  The LCR ratio is measured on a daily basis. Regulatory requirement is it is not to fall below 100% on a solo and consolidated basis. The report on the liquidity coverage ratio to the senior management is made at least once each month and to the Board of Directors at least once each quarter.

- Internal model for Liquidity Risk Assessment:

  Measures the minimum liquidity coverage ratio, the Bank manages an internal model for estimating liquidity risk in accordance with a Banking Business Directive No. 342, under a variety of scenarios between a week to three months, relating to various market situations, which pertain to the entire banking system and to Leumi in particular. The internal constraints of the internal model are higher than the limits on the LCR ratio and are designed to ensure an additional buffer for meeting liquidity scenarios. The internal model is measured for all currencies and for foreign exchange and includes 4 types of scenarios:

  - Regular terms simulation scenario ("regular scenario") stress scenario simulation in Israel banking system against the backdrop of global pressure ("systemic scenario")
  - Stress scenario simulation at Bank Leumi ("specific scenario")
  - The stress scenario combines a systemic scenario and a bank specific scenario ("combined scenario" which is considered the most severe scenario.

- Net stable funding ratio (NSFR), in accordance with Banking Business Directive No. 222:

  Net Stable Funding Ratio is designed to improve managing methods of liquidity risk and enhance the bank's long-term stability (year). 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.

  Net stable funding ratio (NSFR) reduces reliance on short-term wholesale funding, encourages a more comprehensive assessment of liquidity risk across all on-balance sheet and off-balance sheet items, and promotes funding stability.

  The ratio's results are influenced by the bank's financial position on the measurement date, as reflected by all balance sheet items on that date. It requires maintaining an adequate level of available funding (sources) that aligns with the required funding level.

  Net Stable Funding Ratio (NSFR) is measured quarterly and reported in the financial statements at both the solo and consolidated levels for all currencies. Additionally, the Bank conducts an internal calculation to estimate the ratio on a monthly basis.

Regulatory requirement is it is not to fall below 100% on a solo and consolidated basis. The Net Stable Funding Ratio must be reported to the senior management and Board of Directors at least once each quarter.

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 As at December 31	
	2024	2023
	In %	
a. Consolidated data		
Liquidity coverage ratio	**123**	124
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100
b. According to the banking corporation's data		
Liquidity coverage ratio	**120**	120
Minimum liquidity coverage ratio set by the Banking Supervision Department	**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 of December 31, 2024_and Note 24.B.

In 2024, the bank complied with the regulatory limits regarding the Liquidity coverage ratio (LCR).
The average liquidity coverage ratio for the three months ended December 31, 2024 is low by approx. 123% compared to the average liquidity coverage ratio for the three months ended December 31, 2023, mainly resulting from the effect of an increase in credit and bond repayments, net, whose effect was partially offset by an increase in deposits by the public.

In the fourth quarter of 2024, the LCR in foreign exchange and across all currencies was above the regulatory requirement, the total consolidated ratio as of December 31, 2024, stood at 129%.

Net stable funding ratio

	As of December, 31	
	2024	2023
	In %	
a. Consolidated data		
Net stable funding ratio	**118**	118
Net stable funding ratio set by the Banking Supervision Department	**100**	100
b. According to the banking corporation's data		
Net stable funding ratio	**116**	117
Net stable funding ratio set by the Banking Supervision Department	**100**	100

The Bank calculated as of the financial statements as at December 31, 2024.

The Bank set internal Net stable funding ratio restrictions, in addition to the Liquidity Risk Management restrictions.

The consolidated net stable financing ratio as at December 31, 2024 is 118 percent, unchanged from the ratio as at December 31, 2023, primarily because during 2024, the increase in public deposits and increase in capital components (the Bank's revenues and long issuances) were offset by an increase in credit for the public.

The credit rating downgrades of the State of Israel in 2024 did not impact the bank's ability to raise funding.

For further information, please see the chapter titled "Key Developments in the Economy" in the Report of the Board of Directors and Management.

For qualitative and quantitative information regarding financing and liquidity risk, please see under "Additional Information on Liquidity Risk and Financing Risk" in the Risk Management Report as at December 31, 2024 and_ Note 31.

Linkage Status

Following is a summary of the linkage balances, according to Note 30 to the financial statements

	December 31					
	2024			2023		
	No Linked	Linked CPI	Currency External[b]	No Linked	Linked CPI	Currency Foreign[B]
	In NIS million					
Total assets[a]	**540,129**	**70,979**	**186,129**	501,707	65,358	182,884
Total liabilities[a]	**513,020**	**44,959**	**192,048**	475,220	44,405	189,415
Surplus (deficit) of segment assets	**27,109**	**26,020**	**(5,919)[c]**	26,487	20,953	(6,531)[c]

a) Including future contracts and options.
b) Including foreign currency-linked.
c) The excess foreign currency liabilities stems from the financing of investments abroad, investments in funds classified as a non-monetary item and from the insurance coverage transaction against a tax exposure for the investment in the Bank's branch abroad.

The ongoing management and reporting of the Bank's exposure to basis risks are made in line with the economic approach, which includes adjustments and additions to the accounting approach presented above. The basis exposure calculated according to the economic approach is detailed in the section entitled "Risk Exposure and Management Thereof".

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.

In 2024, there were no significant changes in the corporate governance structure, policies and operational risk management.

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 further information on regulatory changes in the reporting period and anticipated changes regarding the measurement of capital adequacy, please see the Chapter Capital and Capital Adequacy in the Report of the Board of Directors and Management.

Corporate governance structure

In addition to information about the corporate governance structure of risk management in the Bank, which is described in the section entitled "Additional Information about Risk Exposure and Assessment Thereof", following is more information regarding operational risk management:

First line of defense - The business lines' managements, support units and the technologies department are responsible for managing the operational risks in their respective purviews, both on an ongoing basis as well as for new projects and products.

Second line of defense - the Operational, IT and Cybersecurity Risk Department in the Risk Management Division is responsible for, and leads, the operational risk management process, while developing risk policy and risk tolerance recommendations, formulating methodologies, as well as professional responsibility for, guidance of and challenging of the effectiveness level (subject to materiality) the first line of defense in the risk management process.

Third line of defense - Internal Audit. The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines, ensuring implementation of the guidance of management and the Board of Directors.

Management and board of directors' committees - Each quarter, the committees hold a discussion on the material exposures to operational risks. The operational risk management policy is brought before the Board of Directors for discussion and approval once a year.

The operational risk policy and management framework

The Group's operational risk management policy outlines Leumi's operational risk management principles, guidelines and framework, including: Risk-oriented management adapted to each business line and a focus on risks with potentially significant consequences for the Bank's activity.

To allow the Board of Directors and management to exercise appropriate corporate governance, operational risk tolerance was defined through quantitative restrictions and qualitative declarations.

The operational risk profile is periodically monitored and reported on a quarterly basis to the Bank's management and Board of Directors, serving as a basis for decision-making.

The Bank revises the operational risk map from time to time. The revision is made by the first line units, with the Risk Management Division providing guidance, challenging, and assistance. The process includes identification and (qualitative and quantitative) assessment of the risks and recommendations for minimizing the risks (risk mitigation plans). In addition, there is a system in place supporting risk reporting, documentation of controls, mitigation plans and failure events.

The Bank manages risks in material new projects and products on the basis of a methodology which includes risk identification and mitigation with the aim of complying with Leumi's business and operating goals.

Since the operational risks are cross-organizational, the Risk Management Division is taking steps to instill an advanced risk management culture, including reporting on incidents and drawing conclusions.

Main operational risk areas:

Information security and cyber risk

During the reporting period the trend of increasing cyber-attacks on financial organizations in Israel and around the world, including Leumi, 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.

These attempts had no business 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 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.

Business continuity risk

Bank Leumi strives at preserving the continuity of its operations at all times. In its being an essential enterprise it is prepared to cope with external and internal scenarios that may lead to significant operational disruptions in its business activity.

The Bank sets a business continuity policy, which constitutes an outline of guidelines and constitutes a comprehensive work frame for managing the business continuity at the Group level. The following components are included within the work framework - analysis of business consequences, a recovery strategy (including backups and retrieval capabilities), a business continuity plan and carrying out regular technological and business drills. Leumi manages and implements processes with the purpose of allowing quick recovery in case of emergency and stress events, while minimizing the damage to the business activity.

The "Iron Swords" War and the "escalation in the north" - the Bank has taken various practical steps for coping with the scenario's threats - actions were taken in the business, technological, operational and human resources aspects. At the Bank's initiative, aiming at obtaining preference in allocating national resources to the banking system, the critical locations for electricity supply were mapped, and the critical communication lines were mapped to ensure operational continuity.

Outsourcing and supplier risk

Leumi contracts suppliers and sub-suppliers for various business needs and adopts new products and services developed by external entities. This, while implementing a protective concept and informed management of the technology and business risks.

Its dependence on suppliers exposes the Bank to various risks, including business continuity, disruption and information leakage. Such risks are managed on an ongoing basis through risk management and a new product, procurement processes, information security, business continuity and cyber security workflows and anchored accordingly in policy papers and procedures.

There is an outsourcing policy and operational risk policy in a dedicated chapter for managing third party risk issues.

Embezzlement

To address the embezzlement risk, the Bank works on several levels to increase awareness among all Bank employees, with emphasis on risk managers and heightened monitoring of employees on the verge of leaving the Bank, a speak up mechanism which encourages employees to report breaches, etc.

The is a chapter dedicated to managing fraud and embezzlement risks as part of the operational risk management policy and a special embezzlement forum had been appointed to handle the issue.

Fraud

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

The human resource risk

The changes in the business and banking environment affect the human capital domain as well, and accordingly, the need to adapt the work force to the needs of the changing world. Leumi uses various means to address the risk.

Climate and Environmental Risk

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

Environmental risks arise from the Bank's exposure to activities which may potentially cause environmental damage or be affected therefrom, such as: air pollution, soil contamination, water shortage, desertification, loss of biodiversity, deforestation, and earthquakes.
Climate-related risks arise from exposure to physical risks or transition risks caused by or related to climate change. Environmental and climate-related risks are usually divided into three types:

- Physical risks - financial risks due to the exposure to damage from acute extreme events related to climate or weather (such as heat waves, droughts, avalanches, floods, fires, storms and more) and/or exposure to damage from gradual chronic processes related to climate change (such as a rise in the sea level, an increasing average temperature).
- Transition risks - financial risks due to exposure to the transition process to an economy with low greenhouse gas emissions, which may include, for example, changes in the climate and environmental policy, technological changes or changes in the public's preferences.
- Liability risk - financial risks due to the exposure to legal claims, in which the plaintiffs demand the imposition of responsibility and/or request compensation for damages or losses related to climate changes.

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

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

The Bank's Board of Directors considers the management of environmental and climate-related risks an integral part of the Bank's business strategy and goals, to preserve the Bank's stability, in view of its centrality and importance for the economy and the Israeli society and as a business-strategic opportunity. Leumi recognizes the economic, social and environmental responsibility assigned to it in accompanying and supporting our customers in the transition process through the provision of credit and supporting investments. Focus on the management and assessment of exposure to climate-related risk along with identification of the opportunities is an integral part of the process.

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 Directive establishes "fundamental principles" for effective management and supervision of climate-related financial risks, according to which the banking corporations are required to operate to optimally manage their exposure to these financial risks. The Directive will apply from June 2025, and the Bank is preparing for its implementation.

Climate-related risk management framework and policy

The Bank has formulated a policy for managing environmental and climate aspects, which establishes principles for identifying and managing risks and defines the areas of responsibility and reporting mechanisms. In addition, a work plan was formulated that includes improved methodologies and measurement methods, alongside actions taken by the Bank to identify and map the exposure to climate and environmental risks and to reduce them.

This is forward-looking information, the materialization of which is uncertain and not under the Bank's sole control, taking into account that this is an "evolving" domain.

For further information, please see the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

Identification and management of climate-related risks in principal risk management

The Bank recognizes that the identification and assessment of the environmental risk is part of an adequate risk assessment process and is working to implement environmental risk exposure management, including climate-related risk (physical risk and transfer risk), as follows:

- Risk management as part of the credit activity - The Bank has formulated a methodology for assessing the potential exposure of Israeli economic sectors to key risk factors associated with climate and environmental risks, as well as tools and methodology for assessing specific credit risks to borrowers based on substance and risks, for identifying, measuring, assessing, monitoring, reporting and controlling the risk, including manners of managing the risk and mitigating its effect on the credit exposures.
- Investments and Nostro risk - market and investment risk management policy determines guidelines for managing the risk, including combining environmental and climate risks in the investment decision making process and in the management of existing investments. The work plan to improve the methodologies and measurement tools for managing environmental and climate-related risks also include investments; the aim is to develop tools and expertise to promote environmentally-friendly measures and business opportunities.
- Operational risk - The Bank has set itself a goal that the direct and indirect impact of its activity will lead to a reduction in the negative effects of the environment.
- Reputational risk - A policy has been formulated for the management of reputational risk, which is adapted to the Bank's strategy and includes reference to the issue of environment and climate. The annual work plan includes communication of business moves on the subject.

The following table presents the share of the economic sectors with high emissions, that have increased exposure to transition risks, from all credit risk balances - Bank.

Exposure to economic sectors with high emissions, characterized by increased transition risk(A) - the Bank

	The chemical industry and cement manufacturers(B)	transportation, shipping and vehicle manufacturing(C)	Manufacturers of metal products as well as wood and paper products(D)	Generation of electricity from fossil fuels(E)	Agriculture Livestock(F)	Fossil fuels(G)	Total
December 31, 2024	**1.33%**	**1.08%**	**0.49%**	**0.71%**	**0.13%**	**0.96%**	**4.70%**
December 31, 2023	1.42%	1.22%	0.55%	0.71%	0.16%	1.03%	5.09%

a) In order to define high emission sectors, which are characterized by increased exposure to some of the transition risks related to the extent of the emissions (such as carbon taxation, regulations for the reduction of emissions, legal liability and exposure to disruptive technology and innovation risks), the Bank used lists of high emission sectors from leading global work frameworks on the subject - SBTI, PACTA, UNEP-FI.
b) Manufacture of chemicals and their products, pharmaceutical industry, rubber and plastic products industry and cement manufacturers.
c) Economic sectors of land transport, marine transport, air transport, postal services and national couriers, the motor vehicle industry and ship and boat building.
d) Economic sectors of the manufacture of wood and paper products (except furniture) and the manufacture of metal products (iron and steel, non-ferrous metals).
e) Economic sector of the supply of electricity, gas, steam and air conditioning, transmission and distribution of electricity.
f) The livestock, fishing and marine agriculture, including mixed farming.
g) Activities of producing oil, natural gas and coal mining, including the supply, transport and retail trade of fuel.

Scenario analysis

In 2024 the Bank had performed stress tests, concerning the transition risk that are based on various climate scenarios, according the leading global practices. In 2025 the Bank will complete the stress tests in respect of the physical risk.

As a rule, the scenarios' results are consistent with the Bank's assessment of the climate risk level distributed by industries (heat map). Accordingly, the more exposed industries, the risk profile of which may increase due to materialization of the risk climate scenarios stated above, are the energy and fuels industries, the chemical and other heavy industries (such as construction materials), as also a significant increase is expected in the long term in the various services and various environmental infrastructures.

In respect of each of the industries that have been identified as having a significant potential to be adversely affected by realization of the climate risk, the Bank will examine the need for adjusting the credit policy and reducing the risk's impact on the credit exposures while addressing the structured restrictions of the scenario (the lack of individual data regarding Israel, non-sensitivity to the nature of the Israeli market, the separation between the physical risks and transition risks, and focusing on the price of carbon as a central explanatory variable for the results). Additionally, the Bank will continue to analyze the individual risks of the borrowers who meet the essential thresholds that had been set, through the dedicated methodology the Bank has developed for the issue.

For further information concerning the climate scenarios the Bank had conducted, please see the chapter "Analyzing Climate Scenarios" in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

A climate risk is a "developing" risk. Evolving risks are characterized by lack of quantitative data of adequate historical depth for their estimate and by high variance compared to other risks over time; this requires well-structured processes to adjust their management and measurement tools.
The Bank is monitoring regulatory, technologies and company-based developments, studying them and adjusting the risk management tools and methodologies on an ongoing basis.

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

For further information, please see the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2024.

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.

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

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

In addition, several legislative initiatives are being promoted in various contexts regarding the activities of banks in Israel, among other things, limiting fees and commissions amounts for certain services, and limiting the difference between the interest on credit and interest on deposits. In addition, as part of the balancing plan to achieve the budget targets for 2024, a law providing for a special payment by 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) in 2024 and 2025 in order to reach the budgetary targets, 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; and providing customers with tailored value propositions. At the same time, the regulation erodes income, increases compliance expenses and requires constant improvement of the service and innovation levels.

For more details, please see the chapter "Laws and Regulations Governing the Banking System in a Corporate Governance Report".

Compliance Risk

Compliance risk is the risk of a sanction being imposed, or a material financial loss or a reputational damage incurred, by the banking corporation as a result of failing to comply with the provisions of the law or regulations.

Proper Conduct of Banking Business Directive No. 308, "Compliance and the Compliance Function in Banking Corporations", formally defines the compliance function's areas of responsibility at the Group level. The directive stipulates that a bank must assess the effectiveness of its compliance risk management, and find means to measure it, with the risk derived from the entire body of laws governing the Bank's activity.

According to the Bank's policy, compliance risk is managed at the Group level. In this context, various steps are taken to supervise and control foreign office and subsidiaries in order to monitor implementation of compliance aspects as a whole and apply the Group's compliance policy.

To effectively manage compliance risk, Leumi has in place a compliance and enforcement function, headed by the Chief Compliance Officer. The Chief Compliance Officer is responsible, among other things, for meeting the legal requirements of the prohibition on money laundering and terror financing and implementation of the international sanction regimes in accordance with the Bank's policy.

As part of implementing the international sanctions regime, over the last year the required adjustments were made in the work procedures, given the expansion of the international sanctions regimes against Russia and Belarus, including the prohibition on enabling banking activity that supports the Russian military industry.

The Chief Compliance Officer also serves as the securities law enforcement officer, the privacy protection officer, and the officer responsible for FATCA implementation, the CRS and the QI agreement.

The Compliance and Enforcement Department reports to the Chief Risk Officer.

a. **Prohibition on money laundering and prohibition on financing of terrorism**

Maintaining proper compliance culture across the entire organization requires an effective control and enforcement framework. To this end, strict work procedures and control and enforcement processes have been established for all workflows and their relevant compliance risks. The purpose of the control and enforcement framework is, among other things, to identify existing and potential gaps and exposures in order to determine whether work processes and training programs should be revised.

The Compliance Department is in regular contact with subsidiaries in Israel and abroad, for the purpose of monitoring the implementation of compliance issues as a whole as well as the implementation of the Group's compliance policy.

b. **Administrative enforcement**

The Law of Efficiency of Enforcement Procedures in the Israel Securities Authority (Legislative Amendments), 2011 was designed to streamline the enforcement of legislative provisions in the securities domain. The law allows the regulator to impose various sanctions on a corporation, its officers and employees if they have violated the relevant provisions.

The Group's Chief Compliance Officer also serves as the Chief Compliance Enforcement Officer, responsible for the implementation of the internal enforcement program in the area of securities and investment management which was approved by the Bank's Board of Directors.

c. **Foreign Account Tax Compliance Act (FATCA) – Common Reporting Standard (CRS) and the reported funds policy and Declared Money Policy (DMP)**

On July 14, 2016, the Income Tax Ordinance Amendment Law (No. 227), 2016 was published, on the implementation of the FATCA agreement between the State of Israel and the United States and agreements for information exchange between Israel and other countries, pursuant to the Standard for Automatic Exchange of Financial Account Information published by the OECD.

The Income Tax (Implementation of a Uniform Standard for Reporting and Due Diligence of Information on Financial Accounts) Regulations, 2019, were published on February 6, 2019. Pursuant to the regulations, the Bank is required to authenticate customers who are residents of foreign countries, and to report customers identified as residents of countries with which Israel has information exchange agreements to the Israel Tax Authority, which will forward the information to the competent authorities in the customers' countries of residence.

The Bank reports to the Israel Tax Authority according to the provisions of the said law.

The Bank implements a Declared Money Policy (DMP) while ensuring that there are no funds managed by the Bank that are not reported to the relevant tax authorities; in this context, various measures were taken to locate and identify the relevant target audiences. If needed, customers are required to provide various statements and approvals.

On February 12, 2024, and on October 29, 2024, financial sanctions were imposed on Bank by the Banking Supervision Department. For further information regarding the financial sanctions please see Note 25.D.

Legal Risk

The legal risk is defined as exposure to damage/loss resulting from claims against the Bank, provision of a defective legal opinion, preparation of defective agreements, non-provision of appropriate legal instructions following changes in legislation and/or case law and/or legal issues arising as part of embedment or implementation of legislation, regulation and case law and/or as a result of fines that would be imposed on the Bank and supervisory activity.

Legal risks arise from five main areas:

- Legislation risks - risks attributable to the Bank's activity in the event where the legal analysis is not consistent with a primary or secondary legal provision, the Bank of Israel's directives or directives issued by other competent authorities.
- Contractual risks - risks attributable to the Bank's activity with customers, suppliers and other parties with whom the Bank contracts, if the activity is not backed by an agreement that fully establishes the Bank's interests, or the agreement is not fully enforceable or includes illegal terms and conditions.
- Court ruling risks — risks arising from the Bank's activity if it does not comply with case law.
- Risks attributable to legal proceedings conducted against the Bank.
- Risks arising from changes in enforcement policy.

Legal risk policy and management framework

The Chief Legal Counsel, who is a member of the Bank's management and Head of the Legal Counsel Division, is the Bank's legal risks manager, and she is responsible for leading legal risk management.

The Group implements a program for managing legal risk, which aims to identify, prevent, manage and mitigate legal risk. The program includes policy papers and an interface between the Legal Counsel Division and units of the Bank, as well as internal procedures applicable to the Legal Division, the purpose of which is to ensure that legal counseling provided within the Bank is professional and up-to-date. The Bank's subsidiaries, domestic and foreign, implement a policy for legal risk management as part of dedicated policy papers and internal procedures for managing legal risks in with its activity and the Group's policy on the subject. According to the legal risk procedures in the subsidiaries, they are required to seek adequate legal advice for certain issues. In addition, the subsidiaries send periodic and immediate reports to the Bank's Legal Risk Manager, as required by the policy papers.

In the context of the legal risk management program, the following points have been emphasized:

- Identifying and handling sources of material legal risks.
- Preventing and mitigating legal risk, inter alia, through:
  - Preparing adequate agreements, guidelines and procedures.
  - Reviewing regulatory and legal provisions (including judgments), and their implications for the Bank's activity.
  - Drawing conclusions on various topics and implementing the conclusions drawn in legal documents used by the Bank, as well as providing opinions on these topics to the relevant units in the Bank.

The parties responsible for executing the legal risk management program include various officials and committees within the Legal Counsel Division, special purpose factors and committees – whose function is to review, coordinate and handle new legislation and rulings applicable to the Bank's activities.
In addition, the Legal Counsel Division identifies and handles, as needed, new regulation (primary legislation, secondary legislation, regulatory directives), as early as the proposed law or regulation formulation stage.

The activity of each of the abovementioned officials and committees is prescribed by internal work procedures of the Legal Counsel Division. The procedures stipulate, inter alia, the information interfaces between each of these parties and the legal risk team of the division, the division's management and the Legal Risk Manager.

General legal exposure

There is a general legal exposure, which cannot be assessed or quantified, arising, inter alia, from the complexity of the services rendered by the Bank and the consolidated companies to their customers. The complexity of these services embodies, among other things, a potential for claims relating to commercial and regulatory terms and conditions. It is impossible to foresee all of the types of claims which may be raised in this area and the exposure deriving from these and other claims in connection with the services provided by the Bank and its consolidated companies, which are filed, inter alia, in respect of motions to certify class actions.

There is also legal exposure due to regulatory changes and guidance issued by the Banking Supervision Department, the Israel Securities Authority and other regulators to which the Bank is subjected.

Some engagements with customers last many years, in the course of which policies, regulations and legal trends, as well as court rulings, may change. The Bank and the consolidated companies use complex automated systems, which are adjusted on a regular basis according to the changing reality. All the above create an increased operating and legal exposure.

There is also a general legal exposure arising from complaints filed from time to time with the Banking Supervision Department against the Bank and the consolidated companies, which may, under certain circumstances, result in legal proceedings against the Bank. For the time being, it is impossible to assess whether there is exposure due to such complaints and whether the Banking Supervision Department will issue an industry-wide decision regarding such complaints and/or whether class actions or other types of lawsuits would be filed as a result of such proceedings. It is therefore impossible to assess the potential exposure to such complaints. As a result, no provision was made for the said exposure.

Reputational Risk

Reputational risk refers to Bank Leumi's stakeholders' perceptions – (customers, shareholders, bond holders, the general public), and reflects the gap of expectations between the stakeholders and the Bank's conduct, which may lead to a negative discourse regarding the Bank in the various media channels (journalism, television, radio) and on social networks.

The reputational risk is a cross-cutting risk that is directly related also to the materialization of other risks, which the Bank, including all its departments, manages and is affected by them in a significant manner.

The Spokesman's Department exercises active media activities, and lead media and marketing initiatives for increasing the Bank's positive exposure, regularly monitors the media discourse regarding the Bank and manages and the other banking system, manages a regular interface with all the Bank's units in order to enable optimal media relations when events occur that could have a potential adverse effect on the Bank's reputation.

Strategic Risk

Strategic risk is the risk of significant harm to current and future financial resilience and a result of erroneous strategy decisions, faulty implementation of strategic decisions or failure to respond to changes in the banking sector and operating environment.

The financial industry and banking sector have experienced significant changes that affect the strategy risk, and require adjustment of the business model, including: entry of new players, such as FinTech's, insurance companies, non-banking credit companies and digital banks, which often enjoy regulatory arbitrage compared to the regulation applicable to banks, as well as flexible computer systems. Additionally, regulatory changes that support encouraging competition, such as open banking initiative, a rated license for a bank, tools for supervising the bank for comparing between banks in various aspects, and more.

Underlying the Bank's strategy is the vision to lead proactive, innovative and responsible banking for the customers and to grow expeditiously with the customers in focus. As part of implementing the strategy, the Bank leads in recent years significant moves for improving the service, including expansion of the supply of digital services and products for its customers.

The strategic risk is managed by the Bank's Board of Directors and management. The Strategy Department accompanies the Board of Directors and management, and constitutes a source of knowledge and professional solution for the CEO and the various departments concerning issues that have a strategic impact.

The Bank's strategic plan is for three years, and has been approved by management and the Board of Directors. The strategic plan is set following an extensive process of examining trends and changes in the business environment, competitive environment, technological environment and customer preferences, in an effort to identify threats and opportunities.

During 2024 a process of planning and defining the strategy, the indicators and strategic goals has been conducted, upon completion thereof a discussion was held by the Bank's management for approving the work plan and strategy, including the Risk Management Department's stance as a secondarily line for managing this risk.

Models Risk

Models risk is the risk of a loss or harm to the Bank's reputation due to erroneous, model-based decision-making, as a result of using an erroneous model, reliance on non-representative data, errors in implementing the model or faulty use of the model.

The models risk management policy was approved by the Bank's management and Board of Directors with the approach that the nature and quality of models are vital to ongoing business activity. The policy covers principles of model risk management, definition of corporate governance, officers and reporting hierarchies.
Under the policy, a multi-year risk-based work plan was developed to manage and mitigate model risks; the Bank continues to apply the risk mitigation work plan.
The Bank's strategy for transitioning to using digital tools and models-based processes increase the reliance on models in work processes. This trend increases the efficiency, transparency and objectivity of the processes, thereby mitigating fair conduct, service, credit underwriting risks but increasing models risks. The work plan to manage and monitor models' risks has been adjusted to these heightened risks.

The Bank continues tracking the impact of the macroeconomic changes on the environment of the risk management models.

On August 21, 2024, a new banking directive, no. 369 concerning effective management of model risks had been published. The Directive refers to, *inter alia*, processes of appropriate development, implementation and use of the models, a process of verification of the model as well as the corporate governance and monitoring mechanisms. The directive replaces the Banking Supervision Department's October 2010 letter regarding model validation, and it is based on the guidelines of the US regulators regarding the risk management model (SR Letter 11-7). The directive will come into force on August 21 2025 (but will not apply to exceptional models regarding which other dates have been set). The Bank is preparing for implementation thereof.

Conduct Risk

Conduct risk is the risk that the Bank's conduct will lead to an unwanted outcome for a customer due to inadequate service, inappropriate service or unfair conduct. The risk also includes inappropriate conduct affecting market integrity (the public's trust in the banking sector). The materialization of the risk may cause the Bank losses as a result of lawsuits (including class action lawsuits), sanctions or fines imposed (due to violating conduct-related provisions) and/or reputational damage.

The Bank adheres to transparent and fair practices in an effort to provide its customers with valuable services and products. This principle is reflected in the Bank's vision – to champion proactive, innovative and responsible banking for the customers and to grow expeditiously with the customers in focus. In addition, the proactive and sale processes are subject to procedures and controls that support proper conduct and which are assessed on a regular basis, with the aim of continuously upgrading them.

The consumer-focused regulation trend continues, with emphasis on conduct. In this context, the Bank continues to adhere to the principles of fairness and is working to implement Bank of Israel Directive No. 501, "Managing a Customer Service and Support System".

The Bank continues to promote the provision of financial services using digital platforms and models; the assumption is that this measure will, among its other advantages, mitigates the conduct risk.

Macroeconomic Risk

For further information concerning macroeconomic risk, please see the chapter titled "Key Developments in the Economy" in the Report of the Board of Directors and Management.

Risk Profile - Defining Risk Factors' Severity

The methodology for classifying the severity of the exposures to various risks, as depicted in the risk factors' severity table below, is based on quantifying the effect of various scenarios being realized on the Group's capital, i.e. its stability.
There are five levels of severity, with a highly severe risk defined as damage leading to a decrease of the capital adequacy ratio of CET1 capital under the risk appetite level (a CET1 capital ratio of 6.5 percent). The classification into other risk levels is made as a function of the potential damage to the Group's CET1 capital adequacy and a relevant subjective assessment. Factors affecting the assessments include various considerations, such as: Risk management processes, effect of interaction with other risks and changes in the external risk environment which can increase or decrease the severity of the risks beyond the quantitative damage to the Bank's capital. The subjective assessment also includes expert assessments by relevant functions in the Bank. In cases where a specific quantitative scenario does not adequately express the severity of a risk factor, greater weight will be given to a qualitative estimate.

In light of the above, it should be emphasized that the effect of the various risk factors varies among the banks, so extra care should be exercised in making various comparisons.

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

Table of risk factor severity

	Risk	Definition	Level of severity* 2024	Level of severity* 2023
1	Overall credit risk	The Bank's risk of loss as a result of the possibility that a counterparty fails to meet its commitments towards the banking corporation. This relates to on-balance-sheet and off-balance-sheet credit risk.	**Moderate - High**	Moderate - High
1.1	Borrowers and collaterals quality risk	Risk for default by a borrower or counterparty which causes them to fail to meet their contractual financial obligations, such as default by a borrower or counterparty in derivatives and the residual risk for failure to realize a collateral.	**Moderate - High**	Moderate - High
1.2	Concentration risk of a large borrower or group of borrowers	Credit risk arising from the borrowers' relatively large portion of the Bank's loan portfolio.	**Low**	Low
1.3	Concentration risk per industry or segment	The credit risk arises from concentration of loans to borrowers in certain economic sectors or segments.	**Moderate**	Moderate
2	Overall market risk	Risk of exposure of the Group's assets to changes in foreign exchange rates, inflation and asset prices, the correlation between them and their volatility.	**Low - Moderate**	Low - Moderate
2.1	Basis Risk	The risk arising from exchange rate fluctuations, including inflation (held-for-trading and banking portfolios).	**Low**	Low
2.2	Interest rate risk	The risk arising from interest rate fluctuations (held-for-trading and banking portfolios).	**Low - Moderate**	Low - Moderate
2.3	Spread risk and share prices	The risk arising from fluctuations in share and bond prices in the commercial and banking portfolios for assets revalued to market prices.	**Low - Moderate**	Low - Moderate
3	Liquidity Risk	The risk arising due to the inability to withstand uncertainty as to the ability to raise funding and/or dispose of assets, unexpectedly and within a very short time, without incurring a substantial loss.	**Low - Moderate**	Low - Moderate
4	Operational risk	The risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.	**Moderate**	Moderate
4.1	Information security and cyber risk	A risk arising from attack on the IT systems and/or IT infrastructure, which may result in information theft, in theft of financial assets (cash and cash equivalents) and/or disruption in the operational continuity (by disrupting information and/or compromising availability).	**Moderate - High**	Moderate - High
4.2	Technology risk	The risk of loss as a result of malfunctions and mechanical failures, as a result of processes for advancing and implementing technological	**Moderate**	Moderate

	Risk	Definition	Level of severity*	
			2024	2023
		innovation/innovative products and services and/or projects		
5	Models Risk	The exposure to loss or harm to the Bank's reputation due to erroneous, model-based decision-making, as a result of using an erroneous model, reliance on non-representative data, errors in implementing the model or faulty use of the model.	**Moderate**	Moderate
6	Legal and regulatory risk	Total risks included in the legal risk and regulation risk outlined in the report.	**Moderate**	Moderate
7	Compliance Risk	Risk arising from non-compliance with legal provisions and binding regulations.	**Moderate**	Moderate
8	Reputational Risk	The risk that negative publicity will reduce the customer base, cause a decline in income or liquidity or lead to high legal expenses.	**Low - Moderate**	Low - Moderate
9	Strategic Risk	Strategic risk is the risk of significant harm to current and future financial resilience and a result of harmful business decisions, faulty implementation of strategic decisions or failure to respond to changes in the banking sector and operating environment.	**Moderate**	Moderate
10	Global systemic risk	Risks caused due to global external events which may bring about the materialization of several risks at once.	**Moderate**	Moderate
11	Local systemic risk**	Risks resulting from local events which may lead to the materialization of several risks at once.	**Moderate - High**	High

* In reference to a possible damage to the capital adequacy and subjective assessment of risks that are not easily quantifiable. The level of risk does not express the probability for its materialization but rather the damage to the Bank if the scenario were to materialize.

** In the fourth quarter of 2024 it had been decided to lower the level of severity of the local systemic risk from "high" to "moderate-high", against the background of the recovery of growth in the third quarter of 2024, as well as the expectation of accelerated growth in 2025. Additionally, there has been an improvement of the Israeli market-based risk indicators, including reduction pf the various returns of government bonds from the peak levels (for example, Israel - the United States in foreign currency) Israel's CDS premium, renewed strengthening of Israel's share market compared with other markets.

Critical Accounting Policies and Estimates

Overview

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 (including contingent liabilities) as well as income and expense amounts.

In most cases, the estimates and assessments are based on economic forecasts, assessments regarding different markets and past experience, while exercising discretion, and which Management believes to be reasonable at the time of preparing the financial statements. Some of these estimates and assessments embody a high level of uncertainty and may be affected by, or highly sensitive to, future changes. These estimates and assessment, the level of change in which may materially affect the Bank's financial results, are considered critical estimates and assessments.

The actual results of these line items may differ from the estimates and/or assessments.

Note 1 provides a detailed description of the significant accounting policies applied by the Leumi Group.

Set forth below is a condensed description of principal critical accounting issues which required management to make estimates and assumptions and which were discussed by the Board of Directors, management and the joint auditors:

Loan Loss Provision and Classification of Troubled Debts

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

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

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

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

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

The provision to cover the expected credit losses in the loan portfolio is estimated through one of the two tracks: a collective provision and an individual provision. For information, please see Note 1.H.

Collective provision

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

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

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

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

Classification of troubled debts and specific provision

The Bank assesses the loan portfolio on an ongoing basis and in accordance with procedures in order to identify, as soon as possible, borrowers whose risk level and exposure increased and who require special supervision and close monitoring by management. 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.

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

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

The methodology for dealing with troubled debts requires, among other things, a methodical assessment of the adequacy of the loan loss provision for debts classified as non-performing. The provision is assessed according to the difference between the recorded outstanding debt and the present value of the future cash flows expected to service the debt from the customer's activity and the realization of collaterals and other assets, discounted at the effective interest rate of the debt. For debts the repayment of which relies on collateral (collateral-contingent debts) and for which 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 such that it will be possible to realize the collateral and have the debt repaid therefrom. In this context, it should be noted that the Bank is implementing the requirements of the Bank of Israel, according to which debts are classified based on the debtor's repayment capacity; i.e. — the expected strength of the primary repayment source of the debt, despite support by secondary and tertiary repayment sources, such as collateral and guarantors.

Similarly, to examining the adequacy of the classifications, the liability adequacy was also tested on a quarterly basis, in accordance with the requirements of the Bank of Israel.

According to revised Proper Conduct of Banking Business Directives, the Risk Management Division is responsible for setting appropriate classifications and allowances for credit losses. In addition to the discussions held with the participation of 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).

Fair value measurements

The Bank applies the rules set in ASC 820, which defines fair value and sets a consistent basis for fair value measurement by defining fair value valuation techniques to be used to measure the value of assets and liabilities, setting the fair value hierarchy and providing detailed implementation guidelines. In addition, the Bank applies the directives of the Banking Supervision Department on the subject. The main items measured at fair value by the Bank in each period are available-for-sale bonds, held-for-trading securities, not held for trading equity securities for which there is an available fair value and derivatives.

Fair value is the amount/price that would be received to sell an asset or the price that would have been paid to transfer a liability in an orderly transaction between knowledgeable, willing parties at measurement date. Among other things, the provisions require to maximize the use of observable inputs and minimize the use of unobservable inputs in fair value measurement. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect, as a rule, the banking corporation's assumptions.

ASC 820 outlines a hierarchy of measurement techniques based on the assertion whether the data used to determine the fair value are observable or non-observable. The following types of inputs create a fair value hierarchy:

- Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 inputs: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; prices derived from fair value measurement models whose principal data are observable or corroborated market inputs.
- Level 3 inputs: Unobservable inputs for the asset or liability.

The categorization of a financial instrument's fair value measurement within the fair value hierarchy is determined based on the lowest level input that is significant to the entire fair value measurement.

The fair value of Israeli securities is based mainly on quoted prices on the Tel Aviv Stock Exchange and foreign securities is based on prices received from external sources. As to fair value of foreign securities, most of the portfolio is calculated on a daily basis by a reputable international entity engaged in fair value measurement of financial assets for purposes of disclosure in financial statements. This entity is not dependent on issuing and marketing entities. The calculation is mainly based on transaction prices in active markets and on revaluation of similar transactions. The calculation reflects the price that a willing buyer would pay for securities based on current observable market inputs. Since only some of the securities are traded worldwide on a daily basis, the revaluing entity establishes its data for purposes of determining a price by applying a pricing algorithm to actual transactions and quotes from global and domestic banks, brokers and stock exchanges. If little or no market inputs are available, the revaluing entity uses sophisticated valuation models, taking into consideration the issuing entity's identity and the relevant industry.

Fair value of non-marketable bonds of Israeli companies is based on inputs received from Fair Spread Ltd. The Bank validated the model and verified the fair value to a reasonable degree of certainty.
Sometimes, for reasons of conservatism, when there are indicators justifying such adjustments, the Bank adjusts the model and/or market price in order to establish a more accurate fair value. As for derivatives, the Bank applies Topic 815 and the Banking Supervision Department's directives on the subject.

In particular, the Bank reflects the credit risk and nonperformance risk in the measurement of fair value of debt, including derivatives, issued by it and measured at fair value. Non-performance risk includes, but is not limited to, the banking corporation's credit risk.

Specific guidelines were set as to the methodology and inputs to be used in the calculation of derivatives' fair value. The Bank calculates the credit risk provision at customer level, using a credit quality index, based on internal valuation models or market inputs.

For further information regarding the effect of the credit risk on derivatives, see Note 27B.C.

For further information regarding measurement of fair value, please see Note 1.G.

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

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

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

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

For further information regarding impairment testing, please see Note 1.H.

For further information, please see the chapter "Structure and Development of Assets and Liabilities, Equity and Capital Adequacy", section "Securities".

Liabilities for Employee Benefits

Retirement and pension benefits are determined according to a classification of different employment periods at the Bank: Employees who began working at the Bank from January 1 1999 and have yet to receive permanent employee status as of the date of signing the special collective agreement in 2000 regarding the pension arrangement, make ongoing contributions to an external pension plan, for which the Bank has no pension liability, except for supplementary severance pay in some cases (Generation B). Employees who began working at the Bank prior to January 1 1999 and have received permanent employee status by the signing of the agreement may choose, on reaching retirement age, to either receive severance pay and compensation from the Bank or a pension annuity, all in accordance with, and subject to, the provisions of the various agreements applicable to these employees (Generation A employees). For these employees, the Bank deposits contributions for pension and severance pay in the Bank employees' provident fund, which is managed by a management company held by the fund's plan holders.

The Bank makes, from time to time, contributions for severance pay and pension which accumulated or will be accumulated in the severance and pension funds of employees who have opted for or will opt for a social security arrangement to a paying fund. The Bank also purchases, from time to time, an insurance policy for its retirees, at its own expense.

The calculation of the pension liabilities amounts is based on actuarial models. The discount rate used to calculate the actuarial liability for employee benefits is based on market yields under the directives of the Bank of Israel from among, according to which the yield curve is composed of yields of Israeli Government bonds plus a spread curve of AA-rated corporate bonds which match the average durations of the liabilities for employee rights.

The actuarial calculations also take into account the forecasted nominal pay raises based on past experience.

Moreover, according to the Reporting to the Public Directives, the Bank estimates the expected long-term rate of return on plan assets by using historic rates of return over the long term in a portfolio with a similar asset composition.

The actuarial models include, inter alia, assumptions about: Life expectancy, departure rates, exit rates with preferential terms and conditions, percentage of utilizing retirement benefits and percentage of withdrawal of pension and severance pay, etc. These criteria were set using judgment and based on internal and external estimates; it is clarified that a change in any or several of the actuarial criteria and/or discount rate and/or pay raise rates may result in a material change in the Bank's liabilities amount.

The calculation of the actuarial liability is affected by assumptions based on multiple studies and estimates; the actuarial assumptions are validated by studies conducted at least every three years. The criteria for determining the actuarial assumption include:

- External sources – in certain parameters, such as mortality schedules published by the Commissioner of the Capital Market or express assumptions by the Banking Supervision Department on the discount rate, the Bank uses external sources.
- Internal estimates – in certain criteria specific to the Bank, the Bank uses internal estimates that are mainly based on past experience (such as studies regarding pay raise rates, studies on departures, etc.) and the Bank's work plans that are approved by the management and board of directors of the Bank.

Calculation of the actuarial liability is validated independently once every six months, by the Bank's validating actuary.

During 2024, adjustments were made to the actuarial assumptions, with no significant impact. Mortality charts have been updated pursuant to Insurance Directive 2024-9-8.

Set forth below is a quantitative sensitivity analysis of the impact of principal assumptions on the calculation of the actuarial liability

A 1.0 percent increase/decrease in the discount rate of the abovementioned liabilities will result in a decrease/increase of approx. NIS 2.0/2.5 billion, respectively, in the total liabilities. A 1.0 percent increase/decrease in pay raise will result in a decrease/increase of approx. NIS 0.3/0.4 billion in the total liabilities. A 5 percent increase in life expectancy will result in an increase in the sum of approximately NIS 298 million in the total liabilities.

The actuarial assessment of the employees' benefits is available on the Israel Securities Authority's website, at www.magna.isa.gov.il.

As of December 31, 2024, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 740 million, compared to a negative post-tax reserve of NIS 1,147 million as of December 31, 2023.

The outstanding balance of the liability for employee benefits as of December 31 2024, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority's approach") is approximately NIS 663 million less than the actual outstanding balance of the liability.

Liabilities for Legal Claims

The Bank's liabilities also include provisions for various legal claims lodged against the Bank, including motions to approve class action suits. The provisions are determined based on management's estimates according to legal opinions.

The Bank's Provisions Committee, headed by the Company's President and CEO, and the Board of Directors' Audit Committee hold quarterly discussions on provisions for legal claims lodged against the Bank whose amounts exceed a certain threshold.

In order to assess the risks arising from legal claims lodged against the Bank, management relies on the opinion of external legal advisors representing the Bank in those legal claims.

These legal opinions are issued by the external legal advisors according to the best of their judgment, based on the facts presented to them by the Bank and based on the legal position (set out in law and case law) as known on assessment date, and which are quite often subject to interpretation and to potential conflicting arguments.

Assessment of the risks inherent in motions to certify class actions is complex, among other things due to the unique characteristics of the procedure. Furthermore, there are claims in which external legal advisors are unable to assess the risk arising therefrom, in view of the stage in which the procedure is at.

In view of the above, the actual outcomes of the legal claims may be different than the provisions made in respect thereof.

Income Tax

Current and deferred taxes are carried to the income statement or directly to equity if they arise from items that are recorded directly in equity.

As from January 1, 2017 the Group applies US GAAP to taxes on income pursuant to a circular published by the Banking Supervision Department on October 22, 2015 on "Reporting by banking corporations in Israel according to US GAAP on the subject of taxes on income" and pursuant to a circular published on October 13, 2016 on "Reporting by Banking Corporations Pursuant to US GAAP".

Current taxes

Current tax is the amount of income taxes payable (recoverable) for the taxable income for the tax year calculated at the applicable tax rates under tax laws that have been enacted as at the end of the reporting period. A law shall be considered as having been enacted only after its publication in the Official Gazette.

Deferred taxes

Deferred taxes receivable/payable are recognized for temporary differences between the carrying amount of assets and liabilities as reported in the financial statements and those taken into account for tax purposes. Deferred tax balances are measured at the tax rates expected to be in effect for the temporary differences at the time the they are utilized, based on the tax rates and tax laws enacted as at the end of the reporting period, except with regard to the Special Tax Payment Law as set forth in Note 8.M. A law shall be considered as having been enacted only after its publication in the Official Gazette.

Deferred tax assets for carryforward losses, tax benefits and deductible temporary differences are recognized in the books of accounts when it is more likely than not that the Group will have future taxable income against which it will be able to utilize its deferred tax assets.

Uncertain tax positions

The Bank applies the recognition and measurement rules prescribed by ASC 740 regarding uncertain tax positions; as a result, the Bank recognizes the effect of tax positions only if it more likely than not that the positions will be accepted by the tax authorities or court. Recognized tax positions are measured at the highest amount that has a greater than 50 percent likelihood of being realized.

Controls and Procedures Regarding Fair Disclosure in Financial Statements

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, and the COSO model (Committee of Sponsoring Organizations of the Treadway Commission) meets these requirements and may be used to evaluate the internal controls.

The Bank regularly applies the directive to the Leumi Group.

During 2024, the Bank validated and updated material control processes and conducted effective evaluations of its entire system of internal control over financial reporting.

Evaluation of disclosure controls and procedures

The Bank's management, with the cooperation of the President and 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 December 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

In 2024, Leumi's Board of Directors held 35 plenum meetings and its committees held 58 meetings.

At a meeting held on March 3, 2025, the Board resolved to approve and publish the Group's consolidated audited financial statements as of December 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.

Uri Alon
Chairman of the Board

Hanan Friedman
President & CEO

March 3, 2025

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the annual financial statements of Bank Leumi le-Israel B.M. (hereinafter - the "Bank") for 2024 (hereinafter - the "Financial Statements").

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 financial statements and other financial information included in the report fairly represent, in all material aspects, 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 Report.

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 evaluation; and

    d. The Report discloses any change in the Bank's internal control over financial reporting which occurred during the fourth 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' committees, based on our most recent evaluation 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.

March 3, 2025

Hanan Friedman
President & CEO

Certification

I, Hagit Argov, hereby certify as follows:

1. I have reviewed the annual financial statements of Bank Leumi le-Israel B.M. (hereinafter – the "Bank") for 2024 (hereinafter – the "Financial Statements").

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 financial statements and other financial information included in the report fairly represent, in all material aspects, 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 Report.

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 evaluation; and

   d. The Report discloses any change in the Bank's internal control over financial reporting which occurred during the fourth 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' committees, based on our most recent evaluation 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.

March 3, 2025

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

Report of the Board of Directors and Management regarding the Internal Control over Financial Reporting

The Board of Directors and management of Bank Leumi le-Israel B.M. are responsible for the creation and existence of adequate internal control over financial reporting (as defined in the Reporting to the Public Directives regarding the "Report of the Board of Directors and Management"). The Bank's internal control system was designed to provide a reasonable degree of assurance to the Bank's Board of Directors and management regarding adequate preparation and presentation of financial statements published in accordance with Generally Accepted Accounting Principles and the directives and guidance of the Banking Supervision Department. Regardless of the level of their design, all internal control systems have inherent limitations. As a result, even if it has been established that these systems are effective, they can provide only a reasonable degree of assurance regarding preparation and presentation of financial statements.

Management, under the Board of Directors' supervision, has in place a comprehensive system of controls designed to ensure that transactions are carried out in accordance with management's authorizations, that assets are protected and that the accounting entries are reliable. In addition, management, under the Board of Directors' supervision, takes steps to ensure that the information and communication channels are effective and monitors execution, including the execution of internal control procedures.

The Bank's management, under the Board of Directors' supervision, has assessed the effectiveness of the Bank's internal control over financial reporting as of December 31, 2024, based on criteria established by the internal control model of the
(Committee Of Sponsoring Organizations of the Treadway Commission) COSO -. Based on this assessment, the management believes that, as of December 31, 2024, the Bank's internal control over financial reporting is effective.

The effectiveness of the Bank's internal control over financial reporting as of December 31 2024 had been audited by the Bank's joint independent auditors - Brightman Almagor Zohar & Co. and Somekh Chaikin, as noted in their report, which included an unqualified opinion regarding the effectiveness of the Bank's internal control over financial reporting as of December 31 2024.

March 3, 2025

Uri Alon
Chairman of the Board

Hanan Friedman
President & CEO

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

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

In accordance with the Reporting to the Public Directives of the Banking Supervision Department regarding Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter, together - the "Bank") as of December 31, 2024, based on criteria determined by the Internal Control - Integrated Framework published by COSO - Committee of Sponsoring Organizations of the Treadway Commission (hereinafter - "COSO"). The Bank's Board of Directors and management are responsible for the existence of effective internal control over financial reporting and for their assessment of the effectiveness of the internal control over the financial statements, which is included in the Report of the Board of Directors and Management regarding the Internal Control over the attached financial report. Our responsibility is to express an opinion regarding the internal control over financial reporting of the Bank's based on our audit.

We have prepared our audit in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the US regarding auditing of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. According to these standards, we are required to plan and perform the audit so as to obtain a reasonable degree of assurance that effective internal control over financial reporting has been exercised, from all material respects. Our audit included obtaining an understanding regarding internal control over financial reporting, assessment of the risk of a material weakness as well as consideration and assessment of the effectiveness of the planning and operation of internal control based on the assessed risk. Our audit also included implementation of other procedures we believed necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A bank's internal control over financial reporting is a process designed to provide 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 directives and guidance of the Banking Supervision Department. A bank's internal control over financial reporting includes policies and procedures which: (1) Relate to management of records which, if reasonably detailed, precisely and adequately reflect the transactions and transfers of the Bank's assets (including their removal from its possession); (2) Provide a reasonable degree of assurance that transactions are adequately recorded in order to enable the preparation of financial statements in accordance with the guidelines of the Banking Supervision Department and that accepting and spending the bank's money is made only in accordance with the authorizations of the bank's Board of Directors and management; and (3) Provide a reasonable degree of assurance regarding the timely prevention or disclosure of an unauthorized purchase, use or transfer (including removal from possession) of the bank's assets, which may have a material effect on the financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or identify misstatement. In addition, drawing conclusions regarding the future based on any current effectiveness assessment is exposed to the risk that the controls become inadequate due to changes in circumstances or that the level of compliance with the policies or procedures may adversely change.

In our opinion, the Bank has exercised, from all material respects, effective internal control over financial reporting as at December 31, 2024, based on criteria determined by the Internal Control - Integrated Framework published by COSO.

We have also, in accordance with Israeli Generally Accepted Auditing standards and certain auditing standards applied to the auditing of banking corporations in accordance with the directives and guidance of the Banking Supervision Department, audited the Bank's consolidated balance sheets as of December 31, 2024 and 2023 and the profit and loss statements, consolidated comprehensive income statements and the consolidated statement of changes in shareholders' equity and the consolidated statements of cash flows for each year within the period of three years ended December 31, 2024 and our report dated March 3 2025 included an unqualified opinion regarding these financial statements.

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

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

Joint Independent Auditors

March 3, 2025

Deloitte.
Somekh Chaikin

KPMG

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

We have audited the attached consolidated balance sheets of Bank Leumi le-Israel B.M. and its consolidated companies (hereinafter - the "Bank") as at December 31, 2024 and 2023 and the income statements, comprehensive income statements, statements of changes in equity and the statements of cash flows - of the Bank and consolidated - for each of the two years ended December 31, 2024. These financial statements are the responsibility of the Bank's Board of Directors and management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those standards set forth in the regulations for Certified Public Accountants (Modus Operandi of an Auditor), 1973 and certain auditing standards applied to the auditing of banking corporations in accordance with the directives and guidance of the Banking Supervision Department. According to these standards, it is required that we plan and perform the audit in order to obtain a reasonable degree of assurance that the financial statements are not materially misstated. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements. An audit also involves assessing the accounting principles used, and significant estimates made by the Bank's Board of Directors and management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

It is our opinion that the said financial statements adequately represent, in all material aspects, the Bank's financial position and the consolidated as at December 31 2024 and 2023 and the financial performance and changes in shareholders' equity and cash flows of the Bank and the consolidated for each of the three years ended December 31 2024, according to the directives of the Bank Supervision Department and its guidelines (hereinafter - the "Directives").

As set forth in Note 1 to the Financial Statements, the Directives are based, primarily, on the generally accepted accounting principles in the United States (US GAAP).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the US regarding auditing of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel, the Bank's internal control over financial reporting as at December 31, 2024, based on criteria established by the Internal Control - Integrated Framework published by COSO (Committee of Sponsoring Organizations of the Treadway Commission), and our report dated March 3, 2025 included an unqualified opinion of the effectiveness of the Bank's internal control over financial reporting.

Key audit matters

The key audit matters outlined below are the matters that have been communicated, or were required to be communicated, to the Board of Directors of the Bank and which, according to our professional judgment, were the most significant in the audit of the consolidated financial statements for the current period. These matters include, inter alia, any matter that: (1) relates to material line items or disclosures in the financial statements and (2) our judgment of which was challenging, subjective or especially complex. These matters were addressed in our audit and in formulating our opinion of the consolidated financial statements as a whole. The communication of these matters below does not alter our opinion of the consolidated financial statements as a whole and we do not provide therein a separate opinion on these matters or on the line items or disclosures to which they relate.

Loan loss provision

Why the matter was designated as a key audit matter.

Commencing January 1, 2022, the Bank applies the accepted accounting principles in the United States on current expected credit losses (ASC 326) - CECL, according to which the Bank makes an estimate of the loss expected over the life time of the credit. This estimate is reflected in methodology formulated by the Bank in accordance with the Standard's principles, based on historical data and additional adjustments required in order to predict the expected loan losses (hereinafter - "collective provision").

In addition, the Bank performs a specific assessment of the expected loss based on the borrower's situation, anticipated collection and collateral for each borrower (hereinafter – "individual provision").

The total loan loss provision of the Bank, for off-balance sheet and off-balance sheet credit, is NIS 7,705 million as at December 31, 2024 and includes a specific provision and a collective provision, as detailed in Notes 13 and 29 to the Consolidated Financial Statements. The accounting policy is detailed in Note 1 to the Consolidated Financial Statements.

The process of evaluating the expected loss in the credit portfolio is based on significant estimates that involve uncertainty and on subjective assessments both at the identification and classification stages of the debts as troubled or non-troubled debts, both at the stage of measuring the specific provision and the collective provision. Changes in these estimates or assessment may have a substantial effect on the loan loss provision presented in the Bank's financial statements.

Main estimates serving as the basis for calculating the loan loss provision:

- When identifying and classifying the debts, judgment is exercised to locate and identify troubled debts according to predefined criteria which may be evidence that a debt has become troubled, estimate of a possible or actual impairment of the primary repayment source of the borrower, the existence of an expected cash flow for the borrower to repay debt in its entirety and on time, as well as assessment of other financial data of the borrower which may be indicators of weaknesses or potential weaknesses of the borrower.
- In calculating the specific provision, judgment is exercised regarding the expected future cash flows to service the debt from the borrower's activity and from realizing collateral and guarantees.
- When calculating the collective provision, judgment is exercised in estimating the provision expected in the loan portfolio while implementing methodologies and assumptions, based on the average of past losses for various economic sectors and the required adjustments, based on indicators defined by the Bank, which should reflect the changes in the default rates and current expected credit losses as of the balance sheet date compared to average past losses due to macroeconomic factors, specific qualitative adjustments as well as internal factors.

We have identified the estimates serving as the basis for calculating the loan loss provision as a key audit matter. Audit on the loan loss provision requires the independent auditor to exercise judgment, as well as knowledge and experience in order to examine the reasonableness of the methodology, assumptions and data used by management to estimate the provision.

Response given to key audit matter

Following are the main procedures we have executed to address this key matter in our audit:
We have examined the process of calculating the provision, design, implementation and effectiveness of certain internal controls over financial reporting related to determining the provision estimate, including controls addressing the following matters:

- Examining the adequacy of the methodology used to determine the provision
- Identifying debts with negative indicators
- Classification of debts in accordance with Banking Supervision Department directives
- Setting a specific provision for non-performing debts
- Analyzing the reasonableness of the provision as a whole

We have executed substantive procedures to examine the provision based on internal and external representation we received. These procedures included, inter alia:

- Examination of the methodology used to determine the provision and examine whether it is consistent with the accounting principles applicable to the Bank

- Examining the main models and indicators used to determine the collective provision, including their underlying assumptions
- Examining the completeness and accuracy of the information and data used in the collective provision model
- Examining the adequacy of the classification for the sample of non-troubled and troubled debts
- Examining the adequacy of the provision for non-performing debts on a sample of debts
- Examining the reasonableness of the estimated loan loss provision as a whole

Management's assumptions used for the actuarial calculation of the estimated liability for employee benefits

Why the matter was designated as a key audit matter.

As described in Note 22 of the consolidated financial statements, the Bank is presenting a liability in respect of employees' pension and severance pay (hereinafter: the "Liability") in accordance with actuarial calculation as required pursuant to the accounting principles applying to the Bank and according to acceptable actuary methodologies for calculating liabilities and setting an estimate of the financial assumptions and the demographic assumptions underlying the calculation that are set, *inter alia*, based on past experience, current economic forecasts and the management's expectations (hereinafter: the "Actuarial Model").

The gross liability for employee benefits totaled to NIS 16,899 million as at December 31, 2024.

In setting the liability the management is assisted by an external expert actuary.

We have identified construction of the actuarial model and implementation thereof as a key issue due to the complexity of calculating liabilities requiring professional training, discretion and deep understanding of methodologies for constructing future assumptions and actuarial calculations including their basis.

Audit of a liability requires expertise in order to ensure that the liability had been calculated according to accepted actuarial methodologies.

Response given to key audit matter

Following are the main procedures we have executed to address this key matter in our audit:
We have examined the work procedures regarding setting the actuarial model, implementation thereof and the effectiveness of the design, implementation and performance of certain internal controls over financial reporting associated with basing the liability adequacy, including controls in respect of the following matters:

- Assessing the methodology used for calculating the actuarial model
- The process of setting the assumptions and the data underlying them
- Calculation of the actuarial liability

As part of our audit we have exercised establishing procedures for examining the actuarial calculation and the adequacy of the calculation, assisted by expert actuaries on our behalf.
These procedures included, inter alia:

- An examination that the methodology that served the actuary in setting the assumptions and calculating the liability is pursuant to accepted actuarial methodologies.
- An examination that the assumptions had been updated pursuant to actuarial studies in adequate frequency and that the updated assumptions were included in the calculation
- Sample independent calculation of the key liability's components and comparing them with the actuarial calculation

Somekh Chaikin
A registered partnership in Israel and
a partner firm in the global KPMG
network, which is comprised of
independent firms affiliated with
KPMG International Limited,
a privately-owned limited liability
British company
Certified Public Accountants
Serving as independent auditors
of the Bank since 1950

Brightman Almagor Zohar & Co.
A Firm in the Deloitte Global Network
Certified Public Accountants
Serving as independent auditors
of the Bank since 2020

Joint Independent Auditors

March 3, 2025

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Income Statement
For the year ended December 31

	Note	2024	2023	2022
		In NIS million		
Interest income	2	**37,462**	33,655	18,795
Interest expenses	2	**20,953**	17,658	5,584
Interest income, net	2	**16,509**	15,997	13,211
Loan loss expenses	13, 29	**713**	2,383	498
Interest income, net after loan loss expenses		**15,796**	13,614	12,713
Noninterest income				
Noninterest finance income	3	**1,820**	1,279	1,408
Fees and commissions	4, 4A	**3,823**	3,737	3,535
Other income	5	**956**	165	75
Total noninterest income		**6,599**	5,181	5,018
Operating and other expenses				
Salaries and related expenses	6	**3,796**	3,484	3,935
Buildings and equipment - maintenance and depreciation	16	**1,520**	1,541	1,357
Other Expenses	7	**1,588**	1,869	1,543
Total operating and other expenses		**6,904**	6,894	6,835
Profit before taxes		**15,491**	11,901	10,896
Provision for profit taxes	8	**5,422**	3,988	3,564
Profit after taxes		**10,069**	7,913	7,332
The Bank's share in associates' profits (losses), net, after tax	15	**(271)**	(886)	387
Net income				
Before attribution to non-controlling interests		**9,798**	7,027	7,719
Attributable to non-controlling interests		**-[(a)]**	-[(a)]	(10)
Attributable to the Bank's shareholders		**9,798**	7,027	7,709
Basic and diluted earnings per share (in NIS)				
Basic diluted earnings attributable to the Bank's shareholders	9	**6.46**	4.58	5.14

(א) Sums lower than NIS 1 million.

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 34.

Uri Alon
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 on which the financial statements were approved: March 3, 2025

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Comprehensive Profit Statement
For the year ended December 31

	2024	2023	2022
	In NIS million		
Net income before attribution to non-controlling interests	**9,798**	7,027	7,719
Less net income attributable to non-controlling interests	**–**[d]	–[d]	10
Net income attributable to the Bank's shareholders	**9,798**	7,027	7,709
Other comprehensive income (loss), before taxes:			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**298**	641	(4,265)
Adjustments from translation of financial statements, net,[a] after the effect of hedges[b]	**–**	–	436
Net gains (losses) for cash flow hedges	**(2)**	5	(3)
Adjustments of liabilities for employee benefits[c]	**606**	378	3,133
Impact of changes in the credit risk of the liabilities	**3**		
Oher comprehensive (loss) income due to equity-accounted investees	**28**	55	(16)
Other comprehensive income (loss), before taxes	**933**	1,079	(715)
Related tax effect	**(322)**	(373)	335
Other comprehensive income (loss) before attribution to holders of rights that do not grant control, after taxes	**611**	706	(380)
Less other comprehensive income attributable to non-controlling interests	**–**[d]	–[d]	96
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**611**	706	(476)
Comprehensive income before attribution to non-controlling interests	**10,409**	7,733	7,339
Less comprehensive income attributable to non-controlling interests	**–**[d]	–[d]	106
Comprehensive income attributable to the Bank's shareholders	**10,409**	7,733	7,233

a) Adjustments from translation of the financial statements of a foreign operation the functional currency of which is different from the Bank's functional currency.
b) Hedges - net gains (losses) in respect of hedging of a net investment in foreign currency.
c) Mostly reflects adjustments in respect of actuarial estimates, as at the end of the year, of defined benefit pension plans and deduction of amounts previously recorded in other comprehensive income. Please see also Note 22.
d) Sums lower than NIS 1 million.

Please see also Note 10, under accumulated other comprehensive income.

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

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Balance Sheet
As of December 31

	Note	2024	2023
		In NIS million	
Assets			
Cash and deposits with banks	11	155,828	105,476
Securities:			
Held-to-maturity bonds		18,867	15,406
Available-for-sale bonds		90,500	126,137
Equity securities not held for trading		7,178	4,828
Held-for-trading securities		7,556	13,677
Total securities[(a)(b)]	12	124,101	160,048
Securities borrowed or purchased under reverse repurchase agreements		4,684	3,053
Loans to the public	13, 29	462,406	426,203
Loan loss provision	13, 29	(6,887)	(6,717)
Loans to the public, net		455,519	419,486
Loans to governments	14	2,509	1,806
Investments in associates	15	3,580	4,014
Buildings and equipment	16	2,822	2,874
Assets in respect of derivatives	27A, 27B	29,193	27,410
Other assets	17	7,315	7,330
Total assets		785,551	731,497
Liabilities and equity			
Deposits by the public	18	618,301	567,824
Deposits by banks	19	18,043	20,776
Deposits by governments		172	160
Securities loaned or sold under repurchase agreements		11,686	13,776
Bonds, promissory notes and subordinated notes	20	31,969	32,114
Liabilities for derivatives	27A, 27B	27,752	26,636
Other liabilities[(a)(c)]	21, 29D	15,965	15,709
Total liabilities		723,888	676,995
Shareholders' equity	24A	61,658	54,497
Non-controlling interests		5	5
Total equity		61,663	54,502
Total liabilities and equity		785,551	731,497

a) For details regarding amounts measured at fair value, please see Note 32.A.
b) Of which: securities totaling NIS 13,007 million (December 31, 2023 - NIS 13,624 million) pledged to lenders. Please see Note 26.
c) Of which: A provision for loan losses for off-balance-sheet credit instruments an amount of NIS 842 million (as of December 31, 2023 - NIS 747 million).

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 34.

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

Statement of Changes in Equity
For the year ended December 31

		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 January 1, 2022	7,041	184	53	7,278	(2,877)	37,209	41,610	442	42,052
Cumulative effect for first-time application of US GAAP(c)	-	-	-	-	-	(479)	(479)	(4)	(483)
Net income	-	-	-	-	-	7,709	7,709	10	7,719
Other comprehensive loss, net of tax effect	-	-	-	-	(921)	-	(921)	(21)	(942)
Dividend paid	-	-	-	-	-	(1,665)	(1,665)	-	(1,665)
Issuance of shares	91	2,645	-	2,736	-	-	2,736	-	2,736
Employee benefit for stock-based compensation transactions	-	-	3	3	-	-	3	1	4
Sale of equity of a consolidated company to non-controlling interests(d)	-	-	-	-	445	-	445	(423)	22
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
Net income	**-**	**-**	**-**	**-**	**-**	**9,798**	**9,798**	**-**	**9,798**
Other comprehensive income, net of tax effect	**-**	**-**	**-**	**-**	**611**	**-**	**611**	**-**	**611**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(2,569)**	**(2,569)**	**-**	**(2,569)**
Share buyback	**(19)**	**(663)**	**-**	**(682)**	**-**	**-**	**(682)**	**-**	**(682)**
Employee benefit for stock-based compensation transactions	**-**	**3**	**-**	**3**	**-**	**-**	**3**	**-**	**3**
Balance as at December 31, 2024	**7,092**	**1,590**	**63**	**8,745**	**(2,036)**	**54,949**	**61,658**	**5**	**61,663**

a) Including NIS 10 million in other capital reserves.
b) Including NIS 5,323 million that are non-distributable as dividend, of which NIS 2,932 million in respect of share buyback (2023 - NIS 5,253 million, of which NIS 2,250 million for share buyback, 2022 - NIS 5,287 million, of which NIS 1,650 million for share buyback); the remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.
c) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". See Note 1.X.1. in the financial statements as at December 31, 2022.
d) For further information, please see Note 15.A to the financial statements as of December 31, 2022.

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

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

Consolidated Statement of Cash Flows

For the year ended December 31

	2024	2023	2022
	In NIS million		
Cash flows from operating activities			
Net income for the year	**9,798**	7,027	7,719
Adjustments:			
Group's share in undistributed losses (profits) net, of Associates[(A)]	**672**	1,103	(282)
Depreciation of buildings and equipment (including impairment)	**613**	675	598
Loan loss expenses	**713**	2,383	498
Gains on sale of loan portfolios	**-**	-	(57)
Net losses on sale of available-for-sale bonds	**412**	298	136
Realized and unrealized losses (profits) net from fair value adjustments of held-for-trading securities	**19**	(90)	164
Gain on sale of investees' equity	**-**	-	(830)
Gains on disposal of buildings and equipment - net	**(852)**	(22)	(52)
Provision for impairment of available-for-sale bonds	**53**	33	42
Net realized and unrealized gains from fair value adjustments of shares not held for trading	**(609)**	(279)	(338)
Provision for impairment of equity securities not held-for-trading	**71**	16	5
Expenses for stock-based compensation transactions	**3**	7	4
Deferred taxes - net	**(45)**	(694)	(312)
Severance pay and pension — (decrease) increase in the reserve surplus over the designated amount	**(214)**	170	48
Interest receivable over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds	**(2,486)**	(2,211)	(127)
Accrual differences and rate in respect of bonds and subordinated notes	**149**	379	934
Effect of exchange rate differentials on cash and cash equivalent balances	**619**	(173)	(740)
Other, net	**-**	(2)	(1)
Net change in current assets:			
Assets in respect of derivatives	**(1,783)**	(772)	(12,667)
Held-for-trading securities	**6,102**	(11,327)	698
Other assets	**79**	(272)	(603)
Net change in current liabilities:			
Liabilities for derivatives	**1,142**	3,213	8,728
Other liabilities	**583**	405	2,527
Net cash provided by (for) current activities	**15,039**	(133)	6,092

a) Net of dividend received.

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 34.

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Statement of Cash Flows (cont.)
For the year ended December 31

	2024	2023	2022
	In NIS million		
Cash flows for investing activities			
Net change in deposits with banks with original maturities of more than Restated.	**(2,186)**	2,927	(2,699)
Net change in loans to the public[(a)]	**(35,832)**	(35,392)	(62,038)
Net change in loans to the Israeli Government	**(705)**	(696)	(171)
Net change in securities borrowed or purchased under reverse repurchase agreements	**(1,631)**	(19)	(592)
Purchase of held-to-maturity bonds	**(4,666)**	(3,164)	(8,550)
Proceeds from redemption of held-to-maturity bonds	**1,407**	2,311	418
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(188,183)**	(175,653)	(114,657)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**177,752**	87,816	96,945
Proceeds from redemption of available-for-sale bonds and equity securities	**45,674**	25,929	19,487
Purchase of associates' equity	**(168)**	(2)	(285)
Proceeds from disposal of investment in associates	**-**	-	158
Proceeds from disposal of investment in previously-consolidated subsidiaries (Appendix B)	**-**	-	(904)
Purchase of loan portfolios	**(551)**	(1,556)	-
Proceeds from sale of loan portfolios	**473**	42	562
Purchase of buildings and equipment	**(737)**	(833)	(765)
Proceeds from disposal of buildings and equipment	**1,028**	41	112
Central severance pay fund	**4**	17	91
Net cash for investing activities	**(8,321)**	(98,232)	(72,888)
Cash flow from financing activities			
Interested party employed in the corporation or on its behalf(a)(b)(c) Restated.	**(2,733)**	(1,530)	(3,149)
Net change in deposits by the public	**50,473**	10,616	41,560
Net change in deposits by the government	**12**	(87)	(53)
Net change in securities loaned or sold under repurchase agreements	**(2,090)**	9,824	1,665
Proceeds from issue of bonds and subordinated notes	**7,668**	10,758	11,435
Redemption of bonds and subordinated notes	**(8,008)**	(6,874)	(61)
Dividend paid to shareholders	**(2,569)**	(2,081)	(1,665)
Issuance of shares	**-**	-	2,736
Share buyback	**(682)**	(600)	-
Net cash from financing activities	**42,071**	20,026	52,468
Increase (decrease) in cash and cash equivalents	**48,789**	(78,339)	(14,328)
Balance of cash and cash equivalents at the beginning of the year	**102,471**	180,637	194,225
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(619)**	173	740
Balance of cash and cash equivalents at the end of the year	**150,641**	102,471	180,637

a) Including operating activities from invoice factoring. Please see Note 29.F.

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 34.

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Statement of Cash Flows (cont.)
For the year ended December 31

Interest and taxes paid and/or received and dividends received

	2024	2023	2022
	In NIS million		
Interest received	**32,671**	29,677	15,821
Interest paid	**(20,779)**	(14,078)	(3,462)
Dividends received	**276**	208	145
Income tax paid	**(5,814)**	(4,397)	(2,508)
Income tax received	**731**	116	200

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

For the year ended December 31, 2022

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

On April 1, 2022, the merger was completed and, part of the consideration - NIS 3,047 million in Valley shares - was received.

For further information, please see Note 15.A to the financial statements as of December 31, 2022.

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

Assets and liabilities of the previously consolidated subsidiaries and inflow from disposal of investments in previously consolidated subsidiaries as of the sale date

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

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

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 34.

List of Notes

Note 1 - Significant Accounting Policies

A. Overview

The Group's consolidated financial statements as at December 31, 2024 include those of the Bank and its subsidiaries, as well as the Group's interests in associates. The financial statements are prepared in accordance with the directives and guidance of the Banking Supervision Department. These directives basically adopt the US GAAP.

These financial statements are presented on a consolidated basis only. The Bank's separate financial statements are presented in Note 34.

The Bank's Board of Directors approved the publication of the financial statements on March 3, 2025.

B. Definitions

In these financial statements -

The Bank - Bank Leumi le-Israel B.M.

The Group – the Bank and its subsidiaries.

Consolidated companies – companies whose financial statements were fully consolidated, whether directly or indirectly, with those of the Bank.

Associates – companies, excluding consolidated companies, including partnerships or joint ventures, the Bank's direct or indirect investment in which is presented in the financial statements according to the book value method.

Investees – consolidated companies and associates.

Foreign offices – representative offices, agencies, branches or consolidated companies of the Bank based overseas.

Functional currency – the currency of the primary economic environment in which the Bank operates; this is generally the currency of the environment in which a bank generates and expends most of its cash.

Presentation currency – the currency in which the financial statements are presented.

Related parties and interested parties – as defined in Section 80 of the Reporting to the Public Directives.

The CPI – The Israeli Consumer Price Index as published by the Israel Central Bureau of Statistics.

Adjusted amount – nominal historical amount adjusted to reflect the CPI in respect of December 2003, pursuant to the provisions of Opinions 23 and 36 of the Institute of Certified Public Accountants in Israel.

Reported amount – adjusted amount as of the Transition Date (December 31, 2003) plus amounts in nominal values that were added after the Transition Date, less amounts derecognized after the Transition Date.

Nominal financial reporting – financial reporting based on reported amounts.

Adjusted financial reporting – financial reporting in amounts adjusted to changes in the general purchasing power of Israeli currency pursuant to the provisions of the Opinions of the Institute of Certified Public Accountants in Israel.

Cost – costs in reported amounts.

Fair value - the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accepted accounting principles in the United States - accounting principles that US banks traded in the United States are required to apply. These principles are set by the banking supervision agencies in the USA, the Securities and Exchange Commission, the Financial Accounting Standards Board and other entities in the USA. The principles are implemented according to the hierarchy established in FAS 168 (ASC 105-10), Codification of the accounting standards of the Financial Accounting Standards Board in the USA and the hierarchy of generally accepted accounting principles. Additionally, according to the Banking Supervision Department's directives, notwithstanding the hierarchy prescribed by FAS 168, it had been clarified that any position published by the US banking regulators or by their teams regarding the manner of implementation of the US GAAP, constitutes part of US GAAP.

Note 1 - Significant Accounting Policies (cont.)

C. Basis of Preparation of the Financial Statements

1. Reporting principles

The Bank's financial statements are prepared in accordance with the directives and guidance of the Banking Supervision Department. These directives basically adopt the US GAAP.

2. Functional currency and presentation currency

Unless otherwise stated, the consolidated financial statements are presented in New Israeli Shekels (NIS) and are rounded to the nearest million.

The New Israeli Shekel (NIS) is the currency representing the primary economic environment in which the Bank operates.

For information regarding the functional currency of banking offices abroad, please see Section (d) below.

3. Measurement basis

The financial statements were prepared in accordance with the historical cost, excluding the assets and liabilities outlined below:

- Derivatives and other financial instruments measured at fair value through profit and loss (such as: investment in securities in a trade portfolio or instruments in respect of which the fair value alternative had been chosen).
- Financial instruments classified as available-for-sale.
- Noncurrent held-for-sale assets.
- Deferred tax assets and liabilities.
- Provisions.
- Assets and liabilities for employee benefits.
- Investments in associates.

The value of non-monetary assets and equity items measured at historic cost, adjusted for changes in the Consumer Price Index until December 31, 2003. As of January 1, 2004, the Bank prepares its financial statements using reported amounts.

4. Use of estimates

The preparation of the financial statements in conformity with the directives and guidance of the Banking Supervision Department requires the Bank's management to use estimates and assumptions and to exercise judgment that affect the reported amounts of assets and liabilities and disclosure of assets and contingent liabilities as well as income and expense amounts during the reporting period. 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, various facts, external factors and reasonable assumptions, in accordance with each estimate's particular circumstances.

Change in estimates

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.

Note 1 - Significant Accounting Policies (cont.)

5. **Reclassifications**

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

D. Foreign Currency and Linkage

Foreign currency transactions

Assets and liabilities denominated in foreign currency or linked thereto are translated according to the representative exchange rates published by the Bank of Israel as of the balance sheet date, or another appropriate date, as follows:

- Assets and liabilities denominated in foreign currency or linked thereto are translated into the functional currency at the exchange rate as of reporting date.
- Non-monetary assets and liabilities denominated in foreign currency or linked thereto and measured at fair value are translated into the functional currency at the exchange rate as of the date on which the fair value was determined.

  Non-monetary assets and liabilities denominated in foreign currency or linked thereto and measured at historical cost are translated at the exchange rate as of the transaction date.

  In the income statement, foreign currency income and expenses and gains and losses are stated at the current representative exchange rates as of the transaction dates; exchange rate differentials on assets and liabilities in respect of which the aforesaid income and expenses arose are also included in the income statement, excluding:

  - Profit or loss for a hedging instrument in a hedge of a net investment in a foreign operations or cash flow hedge, excluding fair value changes of components excluded from the hedge effectiveness assessment and we will choose to recognize them in profit and loss.
  - Exchange rate differentials for items that form part of the net investment.

  According to the transitional provisions for 2024, exchange rate differentials for available-for-sale debt instruments will continue to be recognized in the profit and loss statement until January 1, 2026. As of that date - they will be recognized in other comprehensive income. In the event of impairment due to credit losses, translation differences recognized in other comprehensive income would be reclassified to profit and loss.

Functional currency of foreign offices

An entity's functional currency is the currency of the primary economic environment in which the entity operates. This is usually the currency of the environment in which an entity generates cash.
The functional currency of foreign offices is determined according to the following criteria:

- The office generates and expends cash in foreign currency and the scope of its NIS-denominated operations is insignificant.
- The office acquired its customers independently, such that its activities with the Bank's customers or parties closely affiliated therewith are insignificant.
- The office's activity with the Bank and related parties thereof is insignificant and the foreign office is not dependent, among other things, on the Bank's funding resources or related parties thereof.
- The office's activity is independent and does not constitute an extension of the Bank's domestic activity, nor is it complementary to this activity.

When it is clear that one of the aforementioned criteria is not met, the office should be accounted for as a foreign operation whose functional currency is the NIS.

Note 1 – Significant Accounting Policies (cont.)

Foreign operations

Assets and liabilities for foreign operations, including goodwill and fair value adjustments arising on acquisition, were translated into NIS at exchange rates in effect on reporting date. Income and expenses and gains and losses of foreign operations were translated into NIS at exchange rates in effect on transaction dates.

Exchange rate differentials are recognized in other comprehensive income and presented in equity under "Adjustments from translation of financial statements".

Upon disposal, the cumulative amount in the translation reserve arising from the foreign operations is reclassified to profit and loss as part of the profit or loss from disposal.

When the Group disposes of part of its investment in an associate that includes a foreign operation while maintaining significant influence, the proportion of the cumulative amount in the translation reserve is reclassified to profit and loss.

Hedges of a net investment in a foreign operation

The Group applies hedge accounting to exchange rate differentials between the foreign operations' functional currency and the Bank's functional currency (NIS).

The exchange rate differentials arising from translation of a financial liability hedging a net investment in a foreign operation are carried to other comprehensive income and presented in equity under "Adjustments from translation of financial statements". Upon disposal of the hedged investment, the relevant amount that has accumulated in "Adjustments from translation of financial statements" is transferred to profit or loss as part of the profit or loss on disposal of the investment.

CPI-Linked assets and liabilities not measured at fair value

CPI-linked assets and liabilities are stated according to the linkage terms and conditions set for each balance.

Set forth below are data regarding the representative exchange rates and CPI and changes therein:

	December 31			Rate of change in		
	2024	2023	2022	**2024**	2023	2022
	(In NIS)			(%)		
Exchange rate of:						
USD	**3.647**	3.627	3.519	**0.55**	3.07	13.15
Euro	**3.796**	4.012	3.753	**(5.38)**	6.90	6.62
Pound sterling	**4.574**	4.621	4.238	**(1.02)**	9.04	0.83
Swiss franc	**4.028**	4.314	3.815	**(6.63)**	13.08	12.06
Consumer Price Index:	(Points)	(Points)	(Points)			
November – known CPI	**108.7**	105.1	101.7	**3.4**	3.3	5.3

E. Basis of Consolidation

1. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control ceases.

Note 1 - Significant Accounting Policies (cont.)

Balances and reciprocal transactions as well as income and expenses that had not yet been realized between the consolidated companies were eliminated as part of preparing the consolidated financial statements.

The financial statements of wholly-owned companies that are the Bank's assets and service companies have been consolidated in the Bank's separate financial statements.

Non-controlling interests

Non-controlling interests are that portion of subsidiaries' equity that is not attributable, whether directly or indirectly, to the parent company and that include additional components, such as stock-based compensation that will be settled using an equity instrument of the subsidiaries. These interests, which confer upon their holder a share of the net assets of the acquire, are measured at fair value on the date of joining the businesses.

Profit or loss and any other component of other comprehensive income are attributed to the Bank's shareholders and to non-controlling interests. The total amount of profit, loss and other comprehensive income is attributed to the Bank's owners and to non-controlling interests even if this results in the non-controlling interests having a negative balance.

Transactions with non-controlling interests that do not result in change of control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is recognized directly in equity, to the portion attributable to the Bank's shareholders.

When the Bank's interest in a subsidiary change without loss of control, the Bank reallocates the accumulated amounts recognized in other comprehensive income between the Bank's shareholders and non-controlling interests.

On loss of control of a subsidiary, the Bank derecognizes the subsidiary's assets and liabilities as well as other equity components attributed to the subsidiary. Any retained investment in a former subsidiary is measured at fair value on the date on which control is lost. The difference between the consideration received and the fair value of the retained investment in the former subsidiary and any derecognized balances is recognized in profit and loss. Amounts recognized in equity through other comprehensive income in respect of that subsidiary are reclassified to profit or loss. As of that date, the remaining investment is equity-accounted or treated as a financial asset according to the Bank's influence on the relating company.

2. Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. There is a presumption that the holding of 20% to 50% in an investee confers significant influence, but in addition to the rate of holding, the Bank uses other indicators to check the existence of significant influence, such as significant representation on the Board of Directors and its committees and the ability to influence and make decisions.

Investments in associates' shares is accounted for by the equity method; such investment is initially recorded as cost. When the Bank first obtains significant influence over an investment that was not equity-accounted until significant influence was attained, then the equity method is applied prospectively.

The consolidated financial statements include the Group's share in profit or loss and other comprehensive income of equity-accounted entities.

When there is a decrease in the Group's interest in an associate accounted for by the equity method, but the Group retains significant influence, the Group derecognizes a proportionate share of its investment and recognizes a profit or loss from the disposal. Furthermore, when such

Note 1 - Significant Accounting Policies (cont.)

decrease occurs, a pro rata shares of the amounts recognized in capital reserves through other comprehensive income in respect of that associate is reclassified to profit and loss.

Upon loss of significant influence, the Group stops using the equity method and accounts for the remaining investment as a financial asset according to its nature.

The Bank examines the need to record impairment in respect of its investments in associates; please see Section (V.4) below.

3. Treatment in the Bank's separate financial statements

In the preparation of its separate financial statements, the Bank accounts for its investees according to the equity method in accordance with Banking Supervision Department directives and guidelines. According to the Reporting to the Public Directives, the Bank's separate financial statements include the financial statements of asset and service companies that are wholly-owned by the Bank, and whose assets are mostly used by the Bank.

F. Basis of Recognition of Income and Expenses

Income and expenses are stated on accrual basis, except as described below:

- Income and expenses from held-for-trading securities, equity securities not held for trading, and derivatives are recognized according to changes in fair value.
- Interest accrued on troubled debts that were classified as non-performing debts is recognized as income on a cash basis when it is certain that the remaining recorded balance of a non-performing debt will be collected. In such situations, an amount collected on account of interest that will be recognized as interest income will be the amount that would have accrued during the reporting period on the remaining recorded balance of the debt according to the contractual interest rate. Cash-basis interest income is classified as interest income within the relevant line item of the income statement. When there is significant doubt as to the collection of the remaining recorded balance, all collected payments are used to reduce the loan's principal. Furthermore, interest payable on amounts in arrears in respect of housing loans is recorded in the income statement on the basis of actual collection.
- Loan origination fees — fees charged in respect of issuing the loan, except for loans for a period of up to three months, are recognized over the term of the loan as an adjustment of the return, except in cases of changes in the terms of debts of borrowers who are in financial difficulties, where the fees and commissions are recognized immediately in profit and loss.
- Early repayment fees - fees charged in respect of early repayment are recognized immediately in interest income, except such fees and commissions that are included as part of the net investment in the new loan and recognized as return adjustment.
- Changes to the debt's terms and conditions - in cases of refinancing or restructuring of non-troubled debts, the Bank assesses whether or not the changes made to the terms and conditions of the loan are minor. Changes to the terms of the debt instrument are not minor when the present value of the cash flows of the new loan is at least 10 percent different than the present value of the cash flows according to the original loan terms. If the loan terms and conditions change is minor, all unamortized fees and commissions as well as early repayment fees that were collected from the customer in respect of changes to the loan terms and conditions are included within the net investment in the new loan and recognized as adjustment of return as stated above. If the change in the loan terms and conditions is other than minor, the fees and commissions will be stated directly in profit and loss.

Note 1 - Significant Accounting Policies (cont.)

- Credit service charges are accounted for according to the likelihood that the undertaking to extend the loan will be fulfilled. If the likelihood is remote, the fee is recognized on a straight-line basis over the term of the undertaking; otherwise the Bank defers the revenue recognition from those fees until the undertaking is fulfilled or until it expires, the earlier of the two. If the undertaking is fulfilled, then the fees and commissions are recognized by way of adjusting the return over the term of the loan as stated above. If the undertaking has expired unexercised, the fees are recognized on expiry date and reported in income from fees and commissions.
- Income from fees and commissions in respect of provision of services is charged to profit and loss when the service is provided.
- Other fees and commissions, such as for guarantees and granting facilities to projects, are recognized pro rata over the transaction period.

G. Fair Value of Financial Instruments

The Bank applies the rules set in ASC 820, which defines fair value and sets a consistent basis for fair value measurement by defining fair value valuation techniques to be used to measure the value of assets and liabilities, setting the fair value hierarchy and providing detailed implementation guidelines.

The standard requires to maximize the use of observable inputs and minimize the use of unobservable inputs in fair value measurement. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect the Bank's assumptions.

Subtopic 820-10 established a hierarchy of valuation techniques, which are based on whether the inputs used to measure fair value are observable or unobservable.

The following types of inputs create a fair value hierarchy:

- Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 inputs: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; prices derived from fair value measurement models whose principal data are observable or corroborated market inputs.
- Level 3 inputs: Unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market inputs, where such inputs are available. Where possible, the Bank takes into account relevant observable and relevant market inputs when measuring fair value. The scope and frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity level of markets and the degree of relevance of the observable prices in these markets.

The categorization of a financial instrument's fair value measurement within the fair value hierarchy is determined based on the lowest level input that is significant to the entire measurement.

The valuation techniques used by the Bank in measuring fair value are assessed while taking into consideration the relevant circumstances of the various transactions, including last transaction prices, indicative prices of pricing services and results of back-testing of similar transactions.

Credit risk and nonperformance risk assessment

FASB Accounting Standard Codification Topic 820 requires incorporating the credit risk and nonperformance risk into the fair value measurement of a debt, including derivatives issued by the Bank and measured at fair value. Non-performance risk includes, but is not limited to, the Bank's credit risk.

For further information regarding the principal methods and assumptions used in measuring the fair value of the financial instruments, please see Note 32A below concerning balances and fair value estimates of financial instruments.

Note 1 - Significant Accounting Policies (cont.)

Securities

The fair value of held-for-trading securities, equity securities not held for trading (for which there is readily available fair value), and available-for-sale bonds is determined based on quoted market prices in the principal market. The quoted price is not adjusted due to the size of the Bank's position in relation to the trading volume (holding size factor). Where quoted market prices are unavailable, the fair value estimate is based on the best available information while maximizing the use of observable inputs and taking into account the risks inherent in the financial instrument. Fair value is determined using generally acceptable pricing models, based on valuations carried out by financial instruments valuation experts or based on the Bank's independent system. The valuation techniques include using various parameters, such as interest curves, exchange rates and standard deviations, taking into consideration the risks inherent in the financial instrument (market risk, credit risk, lack of marketability, etc.).

Most of the portfolio is calculated on a monthly basis by a reputable international entity which is engaged in fair value measurement and is not dependent on issuing and marketing entities. The calculation is mainly based on transaction prices in active markets. The portfolio's balance is revalued based on quotes from brokers or the issuers of the instruments, or based on the Bank's system.

Derivatives

The fair value of derivatives with an active market is determined based on quoted market prices in a principal market.

Where a quoted market price is not available, the fair value is estimated using models that incorporate the risks inherent in the derivative instrument.

Non-derivative financial instruments

Most financial instruments included in this category do not have an active market in which they are traded. Accordingly, fair value is measured using generally accepted pricing models, such as the present value of future cash flows discounted at an interest rate reflecting the level of risk inherent in the financial instrument. For this purpose, pursuant to Banking Supervision Department's guidelines, future cash flows in respect of non-performing debts and other debts were calculated after deducting the effect of charge-offs and loan loss provisions in respect of the debts.

The fair value option for financial assets and financial liabilities

Subtopic 825-10 in the codification permits the Bank to opt, on specified dates, to measure at fair value financial instruments and other specific items (eligible items) for which the reporting to the public directives do not require measurement at fair value. Unrealized gains and losses in respect of the changes in the fair value of items for which the fair value option was selected, are reported in the income statement on each subsequent reporting date. Furthermore, prepaid costs and fees, which are related to items for which the fair value option was selected, shall be recognized in profit and loss as incurred. Selection of the fair value option selection, as stated above, is made on an instrument-by-instrument basis and is irrevocable.

H. Non-performing debts, credit risk and current expected credit losses

The accounting framework

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

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

Note 1 - Significant Accounting Policies (cont.)

Provision for CECL: measurement

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

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

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

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

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

Specific loan loss provision

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

With regards to commercial debt, the outstanding contractual balance of which (without deducting: charge-offs not involving legal waiver, deferred interest, loan loss provisions and collateral) is NIS 1 million or more, the provision is measured based on the present value of the expected cash flow discounted by the original effective interest rate of the debt, or when the debt is a collateral-dependent debt or when an asset is expected to be foreclosed, according to the fair value of the collateral that was pledged to secure that loan (net of costs to sell).

Collective loan loss provision

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

Note 1 - Significant Accounting Policies (cont.)

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

This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding current expected credit losses, in a manner that is in line with the Bank's risk management regime.

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

Held-to-maturity securities and additional exposures

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

In addition, the Bank's exposure for securities loaned or sold under reverse repurchase agreements relates to agreements most of which include retention of collateral by the counterparty. In this context, the Bank determines that the expectation of non-payment based on amortized cost of these exposures is zero if the entity which transferred the financial assets to the Bank continuously replenishes the collateral amount in response to fair value changes. The Bank ensures, on a regular basis, that the entity complies with the provision to retain a collateral and reasonably expects the borrower to continue to renew the collateral as needed.

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

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

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

Note 1 – Significant Accounting Policies (cont.)

Impairment of available-for-sale bonds

The Bank estimates the current expected credit losses for bonds in the available-for-sale portfolio at each reporting date when the fair value of the security is lower than its depreciated cost. In any such case, the Bank examines whether there is an 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 it's 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.

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

- Credit rating downgrade
- Adverse legal or regulatory event (such as imposition of a regulatory restriction on the issuer, the issuer is unable to obtain a significant patent or meet its requirements)
- Unpaid interest or principal payments or default
- Deterioration in the issuer's or analysts' expectations regarding the future functioning of the issuer
- Increase in the credit spreads at the rating group level
- Adverse legal or regulatory changes affecting the issuer's industry
- Significant deterioration in the market environment which may affect the value of the collateral (such as a decline in prices of real estate properties)
- A significant deterioration in economic conditions
- Disruptions in the business model as a result of technological changes or new competitors in the industry

For this purpose, 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 test is conducted using PD and LGD estimates. In this context, 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.

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

Identification and classification of troubled debts

The Bank has set procedures for identifying troubled loans and for classifying debts as non-performing (see the definition in subsection (1) below) interest income. According to these procedures, the Bank classified the outstanding on-balance-sheet troubled debts and the off-balance-sheet items as follows: special mention, substandard or non-performing.

Note 1 - Significant Accounting Policies (cont.)

The Bank implements the directives included in the Banking Supervision Department's FAQ file "Implementation of the Reporting to the Public Directives regarding Impaired Debts, Credit Risk and Loan Loss Provision", including directives regarding the determination of a debt's classification, 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. In this matter, primary repayment source – a sustainable source of cash, which must be under the borrower's control, must be reserved, explicitly or implicitly, to cover the debt. For a source of repayment to be considered primary, the Bank must show that the borrower is highly likely to generate, within a reasonable period of time, an adequate cash flow from a continuing business operation, which shall be used to repay all of the required installments in full and according to the repayment schedule set in the agreement.

Past due debts are considered delinquent if their principal or interest were not paid after becoming due. In addition, revolving debitory accounts or current accounts are reported as in arrears of 30 days or more, when the account remains continuously in deviation from the approved credit facility for 30 days or more or if within the credit limit, no amounts were credited to that account to cover the debt within a period of 365/366 days. Commencing January 1, 2022, after applying the new rules on loan losses, housing loans are managed according to the number of calendar days in arrears.

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

1. Commercial credit for debt whose contractual balance (without deducting charge-offs not involving a legal waiver, unrecognized interest, loan loss provisions and collateral) is at least NIS 1 million or more, except for certain exclusions.
   Such credit is mainly classified based on the repayment capacity of the debtor, as described above, while distinguishing between potential weaknesses and existing or well-defined weaknesses. A debt is classified as non-performing when it is expected that the Bank will not be able to back all the amounts it due, based on the contractual terms and conditions of the debt agreement, based on up-to-date information and events, such as: The debt's extent of arrears; the borrower's financial position and solvency; an assessment of the primary repayment source for the debt; status of the collateral; the guarantors' financial position, etc. A debt shall be classified as non-performing whenever the principal or interest has been in arrears of 90 days or more, unless it is both well secured and in the process of collection. A well-secured debt is one that is secured by a collateral by placing a lien on a tangible or personal asset, including securities, the realization value of which is sufficient to repay the debt (including accrued interest) or collateral of a party with proven financial responsibility. A debt is "under collection processes" if its collection is properly conducted through a legal proceeding, under the proper circumstances, collection efforts that are non-legal but which are expected to bring about, in the near future, the repayment of the debt or its return to a performing status.
   Off-balance-sheet credit are classified depending on the probability of realizing the contingent liability and if the debts that may be recognized as a result of the realization of the contingent liability meet the criteria for classification into the adequate category.

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

Note 1 - Significant Accounting Policies (cont.)

The policies of debt settlements and treatment of changes in terms and conditions for debts of borrowers in financial difficulties

On March 31, 2022, the FASB published ASU 2022-02, concerning "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:

- 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 period 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 will be 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 the year of extension of the credit, was added, as detailed in Note 29.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. For further information, please see Note 29.B.2.B.

Reinstatement of non-performing debt as performing debt

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

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

Note 1 - Significant Accounting Policies (cont.)

- The debt is both well secured and in the process of collection.

In addition, concerning a debt of a borrower in financial difficulties that had undergone a change in the terms, which had been classified as a non-performing debt on the date of modification of the terms, the Bank may reinstate the debt as a performing debt, provided that an up-to-date and well-documented credit analysis had been conducted, which supports reinstatement of the debt as a performing debt based on the debtor's financial position and the repayment odds under the updated terms and conditions. It is required that the assessment be based on the historical continued repayment performance of the debtor's payments in cash and cash equivalents over a reasonable period lasting at least six months, as the Bank may take into account payments that were made over a reasonable period prior to the modification of the terms, should the payments be consistent with the updated terms. Otherwise, it is required that a debt of a borrower in financial difficulties that had undergone modification of the terms continue to be classified as a non-performing debt.

Revenue recognition

As at the date of the debt's classification as non-performing, the Bank no longer accrues interest income therefrom. Furthermore, when the debt is classified as non-performing debt, the Bank cancels all interest income which has been accrued but not yet collected which had been recognized as income in profit and loss. The debt is classified as non-performing as long as its "non-performing" classification has not been canceled. As for performing debts examined and provided for on a collective basis, excluding housing loans, that are in arrears of 90 days or more, the Bank continues to accrue interest income.

Charge-off

The Bank performs charge-offs in the following cases:

- Any debt or part thereof which is assessed on a specific basis and is considered uncollectible and has a low value such that maintaining it as an asset is unjustifiable or a debt which the Bank has attempted to collect over a considerable period of time (normally for more than two years).

- In the case of a collateral-dependent debt, any portion of such debt in excess of the value of the collateral which is identified as uncollectible shall be written off immediately against the loan loss provision.

- Troubled debts which are tested on a collective basis (i.e., non-housing loans for private individuals and commercial credit for a debt the contractual outstanding balance of which, as defined above, is less than NIS 1 million, except for certain exclusions) and their extent of arrears is 150 days or more, except in case of debts under restructuring, for which the need for immediate write-off is examined. In addition, troubled debts under restructuring which were tested collectively and failed, are written off when in arrears of 60 days or more under the restructuring terms and conditions and are classified as non-performing. As for housing loans, an up-to-date assessment of the value of the collateral should be made no later than the date in which the debts are in arrears of 180 days or more, and charge off the portion of the recorded outstanding balance that exceeds the collateral's value (less costs to sell).

It should be clarified that charge-offs do not involve a legal concession and reduce the reported outstanding debt for accounting purposes only, while establishing a new cost basis for the debt in the Bank's books of accounts.

Disclosure requirements

The Bank applies the disclosure requirements to the credit quality of debts and to the loan loss provision set forth by ASC 310, "Receivables", and ASC 326, "Financial instruments - Credit Losses", with the required adjustments and as adopted by the Reporting to the Public Directives.

Note 1 - Significant Accounting Policies (cont.)

I. Securities

1. The securities in which the Bank invests are classified into four portfolios, as follows:

   a. Held-to-maturity bonds

   Bonds that the Bank intends to and can hold to maturity, with the exception of bonds that may be repaid early or settled otherwise, so that the Bank will not cover substantially all of its recorded investment. Held-to-maturity bonds are presented on the balance sheet at their par value plus accrued interest, exchange rate and linkage differences, taking into account the premium or discount, pro rata, and deducting losses due to impairment.

   Available-for-sale bonds

   Bonds not classified as held-to-maturity or held-for-trading. Available-for-sale bonds are stated in the balance sheet at fair value as at the reporting date. The differences between the fair value and amortized cost net of tax reserve are carried to a separate line item in shareholders' equity under other comprehensive income. Realized gains or losses and impairment are stated in the income statement.

   Unrealized gains or losses from fair value adjustments in respect of available-for-sale bonds designated as being hedged by fair value hedges were carried to the income statement over the hedging period in respect of the hedged risk.

   b. Held-for-trading securities

   Securities that were purchased and held intended to be sold in the near future or securities the Bank opted to measure at fair value through profit and loss according to the fair value alternative, except for shares in respect of which there is no available fair value. Held-for-trading securities are stated at fair value on the balance sheet as at the reporting date. Realized and unrealized gains and losses are carried to the income statement.

   c. Equity securities not held for trading

   Equity securities with an available fair value are stated in the balance sheet at their fair value as at the reporting date. Unrealized gains or losses from fair value adjustments are stated in the income statement.

   Equity securities with no available fair value are stated in the balance sheet at cost, less impairment, with the addition or deduction of changes in observable prices in orderly transactions in similar or identical investments of the same issuer. Unrealized gains or losses from adjustments to changes in observable prices are stated, as aforesaid, in the income statement.

2. Dividend income, accrued interest, linkage and exchange rate differentials, amortization of premium or discount (according to the effective interest method) and impairment losses from amortization are carried to the income statement.

3. Interest income in respect of purchased beneficial interests - e.g. asset-backed financial instruments such as CDO, CLO, MBS and CMO (except for instruments with high quality credit) - is recognized according to the prospective interest method (the future interest rate which also incorporates prospective changes), while adjusting the interest rate used to recognize interest income to reflect changes in the estimated future cash flows. Beneficial interests of high credit quality are beneficial interests issued by the US Government and are guaranteed thereby or by US Government agencies, as well as asset-backed securities whose international credit rating is at least AA.

4. Fair value measurement

   Regarding determining fair value, please see Section (G) above.

Note 1 - Significant Accounting Policies (cont.)

5. Fair value designation

The Banking Supervision Department's directives allow to elect, on specified dates, to measure financial instruments at fair value, such that unrealized gains and losses in respect of the changes in the fair value of items for which the fair value option was selected, are reported in the income statement on each subsequent reporting date, except for certain exceptions. Furthermore, prepaid costs and fees, which are related to items for which the fair value option was selected, shall be recognized in profit and loss as incurred. The fair value option selection is made on an instrument-by-instrument basis and is irrevocable. Regarding the measurement of a hybrid instrument at fair value, see Section (J) below.

6. Impairment

Regarding the treatment of impairment of available-for-sale or held-to-maturity bonds, please see Section (H) above.

For equity securities not held for trading for which there is no available fair value, the Bank makes a qualitative assessment in order to test the equity securities for impairment, and if needed - assesses the fair value of the investment to determine total impairment loss.

J. Derivatives Including Hedge Accounting

The Bank holds derivative financial instruments in order to hedge foreign currency, interest rate risks and CPI risks; the Bank also carries out derivative activity for purposes other than hedging, including embedded derivatives that have been bifurcated.

Hedge accounting

As part of the Bank's overall strategy for managing the above risk exposures, the Bank designates certain financial instruments as fair value hedges, cash flow hedges and foreign currency hedges. The Bank formally documents the hedge relationships at the hedge's inception. The documentation includes: The hedging instrument, the hedged instrument, the nature of the hedged risk and the method for assessing the hedge effectiveness.

1. Fair value hedges

The Bank designates derivatives as hedging the exposure to changes in the fair value of an asset or liability. Changes in the fair value of derivatives designated to hedge fair value are carried to the income statement on a current basis and presented in the same line item as effects of the hedged item. The hedged item is also stated at fair value and changes in fair value that can be attributed to the hedged risk are carried to the income statement. The Bank hedges also part of the housing loans portfolio by fair value hedge. As part of this hedging the Bank had engaged in a contract that replaces fixed interest by varying interest. The affect of hedging accounting is attributing the changes in the loan's fair value that may be attributed to the hedged risk in the income statement. On the other hand, stands the hedging derivative that is too measured in fair value and offsets the affect of modification of the value that may be attributed to the hedged risk. As part of this hedging the Bank has made use of several hedging techniques such as: partial terms, last of layer and hedging a benchmark component

2. Cash flow hedges

The Bank designates derivatives as hedging the exposure to the change in future expected cash flows which is attributable to a certain risk. Changes in the fair value of a derivative designated as cash flow hedges are carried to the other comprehensive income.

3. Hedging foreign operations – please see Section (D) above.

If the hedging instrument no longer meets the hedge accounting criteria, or if it expires, sold, terminated or exercised, or if the Bank cancels the designation of the hedge ratios, then it is no longer accounted for using hedge accounting.

Note 1 - Significant Accounting Policies (cont.)

Economic hedging

Hedge accounting is not applied to derivatives used by the Bank in its Asset and Liability Management (ALM) activities. Changes in the fair value of these derivatives are recognized in profit and loss as incurred.

Other derivatives

Derivatives which do not serve for hedging purposes, are measured at fair value with the changes in the fair value of these derivatives carried immediately to profit and loss.

Embedded derivatives

Embedded derivatives are bifurcated from the host contract and accounted for separately as derivatives in accordance with ASC 815-10 if: (a) There is no clear and close connection between the economic characteristics and risks of the host contract and embedded derivative, including credit risks arising from certain embedded credit derivatives, (b) a separate instrument with the same terms and conditions as the embedded instrument would have qualified as a derivative, and (c) the hybrid derivative is not measured at fair value through profit and loss.

Bifurcated embedded derivatives are presented in the balance sheet together with the host contract and changes in their fair value are carried immediately to profit and loss.

In certain cases, (such as when the Bank is unable to bifurcate an embedded derivative from the host contract), the Bank elects not to bifurcate the embedded derivative and to measure the fair value of the hybrid instrument in its entirety and carry any changes in fair value to the income statement as incurred. Such election is made when the hybrid instrument is purchased or upon the occurrence of certain events in which the instrument is subject to re-measurement (a re-measurement event), such as a result of business combinations or material changes in debt instruments. Such fair value election is irrevocable.

Fair value

Regarding determining fair value, please see Section (G) above.

K. Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

The Bank applies the measurement and disclosure principles prescribed in Subtopic 860-10 – Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, for the purpose of dealing with transfers of financial assets and extinguishment of liabilities. According to these rules, the transfer of an entire financial asset, a group of financial assets or a participating interest in an entire financial asset will be accounted for as a sale, if and only if, all of the following conditions are met: (1) The transferred financial asset has been isolated from the transferor, even under bankruptcy or other type of receivership; (2) each transferee may pledge or exchange the assets it had received, and no condition also restricts the transferee or holder from exercising its right to pledge or exchange and confers upon the transferor more than a trivial benefit to the transferor; (3) the transferor does not maintain effective control over the transferred financial assets.

In this context, a participating interest has all of the following attributes: (1) As of the transfer date, it represents a pro rata ownership interest in the entire financial asset; (2) as of the transfer date, all of the cash flows received from the entire financial asset are divided pro rate between the holders of the participating interests relative to their respective ownership holdings; (3) the interests of each of the participating interest (including the transferor in its capacity as a holder of participating interests) have the same preference, and none of the interests of any particular interest holder is subordinate to the interest of another holder; and (4) no party has the right to pledge or replace the entire financial asset, unless all of the holders of the participating interests agree to pledge or replace the entire financial asset.

Note 1 - Significant Accounting Policies (cont.)

If the transfer meets the criteria for accounting for it as a sale, the transferred financial assets are derecognized from the Bank's balance sheet. The difference between the proceeds and the value of the derecognized asset will be recognized in the income statement. If the transfer does not meet the conditions for accounting as a sale, it shall be accounted for as a secured debt. The financial assets shall continue to be stated in the Bank's balance sheet, without change to their value, and the proceeds of the sale are recognized as a liability of the Bank.

Securities lending transactions

The Bank applies specific provisions included in the Reporting to the Public Directives regarding lending or loaning of securities. The securities are not derecognized from the balance sheet and continue to be presented in the securities line item; the collateral put up to secure the securities is presented in the securities loaned or sold under repurchase agreements line item or under the securities borrowed or purchased under reverse repurchase agreements line item or securities borrowed under repurchase agreements, as applicable and according to their value on the transaction date.

The Bank monitors changes in fair value on a daily basis and where applicable demands collateral. Interest received or paid in respect of such securities is reported under net interest income (expense).

Pursuant to the directives of the Banking Supervision Department, unsecured securities lending or borrowing transactions in which the borrower does not provide the banking corporation with a security margin relating specifically to the securities lending transaction, are accounted for as follows:

a) Unsecured lending out of the Bank's available-for-sale bonds and equity securities not held for trading or from the held-for-trading portfolios – when the Bank lends securities, it derecognizes the borrowed securities and recognizes a loan at the transferred securities' market value as of the transfer date. In subsequent periods, the Bank measures the loans in the same way in which the securities were measured prior to the lending thereof. Income on accrual basis is recognized as interest income on loans; changes in market value (other than accrual basis changes) are classified as noninterest finance income if the relevant securities are held-for-trading securities and equity securities not held for trading or as other comprehensive income if the relevant securities are available-for-sale bonds. At the end of the lending period, the Bank derecognizes the loan and re-recognizes the security.

b) Unsecured borrowing of securities – when the Bank borrows a security in an unsecured borrowing transaction, the Bank recognizes the security and a deposit against that security, at the security's market value as of the borrowing date. Such securities are classified to the held-for-trading portfolio. In subsequent periods, changes in the reporting period arising from changes in the security's market value are classified as noninterest finance income. When the Bank sells a borrowed security short, the Bank recognizes, in noninterest finance income at each reporting date, the difference - only if positive - between the market value of the shorted security at the reporting date and the balance for the unsecured borrowing transaction included in the deposits line item.

Extinguishing of a liability

The Bank derecognizes a liability if it has been extinguished. The Bank derecognizes a liability if one of the two following conditions has been met: (1) The Bank paid the lender and was released from its obligation in respect of the liability, or (2) the Bank was legally released, through legal proceedings or by obtaining the lender's consent, from being the principal debtor in respect of the liability.

L. Employee Benefits

Retirement benefits - pension, severance pay and other benefits - defined benefit plans

Pension benefit is part of the compensation paid to employees for their services. In a defined benefit pension plan, the Bank undertakes to pay employees' salaries during years of employment as well as post-retirement pension annuities. The amount of the benefit paid depends on certain future events taken into consideration in the plan's benefit formula, including, inter alia, the remaining life of the employees or his/her survivors, the number of the employees' years of service and his/her salary in the work years preceding his/her retirement.

Definitions:

- Discount rate applied to employee benefits liabilities – The discount rate used to calculate the actuarial liability in respect of the Bank's employee benefits is based on market yields according to the option selected by the Bank out of the alternatives set forth by the Bank of Israel, which is the Government of Israel's bonds yield curve plus the spread curve of corporate bonds rated AA or more in the U.S.
- Actuarial gain/loss – the change in the value of a projected obligation or plan assets resulting from the fact that actual payments differ from estimated amounts or arising from a change in an actuarial assumption.
- Expected return on plan assets – the Bank calculates the expected long-term rate of return on plan assets using historical rates of return over a long period of time for a portfolio comprising similar assets.
- Expected benefit obligation – the actuarial present value of all benefits attributed to the employee's service provided prior to the balance sheet date in accordance with the plan's benefit formula.
- Cost of pension, net - the amount recognized in the Bank's financial statements as the cost of a pension plan for a specific period. This cost includes costs charged to profit and loss: Cost of service, interest cost, expected return on plan assets and amortization of net actuarial gain/loss and costs charged to other comprehensive income: Actuarial profit and loss.

Actuarial gains and losses stated in comprehensive income arise, inter alia, from:
Current changes in the discount rates.
Changes arising from the difference between the actual experience and the actuarial assumption used to calculate the liability.
From the difference between the expected return and the actual return on plan assets.

Actuarial gains and losses as outlined below are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits according to the plan. When all or almost all of the plan participants shall no longer be active, the average remaining life expectancy of the inactive employees shall replace the average remaining service period.

The expected benefit obligation in the balance sheet is recorded net of the fair value of plan assets. When the expected benefit obligation exceeds the fair value of plan assets, the Bank will record in the balance sheet a liability at the total amount of the said difference. If the fair value of plan assets exceeds the expected benefit obligation, the Bank will record in the balance sheet an asset at the total amount of the said difference.

The Bank carries out an actuarial measurement on a quarterly basis.

Retirement benefits – defined contribution plans

A defined contribution plan is a plan which pays retirement benefits for services rendered. The plan provides an individual account for each participant in the plan and defines how employee's contributions will be determined. In this type of plan, the benefits paid to a participant will receive contingencies depending solely on the amounts contributed to the participant's account, the returns accumulated from investing these contributions, and forfeitures of benefits of other participants that may be allocated to the account of that participant. In this case, the net benefit cost for the period is the contribution required for that period.

Note 1 - Significant Accounting Policies (cont.)

The Bank's liability to pay severance pay under Section 14 of the Severance Pay Law is accounted for as a defined contribution plan.

Other post-employment benefits

The Bank accrues the liability, including "substantive liability" across the employment period, under the predetermined terms and conditions.

Paid absences

The Bank accrues a liability for employees' compensation in respect of future absences, if all of the following conditions are met:

- The Bank's obligation is related to services already provided by the employees.
- The obligation relates to vested or accrued rights.
- Payment of the expected compensation.
- The amount can be reasonably estimated.

Paid leave

The liability in respect of paid leave is measured on a current basis without using discount rates and actuarial assumptions. Changes in the liability are immediately attributed to the income statement.

Jubilee vacation leave

Discount rates and actuarial assumptions are taken into account in the calculation of the liability in respect of long-service (jubilee) leave.
Changes in the liability in respect of long-service leave (jubilee) are immediately attributed to the income statement.

Sick leave

The Bank is accruing the liability as absences qualifying for compensation. To calculate the liability, discount rates and actuarial assumptions are taken into account. Changes in the liability are immediately attributed to the income statement.

Discharges

The Bank recognizes gains or losses in respect of discharges in its defined benefit plans, with the non-recurring payments relating to the plan are expected to be, cumulatively during the year, higher than the cost of service and the cost of annual interest. The loss is calculated at the rate on which the actuarial obligation decreases as a result of the discharge, multiplied by the balance of actuarial gains and losses accrued in other comprehensive income.

Stock-based compensation transactions

Stock-based compensation transactions are transactions in which the Bank receives services from the employee and the consideration is provided in equity instruments.
As a rule, the Bank recognizes an expense in respect of the stock-based compensation it grants to its employees on the date in which the services are provided. An expense is recorded if it is probable that the conditions for performance will be met.
The Bank recognizes an increase in capital or liability depending on whether the bonus is equity-settled or liability-based.
Equity-settled awards are measured according to the fair value of the equity instruments issued, on the grant date.
The measurement of the cost of capital instruments that are granted to employees is according to the fair value on the grant date of the capital instruments, which the Bank is obligated to issue on the date the employees will complete the required service and all other conditions required in order to earn the right to benefit from the capital instruments (for example, to exercise options). This estimate is based on the share price and other relevant parameters (such as the expected volatility) on the grant date.
If a grant requires the fulfillment of market conditions, performance conditions or service conditions, one or more, the compensation cost is recognized only if the required service conditions were reached.

Note 1 - Significant Accounting Policies (cont.)

The Bank does not recognize expenses for bonuses that were forfeited due to the employee's non-fulfillment of service conditions or performance conditions.
Cash-settled awards are measured at fair value on grant date and the liability is remeasured at each balance sheet date until settled.
The tax effects of stock-based compensation transactions are recognized at the extinguishment (or expiry) date through profit and loss.

For further details regarding issuance of option warrants, see Note 23.A.

M. Offsetting Assets and Liabilities

The Bank offsets assets and liabilities arising from the same counterparty and states their net balance in the balance sheet, when the following cumulative conditions are met:

- There is a legally enforceable right to offset the liabilities against the assets in respect of those liabilities;
- There is an intention to settle the liability and realize the assets on a net basis or simultaneously;
- The Bank and the counter-party owe each other determinable amounts.

The Bank offsets deposits whose repayment to the depositor is contingent on the extent of collection of the loans and the loans that were extended out of these deposits, with the Bank having no loan loss risk. The margin on this activity is included in the income statement under the fees and commissions line item.

The Bank offsets derivatives entered into with the same counterparty which are subject to a master netting arrangement, only for the purpose of calculating customer's debt as presented in the various notes to the financial statements. Such offsetting is not carried out in the balance sheet.

N. Buildings and equipment

Recognition and measurement

Buildings and equipment are presented at cost, net of accumulated depreciation and impairment losses. Cost includes expenses directly attributable to the purchase of the asset. The cost of self-constructed assets includes the cost of materials and direct salaries as well as any additional cost directly attributable to bringing the asset to an active state as intended by management. Cost of purchased software that constitutes an integral part of operating the related equipment, is recognized as part of the cost of that equipment.

Held-for-sale buildings are presented at the lower of their carrying amount or fair value less costs to sell.

Profit or loss on sale of property, plant and equipment is included in the "other income" line item in the income statement.

Subsequent costs

The carrying amount of an item of property, plant and equipment will include the cost of replacing the part of such an item if it is expected that the future economic benefits associated with the replaced part will flow to the Bank and if its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

Current maintenance costs of property, plant and equipment items are carried to profit and loss as incurred.

Note 1 - Significant Accounting Policies (cont.)

Software costs

Pursuant to the Reporting to the Public Directives, the Bank classifies under this line item, the costs in respect of software assets acquired or costs capitalized as an asset in respect of internally-developed and used software.

Purchased software is measured at cost net of accumulated depreciation and impairment losses.

Costs associated with the development and customization of internal use software are capitalized when the first phase of the project has been completed and only if the development costs can be measured reliably, if future economic benefits are expected and if the Bank intends to complete the development of the software and use it and has sufficient resources to do so. The Bank has also set a materiality threshold of NIS 750 thousand for capitalization of internally-used software. Capitalized costs include direct costs of materials and services and direct labor costs. These costs are measured at cost net of accumulated depreciation and impairment losses. Other costs are carried to profit and loss as incurred. Subsequent software costs are capitalized only if it is expected that the incurred costs will increase the economic benefits associated with the software. All other costs are carried to the income statement as incurred.

Depreciation

Depreciation is stated in the income statement according to the straight-line basis over the useful life of the asset as of the date on which the asset is ready for use. The Bank depreciates separately each part of property, plant and equipment with a different useful life. Leasehold improvements are amortized over the shorter of the term of the lease, including an option which is likely to be exercised, or the estimated useful life of the improvements.
The Bank reviews the useful life and residual value when events or changes in circumstances indicate that the current estimates are no longer adequate, in which case they are adjusted as necessary.

Regarding impairment of non-financial assets, please see Section (V) below.

Derecognition

Profit or loss from derecognition of a property, plant and equipment item is the difference between the asset's derecognition amount and book balance. This difference will be recorded net in the other income line item in the income statement.

Leases

Contracts, including lease rights of land from the Israel Land Administration or other third parties, which provide the Bank with control over the use of the assets under a lease for a period of time in return for consideration, are accounted for as leases. Upon initial recognition, the liability is recognized at the present value amount of the future lease payments during the lease period (these payments do not include variable lease payment) and at the same time, the right-of-use asset is recognized at the amount of the lease liability, with the addition of initial costs and lease prepayments, less incentives received. For operating leases, a liability and right-of-use asset shall be recorded if the lease period is greater than twelve months.

Subsequent to initial recognition, a liability for an (operating and finance) lease is measured at amortized cost according to the effective interest method. In addition, the Bank is testing a right-of-use asset (for an operating and finance lease) for impairment according to the provisions of Topic 360-10-35 of the FASB Accounting Standards Codification, Impairment Testing of Long-Lived Assets.
The lease period is the non-cancelable period in respect of which the lessee has entered into an agreement to lease the asset, together with any other periods in respect of which the lessee has an option to continue the lease for additional payment or without an additional payment, if it is reasonably certain that the lessee will exercise the option.
The Bank chose the practical relief of not bifurcating non-lease components, such as services or maintenance, but rather treating them as a single lease component.

Note 1 - Significant Accounting Policies (cont.)

Lease payments

Lease payments made in advance to the Israel Land Administration in respect of operating leases are stated in the income statement on a straight-line basis over the lease period. Fixed and variable rent payments are carried to profit and loss in the period for which they were paid.

O. Issuance Costs

Costs relating to issuance of bonds, promissory notes and subordinated notes are amortized according to the effective interest method over the expected life of the issued instrument.

P. Contingent Liabilities

The financial statements include adequate provisions for legal claims, in accordance with the assessment of the Bank's management and the managements of its consolidated companies, based on the opinions of their legal counsel.

Contingent liabilities are accounted for in accordance with the directives of the Banking Supervision Department, classifying the claims files so far against the Bank into three groups, according to the probability of the risk exposures materializing, as follows:

- Probable risk – the probability that the risk will materialize exceeds 70 percent. Appropriate provisions are included in the financial statements for legal claims in this risk group; the claims are disclosed according to materiality.
- Possible risk – the probability that the risk will materialize ranges from 20 percent to 70 percent. Provisions are generally not included in the financial statements for legal claims in this risk group; the claims are disclosed according to materiality.
- Remote risk – the probability that the risk will materialize is smaller than or equal to 20 percent. No provisions were included in the financial statements for legal claims included in this risk group and they were not disclosed in the financial statements.

There may be cases, where - in the opinion of the Bank's management, based on the opinion of its legal counsel - it is impossible to assess the prospects of a risk materializing as a result of an ordinary legal claim or a class action certification motion before 4 quarters will have elapsed (including one annual report) from the claim filing date. No provision was made for claims included in this group, and they are disclosed in accordance with their materiality.

The Group is also exposed to legal requirements for which a legal claim has not yet been filed or that it had been informed of. In its assessment of the risk arising from demands/legal claims that have not yet been put forward, the Group's management relies on internal assessments made by management and by the parties responsible; these assessments weigh the prospects that a legal claim will be filed, the chances of the legal claim being successful, if and to the extent that it is filed, and amounts that may be payable if a compromise is reached. The assessment is based on past experience and on an analysis of the legal claims on their own merit. If a legal claim is filed, the actual result may be different than the assessment made prior to the filing of the claim.

A legal claim in respect of which the Banking Supervision Department determines that the Bank is required to make refunds is classified as "probable" and a provision is made in respect of the amount the Bank is required to refund.

In Note 25, concerning contingent liabilities and special engagements, a disclosure was made in respect of claims against the Bank and consolidated companies the amount claimed in which is material. The materiality threshold is the higher of: 0.5 percent of the Bank's shareholders' equity or 5 percent of the Bank's annual net income.

Note 1 - Significant Accounting Policies (cont.)

In addition, disclosure was made to the additional exposure amount 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.

Q. Guarantees

Guarantees are contracts which include contingent payments requiring the guarantor to make payments for the guaranteed party upon materialization of the terms and conditions requiring the guarantee to be realized. A liability in respect of a guarantee is recognized in the books at fair value even if no payments are expected to be made. For guarantees that come under ASC 326-20, upon initial recognition, in addition to the liability at fair value to be recognized under ASC 460, a liability for current expected credit losses shall be recognized according to ASC 326-20. For guarantees that do not come under ASC 326-20, if upon initial recognition, the Bank is required to recognize a provision for a contingent loss for the guarantee according to the provision of ASC 450, the liability for the guarantee is measured upon initial recognition according to the higher of the fair value and the provision amount, in accordance with the provisions of ASC 450. The liability is derecognized on the date in which the Bank is released from the risk. The date of release from the risk in respect of the guarantee depends on the nature of the guarantee. Usually, the Bank derecognizes the liability upon extinguishment of the liability. In guarantees where a liability for current expected credit losses was recognized, it shall be measured according to the provisions of ASC 326-20. In addition, where the guarantee was measured upon initial recognition according to the provisions of ASC 450, the subsequent measurement is also made in accordance with ASC 450.

R. Income Tax

The provision for income tax by the Bank and by those of its consolidated companies which are considered financial institutions for Value Added Tax purposes include a provision for profit tax levied on the income pursuant to the Value Added Tax Law. Value Added Tax levied on salaries in financial institutions is included in the income statement under "Salaries and related expenses". The financial statements include current taxes and deferred taxes.

Current taxes

Current taxes are the amounts of taxes which are expected to be payable (or recoverable) in respect of the taxable income for the year calculated at the applicable tax rates under tax laws that have been enacted or substantively enacted until the end of the reporting period. Current tax expenses also include the changes in the tax payments related to previous years.

Deferred taxes

Deferred tax liabilities and deferred tax assets are created in respect of temporary differences and carried forward losses as at the end of the period.

Deferred tax balances are measured at the tax rates expected to be in effect for the temporary differences at the time the they are utilized, based on the tax rates and tax laws enacted as at the end of the reporting period. A law shall be considered as having been enacted only after its publication in the Official Gazette.

Deferred tax liabilities are recognized by the Bank for all taxable temporary differences except for tax liabilities arising from temporary differences related to goodwill which is not tax deductible or deferred tax liabilities in respect of temporary differences arising from investment in domestic subsidiaries until December 31, 2016. As of January 1, 2017, the Bank recognizes a deferred tax liability in respect of temporary differences accrued as of that date in respect of domestic subsidiaries.

Deferred tax assets will be recognized in respect of all the temporary provisions possible for deduction and transferred losses. When recognizing a deferred tax asset, an entity must determine whether it will have future taxable profit from which to deduct the difference. At the same time, the Bank recognizes

Note 1 - Significant Accounting Policies (cont.)

a separate valuation allowance in respect of the same amount included in the asset, which more likely than not would not be realized. Sequential changes Subsequent changes in the valuation allowance will be recognized in profit and loss in the current period even if the allowance was initially recorded in equity.

The Bank classifies interest income and expenses in respect of income taxes and fines imposed by the tax authorities to the income taxes item.

Offsetting deferred tax assets and liabilities

The Bank offsets all deferred tax liabilities and assets, as well as all the related valuation allowances for a particular taxable component within the boundaries of a particular tax jurisdiction.

Uncertain tax positions

The Bank recognizes the effect of tax positions only if it is more likely than not that the positions will be accepted by the tax authorities or the Court. Recognized tax positions are measured at the highest amount that has a greater than 50 percent likelihood of being realized. Changes in recognition or measurement of deferred taxes are reflected in the period in which the circumstances leading to a change in judgment occurred. The Bank implements the rules for recognition and measurement set out in ASC 740.

S. Earnings per Share

The Bank presents basic and diluted earnings per share data for the Bank's ordinary share capital. Basic earnings per share is calculated by dividing the profit or loss attributed to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share is determined by adjusting the profit or loss attributed to holders of ordinary shares and the weighted average number of ordinary shares outstanding, to the effects of all dilutive potential ordinary shares.

T. Reporting operating segments

a. Regulatory operating segments
The Bank reports regulatory operating segments using a uniform and comparable format prescribed by the Banking Supervision Department.
A regulatory operating segment is defined mainly based on the classification of the customers. Retail customers are classified according to total financial assets for the Household Segment and Retail Banking Segment. Customers who are not private individuals are mainly classified according to their turnovers - into business segments (separated into micro- and small businesses, mid-market, and corporations), institutional entities and financial management segment.

b. Operating segments according to management approach
According to the directives of the Banking Supervision Department, a bank whose operating segments according to management approach are materially different than the regulatory operating segments will also provide disclosure on operating segments according to the management approach.
An operating segment is a component of a bank engaged in activities from which it may generate income and bear expenses; its operating results are reviewed on an ongoing basis by the bank's CEO in order to make decisions regarding the allocation of resources and assessment of its performance; there is also separate financial information regarding it.
The operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure. The results of the product segment which are not attributable to the relevant customer segments are included in "Other and adjustments".

Note 1 - Significant Accounting Policies (cont.)

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

On November 27, 2023, the FASB published ASU 2023-07, regarding improvements of disclosure requirements regarding operating segments. This ASU is intended to improve the disclosure requirement, including: (1) Disclosure regarding significant segment expenses, to the extent that these are reported to the "Chief Operating Decision Maker" (CODM, the Bank CEO) and are included in 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) The identity and position of the Chief Operating Decision Maker and disclosure of the manner in which he uses the segment profit or loss to estimate the segment's performance and to decide how to allocate resources; (4) Quarterly reporting of 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; (6) Should there be a substantive change in the manner in which expenditures attributed to one or more sectors are reported to the Chief Operating Decision Maker, the comparative figures must be again presented.

The directives of the update had been applied commencing the financial statements as at December 31 2024.

U. Controlling Shareholders Transactions

The Bank implements the accounting treatment set under US GAAP in its accounting for transactions between a banking corporation and its controlling shareholder and a company controlled by the Bank. In such cases, where the said rules do not refer to the accounting treatment, the Bank implements the rules set out in Standard No. 23 of the Israel Accounting Standards Board on the matter.

Assets and liabilities in respect of which a transaction was carried out with a controlling shareholder are measured at fair value as of the transaction date. Due to the fact that the transaction in question is an equity transaction, the Group carries to equity the difference between the fair value and the consideration from the transaction.

V. Impairment of Non-Financial Assets

1. The Bank assesses the need to record a provision for impairment in respect of non-financial assets (such as: buildings and equipment) when events or changes in circumstances indicate that the book balance of its assets exceed their recoverable amount. Impairment losses are recognized only if the carrying amount of a non-current asset is non-recoverable and exceeds its fair value. In other words, the total undiscounted cash flows expected to arise from the use of the asset and its disposal is lower than its carrying amount.
   In this case, the Bank will recognize an impairment loss equal to the difference between the asset's carrying amount and its fair value. This loss will be charged to the income statement.

   When such a loss is recognized, the impaired carrying amount constitutes a new cost basis. The recognized loss shall not be reversed in subsequent periods, unless an appreciation occurs.

2. **Impairment of goodwill**
   The Bank tests for impairment once every certain period or if events or changes in circumstances indicate such a need. Goodwill impairment should be recognized as the difference between the fair value of the reported unit and its carrying amount. The impairment loss may not exceed the goodwill amount attributed to the reporting unit.

3. **Impairment of internally-developed software**
   The Bank tests for impairment intangible assets remaining from a software project when there are events or changes in circumstance which indicate that the amortized cost may be unrecoverable.

Set forth below are examples for events or changes in circumstance that indicate an impairment:

a. Internal-use computer software is not expected to provide substantive service potential;
b. A significant change occurs in the extent or manner in which the software is used or is expected to be used;
c. A significant change is made or will be made to the software;
d. Costs of developing or modifying internal-use software significantly exceed the amount originally expected to develop or modify the software;
e. It is no longer probable that the development of the software will be completed and that the software will be placed in service.

The Bank recognizes impairment loss when the carrying amount is unrecoverable and exceeds the fair value. A recognized impairment loss will not be reversed in the subsequent period even if the value appreciates.

4. Impairment of investments in associates presented according to the equity method

In order to examine whether there are indications of impairment of an investment in an associate, the Bank implements US GAAP, the SEC guidelines and the Israel Securities Authority Decisions 1-4, guidelines for examining the need to reduce fixed investments, *mutatis mutandis*. According to these rules, an investment in an associate is tested for impairment when events or changes in circumstances indicate that the investment's carrying amount is unrecoverable. In such a case, the Bank tests whether the impairment is other-than-temporary, based on the time during which the fair value of the investment is lower than it's carrying amount and the severity of the impairment; the financial position of the investee; as well as the intention and ability of the banking corporation to continue to hold the investment until a date on which the investment is not expected to be sold at a loss. Impairment that is other-than-temporary shall be recognized in the income statement under the line item "Bank's share in profits (losses) of associates" and not reversed in subsequent periods.

5. Non-current held-for-sale assets

A non-current asset (or disposal group) shall be classified as held-for-sale when management commits to an active plan to sell the asset, the asset is available-for-sale immediately at its current state, it is expected that the sale of the asset will be completed in one year and the asset is actively marketed for sale purposes.

The asset (or disposal group) shall be presented at the lower of the carrying amounts or fair value less selling costs. An impairment loss recognized upon initial classification of an asset as held-for-sale and subsequent gains or losses resulting from the remeasurement are stated in profit and loss. Appreciation gains are recognized up to total amount of impairment losses recorded since the asset was classified as held-for-sale.

A depreciable asset classified as held-for-sale shall not be amortized as long as it is classified as held-for-sale.

W. Share buyback

At the time of the Bank's share buyback, the amount of the proceeds that is paid, including direct costs, is deducted from equity. When the shares are sold or bought back, the consideration received is recognized as an increase in equity and the surplus or deficit from the transaction is stated in the premium balance.

Note 1 - Significant Accounting Policies (cont.)

X. 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
For information regarding update of the accounting policy applied following first-time application of the new accounting rules regarding modification of the terms of loans of debtors in financial difficulties (instead of restructuring troubled debts) see Section (H) above "Non-Performing Debts, Credit Risk and Provision for Expected Credit Losses - The Policy of Debt Arrangements and Treatment of Changes in the Terms of Debts of Borrowers in Financial Difficulties".

2. ASU 2023-07, Improvements of Disclosures Regarding Reportable Segment Disclosures
For information concerning the updated of accounting policy that had been implemented following first-time application of ASU 2023-07, improvements of disclosures regarding reportable segment disclosures, see Section (T.B).Above, "Reporting on Operating Segments"

3. Circular no. 06-2798-H of the Banking Supervision Department concerning "Disclosure of Interest Risk and Disclosure of Liquidity and Financing Risk".
On October 8, 2024, the Banking Supervision Department published a circular concerning disclosure of interest risk and disclosure of liquidity and financing risk. As part of the circular updates were made in the directives of reporting to the public, intended to set an expanded and adjusted disclosure framework for achieving effective and comprehensive disclosure regarding management of interest, liquidity and financing risks. Among other things, Note 31 had been updated regarding "Assets and Liabilities by Currency and Term to Maturity", as specified below:

   - The name of the Note had been updated to "Cash Flows According to the Contractual Repayment Date".
   - The disclosure of the composition of the assets and the financial liabilities had been expanded.
   - Disclosure of the cashflows net upon request to date had been added, and the detailing of periods of repayment for a longer time had been reduced.
   - A requirement of providing quarterly disclosure of this Note, on a consolidated basis, had been added.

   The directives of the circular had been applied commencing the financial statements as at December 31 2024. The comparison figures had been presented according to the figures specified in the format of the disclosure in the reporting to the public directives.

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

1. 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 date of application of the update is in the annual financial statements commencing 2025. The ASU may be implemented prospectively. The Bank is assessing the effect of the new directives on its financial statements.

2. ASU 2024-03 Regarding Specification of the Expenses in the Income Statement

In November, 2024, the FASB published ASU 2024-03 regarding the presentation of the specification of selected sections in the income statement in a separate Note (hereinafter - the "Update"). The principles of the ASU include, *inter alia*, requirements for:

- A quantitative chart detailing certain types of expenses that are included in each relevant expense item in the primary statements, including, employee benefits, fixed asset items impairments and intangible assets.
- A qualitative description of amounts that had not been specified in a quantitative manner.

The provisions of the ASU will be applicable to reports of publicly-traded corporate entities in the US as of the annual periods commencing after December 15, 2026 and to interim periods commencing after December 15, 2027. Earlier adoption is possible. At the time of the first application, it will be necessary to retroactively apply the amendments for all of the periods presented in the financial statements, or from this point forward, at the entity's discretion. The Bank is assessing the effect of the new directives on its financial statements.

Note 2 - Interest Income and Expenses

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
A. Interest income[(a)]			
From loans to the public	**26,864**	24,954	15,308
From loans to governments	**73**	54	46
From deposits with banks	**610**	613	215
From deposits with central banks and cash	**4,326**	3,480	1,698
From securities borrowed or purchased under reverse repurchase agreements	**174**	127	33
From bonds[(b)]	**5,415**	4,427	1,495
Total interest income	**37,462**	33,655	18,795
B. Interest expenses[(a)]			
For deposits by the public	**(18,428)**	(15,678)	(4,404)
For deposits by governments	**(2)**	(2)	(2)
For deposits by the Bank of Israel	**(89)**	(12)	(11)
For deposits by banks	**(296)**	(105)	(33)
For securities loaned or sold under repurchase agreements	**(633)**	(630)	(61)
For bonds, promissory notes and subordinated notes	**(1,505)**	(1,231)	(1,073)
Total interest expense	**(20,953)**	(17,658)	(5,584)
Total interest income, net	**16,509**	15,997	13,211
C. Details on the net effect of hedging derivatives[(c)]			
Interest income	**180**	188	(2)
Interest expenses	**(57)**	(17)	(2)
d. Details on interest income from bonds, on accrual basis			
Available-for-sale	**4,425**	3,776	1,168
Held-for-trading	**375**	260	57
Held-to-maturity	**615**	391	270
Total included in interest income	**5,415**	4,427	1,495

a) Including the effect of hedge relationships.
b) Including interest in respect of mortgage-backed bonds (MBS) totaling NIS 622 million (2023 – NIS 422 million, 2022 – NIS 223 million).
c) Additional information about the effect of hedging derivatives on subsection a and b.

Note 3 - Noninterest Finance Income

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
A. Noninterest finance income (expenses) for activities Held-for-trading			
A.1. From derivative activities[a]			
Income in respect of derivative instruments, net[b]	**1,895**	2,326	7,387
Total from derivatives activity	**1,895**	2,326	7,387
A.2. From investment in bonds			
Gains on sale of available-for-sale bonds, net	**156**	48	49
Losses on sale of available-for-sale bonds	**(568)**	(346)	(185)
Provision for impairment of available-for-sale bonds	**(53)**	(33)	(42)
Total from investment in bonds	**(465)**	(331)	(178)
A.3. Exchange rate differentials, net	**(848)**	(1,741)	(7,151)
A.4. Gains (losses) on investment in shares			
Gains on sale of equity securities not held for trading	**485**	244	304
Provision for impairment for equity securities not held for trading	**(71)**	(16)	(5)
Losses on sale of equity securities not held-for-trading	**(8)**	(17)	(107)
Dividend from not held-for-trading equity securities	**120**	72	40
Unrealized gains, net, of shares not held-for-trading[G]	**132**	52	141
Gain on sale of investees' equity	**-**	-	830
Total from investment in equity securities	**658**	335	1,203
a.5. Gains on sold loans, net	**-**	-	57
Available-for-sale Held-for-trading	**1,240**	589	1,318
B. Non-interest finance income for activities for trading			
Income in respect of held-for-trading derivatives, net	**599**	600	254
Realized and unrealized (losses) gains from fair value adjustments of held-for-trading bonds, net[c][f]	**(26)**	85	(166)
Realized and unrealized gains from fair value adjustments of held-for-trading equity securities, net [d][f]	**7**	5	2
Total from trading activities[E]	**580**	690	90
Net expenses in respect of ALM derivatives (b) Total from derivatives activity			
Interest rate exposure	**154**	70	(318)
Foreign exchange exposure	**321**	538	342
Equity exposure	**103**	78	64
Exposure to commodities and other contracts	**2**	4	2
Total	**580**	690	90
Total noninterest finance income	**1,820**	1,279	1,408

Please see comments on the next page.

Note 3 - Noninterest Finance Income (cont.)

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 the share of profits totaling NIS 23 million (2023 – losses of NIS 10 million, 2022 – gains of NIS 113 million) associated with unrealized held-for-trading bonds still held as of the balance sheet date.
d) Of which the gains of NIS 2 million (2023 – profit of NIS 1 million, 2022 – losses of NIS 1 million) are related to held-for-trade bonds still held as of the balance sheet date.
e) For interest income from investments in held-for-trading bonds, please see Note 2.
f) Including exchange rate differentials from trading activities.
g) 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 4 - Fees

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Account management	**582**	616	651
Credit cards	**422**	383	384
Activity in securities and certain derivatives[a]	**654**	591	664
Fees and commissions for distribution of financial products[b]	**205**	184	211
Management, operating and trust services provided to institutional entities[c]	**111**	99	97
Credit handling	**255**	248	211
Exchange rate differentials	**498**	501	477
Foreign trade activity	**148**	160	131
Net income from loan portfolio servicing	**6**	5	5
Management fees and commissions on life and home insurance	**36**	41	46
Financing fees and commissions	**803**	801	551
Other fees and commissions	**103**	108	107
Total operating fees and commissions	**3,823**	3,737	3,535

a) Including fees and commissions from underwriting activity.
b) Primarily mutual funds' distribution fees.
c) Primarily operation of provident funds.

Note 4 – Revenue from Contracts with Customers[(a)]

	For the year ended December 31, 2024											
	People											
	Private individuals	Small businesses	Retail banking – total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments	Subsidiaries in Israel	Foreign subsidiaries	Total Total
	In NIS million											
Account management	309	137	446	–	82	27	6	19	2	–	–	582
Credit cards	348	62	410	–	11	1	–	–	–	–	–	422
Activity in securities and certain derivatives	386	49	435	–	21	5	1	167	–	25	–	654
Fees and commissions for financial product distribution	181	15	196	1	5	2	–	1	–	–	–	205
Management, operating and trust services provided to institutional entities	–	–	–	–	–	–	–	–	–	111	–	111
Credit handling	5	25	30	7	69	26	80	–	–	–	43	255
Exchange rate differentials	187	109	296	–	123	22	3	54	–	–	–	498
Foreign trade activity	5	37	42	–	75	24	1	6	–	–	–	148
Management fees and commissions on life and home insurance	–	–	–	–	–	–	–	–	–	36	–	36
Net income from loan portfolio servicing	–	1	1	3	1	–	–	1	–	–	–	6
Financing and other fees and commissions	52	39	91	–	152	177	331	90	22	–	43	906
Total fees and commissions from main services	1,473	474	1,947	11	539	284	422	338	24	172	86	3,823

a) The revenue was classified pursuant to the operating segments according to management approach.

Note 4A - Revenue from Contracts with Customers[a] (cont.)

	For the year ended December 31, 2023											
	People Private individuals	Small businesses	Total Banking	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments	Subsidiaries in Israel	Foreign subsidiaries	Total Total
	In NIS million											
Account management	326	146	472	–	87	27	6	24	–	–	–	616
Credit cards	313	56	369	–	12	1	–	–	1	–	–	383
Activity in securities and certain derivatives	347	41	388	–	18	5	1	161	–	18	–	591
Fees and commissions for financial product distribution	165	13	178	2	4	–	–	–	–	–	–	184
Management, operating and trust services provided to institutional entities	–	–	–	–	–	–	–	–	–	99	–	99
Handling of credit	8	32	40	9	70	25	72	–	–	–	32	248
Exchange rate differentials	184	108	292	–	127	26	3	53	–	–	–	501
Foreign trade activity	7	40	47	–	83	20	1	9	–	–	–	160
Management fees and commissions on life and home insurance	–	–	–	–	–	–	–	–	–	41	–	41
Net income from loan portfolio servicing	1	–	1	4	–	–	–	–	–	–	–	5
Financing and other fees and commissions	78	47	125	3	139	186	304	91	27	–	34	909
Total fees from services primary	1,429	483	1,912	18	540	290	387	338	28	158	66	3,737

a) The revenue was classified pursuant to the operating segments according to management approach.

Note 4A – Revenue from Contracts with Customers[a] (cont.)

	For the year ended December 31, 2022											
	People Private individuals	Small businesses	Total Banking	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments	Subsidiaries in Israel	Foreign subsidiaries	Total Total
	In NIS million											
Account management	318	147	465	–	86	23	6	23	–	–	48	651
Credit cards	308	59	367	–	13	1	–	–	1	–	2	384
Activity in securities and certain derivatives	387	48	435	–	21	5	2	167	–	20	14	664
Fees and commissions for financial product distribution	186	14	200	2	4	–	–	–	–	–	5	211
Management, operating and trust services provided to institutional entities	–	–	–	–	–	–	–	–	–	97	–	97
Handling of credit	7	28	35	10	76	18	65	1	–	–	6	211
Exchange rate differentials	160	102	262	–	125	23	3	64	–	–	–	477
Foreign trade activity	4	36	40	–	70	15	1	5	–	–	–	131
Management fees and commissions on life and home insurance	–	–	–	–	–	–	–	–	–	45	1	46
Net income from loan portfolio servicing	–	–	–	5	–	–	–	–	–	–	–	5
Financing and other fees and commissions	40	34	74	–	115	125	277	39	25	–	3	658
Total fees from services primary	1,410	468	1,878	17	510	210	354	299	26	162	79	3,535

a) The revenue was classified pursuant to the operating segments according to management approach.

Note 5 - Other Income

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Capital gains on sale of buildings and equipment	**856**[(a)]	36	81
Capital losses on sale of buildings and equipment	**(4)**	(9)	(15)
Gains (losses) on central severance pay fund	**7**	2	(12)
Other, net	**97**[(b)]	136[(b)]	21
Total other income	**956**	165	75

a) Including capital gains on the sale of the headquarters buildings in Tel Aviv. For more information, please see Note 35.C.
b) Mostly from income from bonuses from credit card companies.

Note 6 - Salaries and Related Expenses

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Salaries	**2,485**	2,254	2,667
Expense arising from stock-based compensation transactions[(b)]	**3**	7	4
Other related expenses, including study fund, paid leave and sick leave	**229**	223	210
Long-term benefits	**(3)**	(1)	(11)
National Insurance fees and payroll tax	**725**	649	732
Pension-related expenses (including severance pay and pension):			
Defined benefit - Cost of service	**112**	124	142
Defined contribution	**224**	214	199
Exchange rate differentials Non-pension[(a)]	**21**	14	(8)
Total salaries and related expenses	**3,796**	3,484	3,935
Of which: Salaries and related expenses payable abroad	**88**	91	177

a) Of which: Service cost in respect of other post-employment benefits and non-pension retirement benefits for 2024, 2023 and 2022 is NIS 6 million, NIS 8 million and NIS 8 million, respectively. For additional information regarding employee benefits, please see Note 22.
b) Please see Note 23 – Stock-Based Compensation Transactions.

Note 7 - Other Expenses

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Pension expenses - Defined benefit and other post-employment benefits, excluding service cost	**529**	700	591
Downsizing, discharges	**-**	161	-
Marketing and advertising	**146**	139	119
Professional fees: Legal fees, audit fees	**133**	160	189
Communication: Postage, telephone, couriers, etc.	**122**	123	115
Computer[a]	**42**	54	38
Office supplies	**12**	13	28
Insurance	**24**	27	33
Training and courses	**3**	6	5
Fees and commissions	**181**	148	131
Loss on assets received for loans extinguishment	**-**	-	1
Fines paid to the Bank of Israel	**4**	2	1
Others[b]	**392**	336	292
Total other expenses	**1,588**	1,869	1,543

a) The line item includes outsourcing expenses, but does not include the Bank's IT expenses since the Operations Division is part of the Bank and its expenses were recorded and classified into the various expense line items.
b) Regarding the compensation of Bank's directors included in this section please see Note 23.A and Note 33.C.

Note 8 - Provision for Profit Tax

A. Composition of the Line Item

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Current taxes:			
For the reporting year	**5,463**	4,664	3,847
For previous years	**4**	18	29
Current taxes - total	**5,467**	4,682	3,876
Including (excluding) changes in deferred taxes:			
For the reporting year	**26**	(694)	(312)
For previous years	**(71)**	-	-
Total changes in deferred taxes	**(45)**	(694)	(312)
Provision for income taxes	**5,422**	3,988	3,564
Of which: Provision for taxes abroad	**123**	70	47

Note 8 - Provision for Profit Tax (cont.)

A. Composition of the Line Item (cont.)

The composition of deferred tax expenses (income) allocated to continuing operations is as follows

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Deferred tax expenses (income) before the effect of the following items:	**26**	(694)	(312)
Effect of changes in tax laws	**(71)**	–	–
Total deferred tax expenses (income)	**(45)**	(694)	(312)

The table does not include the tax effect on other comprehensive income. For more information, please see Note 10.

B. Reconciliation of the Theoretical Tax Expense and the Provision for Taxes

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Profit before taxes	**15,491**	11,901	10,896
Statutory tax rate applicable to the Bank	**34.19%**	34.19%	34.19%
Tax amount based on the statutory tax rate	**5,296**	4,069	3,725
Tax (tax saving) in respect of:			
Income of foreign consolidated companies	**6**	(50)	(20)
Exempt income and income taxable at limited rates	**(56)**	(11)	(4)
Differences in depreciation, depreciation adjustments and capital gain	**(94)**	(14)	(5)
Other non-deductible expenses	**18**	11	10
Losses and timing differences in respect of which deferred taxes were not recorded	**2**	(3)	(155)
Income of consolidated subsidiaries in Israel	**3**	–	–
Change in deferred taxes due to changes in tax rates	**(71)**	–	–
Tax for previous years	**4**	18	29
Special tax(A)	**435**		
Other	**(121)**	(32)	(16)
Provision for income taxes	**5,422**	3,988	3,564

a) For further information, please see Section M.

C. Tax Assessments

The Bank has final tax assessments up to and including the 2018 tax year.
As of the beginning of 2024, the Bank signed partial assessment agreements with the Israel Tax Authority for the 2019-2020 tax years.
Additionally, the Bank was issued an assessment according to its best discretion for 2019. The Bank believes that the financial statements include adequate provisions.

The main consolidated subsidiaries have final tax assessments up to and including the 2019 tax year, except for Leumi Partners, which has final assessments up to the 2021 tax year, inclusive.

Note 8 - Provision for Profit Tax (cont.)

D. Changes in Deferred Tax Assets and Liabilities are Attributed to the Following Items

	Balance As of 31 December 31, 2023	Changes carried to profit and loss	Effect of change in tax rate carried to profit and loss	Changes carried to profit Other total	Other	Balance As of 31 December 2024	% tax Average 2024
	In NIS million						In %
Deferred tax assets							
From loan loss provision	2,530	212	36	-	-	2,778	35
From provision for paid leave and bonuses	121	11	3	-	-	135	34
From excess of employee benefits liability over plan assets	3,349	(27)	40	(199)	-	3,163	35
Tax credit and losses carried forward for tax purposes	244	(97)	-	-	-	147	27
From securities	55	8	-	(10)	-	53	24
Property, plant and equipment and leases	84	(185)	-	-	-	(101)	34
Other from non-monetary items	89	7	-	-	7	103	19
Balance of deferred tax assets, gross	6,472	(71)	79	(209)	7	6,278	
Provision for deferred tax asset	(211)	98	-	-	-	(113)	
Balance of deferred tax assets less deferred tax provision	6,261	27	79	(209)	7	6,165	
Offset table balances[(A)]	(392)	-	-	-	-	(220)	
Balance of deferred taxes less provision	5,869	-	-	-	-	5,945	
Deferred tax liability							
For investments in investees	(383)	186	-	(9)	-	(206)	6
Adjustment of depreciable non-monetary assets	(76)	1	-	-	-	(75)	23
Other from monetary items	-	(1)	-	1	-	-	23
Other from non-monetary items	(13)	(4)	-	-	-	(17)	21
Balance of deferred tax liabilities, gross	(472)	182	-	(8)	-	(298)	
Offset table balances[(A)]	(392)	-	-	-	-	(220)	
Balance of deferred tax liabilities	(80)	-	-	-	-	(78)	
Balance of deferred taxes, net	5,789	209	79	(217)	7	5,867	

a) Balance of deferred taxes are presented in the consolidated balance sheet according to the net balance's classification in the books of accounts of the Bank and its consolidated subsidiaries.

Note 8 - Provision for Profit Tax (cont.)

E. Changes in Deferred Tax Assets and Liabilities Are Attributed to the Following Items (cont.)

	Balance As of 31 December 2022	Changes carried to profit and loss	Changes carried to profit Other total	Balance As of 31 December 2023	% tax Average 2023
	In NIS million				In %
Deferred tax assets					
From loan loss provision	1,920	610	-	2,530	34
From provision for paid leave and bonuses	139	(18)	-	121	34
From excess of employee benefits liability over plan assets	3,383	94	(128)	3,349	34
Tax credit and losses carried forward for tax purposes	179	65	-	244	34
From securities	93	(6)	(32)	55	24
Property, plant and equipment and leases	41	43	-	84	34
Other from monetary items	71	18	-	89	18
Balance of deferred tax assets, gross	5,826	806	(160)	6,472	
Provision for deferred tax asset	(147)	(64)	-	(211)	
Balance of deferred tax asset less Provision for deferred taxes	5,679	742	(160)	6,261	
Offset table balances(A)	(480)	-	-	(392)	
Balance of deferred taxes less provision	5,199	-	-	5,869	
Deferred tax liability					
For investments in investees	(474)	149	(58)	(383)	11
Adjustment of depreciable non-monetary assets	(81)	5	-	(76)	23
Other from monetary items	1	1	(2)	-	34
Other from non-monetary items	(10)	(3)	-	(13)	18
Balance of deferred tax liabilities, gross	(564)	152	(60)	(472)	
Offset table balances(A)	(480)	-	-	(392)	
Balance of deferred tax liabilities	(84)	-	-	(80)	
Balance of deferred taxes, net	5,115	894	(220)	5,789	

a) The balance of deferred taxes is presented in the consolidated balance sheet according to the net balance's classification in the books of accounts of the Bank and its consolidated subsidiaries.

F. Deferred Tax Liabilities that Were Not Recognized in Respect of Temporary Differences Related to Investments in Local Subsidiaries

Pursuant to the transitional provisions set forth in the Banking Supervision Department's directives, the Bank did not record a deferred tax liability in respect of certain temporary differences related to the Bank's investment in local subsidiaries, which is permanent in nature. The said amount will be taxed only upon disposal or liquidation of the subsidiaries.

Note 8 - Provision for Profit Tax (cont.)

G. Carried Forward Tax Losses and Tax Credits

	For the year ended December 31, 2024				
	Other Balance as at December 31 2020	Average tax rates in 2020 (in %)	Deferred tax assets, net	Balance Loss	First expiry year
	In NIS million				
Losses for tax purposes					
The Bank	**70**	**(70)**	**–**	**306**	**–**
Subsidiaries in Israel	**17**	**(17)**	**–**	**74**	**–**
Foreign subsidiaries	–	–	–	–	–
Tax credits					
The Bank	**60**	**(26)**	**34**	**–**	**–**

	For the year ended December 31, 2023				
	Deferred tax assets	Provision for deferred tax assets	Deferred tax assets, net	Balance Loss	First expiry year
	In NIS million				
Losses for tax purposes					
The Bank	133	(133)	–	389	–
Subsidiaries in Israel	23	(23)	–	67	–
Foreign subsidiaries	–	–	–	–	–
Tax credits					
The Bank	88	(55)	33	–	–

H. Deferred taxes are measured according to the tax rates expected to be applied to the temporary differences at the time the they would be realized, based on the tax rates and tax laws enacted by the end of the reporting period, excluding in respect of the Special Payment for Achieving the Budgetary Targets (Temporary Order - Iron Swords), 5784-2024. A law shall be considered as having been enacted only after its publication in the Official Gazette.

I. Following the publication of the Banking Supervision Department's circular regarding the measurement and disclosure of impaired debts, loans and loan loss provisions, the banks (including the Bank) and the Israel Tax Authority reached an agreement regarding the recognition of loan loss provisions for tax purposes. The agreement was signed on March 19, 2012; it applies to impaired debts recorded beginning on January 1, 2011 (the previous agreement applies to doubtful debts recorded until December 31, 2010). As of the report's publication date, a new agreement of principles with the Israel Tax Authority has yet to be signed for 2023 with respect to the manner of recognizing loan loss provisions.

Following are the main points of the 2012 agreement:

Specifically assessed large impaired debts – the provision is deductible for tax purposes in the year in which it was recorded as an expense in the financial statements. In a tax year in which the outstanding loan loss provision decreased (for reasons other than an accounting "write-off" or "loan forgiveness"), an "additional tax" will be added to the Bank's tax liability with the addition of interest and linkage differentials; such "additional tax" will trigger the collection of the tax that would have been collected had the deductible provision not been recorded in the first place.
For these purposes – a "large debt" is a debt of NIS 1 million or more, or a lower amount as set out in the Bank's notice to the Assessment Officer and according to the Bank's characteristics.

Impaired debts which are not sizable – half of the expenses in respect of net "charge-offs" (net of collections during that year) will be deductible for tax purposes in the first tax year after the tax year in

Note 8 - Provision for Profit Tax (cont.)

which they were recorded; the other half will become deductible in the second tax year after the tax year in which the expenses were recorded.

Collective provision – not deductible for tax purposes.

J. Settlement agreement that regulates tax payments in Israel in respect of profits of the Bank's foreign subsidiaries, signed between the Bank and the Assessing Officer for Large Enterprises, from August 1987.

K. According to an arrangement with the tax authorities, the Bank may deduct tax amounts under certain conditions if the overall tax rate on the Bank's domestic income is higher than the tax rate applicable to foreign subsidiaries. The amount which has not yet been deducted from the tax liability and for which there are no tax savings in the future included in the balance sheet as at December 31 2024 is USD 7 million (as at December 31 2023 - approx. USD 15 million). The maximum deductible tax amount per year is USD 8 million.

L. As a rule, the Bank, under agreement with the tax authorities, is taxed based on the appreciation of its securities, according to their presentation in the financial statement's financial entities.

M. Tax rate

The taxes applicable to the profit of banking corporations include corporate tax levied pursuant to the Income Tax Ordinance and profit tax levied pursuant to the Value Added Tax Law, and in 2024 and 2025, additional tax pursuant to the Special Tax Payment Law. Set forth below are the statutory tax rates applicable to banking corporations:

- Corporate tax rate: 23 percent.
- Profit tax rate - 17 percent (commencing 2026 - 18 percent).
- Special tax rate:
  2024 - 4.5 percent.
  2025 - 6 percent (See Section M below).
- Overall tax rate:
  For the years 2024-2025 - 34.19% adding a special tax as specified in Section M below).
  2026 and onward - 34.75 percent.

The deferred tax balances were calculated in accordance with the new tax rates expected to be applied at the date of reversal, excluding in respect of the Special Payment for Achieving the Budgetary Targets (temporary Order - Iron Swords), 5784-2024.

N. 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 Law (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 (hereinafter - the "Law") had been published; according to which, a bank whose scope of assets is not small (a bank whose assets are valued more than 5% of Israeli banks' total assets, (a "Paying Bank") shall pay the State Treasury - for the period commencing April 1, 2024 and ending on December 31, 2025 (hereinafter - the "effective period") - an annual payment equal to 6% of the profits generated for its activity in Israel (the "Annual Payment Sum").

If the total annual payment of all the paying banks exceeds NIS 1.2 billion for 2024 or NIS 1.3 billion for 2025 (hereinafter: "Payment Ceiling"), 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.

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.

The Bank had assessed the estimate of the sum of the annual payment for 2024 at the sum of NIS 435 million. Calculation of the estimate has been performed noting the payment ceiling.

Note 8 - Provision for Profit Tax (cont.)

At the same time, on February 28, 2024, the Value Added Tax Ordinance (Tax Rate on Transactions and Imports of Goods) (Amendment), 2024 was published, according to which the VAT rate will be raised to 18% commencing 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 and its influence on the aforementioned tax rates will begin as of 2026. In view of the above, the Bank included the effect of the additional ordinance on the deferred tax asset balances as of March 31, 2024. The effect led to an increase in deferred tax asset balances whose total impact on the profit and loss is in the sum of approximately NIS 75 million.

Note 9 - Earnings per Ordinary Share

A. Basic Earnings Attributable to Shareholders

The Bank's basic earnings per share are calculated by dividing the gain attributed to the Bank's ordinary shareholders by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the year ended December 31		
	2024	2023	2022
Basic earnings			
Net income attributable to the Bank's shareholders (in NIS million)	**9,798**	7,027	7,709
Weighted average of the number of shares (in thousands of shares)			
Balance as at beginning of period[(a)]	**1,522,856**	1,543,805	1,452,896
Weighted effect of exercised employee options and issuance of shares	**11**	–	47,572
Weighted effect for share buyback	**(6,416)**	(8,456)	–
Weighted average of number of shares	**1,516,451**	1,535,349	1,500,468
Basic earnings per share (in NIS)	**6.46**	4.58	5.14

a) Balance as at the beginning of period less share buyback until the cutoff date.

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 year ended December 31		
	2024	2023	2022
Diluted earnings			
Net income attributable to the Bank's shareholders (in NIS million)	**9,798**	7,027	7,709
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 Calculation of Basic Earnings Per Share	**1,516,451**	1,535,349	1,500,468
Weighted effect of unrealized employee options	**925**	49	–[(a)]
Weighted average of the number of shares, fully diluted	**1,517,376**	1,535,398	1,500,468
Diluted earnings per share (in NIS)	**6.46**	4.58	5.14

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 23A.

C. Share Capital

As of December 31, 2024, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2023 is 1,503,528,372 ordinary shares of NIS 1 p.v. each.

D. Buyback after the financial statements date

From January 1, 2025 to January 12, 2025, the Bank performed a buyback of 1,162,727 shares of NIS 1 p.v. each of the Bank's issued share capital.

For more information regarding the Banking Supervision Department's approval for the buyback, please see Note 24A.

Note 10 - Other total cumulative income (loss)

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

	Other comprehensive income (loss) before attribution to non-controlling interests								
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments, [a] after the effect of hedges[b]	Net gains (losses) for cash flow hedges	Impact of changes in the credit risk of the liabilities	Oher comprehensive (loss) income of equity-accounted investees[a][b]	Adjustments in respect of employee benefits[c]	Total	Other comprehensive income (loss) attributable to non-controlling interests	Other comprehensive income (loss) attributable to the Bank's shareholders
	In NIS million								
Balance on January 1 2022	874	(343)	-		(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the year	(2,999)	30	(43)		16	2,054	(942)	(21)	(921)
Sale of equity in subsidiaries to non-controlling interests[d]	181	313	41		-	27	562	117	445
Balance as at December 31, 2022	(1,944)	-	(2)		(10)	(1,397)	(3,353)	-[e]	(3,353)
Net change during the year	427	-	3		26	250	706	-[e]	706
Balance as at December 31, 2023	(1,517)	-	1		16	(1,147)	(2,647)	-[e]	(2,647)
Net change during the year	**183**	**-**	**(1)**	**2**	**20**	**407**	**611**	**-[e]**	**611**
Balance as at December 31, 2024	**(1,334)**	**-**	**-**	**2**	**36**	**(740)**	**(2,036)**	**-[e]**	**(2,036)**

a) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
b) Net gains (losses) for hedging a net investment in foreign currency.
c) The adjustments for employee benefits are net of adjustments for plan assets.
d) For further information, please see Note 15.A to the financial statements as of December 31, 2022.
e) Sums lower than NIS 1 million.

Note 10 - Accumulated Other Comprehensive Income (Loss) (cont.)

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

	For the year ended December 31								
	2024			2023			2022		
	Before tax	Tax effect tax	After tax tax	Before tax	Tax effect tax	After tax tax	Before tax	Tax effect tax	After tax 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	**(167)**	**62**	**(105)**	310	(101)	209	(4,719)	1,603	(3,116)
Net losses in respect of available-for-sale bonds reclassified to the income statement[(a)]	**465**	**(177)**	**288**	331	(113)	218	178	(61)	117
Sale of equity in subsidiaries to non-controlling interests[(f)]	**-**	**-**	**-**	-	-	-	276	(95)	181
Net change during the period	**298**	**(115)**	**183**	641	(214)	427	(4,265)	1,447	(2,818)
Translation adjustments:[(b)]									
Adjustments from translation of financial statements	**-**	**-**	**-**	-	-	-	59	-	59
Hedges[(c)]	**-**	**-**	**-**	-	-	-	(44)	15	(29)
Sale of equity in subsidiaries to non-controlling interests[(f)] - Hedging effect	**-**	**-**	**-**	-	-	-	421	(108)	313
Net change during the year	**-**	**-**	**-**	-	-	-	436	(93)	343
Cash flow hedges									
Net gains (losses) for cash flow hedges	**(2)**	**1**	**(1)**	5	(2)	3	(65)	22	(43)
Sale of equity in subsidiaries to non-controlling interests[(f)]	**-**	**-**	**-**	-	-	-	62	(21)	41
Net change during the year	**(2)**	**1**	**(1)**	5	(2)	3	(3)	1	(2)
Non-performing credit risk									
Impact of changes in the credit risk of the liabilities	**3**	**(1)**	**2**						
Net change during the period	**3**	**(1)**	**2**						
Equity-accounted investees									
Other comprehensive income of equity-accounted investees	**31**	**(10)**	**21**	141	(58)	83	246	(58)	188
Hedges[(c)]	**(34)**	**13**	**(21)**	(86)	29	(57)	(262)	90	(172)
Net gains reclassified to the income	**31**	**(11)**	**20**						
Net change during the year	**28**	**(8)**	**20**	55	(29)	26	(16)	32	16
Employee benefits:[(d)]									
Net actuarial gain	**462[(d)]**	**(152)**	**310**	65[(g)]	(21)	44	2,826[(f)]	(949)	1,877
Net losses reclassified to the income statement[(e)]	**144**	**(47)**	**97**	313	(107)	206	269	(92)	177
Sale of equity in subsidiaries to non-controlling interests[(f)]	**-**	**-**	**-**	-	-	-	38	(11)	27
Net change during the year	**606**	**(199)**	**407**	378	(128)	250	3,133	(1,052)	2,081
Total change during the year, net	**933**	**(322)**	**611**	1,079	(373)	706	(715)	335	(380)
Less changes in other comprehensive income (loss) components attributable to non-controlling interests									
Total change during the year, net	**-[(h)]**	**-[(h)]**	**-[(h)]**	-[(h)]	-[(h)]	-[(h)]	101	(5)	96
Changes in other comprehensive income attributable to the Bank's shareholders									
Total change during the year, net	**933**	**(322)**	**611**	1,079	(373)	706	(816)	340	(476)

a) The before-tax amount is reported in the income statement under the noninterest finance income line item. Please see Note 3.
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) Adjustments for employee benefits are net of adjustments for plan assets.
e) The pre-tax amount is reported in the income statement under the "Expenses for pension" line item. For additional information, please see Note 22.
f) For further information, please see Note 15.A to the financial statements as of December 31, 2022.
g) For additional information regarding the net actuarial gain amount, please see Note 22.
h) Sums lower than NIS 1 million.

Note 11 - Cash and Deposits with Banks

	December 31	
	2024	2023
	In NIS million	
Cash and deposits with the Bank of Israel	**137,571**	85,930
Deposits with commercial banks[a]	**18,257**	19,546
Total[b]	**155,828**	105,476
Of which: Cash, deposits with banks and deposits with the Bank of Israel for an original period Up to three months	**150,641**	102,471

a) Less loan loss provision.
b) Of which: pledged cash amounting to NIS 4,069 million (December 31, 2023 — NIS 1,763 million).

Note: For information on pledges, please see Note 26.

Note 12 - Securities

	December 31, 2024					
	Balance sheet value	Amortized cost	Balance Loan loss provision	Gains not yet Recognized from fair value adjustments	Fair value(a) not yet Recognized from fair value adjustments	Fair value[a]
	In NIS million					
Held-to-maturity bonds:						
Of the Israeli Government	**10,835**	**10,835**	**–**	**21**	**(737)**	**10,119**
Of foreign financial institutions	**1,460**	**1,460**	**–**	**–**	**(19)**	**1,441**
Asset-backed (ABS) or Mortgage-backed (MBS)	**6,235**	**6,235**	**1**	**4**	**(493)**	**5,747**
Of other foreign entities	**337**	**337**	**1**	**–**	**(15)**	**323**
Total bonds Held-to-maturity[e]	**18,867**	**18,867**	**2**	**25**	**(1,264)**	**17,630**

	December 31, 2023					
	Balance sheet value	Amortized cost	Balance Loan loss provision	Gains not yet Recognized from fair value adjustments	Fair value(a) not yet Recognized from fair value adjustments	Fair value[a]
	In NIS million					
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 (ABS) or Mortgage-backed (MBS)	5,591	5,591	1	14	(393)	5,213
Of other foreign entities	333	333	1	–	(11)	323
Total bonds Held-to-maturity[e]	15,406	15,406	3	15	(1,169)	14,255

Please see Notes on p. 175.

Note 12 - Securities (cont.)

	December 31, 2024					
				Accumulated Other Comprehensive Income (Loss)		
	Balance sheet value	Amortized cost	Balance Loan loss provision	Gains	Losses	Fair value[a]
	In NIS million					
Available-for-sale bonds:						
Of the Israeli Government	**47,725**	**49,562**	**-**	**151**	**(1,988)**	**47,725**
Of foreign governments	**17,555**	**17,593**	**-**	**23**	**(61)**	**17,555**
Of Israeli financial institutions	**176**	**178**	**-**	**1**	**(3)**	**176**
Of foreign financial institutions	**8,487**	**8,553**	**-**	**58**	**(124)**	**8,487**
Asset-backed (ABS) or Mortgage-backed (MBS)	**11,502**	**12,090**	**-**	**33**	**(621)**	**11,502**
Of other Israeli entities	**1,022**	**1,018**	**-**	**22**	**(18)**	**1,022**
Of other foreign entities	**4,033**	**4,201**	**-**	**19**	**(187)**	**4,033**
Total bonds Available-for-sale[e]	**90,500**	**93,195**	**-**	**307[c]**	**(3,002)[c]**	**90,500**

	December 31, 2023					
				Accumulated Other Comprehensive Income (Loss)		
	Balance sheet value	Amortized cost	Balance Loan loss provision	Gains	Losses	Fair value[a]
	In NIS million					
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 (ABS) or Mortgage-backed (MBS)	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 bonds Available-for-sale[e]	126,137	129,150	-	288[c]	(3,301)[c]	126,137

Please see Notes on p. 175.

Note 12 - Securities (cont.)

	December 31, 2024					
	Balance sheet value	Cost	Balance Loan loss provision	Gains not yet Realized from adjustments to fair value	Losses not yet Realized from adjustments to fair value	Fair value[(a)]
	In NIS million					
Investments in securities and mutual funds not held-for-trading:						
Equity securities and mutual funds	7,178	7,028	–	482	(332)	7,178
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	3,999	4,278	–	18	(297)	3,999
Total equity securities and mutual funds not held-for-trading:	7,178	7,028	–	482[(D)]	(332)[(D)]	7,178
Total securities not held-for-trading:	116,545	119,090	2	814	(4,598)	115,308

	December 31, 2023					
	Balance sheet value	Cost	Balance Loan loss provision	Gains not yet Realized from adjustments to fair value	Losses not yet Realized from adjustments to fair value	Fair value[(a)]
	In NIS million					
Investments in securities and mutual funds not held-for-trading:						
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 equity securities and mutual funds not held-for-trading:	4,828	4,511	–	346[(d)]	(29)[(d)]	4,828
Total securities not held-for-trading:	146,371	149,067	3	649	(4,499)	145,220

Please see Notes on p. 175.

Note 12 - Securities (cont.)

	December 31, 2024					
	Balance sheet value	Cost Fair value(a) Balance sheet value Fair value(a)	Balance Loan loss provision	Gains not yet Realized from adjustments to fair value	Losses not yet Realized from adjustments to fair value	Fair value[a]
	In NIS million					
Held-for-trading securities: Bonds -						
Of the Israeli Government	6,825	6,793	-	38	(6)	6,825
Of foreign governments	307	313	-	-	(6)	307
Of Israeli financial institutions	61	63	-	-	(2)	61
Of foreign financial institutions	132	131	-	1	-	132
Asset-backed (ABS) or Mortgage-backed (MBS)	12	13	-	-	(1)	12
Of other Israeli entities	137	136	-	2	(1)	137
Of other foreign entities	71	72	-	-	(1)	71
Total bonds	7,545	7,521	-	41	(17)	7,545
Equity securities and mutual funds	11	11	-	-	-	11
Total held-for-trading securities[f]	7,556	7,532	-	41[d]	(17)[d]	7,556
Total securities	124,101	126,622	2	855	(4,615)	122,864

	December 31, 2023					
	Balance sheet value	Cost Fair value(a) Balance sheet value Fair value(a)	Balance Loan loss provision	Gains not yet Realized from fair value adjustments	Fair value(a) not yet Realized from fair value adjustments	Fair value[a]
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 (ABS) or Mortgage-backed (MBS)	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

Please see notes on the next page.

Note 12 - Securities (cont.)

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 2024, no upward adjustments were made, and the total cumulative upward adjustments amounted to approximately NIS 18 million. Additionally, in 2024 downward adjustments and amortizations in the amount of approximately NIS 72 million were made, as well as cumulative downward adjustments and amortizations in the amount of approximately NIS 297 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 15.5 billion out of total foreign currency securities are rated SSA (Super-nationals, Sovereign and Agencies) (December 31, 2023 — NIS 15.2 billion).

f) Of which bonds in the amount of approx. NIS 1,224 million classified as held-for-trading securities since the Bank opted to measure them for the first time according to the fair value alternative, although they were not acquired for trading purposes.

General comments:

Loaned securities in the amount of NIS 1.163 million (December 31, 2023 - NIS 63 million) are presented under the loans to the public line item.

Pledged securities totaled NIS 13,007 million (December 31, 2023 - NIS 13,624 million). Please see Note 26.

For information on the financial performance results of investments in bonds, shares, and mutual funds, please see Notes 2 and 3.

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

Note 12 - 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

	December 31, 2024									
	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	1,202	27	-	-	27	8,485	358	352	-	710
Asset-backed (ABS) or Mortgage-backed (MBS)	2,505	23	-	-	23	3,316	227	243	-	470
Of foreign financial institutions	37	1	-	-	1	1,359	18	-	-	18
Of other foreign entities	-	-	-	-	-	338	15	-	-	15
Total bonds Held to maturity	3,744	51	-	-	51	13,498	618	595	-	1,213

	December 31, 2023									
	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 (ABS) or Mortgage-backed (MBS)	708	4	-	-	4	2,860	340	49	-	389
Of foreign financial institutions	-	-	-	-	-	1,372	38	-	-	38
Of other foreign entities	-	-	-	-	-	334	11	-	-	11
Total bonds Held to maturity	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 12 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position

	December 31, 2024									
	Less than 12 Months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	fair value	0-[c]20%	20%-[d]40%	Over[e]40%	Total Total	fair value	0-[c]20%	20%-[d]40%	Over[e]40%	Total Total
	In NIS million									
Bonds										
Of governments and foreign financial and institutions	**21,330**	**276**	**-**	**-**	**276**	**20,360**	**1,124**	**776**	**-**	**1,900**
Asset-backed (ABS) or Mortgage-backed (MBS)	**3,098**	**33**	**-**	**-**	**33**	**5,034**	**236**	**352**	**-**	**588**
Of others	**1,477**	**32**	**3**	**-**	**35**	**1,914**	**142**	**28**	**-**	**170**
Total bonds Available for sale	**25,905**	**341**	**3**	**-**	**344**	**27,308**	**1,502**	**1,156**	**-**	**2,658**

	December 31, 2023									
	Less than 12 Months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	fair value	0-[c]20%	20%-[d]40%	Over[e]40%	Total Total	fair value	0-[c]20%	20%-[d]40%	Over[e]40%	Total 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 (ABS) or Mortgage-backed (MBS)	1,225	5	-	-	5	5,836	327	230	-	557
Of others	248	30	2	-	32	4,313	297	15	-	312
Total bonds Available for sale	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 charged to the capital reserve as part of "other comprehensive income, net", after the tax effect.

Note 12 - Securities (cont.)

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

	December 31, 2024					
	Less than 12 months[b]		12 months or more[c]		Total	
	fair value	Unrealized losses from fair value adjustments[a]	fair value	Unrealized losses from fair value adjustments[a]	fair value	Unrealized losses from fair value adjustments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	**1,601**	**(22)**	**2,058**	**(380)**	**3,659**	**(402)**
Other mortgage-backed bonds (MBSs) (including CMOs, REMICs and stripped MBSs)	**869**	**(10)**	**1,468**	**(184)**	**2,337**	**(194)**
Asset-backed bonds (ABS)	**628**	**(1)**	**1,508**	**(24)**	**2,136**	**(25)**
Total	**3,098**	**(33)**	**5,034**	**(588)**	**8,132**	**(621)**

	December 31, 2023					
	Less than 12 months[b]		12 months or more[c]		Total	
	fair value	Unrealized losses from fair value adjustments[a]	fair value	Unrealized losses from fair value adjustments[a]	fair value	Unrealized losses from fair value adjustments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	608	(3)	1,906	(327)	2,514	(330)
Other mortgage-backed bonds (MBSs) (including CMOs, REMICs and stripped MBSs)	420	(2)	1,379	(189)	1,799	(191)
Asset-backed bonds (ABS)	197	-	2,551	(41)	2,748	(41)
Total	1,225	(5)	5,836	(557)	7,061	(562)

a) Amounts charged to the capital reserve as part of "other comprehensive income, net", after the tax effect.
b) Investments in a continuous unrealized loss position for a period of less than 12 months.
c) Investments in a continuous unrealized loss position for a period of 12 months or more.

Note 12 - Securities (cont.)

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

	December 31							
	2024				2023			
	Amortized cost[(a)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	fair value	Amortized cost[(a)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	fair value
	In NIS million							
Mortgage-backed bonds (MBS)								
Held-to-maturity bonds Pass-through (Pass through securities)	**4,188**	**2**	**(472)**	**3,718**	4,079	5	(388)	3,696
Of which: GNMA-guaranteed securities	**2,815**	**2**	**(273)**	**2,544**	2,784	4	(226)	2,562
Securities issued by FNMA or FHLMC	**1,373**	**-**	**(199)**	**1,174**	1,295	1	(162)	1,134
Other mortgage-backed bonds (including CMOs and stripped MBSs)	**1,793**	**2**	**(21)**	**1,774**	1,262	9	(4)	1,267
Of which: Securities issued by GNMA, FNMA, or FHLMC - -	**1,793**	**2**	**(21)**	**1,774**	1,262	9	(4)	1,267
Total Mortgage-backed bonds Mortgage-backed (MBS)	**5,981**	**4**	**(493)**	**5,492**	5,341	14	(392)	4,963
Asset-backed bonds (ABS)	**255**	**-**	**-**	**255**	251	-	(1)	250
Of which: Loans to other than individuals - CLO-type bonds	**255**	**-**	**-**	**255**	251	-	(1)	250
Total mortgage-backed and asset-backed held-to-maturity bonds	**6,236**	**4**	**(493)**	**5,747**	5,592	14	(393)	5,213

a) including a loan loss provision balance totaling NIS 1 million.

Note 12 - Securities (cont.)

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

	December 31							
	2024				2023			
		Accumulated other comprehensive income (loss)[(a)]				Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Fair value(a)	fair value	Amortized cost	Gains	Fair value(a)	fair value
	In NIS million							
Mortgage-backed bonds (MBS)								
Pass-through bonds (Pass through securities)	**4,250**	**2**	**(402)**	**3,850**	3,336	7	(330)	3,013
Of which: bonds backed by GNMA	**2,680**	**2**	**(262)**	**2,420**	2,310	6	(220)	2,096
Bonds issued by FNMA and by FHLMC	**1,570**	**-**	**(140)**	**1,430**	1,026	1	(110)	917
Other mortgage-backed bonds (MBSs) (Including CMOs and Stripped MBSs)	**3,436**	**6**	**(194)**	**3,248**	2,648	12	(191)	2,469
Of which: Bonds issued by GNMA, FNMA, or FHLMC - -	**3,049**	**4**	**(193)**	**2,860**	2,322	8	(187)	2,143
Total Mortgage-backed bonds (MBS)	**7,686**	**8**	**(596)**	**7,098**	5,984	19	(521)	5,482
Asset-backed bonds (ABS)	**4,404**	**25**	**(25)**	**4,404**	4,488	22	(41)	4,469
Of which: non-consumer credit CLO-type bonds	**2,882**	**17**	**(2)**	**2,897**	3,079	19	(15)	3,083
Another non-consumer credit - Securities backed by SBA	**1,073**	**3**	**(20)**	**1,056**	1,046	1	(20)	1,027
Total Mortgage-Backed and Asset-Backed Available-for-Sale Bonds	**12,090**	**33**	**(621)**	**11,502**	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 12 - Securities (cont.)

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

	December 31							
	2024							2023
	Amortized cost	Unrealized gains from fair value adjustments (a)	Unrealized losses from fair value adjustments (a)	fair value	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 (Pass through securities)	**1**	**–**	**–**	**1**	1	–	–	1
Of which: Securities issued by FNMA or FHLMC	**1**	**–**	**–**	**1**	1	–	–	1
Other mortgage-backed securities (Including CMOs and stripped MBSs)	**6**	**–**	**(1)**	**5**	21	–	(3)	18
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC – –	**–**	**–**	**–**	**–**	–	–	–	–
– – 36 –(3) 33 Mortgage-backed (MBS)	**7**	**–**	**(1)**	**6**	22	–	(3)	19
Total asset-backed securities (ABS)	**6**	**–**	**–**	**6**	7	–	(1)	6
Total mortgage-backed and asset-backed held-for-trading securities	**13**	**–**	**(1)**	**12**	29	–	(4)	25

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

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

	For the year ended December 31, 2024			
	Governments and institutions Financial	Asset-backed or backed by Mortgages	Of others	Total
	In NIS million			
Balance of loan loss provision as at the beginning of the year	–	–	–	–
Balance of loan loss provision as at year end	–	–	–	–

	For the year ended December 31, 2023			
	Governments and institutions Financial	Asset-backed or backed by Mortgages	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 13 - 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

	December 31, 2024					
	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	257,989	-	653	258,642	130,156	388,798
Examined on a collective basis	29,241	144,633	29,890	203,764	-	203,764
Total[1]	287,230	144,633	30,543	462,406	130,156	592,562
[1]Of which:						
Non-performing debts	1,413	677	205	2,295	-	2,295
Debts in arrears of 90 days or more	91	-	87	178	-	178
Other troubled debts	3,592	23	607	4,222	-	4,222
Total troubled debts	5,096	700	899	6,695	-	6,695
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	4,247	-	219	4,466	23	4,489
Examined on a collective basis	1,047	640	734	2,421	-	2,421
Total loan loss provision[2]	5,294	640	953	6,887	23	6,910
[2]Of which:						
For non-performing debts	464	109	134	707	-	707
For other troubled debts	829	3	207	1,039	-	1,039

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 - 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 loan loss provision balance (cont.)

	December 31, 2023					
	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 13 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Change in outstanding loan loss provision

	For the year ended December 31, 2024					
	Loan loss provision					
	Loans to the public				Banks, Governments and Bonds Held to maturity Available for sale	Total
	Commercial	Housing	Private Other	Total - public		
	In NIS million					
Balance of loan loss provision as at the beginning of the year	5,873	634	957	7,464	17	7,481
Loan loss expenses	250	36	397	683	30	713
Charge-offs	(624)	(4)	(620)	(1,248)	-	(1,248)
Collection of debts written off in previous years	549	3	254	806	-	806
Net charge-offs	(75)	(1)	(366)	(442)	-	(442)
Balance of loan loss provision as at year end[1]	6,048	669	988	7,705	47	7,752
[1]Of which: in respect of off-balance-sheet credit instruments	754	29	35	818	24	842

	For the year ended December 31, 2023					
	Loan loss provision					
	Loans to the public				Banks, Governments and Bonds Held to maturity Available for sale	Total
	Commercial	Housing	Private Other	Total Public		
	In NIS million					
Balance of loan loss provision as at the beginning of the year	4,420	419	732	5,571	54	5,625
Loan-loss expenses (income)	1,550	221	649	2,420	(37)	2,383
Charge-offs	(455)	(6)	(662)	(1,123)	-	(1,123)
Collection of debts written off in previous years	358	-	238	596	-	596
Net charge-offs	(97)	(6)	(424)	(527)	-	(527)
Balance of loan loss provision as at year end[1]	5,873	634	957	7,464	17	7,481
[1]Of which: in respect of off-balance-sheet credit instruments	697	12	38	747	-	747

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

B. Change in balance of provision for loan losses (cont.)

	For the year ended December 31, 2022					
	Loan loss provision					
	Loans to the public				Banks, Governments and Bonds Held to maturity Available for sale	
	Commercial	Housing	Private Other	Total Public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the year	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application[(a)]	804	(165)	22	661	26	687
Balance as at January 1, 2022	4,569	324	749	5,642	29	5,671
Loan loss expenses	240	112	112	464	34	498
Charge-offs	(589)	(17)	(370)	(976)	-	(976)
Collection of debts written off in previous years	471	-	241	712	-	712
Net charge-offs	(118)	(17)	(129)	(264)	-	(264)
Adjustments from translation of Financial Statements	5	-	-	5	-	5
Less balances of the subsidiary in the United States that was sold[(b)]	(276)	-	-	(276)	(9)	(285)
Balance of loan loss provision as at year end[1]	4,420	419	732	5,571	54	5,625
[1]Of which: in respect of off-balance-sheet credit instruments	563	1	21	585	-	585

a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.H.

b) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

Note 14 - Loans to Governments

	December 31	
	2024	2023
	In NIS million	
Loans to the government	**650**	643
Loans to foreign governments	**1,859**	1,163
Total loans to governments	**2,509**	1,806

Note 15 - Investments in Investees and Details Thereof

A. The Bank's investment in Valley National Bancorp

Commencing April 1, 2022, the Bank held approximately 14.2 percent of Valley National Bancorp's share capital ("Valley") and it is not a controlling shareholder.

The Bank handles its investment in Valley according to the equity method and classifies the investment in Valley as a foreign operation whose functional currency is other than the new shekel.

On November 8, 2024, Valley conducted an issuance of ordinary share capital in the scope of approximately USD 450 million. Following the issuance, the Bank's holding rate of Valley shares decreased to the rate of 13.05%. The decrease in the holding rate of Valley has no significant impact on the Bank's results in 2024.

Impairment recognized in 2023

In the first quarter of 2023, the Bank recognized an impairment in respect of the investment in Valley in the amount of approx. NIS 1.1 billion, after the tax effect. The impairment was applied in the wake of significant decreases in the share prices of the US banking segment in general, and mid-sized banks in particular. The Bank examined indicators related to Valley's performance and to the performance of the shares, taking into consideration the general situation in the markets, and in the US banking system in particular, with emphasis on mid-sized and small banks. In view of the above, the Bank assessed that the decrease in fair value is of another-than-temporary nature, and accordingly, the difference between the fair value of the investment and its value in the books was recognized as an impairment loss in the first quarter of 2023.

The fair value of the investment in Valley was determined according to the quoted market value of the share as of March 31, 2023 without adjustments, which was USD 9.24 per share.

Impairment recognized in 2024

In the second quarter of 2024 the Bank recorded a depreciation due to the investment in Valley in the sum of approximately NIS 0.6 billion after the tax effect. In view of the impairment of the Valley shares as from the beginning of 2024, the Bank examined the need for an impairment of the investment in Valley's shares as recorded in the Bank's books.

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

In view of the above, the Bank estimates that the decrease in fair value is not temporary, and accordingly, the difference between the fair value of the investment and its value in the books has been recognized as an impairment loss for the second quarter of 2024.

The fair value of the investment in Valley was determined according to the quoted market value of the share as of June 30, 2024 without adjustments, which was USD 6.98 per share, and as of that date - amounts to approx. NIS 1.9 billion.

The impairment losses were recorded in the income statement under the "Bank's share in associates' profits (losses)" line item and are reported under the financial management segment. The impairment was accompanied by a renewed allocation of the composition of the investment account, pursuant to the updated revaluations as of the impairment date.

For the losses from impairment, the Bank recognized a deferred tax asset, which may be utilized as a deduction from the taxable income upon disposal of the investment. The reductions in the value did not have a significant effect on the Bank's regulatory capital adequacy.

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 2.7-3 billion range.

For more information regarding the impairment of investments in equity-accounted associates, please see Note 1.V.4.

Note 15 - Investments in Investees and Details Thereof (cont.)

B. Composition of Associates

	December 31	
	2024	2023
	Associates	
	In NIS million	
Total investments in equity securities accounted for by the equity method (including goodwill)	**3,580**	4,014
Of which – Gains (losses) accrued since the acquisition date	**(1,112)**	(841)
Items accrued in equity since the acquisition date:		
Adjustments for associates	**375**	353
Information regarding goodwill:		
The original amount	**1,344**	1,315
Balance	**669**	907

Details Regarding the Carrying Amounts and the Market Value of Tradable Investments

	December 31			
	2024		2023	
	Carrying amount	Market value	Carrying amount	Market value
	In NIS million			
Valley National Bancorp	**2,042**	**2,407**	2,632	2,831
Teralight Ltd.	**77**	**79**	81	87
Sunflower Sustainable Investments Ltd.	**48**	**44**	43	46
Total	**2,167**	**2,530**	2,756	2,964

C. Group's Share in Associates' Profits or Losses

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Group's share in associates' profits (losses)[(a)]	**(468)**	(970)	490
Provision for taxes	**197**	84	(103)
Group's share in associates' profits (losses) after Tax effect	**(271)**	(886)	387

a) Of which: An impairment loss of associates totaling NIS 0.6 billion, after the tax effect. (2023 – approx. NIS 1.1 billion, 2022 – no impairment recorded).

Note 15 - Investments in Investees and Details Thereof (cont.)

D. Details Regarding Major Investees

Company	Information about the company	December 31 2024	2023	2024	2023
		Net original amount Carrying the right to receive Gains		a portion in the rights for voting	
		In %			
Consolidated subsidiaries(a)					
In Israel					
Leumi Partners Ltd.	Business and financial services	**100.0**	100.0	**100.0**	100.0
LeumiTech Ltd.	Loans to high-tech companies	**99.8**	99.8	**99.8**	99.8
Leumi Capital Market Services Ltd.	Services for operation of provident funds Loans to high-tech companies	**100.0**	100.0	**100.0**	100.0
Leumi Financial Holdings Ltd.	Financial holdings	**100.0**	100.0	**100.0**	100.0
Abroad					
Leumi UK Group	Financial Services - registered in the UK	**100.0**	100.0	**100.0**	100.0
Leumi Re Limited	Insurance — registered in the Channel Islands	**100.0**	100.0	**100.0**	100.0
Associates					
Valley National Bancorp	Banking	**13.0**	14.2	**13.0**	14.2

a) Data regarding consolidated companies reflect the Bank's investment therein net of each company's investment in other Group companies and the Bank's share in their results of operations net of each company's share in the financial performance of operations of other Group companies in respect of said investments.
b) Other equity investments include capital notes.
c) Carrying amount includes attributable excess cost balances and goodwill in the amount of NIS (765) million and NIS 346 million, respectively. The contribution to the profit includes deduction of excess cost. In 2023 and 2024, provisions were allocated for impairment as aforementioned.

2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Share in voting rights Company Information about the company In Israel		Leumi Partners Ltd.(c) Business and financial services Others(b)		Contribution to profit Net loss) Attributable to the Bank's shareholders		Dividend received		Profit (loss) Other total		General banking — registered in the USA Bank Leumi (UK) PLC(f) General banking — registered in the UK Leumi Re Limited	
In NIS million											
5,259	4,796	**230**	226	**461**	120	**-**	-	**2**	64	**1,739**	1,566
1,061	1,028	**-**	-	**21**	10	**-**	-	**12**	17	**-**	-
78	59	**-**	-	**19**	12	**-**	-	**-**	-	**-**	-
1,645	1,642	**-**	-	**1**	1	**-**	-	**2**	1	**-**	-
778	651	**3,428**	3,330	**202**	261	**-**	-	**(4)**	(7)	**-**	-
106	93	**-**	-	**13**	13	**-**	-	**-**	-	**186**	185
2,042(c)	2,632	**-**	-	**(328)**(c)	(897)	**118**	116	**99**	118	**-**	-

Note 16 – Buildings and Equipment

A. Composition

	The Bank's share in a capital reserve in respect of a benefit arising from NIS 190 million in controlling shareholders' loans (2020 — NIS 190 million). The Bank's share in a capital reserve in respect of a benefit arising from NIS 82 million in controlling shareholders' loans (2020 — NIS 82 million). Land[(a)]	Please see Note 1D. For more information regarding the merger with Valley, see Note 36G.	For additional information on restructuring at BLUK, please see Note 36J. Software[(b)]	Total
	In NIS million			
Cost of assets				
Balance as at December 31, 2022	2,559	3,399	4,402	10,360
Additions	185	84	564	833
Derecognitions	(61)	(224)	(240)	(525)
Balance as at December 31, 2023	2,683	3,259	4,726	10,668
Additions	**40**	**74**	**623**	**737**
Derecognitions	**(418)**	**(112)**	**(294)**	**(824)**
Balance as at December 31, 2024	**2,305**	**3,221**	**5,055**	**10,581**
Depreciation and impairment losses				
Balance as at December 31, 2022	1,376	2,611	3,638	7,625
Depreciation for the year	47	96	532	675
Derecognitions	(57)	(212)	(237)	(506)
Balance as at December 31, 2023	1,366	2,495	3,933	7,794
Depreciation for the year	**48**	**93**	**472**	**613**
Derecognitions	**(243)**	**(111)**	**(294)**	**(648)**
Balance as at December 31, 2024	**1,171**	**2,477**	**4,111**	**7,759**
Carrying amount as at December 31, 2022	1,183	788	764	2,735
Carrying amount as at December 31, 2023	1,317	764	793	2,874
Carrying amount as at December 31, 2024	**1,134**	**744**	**944**	**2,822**

a) Including installations and leasehold improvements.
b) Including expenses capitalized in connection with costs of development of internal use software totaling NIS 785 million as of December 31, 2024 (2023 — NIS 686 million).

B. Average Depreciation Rate

	December 31	
	2024	2023
Buildings and land	**2.09%**	1.95%
Equipment, furniture and vehicles	**13.06%**	12.20%
Software costs	**30.54%**	29.45%

C. Buildings and land not used by the Group, mainly leased buildings, are stated in the balance sheet at NIS 29 million (December 31, 2023 — NIS 25 million).

D. Assets amounting to NIS 34 million (December 31, 2023 — NIS 41 million) have not been registered in the Bank's name with the Land Registry Office, the main reasons being the lack of land registry arrangements in the area ("parcellation") and a building project that was not registered as a condominium by the contractor/developer.

E. The book balance of held-for-sale buildings and equipment as of December 31, 2024 amounted to NIS 3 million (December 31, 2023 — NIS 105 million, for further information see Note 35.C.). No loss is expected due to realization of available-for-sale buildings and equipment.

F. As at December 31, 2024, there is no book balance of fixed assets at establishment stages (December 31, 2023 - NIS 164 million).

G. The buildings and equipment line item include leasehold improvements and lease rights, including payments in respect of some of the buildings on leased land.

H. Information on Leases

1. Expenses for leases

	December 31	
	2024	2023
	In NIS million	
Expenses for operating leases	**117**	112
Expenses short-term leases	**-**	-
Expenses for variable lease payments	**2**	1
Total expenses for leases	**119**	113

2. Additional Information on Leases

	December 31	
	2024	2023
	In NIS million	
Cash paid for balances included in measurement of lease liabilities:		
Cash flow for operating activities for operating leases	**136**	120
Right of use assets recognized for new operating leases	**75**	104
Remaining weighted average term (in years):		
For operating leases	**3.8**	3.9
Weighted average discount rate (in %):		
For operating leases	**1.00**	1.00

Note 16 – Buildings and Equipment (cont.)

3. Undiscounted cash flows and liabilities for operating leases by repayment term

	December 31			
	2024		2023	
	Undiscounted cash flows	Lease liability Up to one year	Undiscounted cash flows	Lease liability Up to one year
	In NIS million			
Up to one year	**117**	**118**	129	129
Over one year and up to two years	**93**	**90**	103	101
Over two years and up to 3 years	**71**	**68**	79	77
Over 3 years and up to 4 years	**59**	**57**	70	67
Over 4 years and up to 5 years	**46**	**44**	58	55
Over 5 years	**212**	**194**	242	221
Total	**598**	**571**	681	650

Note 17 - Other Assets

	December 31	
	2024	2023
	In NIS million	
Deferred tax receivable, net – please see Note 8(d)	**5,945**	5,869
Excess of advance tax payments over current provisions	**16**	19
Central severance pay fund	**73**	70
Assets received for repaid loans	**26**	10
Balance of amortizable issuance expenses of bonds, promissory notes Subordinated notes	**77**	91
Assets for activity in the MAOF Clearing House[(a)]	**24**	14
Prepaid expenses	**235**	214
Receivables	**215**	235
Other receivables and debt balances	**110**	147
Right of use assets for operating lease[(b)]	**594**	661
Total other assets	**7,315**	7,330

a) Stated at fair value.
b) For information regarding leases, please see Note 1.N.and Note 16.H.

Note 18 – Public Deposits

A. Types of Deposits by Location and Type of Depositor

	December 31	
	2024	2023
	In NIS million	
In Israel		
Demand deposits		
Non-interest-bearing deposits	**142,366**	150,365
Interest-bearing deposits	**142,950**	137,351
Total demand deposits	**285,316**	287,716
Fixed deposits	**332,985**	280,108
Total deposits in Israel[1]	**618,301**	567,824
Total deposits by the public	**618,301**	567,824
[1]Of which:		
Deposits by private individuals	**175,583**	169,788
Deposits by institutional entities	**171,993**	138,478
Deposits by corporations and others	**270,725**	259,558

B. Deposits by the Public by Amount

	December 31	
	2024	2023
Maximum deposit	In NIS million	
Up to 1	**130,770**	128,159
Over 1 and up to 10	**130,613**	125,586
Over 10 and up to 100	**106,136**	92,257
Over 100 and up to 500	**79,544**	57,311
Over 500	**171,238**	164,511
Total	**618,301**	567,824

Note 19 - Deposits by Banks

	December 31	
	2024	2023
	In NIS million	
In Israel		
Commercial banks:		
Demand deposits	**7,671**	8,423
Fixed deposits	**3,539**	1,778
Acceptances	**959**	454
Central banks:[a]		
Fixed deposits	**5,874**	10,121
Total deposits by banks	**18,043**	20,776

a) Deposits by the Bank of Israel.

Note 20 - Bonds, Promissory Notes and Subordinated **Bonds**[a]

	Demand deposits Fixed deposits Average[b]	Central banks: Demand deposits Internal[c]	December 31	
			2024	2023
	Years	In %	In NIS million	
Total deposits by banks that cannot be converted to shares:				
In Israeli currency unlinked to the CPI	**1.9**	**4.7**	**5,007**	7,648
CPI-linked	**3.6**	**1.2**	**17,115**	13,356
In USD	**2.4**	**5.1**	**1,803**	1,796
Total[1]			**23,925**	22,800
[1]Of which: held-for-trading	-	-	**21,956**	22,379
Promissory notes that may be converted to shares:				
CPI-linked	**3.5**[(d)]	**1.8**	**3,497**	4,750
In USD	**1.9**[(d)]	**4.8**	**4,547**	4,564
Convertible bonds: In Israeli currency unlinked to the CPI			**31,969**	32,114
CPI-linked Tier 2 capital[(e)]			**7,594**	8,811

a) The balance of discount net of the premium on bonds and subordinated notes not yet carried to the income statement was offset against the bonds.
b) Average duration is the average of the payments periods weighted by the projected cash flows discounted at the internal rate of return.
c) Internal rate of return is an interest rate that discounts the projected payments flow to the book balance stated in the financial statements.
d) The average duration as of interest rate change date is based on calculation of the effective average duration as calculated for purposes of the exposure to changes in interest rates. In subordinated bonds, in CPI-linked - 1.64 years, in USD - 1.88 years (as of December 31, 2023 - CPI-linked - 3.14 years, and USD - 2.73 years).
e) Tier 2 capital according to Basel III's transitional provisions.

Comment:
For further information, please see Note 24A.

Note 21 - Other Liabilities

	December 31	
	2024	2023
	In NIS million	
Reserve for deferred tax, net – please see Note 8(d)	**78**	80
Excess of current provisions for income tax over advances paid	**2,282**	1,835
Excess liabilities in respect of employee benefits over plan assets – see Note 22(K)	**7,379**	8,192
Prepaid income	**649**	498
Payables for credit card activities	**1,555**	1,289
Accrued expenses for salaries and related expenses	**709**	518
Market value of securities sold short	**414**	161
Loan loss provision for off-balance-sheet items	**842**	747
Accrued expenses	**273**	304
Other provisions for employee benefits	**324**	325
Provision for paid leave	**215**	202
Accrued jubilee vacation leave	**16**	18
Liabilities for activity in the MAOF Clearing House(a)	**24**	14
Other payables and credit balances	**634**	876
Liabilities for operating leases(b)	**571**	650
Total other liabilities	**15,965**	15,709

a) Stated at fair value.
b) For information regarding leases, please see Note 1.N. For information on liabilities for operating leases by repayment terms, please see Note 16.H.3.

Note 22 - Employee Rights

A. Signing of a collective agreement

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

As part pf the agreement the principles pf constructing the annual budget for promoting salaries were set for 2023-2026; the period of employment without tenure had been extended gradually pursuant to the collective agreement up to 10 years; it had been agreed upon increasing the quota of employees the Bank may employ as part of the technological agreement; an outline had been set for settling the treatment of employees whose position became redundant in a manner that would enable the continuation of the streamlining trend at the Bank; ancillary and social conditions for various populations had been improved; it had been agreed that new employees hired by the Bank would be employed pursuant to Section 14 of the Severance Pay Law, and more.

For further information, please see Note 23.A to the financial statements as of December 31, 2023.

B. Pension and Severance Pay

1. Overview

Employees who began working with the Bank as from January 1, 1999 and have not yet received permanent employee status as at the signing of the 2000 collective bargaining agreement regarding the pension agreement (hereinafter - "Generation B Employees") make ongoing contributions to an external pension plan. The Bank shall have no pension obligations toward these employees, except for supplementary contributions towards severance pay, in certain cases, pursuant to the agreement.

Employees who started working for the Bank before January 1 1999 and were granted permanent employee status before the date of signing the aforementioned agreement (hereinafter - "Generation A Employees"), and who retire from the Bank at retirement age, except those mentioned above and in Section C. below, may choose between receiving severance pay and pension savings or a pension from the Bank while waiving the severance pay and savings, all subject to the provisions of the law. Entitlement to a pension is calculated at a rate of 40 percent in respect of the first fifteen years of employment, i.e. 2.67 percent per annum, and 1.5 percent for each additional year, up to a maximum rate of 70 percent.

The pension reserves are based on an actuarial calculation that factors in the retirement age pursuant to studies and based on past experience. The actuarial calculation was made according to the accrued benefits valuation method, taking into account various parameters including the probability, based on past experience, as to the rate of utilization of pension benefits and the rate of withdrawal of severance pay and pension savings, disability benefits, etc. The calculation also factors in a nominal pay increase, which is based on past experience.

The liability is accrued on a straight-line basis until the early retirement age (the average of actual retirement ages of Generation an Employees in recent years, both men and women). After this date, additional benefits attributed to subsequent years are accrued based on the formula of Generation an Employees' benefit plan.

The actuarial calculation is based on revised directives of the Ministry of Finance regarding mortality rates, published in July 2024, which were established for insurance companies by the Commissioner of the Capital Market, Insurance and Savings and applied to the Bank's employees.

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.

The Bank's actuarial liability for pension was calculated based on the yield on Israeli Government bonds plus an average spread on corporate bonds rated AA or higher as of the reporting date. It was decided that the calculation of the spread will be based on spreads of US corporate bonds. In 2024, most of the change in the pension liability stems from interest rate changes.

The Bank's pension liability for retired employees who have opted for pension and the Bank's liability mentioned in Section C. below are partially covered by a pension provision calculated according to the present value of the liability, as calculated by an actuary.

2. Leumi Alumni

Leumi Alumni are former employees who were employed under the collective bargaining agreement, and who left their jobs at the Bank after 25 years, or whose age is at least 50 and have left the Bank after 15 years of service.

C. Employment and Retirement Terms and Conditions of Employees with Personal Employment Contracts

1. Overview

The accepted terms and conditions of employment and retirement for employees with personal contracts with the Bank include fixed compensation components, such as a monthly salary, social benefits, related benefits, such as study fund, health insurance, insurance arrangements, exemption and indemnification, as well as terms and conditions of retirement and severance and termination of employment, such as paid early notice. Employees who have personal contracts with the Bank also enjoy variable compensation components, such as any award that is not given on a regular basis, i.e., annual performance bonus, personal mission bonus, and special bonus for special events and equity compensation by way of options and/or shares and/or share-based instruments. Key employees who are not officers may be entitled to additional bonuses such as retention bonus and outstanding excellence award. Members of Bank's management may also be entitled to an adaptation bonus of up to 6 monthly salaries on termination of their employment by the Bank. In addition, employees with personal contracts at the Bank may be required to sign a non-compete clause of up to six months.

Retirement and pension arrangements for employees with personal contracts

The retirement and pension benefits of Bank employees with personal contracts are determined according to their classification into the Bank's employment period categories and according to the circumstances under which their employment ended (such as redundancy, resignation or retirement). The Bank's retirement arrangement with these employees includes entitlement to their severance pay fund, in accordance with Section 14 of the Severance Pay Law, 1963 or to severance pay ranging between 100 percent and 250 percent, in addition to the funds accrued in their pension savings, and the possibility, in certain cases, of receiving a monthly annuity. This right is in lieu of the employees' legal severance pay benefits and includes the funds and benefits accrued in the employee's severance pay funds during his/her employment period (including any gains).

In case of termination of employer-employee relations (due to redundancy, resignation or retirement, as relevant and according to the terms and conditions of the personal contract), Generation A Employees may waive the benefits and funds which they have accrued in their severance pay and pension savings (in respect of Generation A benefits) in return for being eligible for unfunded pension from the Bank (hereinafter - the "Pension Annuity"). Employees are eligible for a Pension Annuity on reaching retirement age or, alternatively - subject to meeting seniority and age criteria - to receive the Pension Annuity immediately or at a later stage (in full or adjusted, as relevant).

Some contracts stipulate that, in case of termination of employer-employee relations (due to redundancy, resignation or retirement, as relevant and according to the personal contract's terms and conditions) and subject to meeting certain conditions, including seniority and/or age conditions, some Generation B employees may opt to receive an Interim Annuity from the Bank

Note 22 - Employee Rights (cont.)

(in full or adjusted, as relevant) in lieu of severance pay, until they become eligible for the amount saved pursuant to the pension fund's Articles of Association and the provisions of the law.

The percentage of the Pension Annuity or interim annuity, as relevant, is 2.67 percent per annum for the first 15 years of employment. Subsequently — 1.5 percent per annum for each year until a personal contract is signed; 2 percent per annum for each year of employment under a personal contract and 2.5 percent per annum for each year of service as member of management, up to a maximum of 70 percent. Eligibility for Pension Annuity from the Bank is subject to the employee having all the benefits and funds accrued in the pension savings and severance pay fund (in respect of Generation A benefits) in his/her name available as the source from which the Pension Annuity will be paid by the Bank as aforesaid.

The maximum additional expense incurred by the Bank, assuming that the employees included in this section are made redundant effective immediately and according to the eligibility for each period, shall total NIS 121 million (including salary tax payable on pension) (2023 — NIS 138 million).

2. President and CEO

Mr. Hanan Friedman serves as an officer with the Bank as of September 1, 2014, and as the Bank's President and CEO from November 1, 2019 (in this Section - the "Effective Date"). On December 23, 2019, the Bank's general meeting approved the service and employment terms and conditions of the Bank's President and CEO, which become effective on the Effective Date. The service and employment terms and conditions of the President and CEO are in line with the Bank's Officer Compensation Policy, and in line with Directive 301A and the limitations prescribed in the Compensation Limitation Law.

The President and CEO's service and employment terms and conditions:

1. Salary - The monthly salary of the CEO is determined so that the total annual compensation for the CEO will be the maximum possible compensation amount pursuant to the Compensation Limitation Law. Compensation for the CEO is linked to the increase in the known Consumer Price Index[1] as well as to the Bank's lowest compensation increase rate as set out in the Compensation Limitation Law and subject to its provisions (hereinafter: the "Salary"). As of the end of 2024, the maximum possible compensation pursuant to the Compensation Limitation Law at the Bank stood at approx. NIS 3.9 million, not including severance pay and benefits as per the law.

   The President and CEO is eligible to an additional fixed compensation component that will be calculated such that the total amount of the compensation components payable to the President and CEO (excluding compensation the payment of which is not expected under generally accepted accounting principles) will not exceed the ceiling set forth in Section 2(b) of the Compensation Limitation Law.[2] No provisions for social benefits will be made in respect of this fixed component, except for provisions for severance pay and pension savings as required by law.

2. **Termination of employment by giving advance notice** — The employment term of the President and CEO's employment agreement is indefinite. Each of the parties may terminate the agreement by giving a six-month advance notice.

3. **Contributions and deductions for pension, severance pay and social benefits** - the Bank shall make contributions towards pension and disability insurance for the President and CEO; these contributions, amounting to 7.5 percent of the President and CEO's Salary, will be

[1] It is hereby clarified, that if the CPI decreases, the Salary will not be decreased accordingly.

[2] It should be noted that the contributions for severance pay and pension as required by law will not be included in the calculation of the ceilings set forth in the Compensation Limitation Law. It should also be noted that since the total cost of the President and CEO's compensation exceeds the ceiling set forth in Section 2(A) of the Compensation Limitation Law, a portion of the compensation is not deductible for tax purposes as set forth in Section 32(17) of the Income Tax Ordinance.

Note 22 - Employee Rights (cont.)

transferred, on a monthly basis, to managers' insurance policies, provident funds and/or a pension arrangement, as agreed between the parties from time to time; the Bank will also deduct an additional 6 percent of the President and CEO's Salary in respect of pension contributions (hereinafter – "Pension Contributions"). The Bank will make contributions towards severance pay, which will be transferred, on a monthly basis, to a severance pay fund, at a rate of 8⅓ percent of the Salary[3] of the President and CEO; the Bank will also make monthly contributions to a study fund for the President and CEO at a rate of 7.5 percent of the Salary; at the same time, the Bank shall deduct a total of 2.5 percent, at the expense of the President and CEO, from the Salary, up to the maximum tax deductible amount and shall remit it to a study fund.

4. **Retirement terms and conditions** – as aforesaid, the President and CEO serves as an officer with the Bank as of September 1 2014. On the date on which the Compensation Limitation Law entered into effect, on October 12, 2016 (the "Effective Date") the service and employment terms and conditions of office and employment of the incumbent Bank officers according to the provisions of the said Law were updated, including the service and employment terms and conditions of Mr. Friedman, including his benefits in the event of retirement. Therefore, in the event of retirement, the President and CEO will be entitled to retirement benefits for his service term with the Bank from the Effective Date of his service with the Bank until the Effective Date, and to retirement benefits for his terms of office with the Bank from the Effective Date until the termination of his employment relations with the Bank, as specified below: In the event that the employment relations between the President and CEO and the Bank are severed (dismissal, resignation or retirement), the President and CEO will be entitled to the following benefits (cumulatively):

   (1) For the term of the President and CEO's employment as of the Effective Date: The President and CEO will be entitled to severance pay in an amount equal to 100 percent [4] of the last known monthly Salary on the termination of employment relations with the Bank multiplied by the number of years from the Effective Date until the termination date of the employment relations as aforesaid, plus the funds and benefits accumulated in the pension funds from pension contributions made by the Bank and by the President and CEO in respect of the President and CEO's term of employment during the abovementioned term (from the Effective Date until the termination date of the employment relations).

   (2) For the term of the President and CEO's employment until the Effective Date: The President and CEO will be entitled to severance pay in an amount equal to 250 percent of the monthly Salary immediately prior to the Effective Date multiplied by the number of years he will have been employed by the Bank until the Effective Date, plus the funds and benefits accumulated in the pension funds from pension contributions made by the Bank and by the President and CEO for the President and CEO's term of employment during the above period (until the Effective Date).[5]

5. **Non-compete** – The President and CEO will undertake towards the Bank to maintain a six-month non-compete period from the date of termination of his office (hereinafter – the "Non-Compete Period"). During the Non-Compete Period the President and CEO will be entitled to receive a Salary and all other related benefits, excluding contributions for social benefits.

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3 Including all components in respect of which severance pay is payable by law.

4 Entitlement to severance pay as aforesaid is conditional on the transfer to the Bank of the contributions towards severance pay made during that period, or of an amount equal to the amount of those contributions.

5 Entitlement to severance pay as aforesaid is subject to the transfer to the Bank of the contributions to the severance pay fund.

Note 22 - Employee Rights (cont.)

6. **Exemption, insurance and indemnification** - The President and CEO will be entitled to exemption, insurance and indemnification of officers, as is customary at the Bank, from time to time.

7. **Paid leave, convalescence pay and sick leave** – as normally paid to the Bank's senior officers according to Bank's procedures.

8. **Related benefits** - The CEO is entitled to benefits as is customary for senior executives of the Bank.

9. **Provisions regarding** annual bonuses - The President and CEO will not be entitled to an annual variable bonus.

3. The Bank's Chairman of the Board

Chairman of the Board

Mr. Uri Alon began serving as a director of the Bank as of August 30, 2023, and began serving as Chairman of the Board of the Bank on December 18, 2024 (in this Section, the "Effective Date").

The Chairman of the Board's service terms and conditions as described below were ratified by the Compensation Committee and the Bank's Board of Directors, and they will be brought for ratification before the general meeting of the Bank scheduled for March 13, 2025. The terms and conditions of the Chairman of the Board will become effective on the Effective Date, as long as he serves as Chairman of the Board. The Chairman of the Board's service terms and conditions may be updated by the authorized organs of the Bank subject to the provisions of the law and regulations. The service terms and conditions of the Chairman of the Board are in compliance with the Bank's officer compensation policy and in accordance with Directive 301A, regarding structure of compensation for chairman of the board in a banking corporation without a controlling core, and pursuant to the Compensation Limitation Law.

Pursuant to the service terms and conditions of the Chairman of the Board that are subject to ratification by the general meeting as aforementioned, the Chairman of the Board will provide services to the Bank through a management company he owns, against a tax invoice provided to the Bank. In return for these services, the Chairman will be entitled to a fixed compensation only[6], of NIS 3.85 million per annum, with added VAT as required by law; the amount is linked to the increase in the known CPI[7]. It is clarified that, in respect of the Chairman of the Board's tenure for part of a year, he will be paid the proportional part of the annual compensation.

Moreover, pursuant to the service terms and conditions of the Chairman of the Board, the Chairman will also be entitled to exemption, insurance and indemnification arrangements of officers, as is the practice in the Bank, from time to time, as well as to benefits for the reimbursement of reasonable expenses according and subject to that stipulated in Directive 301A. The Chairman of the Board will not receive, in addition to the annual compensation and the reimbursement of expenses as aforementioned, any direct or indirect consideration for his tenure as Chairman of the Board or for the end of his tenure. The Chairman of the Board will not be eligible for an advance notice at the end of tenure and for a non-compete payment.

Outgoing Chairman of the Board

Dr. Shmuel Ben Zvi serves as a director of the Bank as of July 19, 2015, and began serving as Chairman of the Board (in this section: the "Outgoing Chairman") on November 16, 2023 (in this section, the "Effective Date"). The Outgoing Chairman ended his tenure as a director and as the Bank's Chairman of the Board in December 2024 (in this section - the "End Date"), after his term as a director and as the Chairman of the Board of Directors was extended with approval from the

[6] It is clarified that the Chairman of the Board of Directors is not entitled to a variable annual bonus.
[7] It is hereby clarified, that if the CPI decreases, the consideration amount will not be decreased accordingly.

Note 22 - Employee Rights (cont.)

Supervisor of Banks; in this regard, see the Bank's immediate reported dated June 20, 2024 (Ref. No.: 2024-01-062725).

The outgoing Chairman of the Board's service terms and conditions

On January 4, 2024, the Bank's general meeting approved the service terms and conditions of the Bank's President and CEO, which become effective on the Effective Date and until the End Date. The service terms and conditions of the Outgoing Chairman of the Board, as aforementioned, are in compliance with the Bank's officer compensation policy and in accordance with Directive 301A, regarding structure of compensation for chairman of the board in a banking corporation without a controlling core.

The Outgoing Chairman of the Board began to provide services to the Bank through a management company he owns, against a tax invoice issued to the Company. In return for these services, the Outgoing Chairman was entitled only to a fixed compensation only,[6] of approx. NIS 3.76 million per annum (the maximum annual amount paid by the Bank in accordance with the Compensation Limitation Law, as in effect during the period when Outgoing Chairman's terms were established), with added VAT; the amount was linked to the increase of the CPI[7]. It is clarified that, in respect of the Outgoing Chairman of the Board's tenure for part of a year, he was paid the proportional part of the annual compensation.

The Outgoing Chairman of the Board was also be entitled to exemption, insurance and indemnification arrangements of officers, as is the practice in the Bank, from time to time, as well as to benefits for the reimbursement of reasonable expenses according and subject to that stipulated in Directive 301A. The Outgoing Chairman of the Board did not receive, in addition to the annual compensation and the reimbursement of expenses as aforementioned, any direct or indirect consideration for his tenure as Chairman of the Board or for the end of his tenure. The Outgoing Chairman of the Board was not be eligible for an advance notice at the end of tenure and for a non-compete payment.

It is clarified that the Outgoing Chairman of the Board of Directors was not entitled to a variable annual bonus.

D. Provision for Paid Leave

The "other liabilities" line item includes a provision in respect of unutilized paid leave, calculated based on the last salary plus related benefits. The Bank also provides for sick leave that will be converted to paid leave, calculated on an actuarial basis. As of December 31, 2024, these provisions amount to NIS 215 million (December 31, 2023 – NIS 202 million).

E. Pension and Severance Pay for the Bank's Employees

The Bank pays contributions towards severance pay and pension for Generation an Employees into the Bank employees' provident fund towards severance pay and pension, which is administered by a management company held by fund's members. (hereinafter – the "Management Company")

Note 22 - Employee Rights (cont.)

Retirement and pension benefits are determined according to a classification of different employment periods at the Bank, and as outlined in Section B.1 above, Generation B Employees are entitled to ongoing pension and provident fund contributions, for which the Bank has no pension liability, except for supplementary severance pay under the relevant circumstances. Generation A employees - on reaching retirement age, under certain circumstances - have the right to either receive severance pay and compensation from the Bank or a pension annuity, or a combination of the above, all in accordance with, and subject to, the provisions of the various agreements applicable to these employees. For these employees, the Bank deposits contributions in the employees' provident, pension and severance pay funds, which are managed by the management companies. During 2019, the Bank entered into an agreement with additional institutional entities to transfer the severance pay and pension funds which accumulated or will be accumulated in the severance and pension funds of employees who have opted for or will opt for a pension to a paying fund. The Bank also entered into agreements to purchase insurance policies for the retirees, payable by the Bank.

F. The Bank's Officer Compensation Policy

On August 4, 2022, the Bank's general meeting approved the revised compensation policy for the Bank's officers (hereinafter - the "Compensation Policy"). The Compensation Policy went into effect as of the beginning of 2023 and will be in force until the end of 2025. The Compensation Policy is based on the provisions of Amendment No. 20 to the Companies Law regarding the Bank's officers' service and employment terms and conditions, on Proper Conduct of Banking Business Directive 301A regarding compensation policy in a banking corporation and on the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016 (hereinafter - the "Compensation Limitation Law").

The Compensation Policy sets out a framework for the compensation of the Bank's officers and refers, among other things, to fixed compensation components, which is the principal compensation paid to officers and includes: A fixed salary, social benefits, related benefits, as well as severance and retirement benefits, as well as variable compensation components which include any compensation which is not fixed in nature, such as a measurable annual performance bonus comprised of a bonus component based on the Bank's return on equity, based on the weighted earnings per share of the Bank compared to the return of the TA-Banks Index, a bonus component based on the Bank's weighted efficiency ratio, and additional components, to the extent that the Compensation Committee and Board of Directors will decide to determine additional components regarding officers other than the Bank's President and CEO; a qualitative personal mission bonus, based on the achievement of personal targets and qualitative criteria according to the relevant officer's areas of responsibility; and a retention bonus. It should be noted that Board members, including the Chairman of the Board, are not entitled to variable annual bonuses. The Bank's President and CEO is not entitled to an annual variable bonus, unless decided otherwise by the Bank's competent organs.

The total amount payable in variable bonuses to an officer is limited to 8 monthly salaries per year; as under special circumstances, the Compensation Committee and the Board of Directors may approve an additional special bonus to any of the officers, that would not exceed one month' salary.

The Bank's Board of Directors may also reduce (due to special considerations) the amount of the variable annual bonus, after obtaining the approval of the Compensation Committee, at its discretion. Furthermore, the Compensation Policy prescribes, based on Directive 301A, a mechanism for repayment of variable bonuses, including repayment criteria and circumstances and a repayment period.

The Compensation Policy also sets out arrangements for deferral of payment of variable bonus to officers, payment of which is subject to the Bank's meeting the required capital adequacy ratios according to the directives of the Banking Supervision Department immediately prior to each vesting date (or the fixed vesting conditions in a equity compensation, to the extent that the deferred part of the variable bonus payments is given as a equity compensation).

Note 22 - Employee Rights (cont.)

The Compensation Policy includes various mechanisms and arrangements designed to allow the Compensation Committee and the Board of Directors to revise the Compensation Policy or service and employment terms and conditions of officers to whom the Compensation Policy applies, without being required to obtain the approval of the Bank's general meeting for every such revision. Such revisions will be made when, in the opinion of the Compensation Committee and the Bank's Board of Directors, they are justified under the circumstances on revision date.

According to the Compensation Policy, the compensation of any of the officers at the Bank (other than the Chairman of the Board or President and CEO) which will exceed, according to a decision by the Compensation Committee and Board of Directors the ceiling set out in Section 2(a) of the Compensation Limitation Law, and in such a case, part of the salaries of these officers will not be tax deductible, subject to Section 32(17) of the Income Tax Ordinance. The compensation policy also includes a mechanism enabling an increase in the amount of compensation to which the Chairman of the Board and the President and CEO will be entitled automatically with an increase in the lowest compensation at the Bank, as stated in the Compensation Limitation Law (where to the extent that the revised compensation amount to the Chairman of the Board and/or to the President and CEO will exceed 5% due to the linkage to the rate of increase of the lowest compensation at the Bank, as stated in the Compensation Limitation Law, the revision will be brought for approval of the Compensation Committee and Board of Directors).

In addition, the compensation policy includes the option according to which, subject to approval by the Bank's competent organs and subject to the provisions of any law, the Bank's officers (including directors) may be entitled to equity compensation in the form of options, shares or share-based instruments.

G. Compensation Policy for Key Employees

A revised compensation policy for "key employees" at the Bank who are not officers was approved by the Compensation Committee and the Board of Directors in January 2023 and will be in effect until the end of 2025. The policy sets out a compensation framework for key employees, including, inter alia, the salary component, related benefits, the annual bonus component and retirement terms and conditions. This policy was formed bearing in mind the principles of the Compensation Policy for the Bank's officers, with the required adjustments and according to the Compensation Limitation Law and the provisions of Proper Conduct of Banking Business Directive No. 301A.

H. Compensation Policy for All Employees

The Revised Compensation Policy for all employees (who are not key employees) was approved by the Compensation Committee and the Board of Directors in January, 2023 and is based on the provisions of Proper Conduct of Banking Business Directive No. 301A.

The Compensation Policy for all such Bank employees is designed to serve as a tool to promote the achievement of the Bank's business targets, including facilitating the recruitment and retention of high-quality employees, motivating them to improve performance and achieve the Bank's business objectives and targets while staying within the Bank's risk appetite.

The Compensation Policy deals, inter alia, with salary, related benefits, social benefits and bonuses, retirement terms and conditions and other compensation components payable to all employees.

I. Issuing of Securities

For details regarding the issuance of shares/option warrants not listed for trading to employees of the Bank and/or of the subsidiaries of the Bank and the directors, please see Note 23.A.

J. Legislative amendments regarding tax rates

On February 28, 2024, the Value Added Tax Ordinance (Tax Rate on a Transaction and on Imports of Goods) (Amendment), 2024 was published in the Official Gazette, by which the Value Added Tax rate would increase to 18% as of 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

Note 22 - Employee Rights (cont.)

(hereinafter – the "**Additional Ordinance**"). The Additional Order was published in the Official Gazette on April 14, 2024 and its impact on the Bank will commence in 2026[8].

[8] See Note 8.M.

Note 22 - Employee Rights (cont.)

K. Composition of Benefits

1. Employee benefits

	As of December, 31		
	2024	2023	2022
	In NIS million		
Retirement benefits - pension and severance pay			
Liability amount	**16,899**	17,210	17,214
Fair value of plan assets	**9,520**	9,018	8,816
Excess of liability over plan assets	**7,379**	8,192	8,398
Accrued jubilee vacation leave			
Liability amount	**16**	18	19
Excess of liability over plan assets (included in "other liabilities")	**16**	18	19
Other benefits			
Liability amount	**518**	505	513
Excess of liability over plan assets	**518**	505	513
Total			
Excess employee benefits liability over plan assets that were included in the Other Liabilities[1] item	**7,928**	8,733	8,946
[1]Of which: for employee benefits abroad	**11**	10	-
Excess assets for employee benefits that were included in the Section "Other Assets"[2]	**15**	18	16
[2]Of which: for benefits to employees abroad	**-**	-	2

2. Defined benefit plan

A. Obligation and Funding Status

1. Change in the Obligation for expected benefit

	For the year ended		
	2024	2023	2022
	In NIS million		
Obligation for expected benefit as at the beginning of the year	**17,210**	17,214	21,261
Service cost	**112**	124	142
Interest cost	**896**	858	717
Contributions by plan holders	**21**	23	27
Actuarial gain	**(307)**	(209)	(3,449)
Changes in foreign exchange rates	**(1)**	10	4
Paid benefits	**(1,032)**	(971)	(1,401)
Downsizing, discharges, special and contractual benefits	**-**	161	-
Other	**-**	-	69
Less balances of the subsidiary in the United States that was sold[(a)]	**-**	-	(156)
Obligation for expected benefit as at the end of the	**16,899**	17,210	17,214
Obligation for cumulative benefit as at the end of the	**16,020**	16,235	16,594

a) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

The actuarial gain during 2024 arises mainly from an increase in the discount rate. The increase was partially offset by the effect of change in the mortality schedules.

Note 22 – Employee Rights (cont.)

K. 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 year ended December 31		
	2024	2023	2022
	In NIS million		
Fair value of plan assets as at the beginning of the year	**9,018**	8,816	9,803
Actual return on plan assets[(a)]	**669**	339	(293)
Plan contributions by the banking corporation	**407**	365	248
Contributions by plan holders	**21**	23	27
Changes in foreign exchange rates	**(3)**	8	1
Paid benefits	**(592)**	(533)	(869)
Other	**–**	–	69
Less balances of the subsidiary in the United States that was sold[(b)]	**–**	–	(170)
Fair value of plan assets as at the end of the year	**9,520**	9,018	8,816
Funding status – Net liability recognized at the end of the year	**7,379**	8,192	8,398

a) Including the effect of the transition to a paying fund in respect of the retirees. See Section E of this Note.
b) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

3. Amounts recognized in the consolidated balance sheet

	As of December 31		
	2024	2023	2022
	In NIS million		
Amounts recognized in the "Other assets" item	**–**	–	2
Amounts recognized in the "Other liabilities" item	**7,379**	8,192	8,400
Net liability recognized at the end of the year	**7,379**	8,192	8,398

4. Amounts recognized in accumulated other comprehensive income before the tax effect

	As of December 31		
	2024	2023	2022
	In NIS million		
Net actuarial loss	**1,142**	1,737	2,109
Closing balance of accumulated other comprehensive income	**1,142**	1,737	2,109

Note 22 - Employee Rights (cont.)

K. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

B. Expenditures for the period

1. Components of the benefit cost included in profit and loss

	2024	2023	2022
	In NIS million		
Service cost	**112**	124	142
Interest cost	**896**	858	717
Expected return on plan assets	**(528)**	(487)	(402)
Amortization of unrealized amounts - net actuarial loss	**147**	311	265
Other, including loss due to downsizing or discharge	**-**	161	-
Total benefit cost, net	**627**	967	722
Total expense for defined contribution pension plan	**224**	214	199
Total expenses included in profit and loss	**851**	1,181	921

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

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Net actuarial gain per year	**(448)**	(61)	(2,754)
Amortization of unrealized amounts - net actuarial loss	**(147)**	(311)	(265)
Changes in foreign exchange rates	**-**	-	6
Less balances of the subsidiary in the United States that was sold[(a)]	**-**	-	(46)
Total recognized in other comprehensive income	**(595)**	(372)	(3,059)
Total benefit cost, net	**627**	967	722
Total recognized in net benefit cost for the period and gain (loss) Other total	**32**	595	(2,337)

a) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

Note 22 - Employee Rights (cont.)

K. 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 for the years ended December 31.

1. The main assumptions used to measure the benefit obligation

	December 31		
	2024	2023	2022
	In %		
Discount rate	**2.64**	2.39	2.06
Rate of increase in the CPI	**2.49**	2.61[b]	2.67
Departure rate	**0-35.9**	0-38.8	0-36.4
Rate of compensation increase	**0-6.28**	0-6.41	0-6.81

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

	For the year ended December 31		
	2024	2023	2022
	In %		
Discount rate	**2.74**	2.17	1.45
Expected return on long-term plan assets	**6.00**	5.63	4.50
Rate of compensation increase	**0-6.28**	0-6.41	0-6.81

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

	Increase by one percentage point			Decrease by one percentage point		
	As at December, 31			As of December, 31		
	2024	2023	2022	**2024**	2023	2022
	In NIS million					
Discount rate	**(2,004)**	(2,056)	(2,126)	**2,428**	2,500	2,609
Rate of increase in the CPI	**(334)**	(356)	(346)	**381**	406	387
Departure rate	**210**	204	192	**(143)**	(232)	(215)
Rate of compensation increase	**372**	397	378	**(334)**	(355)	(339)

a) The assumptions are based solely on the Bank's data.
b) Restated as an informative figure, with no effect on the reported results.

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.

Note 22 - Employee Rights (cont.)

K. Composition of Benefits (cont.)

4. Plan assets

A. Composition of fair value of plan assets

	As at December 31, 2024			
	Level 1	Level 2	Level 3	Total
	In NIS million			
Cash and deposits with banks	**228**	**–**	**–**	**228**
Shares	**1,053**	**–**	**17**	**1,070**
Government bonds	**85**	**85**	**–**	**170**
Corporate bonds	**316**	**64**	**–**	**380**
Other(a)	**58**	**46**	**7,568**	**7,672**
Total	**1,740**	**195**	**7,585**	**9,520**

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
	In NIS million			
Cash and deposits with banks	191	23	–	214
Shares	971	–	20	991
Government bonds	144	117	–	261
Corporate bonds	373	41	–	414
Other(a)	52	68	7,018	7,138
Total	1,731	249	7,038	9,018

a) Including deposits in a paying provident fund and insurance policies purchased for retired employees. See Section E of this Note.

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

	Allocation target	Percentage of plan assets	
	As of December, 31		
	2025	**2024**	2023
	In %		
Cash and deposits with banks	**1**	**2**	2
Shares	**13**	**11**	11
Government bonds	**1**	**2**	3
Corporate bonds	**6**	**4**	5
Other	**79**	**81**	79
Total	**100**	**100**	100

Note 22 - Employee Rights (cont.)

K. Composition of Benefits (cont.)

4. Plan assets (cont.)

C. Changes in the fair value of plan assets whose value is measured based on significant unobservable inputs (Level 3)

	For the year ended December 31, 2024					
		Actual return on plan assets				
	Balance Opening	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases/ sales and discharges, net	Transfers Into/From Level 3	Balance Realized gains/ (losses)
	In NIS million					
Shares	**20**	**–**	**–**	**(3)**	**–**	**17**
Other	**7,018**	**–**	**117**	**126**	**307**	**7,568**
Total	**7,038**	**–**	**117**	**123**	**307**	**7,585**

	For the year ended December 31, 2023					
		Actual return on plan assets				
	Balance Opening	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases/ sales and discharges, net	Transfers Into/From Level 3	Balance Realized gains/ (losses)
	In NIS million					
Shares	76	–	(53)	(3)	–	20
Other	6,600	–	156	45	217	7,018
Total	6,676	–	103	42	217	7,038

5. Cash flows

A. Contributions

		Actual contributions		
	Forecast[a]	For the year ended December 31		
	2025	**2024**	2023	2022
	In NIS million			
Contributions	**264**	**428**	388	275

a) The estimated contributions the Bank expects to deposit for the defined benefit plan during 2025.

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

Year		In NIS million
2025		1,156
	2026	961
	2027	884
	2028	847
	2029	825
	2029-2033	3,890
2034 and onwards		9,659
Total		18,222

a) In discounted values.

Note 23 – Stock-based Compensation Transactions

A. Overview

On August 16, 2022, the Bank published an outline for a security offering to officers and employees of the Bank group totaling up to 5,000,000 option warrants, of which 2,460,399 option warrants were allocated in 2022 to employees and officers (other than directors or the President and CEO).

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

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

On June 28, 2023, the Bank's Board of Directors approved the allocation of 117,585 additional option warrants, which are not listed for trading on the Tel Aviv Stock Exchange Ltd., to nine employees of the Bank (who are not directors or the CEO), including options out of the said amount, which shall be allocated and shall expire or for which the right of the offeree would be revoked and shall not be exercised into shares and shall be returned to the option pool, all as detailed in the Outline.

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

For further information about allocations in 2023, please see Note 24.A. to the financial statements as of December 31, 2023.

On August 14, 2024, 156,591 additional option warrants, not listed for trading on the Tel Aviv Stock Exchange, were allocated to 4 employees of the Bank and to 3 senior officers of the Bank (other than members of the Board of Directors or the President and CEO), including options out of the said amount, which shall be allocated and shall expire, or for which the right of the offeree shall be revoked, and shall not be exercised into shares and shall be returned to the option pool, as noted in detail in the Outline.

At the vesting date of the option warrants, offerees shall be entitled to exercisable shares in an amount to be determined according to the benefit value component only. For this purpose, the "benefit value component" is the difference between the closing price of an ordinary share of the Bank on the TASE on exercise date and the exercise price. The option warrants shall vest in three equal annual tranches (each tranche shall be 33⅓% percent of the amount of the option warrants allocated to each offeree) as of the allocation date, as follows:

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

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

The option warrants are offered to the offerees free of charge, as part of their employment terms and conditions with the Bank. The exercise price of the option warrants that were allocated on August 14, 2024 is NIS 32.56 per share, according to the average closing price in NIS of the Bank's stock market shares in the thirty trading days that preceded the Board of Directors' approval for the option warrants' allocation.

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

The fair value estimate of the option warrants as of the date of their allocation is approximately NIS 1.1 million. The fair value estimate of the option warrants was performed by an external appraiser, is based on the binomial model for option pricing, and is in accordance with the assumptions included in the Outline.

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

Note 23 – Stock-based Compensation Transactions (cont.)

Granting fixed equity compensation to the Bank's directors other than the Chairman of the Board

On December 23, 2024, the Bank's Board of Directors ratified a material private offering of securities to 9 members of the Bank's Board of Directors (who constitute all of the Bank's directors, with the exception of the Chairman of the Board) (hereinafter jointly: the "Offerees"), pursuant to a decision made by the Bank's general meeting on August 10, 2023, regarding ratification of an outline to grant fixed capital benefits to directors at the Bank (who are not the Chairman of the Board), and after, on October 29, 2024, for the first time since the ratification by the general meeting, a new external director was appointed to the Bank's Board of Directors by virtue of the provisions of the Companies Law, 1999 (hereinafter: the "**Companies Law**") [to the Bank's Board of Directors. According to the outline ratified at the general meeting, the equity compensation is fixed and the Offeree Directors will be allocated, on pre-determined dates, shares of the Bank of NIS 1 p.v. each, in an amount that reflects a fixed-amount value (i.e. not by way of a fixed number of shares, hereinafter – the "fixed equity compensation").

The Offeree Directors' eligibility for the fixed equity compensation is not contingent, including not contingent upon performance or on the continued tenure of the relevant Offeree Director in the Bank subsequent to the grant date of the equity compensation. It is clarified that the fixed equity compensation will be granted only to directors who will serve on the Bank's Board of Directors on each of the grant dates. According to the outline ratified at the general meeting, the value of the fixed equity compensation to be granted to each of the Offeree Directors will be the same, and will be granted quarterly and divided into four equal tranches per year (or once per calendar year), at a value of NIS 25,000 for each calendar quarter (linked to the increase in the Consumer Price Index). The number of shares that is granted to the Offeree Directors on each grant date will be determined according to the average closing price of the Bank's share on the 30 trading days preceding each grant date.

As part of the material private offering, the Bank allocated to the Offerees 3,881 of its ordinary shares of NIS 1 p.v. each (hereinafter: the "Shares"). The Shares were allocated without any consideration, except for payment for the minimum price per share pursuant to the Stock Exchange's articles, namely 30 agorot per share.

With the exception of the foregoing, the Offerees did not pay the par value of the shares. The Bank will discount as share capital the balance of the par value of the Shares from the earnings, as defined in Section 302(b) of the Companies Law, instead of from a premium on shares, or any other source included in its equity, subject to the provisions of Section 304 to the Companies Law.

In general, allocation of the Shares to the Offerees was performed in the capital gains track (with a trustee) pursuant to Section 102 of the Income Tax Ordinance (New Version), 1961 (hereinafter: the "Ordinance"), except for regarding Offerees who provide services to the Bank via a company under their ownership, and pursuant to the capital benefits plan adopted by the Bank on June 1, 2022, and therefore, the allocated Shares will be subject to a certain blockage period of two years, during which the Shares will be entrusted with a trustee appointed by the Bank; all subject to the provisions of the Ordinance and the rules of the tax laws applicable at the time of their granting and realization.

B. Details Regarding Equity-Settled Stock-based Compensation Transactions

	For the year ended December	
	2024	2023
Change in options for shares:	No. of units	
Outstanding at beginning of year	**3,561,149**	2,460,399
Awarded during the year	**156,591**	1,492,657
Expired during the year	**39,192**	–
Forfeited during the year	**153,865**	391,907
Exercised during the year	**531,293**	–
Outstanding as at year-end	**2,993,390**	3,561,149

C. Details regarding the consideration cost of share-based compensation

	For the year ended December	
	2024	2023
	In NIS million	
Amounts carried to profit and loss before tax	**3**	7
Tax effect	**–**	–
Amounts carried to profit and loss after tax	**3**	7

Note 24A - Capital

A. Share Capital

	December 31, 2024		December 31, 2023	
	Authorized	Issued and paid up(a)	Authorized	Issued and paid up(a)
	NIS			
Ordinary shares of NIS 1.0 each	3,215,000,000	**1,615,761,360**	3,215,000,000	1,615,629,355

a) All the issued shares were registered shares. The shares which have been (or will be) issued have been (or will be) converted to ordinary shares transferrable in NIS 1.0 units. The rights attached to the Bank's shares are prescribed by the Bank's Articles of Association.

Changes in the Bank's Equity

Equity Compensation for Directors

For details regarding the outline for capital benefits ratified by the general meeting on August 10, 2023, and allocation of the Shares to directors at the Bank, see Note 23.A. and Amendment 21 in the periodic report for 2024.

Allocation of option warrants

For details regarding the expiration and issuance of option warrants not listed for trading to employees and officers of the Bank, including the Bank's President and CEO, please see Note 23.A.

The ordinary shares are listed on the Tel Aviv Stock Exchange.

Subordinated notes

NIS 209,100,000 par value in Subordinated Bonds (Series 402) were issued by the Bank on July 8, 2018, convertible under certain circumstances to up to 21,235,891 ordinary shares of the Bank, respectively, as at December 31, 2024.

NIS 664,150,000 par value in Subordinated Bonds (Series 403) were issued by the Bank on January 31, 2019, and an additional NIS 777,000,000 p.v. in Subordinated Bonds (Series 403) were issued by the Bank on March 13, 2019 by way of series expansion. These Subordinated Bonds are convertible, under special circumstances, to up to 135,635,534 ordinary shares of the Bank, as at December 31, 2024.

For more information, please see Section F.

USD 750,000,000 par value in Subordinated Notes (Series Leumi $ 2031) were issued by the Bank on January 29, 2020, convertible under certain circumstances to up to 208,055,925 ordinary shares of the Bank as of December 31, 2024.

NIS 631,950,000 par value in Subordinated Bonds (Series 405) were issued by the Bank on March 27, 2022, and an additional NIS 771,950,000 p.v. in Subordinated Bonds (Series 405) were issued by the Bank on September 12, 2022 by way of series expansion. These Subordinated Bonds are convertible, under special circumstances, to up to 86,159,973 ordinary shares of the Bank, as at December 31, 2024.

USD 500,000,000 par value in Subordinated Notes (Series Leumi $ 2033) were issued by the Bank on January 18, 2023, convertible under certain circumstances to up to 118,750,000 ordinary shares of the Bank as of December 31, 2024.

NIS 1,535,042,000 par value in Subordinated Notes (Series 406) were issued by the Bank on January 23, 2025. These Subordinated Bonds are convertible, under special circumstances, to up to 68,712,712 ordinary shares of the Bank, as at the issue date.

Note 24.A - Capital (cont.)

B. The Bank's Share Buyback Plan

The Bank's share buyback plan 2024

On May 27, 2024, the Bank's Board of Directors approved a share buyback plan in a total not to exceed NIS 1 billion, commencing May 29, 2024 up to May 22, 2025 or until the total buyback amount has been reached, the earlier of the two.

The share buyback plan is executed 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, who will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority (hereinafter: the "Stock Exchange Member"). The buyback plan is executed in four separate stages, each of which irreversible, in accordance with the safe harbor mechanism (hereinafter – "Stage A", "Stage B", "Stage C" and "Stage D").

As part of Stages A and B, the Bank purchased (through the Stock Exchange Member) 15,091,044 shares totaling NIS 497 million under the said plan.

The implementation of Stage C began on November 20, 2024 and ended on January 12, 2025, during which time the Bank purchased (through the Stock Exchange Member) 5,356,635 Bank shares totaling NIS 229 million under the plan.

Immediately prior to publishing this report, the Bank decided to proceed to Stage D, granting the Stock Exchange Member an irreversible order to initiate Stage D on March 5, 2025. Stage D will end on the earlier of: (a) May 22, 2025; or (b) Completion of the Bank's share buyback in an amount not exceeding NIS 274 million.

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.

As of the report publication date, the Bank owns 113,220,946 treasury shares.

C. 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 Bank 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 of December 31, 2024 are 10.24 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.

Note 24.A - Capital (cont.)

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.

Draft Revising Proper Conduct of Banking Business Directive No. 201, "Introduction to Measurement and Capital Adequacy, Applicability and calculation of requirements.

On February 11, 2025, a draft directive was sent to banking corporations for their comments. The draft proposes replacing Banking Supervision Directive No. 201 with a new directive, aiming to improve the alignment between the regulatory capital requirements applicable to banking corporations in Israel and the recommendations of the Basel Committee, as well as internationally accepted practices.

The draft directive includes references to regulatory capital ratio requirements, according to which the banking corporation would be required to meet minimum capital ratios and maintain capital buffers and adding capital above the minimum capital ratios. The Bank is reviewing its position on the draft and its possible implications.

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.

D. 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 March 3 2025, the Board of Directors approved a dividend at a total rate of up to 40% of the net gain for the fourth quarter of 2024. Of which, approximately 29% as a cash dividend totaling to approximately NIS 706 million, and the remaining balance through share buyback in the sum of NIS 274 million, as detailed above. The sum of the dividend approved for each NIS 1 par value share is approximately 47.01 agorot. The final dividend amount per share will be adjusted to changes due to a share buyback and the exercise of the Bank's convertible securities, and will be published two days prior to the effective date. The Board of Directors designated March 12, 2025 as the record date for purposes of dividend payment and March 20, 2025 as the payment date.

Details of paid cash dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
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
May 28, 2024	June 20, 2024	54.91	835
August 14, 2024	September 5, 2024	44.99	681
November 19, 2024	December 5, 2024	45.63[2]	688

[2] Further to the immediate supplementary report dated November 27, 2024.

Note 24.A - Capital (cont.)

E. Shelf Prospectus, Bond Issue and Commercial Securities

Shelf prospectus and the issuance of credit-linked notes

On May 28 2024, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus will be in effect for a period of two years from its publication date.

On April 17, 2024 the Bank issued a total of approximately NIS 0.8 billion p.v in CLN (credit linked notes), Leumi Bonds Series 2 v.r.

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 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.

On December 22, 2024 the Bank issued a total of approximately NIS 1.47 billion p.v in CLN (credit linked notes), Leumi Bonds Series 3 v.r.

The principal of the bonds of Leumi Bonds Series 3 v.r. will be redeemed in thirteen payments adjusted according to the final payment dates of one or more loans of one or more of the lenders, commencing from the first payment on July 24, 2026 and until the final payment on May 24, 2035, as long as early repayment is not made by teh Bank, as set forth in the issue terms. The unpaid balance of the bonds' principal will bear annual fixed interest of 3.69 percent, which will be paid in 125 monthly installments, on the 24th of each calendar month, commencing from January 2025 and until May 2035, the final repayment date of the bonds' principal.

The Notes (principal and interest) will be linked to increases in the CPI.

The Bank undertakes to repay the sum of each promissory notes' series, Bonds 2 and Bonds 3 (including interest in accordance with the terms and conditions of the note), as the Bank's undertaking is conditional upon non-materialization of the credit risk embodied in such loans, according to wording of 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 of Series 2 v.r. and 3 v.r. is recognized as a qualified 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 Leumi Bonds Series 2 v.r. and Leumi Bonds Series 3 v.r. were registered for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

Issue of bonds, subordinated bonds, and commercial securities

On September 10, 2024, the Bank issued a total of approx. NIS 0.62 billion p.v. in Series 185 Bonds, issued by expanding the series in consideration of approx. NIS 0.63 billion, for a total of approx. NIS 1.44 billion p.v. in Bonds (Series 186), issued by expanding the series in consideration of approx. NIS 1.46 billion, and a total of approx. NIS 1.8 billion p.v. in commercial securities (CS Series 6) issued as a new series.

Note 24.A - Capital (cont.)

The Commercial Securities Fund (Series 6) and the interest from it will be payable in one payment on September 9, 2025; it is not linked, and it bears interest at the rate of 0.05% above the Bank of Israel's interest rate.

Issuances After the Date of the Report

On January 23, 2025, the Bank issued a total of approx. NIS 1.346 billion p.v. in Series 185 Bonds, issued by expanding the series in consideration of approx. NIS 1.387 billion, and a total of approx. NIS 1.5 billion p.v. in commercial securities (CS Series 7) issued as a new series.

The principal of the Series 7 Commercial Securities and interest in respect thereof shall be payable in one lump sum on January 23, 2026; it is not linked, and carries interest at a rate of 0.02 percent over the Bank of Israel's interest rate.

Series 185 Bonds, Series 186 Bonds, Commercial Securities (Series 6) and Commercial Securities (Series 7) are not recognized for regulatory capital purposes.

In addition, on January 23, 2025, the Bank issued a total of NIS 1.535 billion par value in Subordinated Notes (Series 406).

The Series 406 Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 3.1 percent payable on February 28 of each year. The Subordinated Bonds are redeemable by a lump sum on February 28, 2036, with an early repayment option for the issuer exercisable not before January 28, 2031 and no later than February 28, 2031. At that date, if the Bank does not exercise its early redemption option, the bond's nominal interest rate shall be revised according to the difference between the benchmark interest rate at the issue date and the benchmark interest rate at the interest revision date, as defined by the shelf offering report.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 406 Subordinated Bonds shall be converted into ordinary shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 22.34 per share, subject to adjustments), the highest of the two.

These Subordinated Bonds (Series 406) are eligible for inclusion in Tier 2 capital as of the issue date.

F. Early redemption of subordinated notes

On September 4, 2024, the Bank's board of directors decided to fully redeem by early redemption the subordinated notes (Series 404) that were issued to the public in July 2019. Accordingly, on September 30, 2024 promissory notes had been redeemed in the total sum of approximately NIS 1.44 billion (including linkage differentials).

Early Redemption of Deferred Notes After the Date of the Report

On January 29, 2025, the Bank's Board of Directors decided to exercise full early redemption of Subordinated Bonds (Series 403), which were issued to the public in January and March 2019. Accordingly, on February 28, 2025 promissory notes had been redeemed in the total sum of Approximately NIS 1.71 billion (including linkage differentials).

Note 24B - 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:

- Regulatory capital components.
- Capital deductions and regulatory capital adjustments.
- Treatment of exposures to financial corporations.
- Treatment of exposures to credit risk for impaired debts.
- 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 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 December 31, 2024:

- Change of the scope of risk assets - as of December 31, 2024 Leumi's risk assets amount to approximately NIS 503.2 billion. Any increase of NIS 1 billion in risk assets would reduce the CET1 capital ratio by approximately 0.02%, and the total capital ratio by approximately 0.03%.
- A change of CET1 capital - As of December 31, 2024, the CET1 capital amounts to approximately NIS 61.2 billion. An NIS 100 million decrease in the CET1 capital will decrease the CET1 capital ratio and the total capital ratio by approximately 0.02%.

Note 24B - Capital Adequacy, Leverage and Liquidity (cont.)

	December 31	
	2024	2023
	In NIS million	
a. Data		
Capital for capital ratio calculation purposes		
CET1 capital, after regulatory capital deductions and adjustments[(b)(c)(e)]	**61,255**	53,892
Tier 2 capital, after deductions	**13,372**	14,141
Total capital - total	**74,627**	68,033
Balance of risk-weighted assets		
Credit risk[(b)(d)]	**460,765**	426,399
Market Risks	**7,332**	5,834
Operational risk	**35,182**	29,943
Total balance of risk-weighted assets	**503,279**	462,176
Ratio of capital to risk-weighted assets		
Ratio of CET1 capital to risk-weighted assets	**12.17%**	11.66%
Ratio of total capital to risk-weighted assets	**14.83%**	14.72%
Minimum CET 1 capital ratio set by the Banking Supervision Department[(a)]	**10.24%**	10.22%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**13.50%**	13.50%

a) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required as of December 31, 2024, are 10% and 13.5%, respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. For more information about the temporary order for addressing the coronavirus crisis, please see Note 24A above.

b) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For further details regarding the adjustments for 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) These data include adjustments in respect of the efficiency plan in accordance with the directives of the Banking Supervision Department. On June 30, 2024, the adjustments in respect of the efficiency plan were fully reduced.

Note 24B - Capital Adequacy, Leverage and Liquidity (cont.)

B. Capital Components for the Calculation of Capital Ratios

	December 31	
	2024	2023
	In NIS million	
1. CET1 capital		
Shareholders' equity	**61,658**	54,497
Adjustments in respect of the transition from the accounting curve to the regulatory curve[(a)]	**(124)**	(198)
Total CET1 capital before regulatory adjustments and deductions	**61,534**	54,299
Regulatory adjustments and deductions:		
Goodwill and intangible assets	**(379)**	(643)
Regulatory adjustments and other deductions – CET1 capital	**(20)**	(20)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for expected loan losses – Tier 1 equity	**(399)**	(663)
Total adjustments for the efficiency plan[(c)]	**–**	16
Total adjustments for current expected credit losses[(b)]	**120**	240
Total CET1 capital, after regulatory adjustments and deductions	**61,255**	53,892
2. Tier 2 capital		
Tier 2 capital: Instruments before deductions	**7,594**	8,811
Tier 2 capital: Provisions for loan losses, before deductions	**5,778**	5,330
Total Tier 2 capital before deductions	**13,372**	14,141
Deductions:		
Total deductions – Tier 2 capital	**–**	–
Total Tier 2 capital	**13,372**	14,141
Total capital – total	**74,627**	68,033

a) For further details, please see the section entitled "Volatile Capital Components" 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 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. On June 30, 2024, the adjustments in respect of the efficiency plan were fully reduced.

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 24B - Capital Adequacy, Leverage and Liquidity (cont.)

C. Effect of adjustments on CET1 capital ratio

	December 31	
	2024	2023
	In %	
Ratio of capital to risk-weighted assets		
A ratio of CET1 capital to risk-weighted components, before the effect of adjustments to the efficiency plans and adjustments to expected credit losses	**12.15%**	11.61%
Adjustments in respect of the efficiency plan[a]	**0.00%**	0.01%
Adjustments for current expected credit losses[b]	**0.02%**	0.04%
Ratio of CET1 capital to risk-weighted assets	**12.17%**	11.66%

a) Adjustments due to the efficiency plans in accordance with the directives of the Banking Supervision Department are charged over a 5-year period, on a straight-line basis, in respect of capital adequacy calculations. As at June 30, 2024, the adjustments in respect of the efficiency plan were fully reduced.

b) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For more information, please see Note 1.S.1. to the financial statements as at 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 Appendix C of Proper Conduct of Banking Business Directive No. 203A, and the exposures for off-balance-sheet items - by converting the items' notional amount by credit conversion coefficients, as stipulated in Proper Conduct of Banking Business Directive No. 203.

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

On November 15, 2020, the Bank of Israel published a circular outlining further amendment to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). The circular sets adjust 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 Bank is required to have a minimum leverage ratio of 5.5 percent. For more information about the temporary order for addressing the coronavirus crisis, please see Note 24A above.

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.

Note 24B - Capital Adequacy, Leverage and Liquidity (cont.)

	December 31	
	2024	2023
	In NIS million	
In consolidated data[(a)(b)]		
Tier 1 capital	**61,255**	53,892
Total exposures[(c)]	**882,958**	810,014
Leverage ratio		
Leverage ratio	**6.94%**	6.65%
Minimum total leverage ratio set by the Banking Supervision Department	**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.

	For the three months ended As at December 31	
	2024	2023
	Average in %	
a. Consolidated data		
Liquidity coverage ratio	**123**	124
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100
b. The Bank's data		
Liquidity coverage ratio	**120**	120
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100

Note: Based on an average of daily observations.

Note 24B - Capital Adequacy, Leverage and Liquidity (cont.)

The Bank is in compliance with a regulatory requirement as of December 31, 2024.

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

The Bank reports 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.

	As of December, 31	
	2024	2023
	In %	
a. Consolidated data		
Net stable funding ratio	**118**	118
Minimum net stable funding ratio set by the Banking Supervision Department	**100**	100

The Bank is in compliance with the regulatory requirement as of December 31, 2024. The Bank set internal Net Stable Funding Ratio restrictions, in addition to the internal Liquidity Risk Management restrictions.

Note 25 - Contingent Liabilities and Special Commitments

A. Off-Balance-Sheet Commitment for Activity by Extent of Collection[(a)]

Outstanding loans extended out of deposits by extent of collection[(b)]

	As of December, 31	
	2024	2023
	In NIS million	
Non-linked NIS	**110**	175
CPI-linked NIS	**1,077**	1,037
Total	**1,187**	1,212

Cash flows arising from collection fees and interest spreads in respect of loans extended out of deposits by extent of collection as at December 31

	To Year	Over Year To three Years	Over three To Five Years	Over Five To Ten Years	Over Ten To Twenty Years	Over twenty years	Total for 2024	Total for 2023
	In NIS million							
In the CPI-linked segment[(c)]								
Future cash flows	**2**	**3**	**2**	**3**	**4**	**1**	**15**	17
Projected future cash flows after the management's estimate of early repayments	**2**	**3**	**2**	**4**	**4**	**-**	**15**	16
Discounted projected cash flows after management's estimate of early repayments[(d)]	**2**	**3**	**2**	**3**	**3**	**-**	**13**	14

a) Loans and deposits out of loans the repayment of which is conditional upon collection of the loans (or the deposits) with spreads or collection fees and commissions (instead of spreads).
b) Non-recourse loans and government deposits extended at the total amount of NIS 320 million (2023 – NIS 299 million) were not included in this table.
c) Including foreign currency segment.
d) Capitalization was carried out at a rate of 2.70 percent (2023 – at a rate of 3.99 percent).

Information regarding loans extended during the year by mortgage banks

	2024	2023
	In NIS million	
Loans out of deposits according to the extent of collection	**134**	125
Non-recourse loans	**37**	48

B. Contingent Liabilities and Other Special Commitments

	As of December, 31	
	2024	2023
	In NIS million	
Commitments to purchase securities	**2,411**	1,145
Commitments to invest in, and purchase of, buildings and equipment	**6**	9

Note 25 – Contingent Liabilities and Special Commitments (cont.)

C. 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.

In the opinion of the Bank's management and the managements of the consolidated companies, the sum of the total additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues, the amount of each of which exceeds NIS 2 million and regarding which the odds of the claims materializing are not remote, totals to approximately NIS 350 million.

1. Set forth below are details of legal claims filed against the Bank, whose amounts are material. In the opinion of the management of the Bank, which is based on legal opinions regarding the expected results of such claims, the financial statements reflect adequate provisions, if needed, to cover any damages resulting from such claims.

1.1 Pending legal claims filed in previous reporting periods

a. On March 29, 2017, a motion for class certification was filed against the Bank and similar legal claims were filed against other banks. Alternately, the applicant, the Bank may not charge a "correspondent bank fee" when transferring foreign currency from a customer's account to a bank account abroad, contrary to the provisions of the Banking Law (Service to Customer), 1981 and the rules pursuant thereto (hereinafter – the "Banking Grounds"); alternatively, the applicant claims that the Bank may only charge a correspondent bank fee in the amount of the expense it actually incurred (the amount that it actually paid to the correspondent bank); to the extent that the Bank did not act accordingly, this constitutes a breach of contract, unjust enrichment, and is contrary to the provisions of the Agency Law, 1965 (hereinafter – the "Agency Law Grounds"). The applicant claims that, the personal damage he has incurred is USD 30, and the damage incurred by the class of plaintiffs cannot be estimated. On February 16, 2023, a court decision was handed down certification of the claim as a class action lawsuit only on the Agency Law Grounds, and rejecting the Banking Grounds. On May 30, 2023, a request for leave to appeal was filed on behalf of the Bank (as well as several other banks) on the decision certifying the claim as a class action under the Agency Law. A decision has yet to be granted on this request. On June 1, 2023, an appeal was filed by the applicant against the decision rejecting the certification of the claim as a class action regarding the banking grounds. The applicant's appeal was rejected by the Supreme Court on January 8, 2024.

b. On May 6, 2018, a motion for class certification was filed in the Tel Aviv District Court against the Bank. The applicant claims that the Bank does not fulfil its obligation to make a reasonable effort to locate inactive accounts with a balance exceeding the investment requirement under the Banking Ordinance (Inactive Deposits), 2000, and that it is insufficient that the Bank revalues the accounts according to the provisions of the Ordinance and that the Bank should revalue the accounts at higher amounts. According to the applicant, the total class damage assessment is unquantifiable. On November 10, 2022, a decision was handed down by the court, approving the motion for class certification. On February 5, 2023, a leave to appeal was filed on behalf of the Bank. On January 11, 2024, the application for leave to appeal was rejected by the Supreme Court and the claim continues to be held at the District Court.

Note 25 - Contingent Liabilities and Special Commitments (cont.)

c. 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 value the damage incurred by all members of the group they purport to represent at tens of millions of shekels. On March 29, 2024, the Tel Aviv District Court dismissed the motion for class certification. On June 4, 2024, the plaintiffs appealed the ruling to the Supreme Court.

d. On May 10, 2020, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against two other banks. According to the plaintiffs, the banks are compromising their customers' privacy and are violating their duty of secrecy by transferring identifying information to companies such as Facebook and Google. It was also claimed that the banks use third party tools in order to surveil their customers while they perform activities on the banking websites and applications for the purpose of conducting advertising campaigns. The claimants assess the personal damages caused to them in the amount of NIS 1,000 and do not state a damage assessment for the class.

e. 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 remove the Bank as a defendant in the proceedings. 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 in the sum of USD 170 million. On January 22, 2025, the court ordered on the removal of the Bank as a defendant in this proceeding. It should be clarified that the rulings regarding removal of the Bank as a defendant in these proceedings does not change the Bank's exposure related to the claims 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.

f. On November 16, 2020, a motion for class certification was filed with the Tel Aviv District Court against the Bank, claiming that the Bank is violating the provision of the law when charging its customers third party expenses in amounts that are not listed in Part 11 of the price list. According to the motion, the violation is for each of the 22 components/topics listed in Part 11 of the price list, and for which customers are charged third-party expenses. The specific claim relating to the applicant is for charging a delivery fee using a courier when ordering check books (despite giving it full fair disclosure). The plaintiffs note that the damage caused to the plaintiff is NIS 125.74 and do not state the damage assessment for the class.

g. On April 11, 2021, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against other banks and additional financial institutions. The plaintiffs claim that the defendants are compromising their clients' privacy and violating the duty of secrecy they are bound by, by transferring private information about the clients to third parties, in particular to Google. The claimants assess the personal damages caused to them in the amount of NIS 2,000 and do not state a damage assessment for the class.

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

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

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

1.2 Legal claims filed during and after the reporting period

a. 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 currency 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. On October 31, 2024, the Court dismissed the motion for class action certification. On November 13, 2024, the applicant appealed the ruling to the Supreme Court.

1.3 Legal claims resolved during the reporting period

a. On December 2, 2013, a motion for class certification was filed against the Bank regarding early repayment fees for non-housing loans. According to the applicants, the early repayment fee, both in respect of loans subject to calculation principles set in the Proper Conduct of Banking Business Directives and in respect of loans subject to rules set by the Bank, are calculated by the Bank in an unlawful manner. The applicants had failed to estimate the total amount of the claim. On November 3 2019, a ruling was handed down by the Tel Aviv District Court, which partially approved the application for approval as class action regarding the manner of calculating the early repayment fee for unsupervised loans. On November 10, 2024, the court approved a settlement agreement in this proceeding. The legal claim was thus concluded.

2. As at the publication date of the financial statements, there are no pending material legal claims against the Bank's subsidiaries.

Note 25 - Contingent Liabilities and Special Commitments (cont.)

D. Contingent Liabilities and Miscellaneous Commitments

1. On February 12, 2024, a notice was received from the Banking Supervision Department regarding the imposition of a financial sanction in the amount of NIS 1,000,000 in respect of the failure to report to the Execution Office on time regarding the receipt of payments on account of the debt other than through the Office and on debt settlement arrangements for the receipt of payments on account of the debt other than through the Office, in contradiction with Sections 25 and 26 of Proper Conduct of Banking Business Directive No. 450, "Debt Collection Procedures". The financial sanction amount is after the Banking Supervision Department found that it was appropriate to deduct 50 percent from the original financial sanction amount, due to the grounds for deduction stipulated in the law.

2. On October 29, 2024, the Bank received notification from the Banking Supervision Department regarding the imposition of a financial sanction in the amount of NIS 3,300,000 due to failure to submit certain reports (standard reports in respect of cash transfers in Israeli currency overseas by means of correspondents' accounts at the Bank whose ultimate destination is a Bank customer) to the Israel Money Laundering and Terror Financing Prohibition Authority (IMPA), pursuant to Section 8(a)(7) of the Prohibition on Money Laundering Ordinance (Obligations of Identification, Reporting, and Record-Keeping of Banking Corporations for the Prevention of Money Laundering and Financing of Terror), 2001. The amount of the financial sanction that was imposed is after the Committee decided to reduce the maximum amount of the financial sanction that may be imposed in accordance with the Prohibition on Money Laundering Law, 2000, and in accordance with the Regulations Regarding the Prohibition on Money Laundering (Financial Sanction), 2001, and this in light of the actions the Bank took to correct the situation.

E. Other proceedings

On March 28, 2023, a petition for a mandatory injunction was submitted to the Tel Aviv District Court (Economic Department) for discovery and review of documents. The applicant is petitioning for the discovery of various documents relating to the compensation that was paid to the Bank's officers, in order to examine the filing of a derivative claim on behalf of the Bank against senior officers and employees at the Bank in connection with the compensation granted to the Bank's officers in apparent violation of the Compensation for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes in Respect of Exceptional Compensation), 2016 and Proper Conduct of Banking Business Directives Nos. 301 and 301A. On August 21, 2024, the Court certified a settlement reached by the parties, according to which each of the banks would provide additional information regarding the compensation of officers at the bank as part of immediate reports regarding the convening of general meetings for ratification of compensation policies for the bank's officers and as part of its annual financial statements.

F. The Bank serves as guarantor for members of some of the provident funds the operations of which were sold to Prisma Provident Funds Ltd. ("Prisma").

In January 2009, the relevant funds were sold to Psagot Provident Funds Ltd. ("Psagot"), which stepped into Prisma's shoes, and in October 2021, the management of the said provident funds was transferred from Psagot to Altshuler Shaham Pension and Provident Ltd. ("Altshuler").

The guarantee secures the repayment of the original principal amounts that were deposited totaling, as at December 31, 2024, in nominal values to approximately NIS 1,435 million. The value of the aforementioned funds' assets as at December 31, 2024, amounts to NIS 6,051 million. Additionally, this guarantee does not apply to deposits in accounts that were opened in the said funds after January 22, 2007. As at December 31, 2024, this undertaking is out-of-the-money.

Note 25 - Contingent Liabilities and Special Commitments (cont.)

Vis-a-vis the aforementioned undertaking, there is full indemnification by Altshuler, and in the event of realization of the guarantees or any part thereof. It will pay the Bank participation in the full amount of the realization.

G. Indemnification Letters

1. The Bank has undertaken in advance to indemnify its directors, the other officers at the Bank and those whom it employs under personal managerial contracts and who are not Bank officers ("Managerial Contract Holders") in respect of monetary liabilities arising from actions taken as part of performing their positions at Bank, in a list of events entitling to indemnification that, in the opinion of the Bank's Audit Committee (or Compensation Committee) and Board of Directors, may be expected in view of the Bank's activities and under circumstances that include, *inter alia*, the Bank's ordinary banking activities, share offerings under a prospectus, reports to the public and to regulatory authorities, activities relating to the Antitrust Law, cyber events and any other activity associated with the Bank's activities, including any action and/or transaction arising from or related to the Bank's holdings in Israeli and/or foreign subsidiaries and/or non-financial companies and/or investees. The maximal sum the Bank would pay due to realization of the indemnifications in practice of the indemnifications that were granted and will be granted to each of the officers at the Bank and officers at the subsidiaries, in aggregate, due to one series of events of the events entitling to indemnification, would not exceed 25% (twenty five percent) of the Bank's equity according to its latest financial statements (annual or quarterly) known prior to the actual date of indemnification (hereinafter: the "Maximum Indemnity Sum"). The Maximum Indemnity Amount is payable in addition to amounts received from the insurance company, if any, pursuant to an insurance policy taken out by the Bank, if any, and/or under an insurance policy and/or indemnification by any party other than the Bank (such that the Maximum Indemnity Amount will not be reduced due to such insurance and/or indemnification payments, if any). The Bank also undertook in advance, among other things, to indemnify directors, other Bank officers and managerial contract holders in respect of reasonable litigation costs, including costs incurred as a result of an investigation or procedure that was concluded without an indictment being filed and without the imposition of a monetary sanction in lieu of criminal proceeding, or an investigation or procedure that was concluded without an indictment being filed but with the imposition of a monetary liability in lieu of criminal proceedings relating to a criminal offence which does not require proof of criminal intent or in connection with a monetary sanction. The letter of indemnity also includes a further indemnification undertaking in respect of expenses and/or payment to the injured party of a breach in accordance with and subject to the provisions of the Streamlining of Enforcement Proceedings in the Israel Securities Authority Law (Legislative Amendments), 2011 ("the Administrative Enforcement Law"), and in respect of expenses incurred in connection with proceedings under Section G-1 of the Antitrust Law, 1988.

   On December 23, 2019, an extraordinary meeting of shareholders of the Bank decided to approve an amendment to the List of Events for the Indemnification Undertakings (hereinafter - the "**Indemnification Undertakings**") for directors serving in the Bank, including those who will serve in the Bank from time to time. The List of Events was updated according to events which the Bank deems expected in light of its actual activity at the time of granting the Indemnification Undertaking.

   The amendment of said Indemnification Undertakings also applies to other officers in the Bank as well as to managers with personal contracts who are not officers of the Bank, in line with the decision of the Audit Committee dated September 24, 2019 and the Bank's Board of Directors dated October 29, 2019.

   The amended List of Events to the Indemnification Undertaking for directors and officers in the Bank is in line with the Bank's Articles of Association and the Bank's Revised Compensation Policy.

Note 25 - Contingent Liabilities and Special Commitments (cont.)

Furthermore, on February 15, 2004, the Bank's general meeting passed a resolution whereby directors will be exempted in advance for a liability in respect of damages caused due to breach of their duty of care towards the Bank. The decision to grant such an exemption also applies to other Bank officers, in accordance with the decision of the Audit Committee and the Board of Directors of June 2003.

2. The Bank has undertaken to indemnify Bank's employees in respect of expenses and/or any payment to the injured party of a breach in accordance with and subject to the provisions of the Administrate Enforcement Law, in accordance with terms and conditions normally set out in indemnity letters issued by the Bank.

3. The Bank and its subsidiaries indemnify certain external advisors including in connection with plans for awarding or offering securities to Bank or subsidiaries' officers or employees, as applicable, in respect of a liability or loss, and in various cases including in respect of other legal expenses in connection with services they rendered to the Bank.

4. The Bank undertook to indemnify international credit company Visa in respect of fulfillment of the obligations of Max It Finance Ltd. in connection with Visa credit cards.

5. The Bank and its subsidiaries provide, from time to time, in the ordinary course of business and under generally accepted circumstances, indemnification undertakings, which are limited or unlimited as to their amount or period, including: (1) debts with regard to the Bank's obligations as a member of the Tel Aviv Stock Exchange; (2) transactions for disposal of the Group's holdings in subsidiaries; and (3) issuance and clearing agreements with the credit card companies.

6. The Bank provides, from time to time, indemnity letters, which are limited or unlimited as to their amount and period, to secure indemnities provided by subsidiaries to officers due to risks applicable to companies' officers, and to ensure that subsidiaries comply with regulatory directives and commitments towards such officers. In addition, the Bank provides indemnity letters to Bank employees and officers of subsidiaries in respect of a list of events which are specified therein.

7. As part of the sale agreement of Leumi Romania in April 2019, indemnification was granted for various issues, some limited in amount and others unlimited in amount. The Bank believes that the unlimited indemnification relates to issues which the exposure – if they materialize – is immaterial. Indemnification was also granted to directors who served in Leumi Romania until the sale date, in accordance with the indemnification undertakings accepted in the Bank for directors and officers, as well as indemnification for employees in Leumi Romania in relation to the sale procedure.

8. As part of international offerings of deferred promissory notes with a mechanism for absorbing principal losses by forced conversion to the Bank's ordinary shares that were offered to qualified institutional
investors pursuant to Principle 144A of the United States Securities Act of 1933 (hereinafter – the "US Securities Act") and outside the United States in accordance with Regulation S under the US Securities Act, which took place in January 2020 and in January 2023, and as part of the international offering of senior unsecured bonds to institutional investors in Israel, in accordance with Section 15A(b)(1) of the Securities Law, 1968 (hereinafter – the "Israeli Securities Law"), and outside of Israel, in accordance with Section 15A(b)(2) of the Israeli Securities Law, Principle 144A of the US Securities Law and Regulation S of the US Securities Law, which was carried out in July 2022 (hereinafter, jointly – the "Offerings"), the Bank was required, under the purchase agreement (hereinafter – the "Purchase Agreements") with the underwriters, to indemnify the underwriters and parties associated with them, for damages, lawsuits and losses which they would incur, if incurred, in accordance with the US Securities Act and/or the United

Note 25 - Contingent Liabilities and Special Commitments (cont.)

States Securities Exchange Act of 1934 in an unlimited amount, in respect of material incorrect details, or which are purported to be incorrect, which were included in the offering documents or any other information submitted by the Bank or in its name in connection with the offerings, or omission of material details and/or claim regarding such an omission of details as aforementioned documents or information.

As part of an engagement for the receipt of underwriting and distribution services in connection with a public offering of the Bank's ordinary shares, by way of a non-uniform offering for institutional investors (as defined in the Securities Regulations (Offer of Securities to the Public), 2007 (the "Offering Regulations"), including institutional offerees outside of Israel, in accordance with Regulation 11(a)(1) to the Offering Regulations, carried out by the Bank in June 2022, the Bank was required, under the underwriting agreement with Leader Underwriting, to indemnify the underwriter and/or his representative for any debt imposed on them for inclusion of a misleading detail in the issuance documents, up to the amount of the gross share issue proceeds, plus linkage to the CPI, subject to the conditions and reservations as detailed under that underwriting agreement.

Additionally, the Bank was required, pursuant to the distribution agreement *vis-a-vis* the foreign distributors related to that share offering (Citigroup Global Markets Limited, Barclays Bank Plc and Jefferies LLC), to indemnify each of the distributors and parties associated with them, for damages, lawsuits and losses they may incur, if incurred, in an unlimited amount, due to material incorrect details, or which are purported to be incorrect, which were included in the offering documents or any other information submitted by the Bank or in its name in relation to the aforementioned offering, or omission of material details and/or claim regarding such an omission of details from the offering documents or information.

9. In 2022, a transaction was completed for merging Bank Leumi Corporation (hereinafter - "BLC"), an American corporation (held at a rate of 85 percent by the Bank), which holds full control of BLUSA, into Valley National Bancorp (hereinafter - "Valley"). As part of the transaction, Valley was given indemnity in respect of any claim submitted in the future by non-controlling shareholder in BLUSA, who received the cash equivalent instead of their holdings in BLUSA, based on the value of the shares inherent in the merger transaction. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

Note 26 - Pledges and Restrictions

In its capacity as a member of the Tel Aviv Stock Exchange, the Bank is a member of the risk reserve of the Stock Exchange's Clearing House.

The amount that the Bank deposits in the risk reserve shall be equal to the amount of the largest periodic debit balance that a member had during the six months that ended in the calendar month before the updating date. The risk reserve updates the amounts 4 times a year.

Each risk reserve member places pledges on securities in favor of the Stock Exchange's Clearing House to secure payment of the member's proportionate share in the Risk Fund and also as surety for the performance of all that member's other obligations towards the Clearing House and its share in the Risk Fund. This collateral also secures the performance of all other obligations of risk reserve members in the event that the collateral provided by another member do not cover all its obligations, according to the proportionate share of each member, up to the lower of the full amount of the collateral provided or the amount of the obligations towards the Stock Exchange's clearing house. As of December 31, 2024, the Bank's-share in the Stock Exchange Clearing House's risk reserve is NIS 293 million (December 31, 2023 — NIS 349 million). The total amount of assets pledged by the Bank in favor of the Stock Exchange's Clearing House is NIS 279 million (December 31, 2023 — NIS 360 million).

The Bank is also a member of the Risk Fund of the MAOF Clearing House. The Bank undertook to pay the MAOF Clearing House any financial obligation arising from the MAOF transactions it carries out for its customers, from its Nostro portfolio and from MAOF transactions of other Stock Exchange members not clearing independently via the MAOF Clearing House. The amount of the Bank's liability is presented in Note 29.D., Off-Balance Sheet Financial Instruments.

The Bank provides collateral in favor of the MAOF Clearing House to secure payment of its proportionate share in the risk reserve and also as a guarantee for the performance of all its aforementioned obligations towards the MAOF Clearing House and its share in the Risk Fund. This collateral also secures the performance of all other obligations of risk reserve members. In the event that the collateral provided by another member of the risk reserve do not cover all of its obligations, the MAOF Clearing House may also realize the collateral provided by other Risk Fund members, according to the proportionate share of each member, up to the lower of the full amount of the collateral provided or the amount of the commitments towards the MAOF Clearing House.

As of December 31, 2024, the Bank's-share in the MAOF Clearing House's risk reserve is NIS 114 million (December 31, 2023 — NIS 111 million).

Like any other clearing house member, the Bank may secure its obligations to the risk reserve of the MAOF Clearing House by placing pledges on government bonds and deposits. The total amount of bonds and deposits pledged by the Bank in favor of the MAOF Clearing House in respect of customers' activity, the Nostro portfolio and the Risk Fund as of December 31, 2024 is NIS 1.571 million (December 31, 2023 — NIS 1.069 million).

The Bank is a party to an arrangement for ensuring the finality of settlement of transactions in default events where there is no sufficient balance in the clearing account of one or more of the other participants, as a participant in the TGS system and a holder of a clearing account in the system, as well as a member of the payments systems operating in TGS (checks, MASAV, credit cards and ATM). In the event of a clearing house participant's default in any of the payments systems, a default settlement mechanism relevant to each of the payments systems is activated.

In the clearing of checks, each participant that has not defaulted will bear the charges of the participant who defaulted, the participation percentage in the settlement of each of the participants in the clearing house will be calculated by the Bank of Israel according to the volume of activity of the clearing house participant, once every six months, based on the data from the last six months. The relative share of the Bank in the arrangement to guarantee the clearing for the first half of 2025 (based on the data from the second half of 2024) in the clearing of checks is 21.54 percent. The overall ceiling for participation of all Participants is NIS 150 million.

Note 26 – Pledges and Restrictions (cont.)

In April 2023, the Bank of Israel's directive – regarding separation of MASAV and ABS, and presentation of each of them as a clearing house that stands on its own and participates in the TGS – took effect. In so, MASAV, ABS and ATM were required to set a default arrangement procedure, replacing the previous arrangement.

As part of the new arrangement, the participants in the MASAV system are required to deposit collateral in favor of the default settlement arrangement, which would be deposited in cash in a current account managed by the Bank of Israel by MASAV and would be held in trust for the system participants only for the benefit of the default settlement arrangement. The collateral amount deposited by Leumi as of December 31, 2024 is NIS 561 million.

In addition, a default settlement arrangement procedure was defined for a participant in the debit card service system (ABS). As part of this, each participant would deposit collateral funds only in cash in a dedicated account with the Bank of Israel in name of ABS debit cards. The funds are held in trust for each of the system participants solely in favor of a default arrangement. The collateral amount deposited by Leumi as of December 31, 2024 is NIS 74 million.

A default settlement arrangement procedure was also defined for a participant in the ATM system. As at December 31, 2024, the Bank is not required to deposit collateral for such a default arrangement.

The Bank and consolidated companies enter into Credit Support Annex (CSA) agreements with counterparties, whose purpose is to mitigate the mutual credit risks arising between the parties from derivatives trading. According the agreements, the value of all derivatives transactions carried out between the parties is measured on a periodic basis and if the net exposure of one of the parties exceeds a pre-determined threshold, that party is required to transfer to the other party deposits at the exposure amount by the next measurement date. As of December 31, 2024, the Group made available to the above counterparties' deposits totaling USD 1,322 million (December 31, 2023 – USD 1,337 million).

The Bank and its consolidated companies enter into agreements with counterparties for the purpose of entering into tradable futures in foreign exchanges on behalf of the Bank, the consolidated companies and their customers. As of December 31, 2024, the Group deposited with the above counterparties USD 2,528 million (December 31, 2023 – USD 1,829 million).

In addition, to limit the exposure, the Group transferred as a transfer to hedge exposure totaling USD 1,683 million (2023 – USD 1,546 million). It should be noted that the majority of the collateral transferred in respect of customers' activity in connection with these transactions were customer funds in accordance with the hedge exposure agreements they signed with the Bank.

As of September 1, 2021, the Bank is subject to a reform requiring the deposit of initial margins for non-centrally cleared derivatives (OTC derivatives), set by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO). The reform – which applies to the relationship of banks with foreign financial institutions – requires deposit of the said initial margins (subject to a threshold of EUR 50 million in Europe and USD 50 million in the US) in respect of a certain counterparty, by pledging a securities account, in trust, with a foreign custodian, by each party for the other party. According to the reform, if a bank exceeds the threshold of USD 50 million, both parties deposit IM in the form of a securities lien with a third party. As of December 31, 2024, the Bank pledged securities totaling USD 1,572 million (2023 – USD 1,214 million).

On May 21 2008, the Bank signed a bond whereunder it placed a first floating lien, in favor of the Bank of Israel, on its rights to receive NIS-denominated funds and charges that are payable and will be payable to the Bank, from time to time, from its corporate customers (incorporated under the laws of the State of Israel), the loans extended to which by the Bank are not in arrears, in respect of NIS loans whose average duration does not exceed three years which were extended and will be extended by the Bank to the aforementioned customers.

Note 26 - Pledges and Restrictions (cont.)

The purpose of this pledge is to secure loans that might be extended to the Bank by the Bank of Israel for the Bank's activity as the provider of shekel liquidity services to the Continuous Linked Settlement (CLS) Bank, plus interest, costs and expenses arising from realizing the pledge, up to a total of NIS 1.1 billion, in accordance with the provisions of the loan agreement signed between the parties in connection with this matter.

On October 26, 2010, the Bank signed a bond whereunder it placed a fixed first pledge and assignment by way of pledge, unlimited in amount, in favor of the Bank of Israel on all assets and rights in specific accounts in the name of the Bank Israel with the Tel Aviv Stock Exchange's Clearing House, with Euroclear Bank or with any other clearing house agreed about by the Bank and the Bank of Israel. Assets subject to a lien in the Euroclear Bank or in another account with a clearing house abroad are also subject to a first floating lien in favor of the Bank of Israel.

On February 25, 2021, the Bank signed a bond, according to which, in addition to these pledges, it pledged to the Bank of Israel, as a first-degree pledge and by collateral assignment, in an unlimited amount, all of its interests for and in relation to a portion of the housing loan portfolio secured by real estate interests. The last update had been made on December 31, 2024.

The purpose of this pledges is to secure all of the Bank's obligations in connection with credit that has been extended or will be extended to the Bank by the Bank of Israel as set out in the loan documents, except for credit that the Bank of Israel may extend to the Bank in respect of the Bank's activity as a liquidity service provider, in shekels, to CLS.

In 2020-2021 and in 2023-2024 the Bank of Israel extended to the banking system long-term loans in an effort to increase the banking credit supply to small and micro businesses, vis-a-vis collateral, as is the case in any monetary loan extended by the Bank of Israel. This step taken by the Bank of Israel had been part of the monetary steps that were taken as part of coping with the impact of the Coronavirus and the "Iron Swords" War. As of December 31, 2024, the outstanding credit extended as part of these plans amounts to approx. NIS 5.8 billion.

Note 26 - Pledges and Restrictions (cont.)

Sources and utilization

	December 31	
	2024	2023
	In NIS million	
The sources of securities received and which the Bank may sell or pledge, at fair value, before the effect of offsets		
Securities received in transactions for lending of securities against cash	**4,684**	3,053
Use of securities received as guarantees and the Bank's securities at fair value, before the effect of offsets		
Securities lent in transactions for lending securities against cash	**11,686**	13,776

Apart from these securities, as of balance sheet date, additional securities were provided as collateral, shown under the securities item above; lenders are not allowed to sell or pledge those securities.

The Bank also deposits government bonds as collateral for tradable futures activity, in lieu of cash. These securities are held in the available-for-sale portfolio.

Note 27A - Derivatives and Hedging Activities

Overview

The aforementioned activity involves taking risks, the principal of which are:

- Credit risk which is measured according to the loss amount the Bank may incur if the counterparty to the transaction fails to meet the terms and conditions of the transaction. Customer collateral are required to cover the risk in accordance with the risk arising from the transactions. The required collateral is included within the collateral required in respect of the total amount of the customer's indebtedness.
- Market risks include risks stemming from changes in interest rates, exchange rates, the CPI, prices of securities/indexes and prices of commodities. The market risks stemming from derivatives transactions constitute a part of the total market risks of the financial instruments. Derivatives activities are carried out within the limits set by Group companies' Board of Directors with regard to exposure to market risks.
- Liquidity risk is the risk arising due to uncertainty regarding the price which the Bank will be required to pay to cover the transaction. This risk arises mainly from instruments whose tradability or the tradability of their underlying asset is low. This risk was taken into account when calculating the required collateral.

Note 27B - Derivatives Activity - Scope, Credit Risks and Maturity Dates

A. Volume of Consolidated Activity

	December 31, 2024		
	Derivatives not Held-for-trading	Derivatives Held-for-trading	Total Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Future and Forward contracts	2,421	98,913	101,334
Written options	1,800	5,225	7,025
Purchased options	-	4,396	4,396
Swaps[(a)]	63,735	395,023	458,758
Total[(b)]	67,956	503,557	571,513
Of which: Hedging derivatives[(c)]	10,806	-	10,806
b) Foreign currency contracts			
Future and Forward contracts	50,047	478,315	528,362
Written options	1,011	22,995	24,006
Purchased options	1,011	24,449	25,460
Swaps[(a)]	3,829	21,391	25,220
Total	55,898	547,150	603,048
Of which: Hedging derivatives[(c)]	-	-	-
c) Stock contracts			
Future and Forward contracts	349	272,197	272,546
Written options	365	119,617	119,982
Purchased options[(e)]	538	119,538	120,076
Swaps	290	268,084	268,374
Other	7	-	7
Total	1,549	779,436	780,985
d) Commodities and other contracts			
Future and Forward contracts	-	1,111	1,111
Written options	-	28	28
Purchased options	-	28	28
Swaps	-	71	71
Total	-	1,238	1,238
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	125,403	1,831,381	1,956,784

a) Of which: Swaps for which the banking corporation pays a fixed interest rate in the sum of NIS 218,452 million.
b) Of which: NIS-CPI swaps totaling NIS 15,976 million.
c) The Bank uses IRS Interest swap transactions for the hedging.
d) Of which: Foreign exchange spots totaling NIS 20,900 million.
e) Of which: A total of NIS 119,591 million is traded on the Tel Aviv Stock Exchange.

Note 27.B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31, 2023		
	Derivatives not Held-for-trading	Derivatives Held-for-trading	Total Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Future and Forward contracts	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			
Future and Forward contracts	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
Of which: Hedging derivatives(c)	–	–	–
c) Stock contracts			
Future and Forward contracts	1,059	206,093	207,152
Written options	333	89,662	89,995
Purchased options(e)	391	89,661	90,052
Swaps	351	158,285	158,636
Other	7	–	7
Total	2,141	543,701	545,842
d) Commodities and other contracts			
Future and Forward contracts	–	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 27.B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31, 2024					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Derivatives not Held-for-trading	Derivatives Held-for-trading	Total	Derivatives not Held-for-trading	Derivatives Held-for-trading	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	1,174	8,145	9,319	547	7,678	8,225
Of which: Hedging derivatives	763	-	763	139	-	139
b) Foreign currency contracts	366	6,352	6,718	29	6,433	6,462
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	52	13,082	13,134	36	13,028	13,064
d) Commodities and other contracts	-	27	27	-	27	27
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	1,592	27,606	29,198	612	27,166	27,778
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	1,592	27,606	29,198	612	27,166	27,778
Of which: Not subject to a master netting arrangement - or similar arrangements	-	1,696	1,696	-	1,443	1,443

a) Of which: NIS 5 million in gross fair value of assets in respect of embedded derivatives and NIS 26 million in gross fair value of liabilities in respect of embedded derivatives.

	December 31, 2023					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Derivatives not Held-for-trading	Derivatives Held-for-trading	Total	Derivatives not Held-for-trading	Derivatives Held-for-trading	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
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of 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 27.B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges

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

	For the year ended December 31			
	2024		2023	
	Amounts recognized as comprehensive income (loss) Including other income from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to profit and loss(a)	Amounts recognized as comprehensive income (loss) Including other income from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to profit and loss(a)
	In NIS million			
a. Derivatives used for cash flow hedges(b)				
Interest rate contracts(c)	**(10)**	**8**	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.

2. Effect of fair value hedge accounting on profit (loss)

	For the year ended December 31	
	2024	2023
	In NIS million	
Total interest income (expenses) recognized in the income statement	**123**	171
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts(a)		
Hedged items	**54**	238
Hedging derivatives	**77**(b)	(63)(c)
b. Gain (loss) on cash flow hedges		
Interest rate contracts(a)		
Profit and loss reclassified to Accumulated other comprehensive income (loss)	**(8)**	(4)

a) The Bank designates certain derivatives as hedging instruments of fair value, derivatives hedging exposure to interest rate received for bonds.
b) Profits in the amount of approximately NIS 77 million, due to the hedging instrument were reclassified and was transferred from the section "Financing Revenues not from Interest" to the section "Revenues from Interest." The profits include inclusive losses in the amount of approximately NIS 32 million, due to the impact of a change in fair value, as well as profits in the sum of approximately NIS 109 million due to the impact of accumulation of interest.
c) Losses in the amount of approximately NIS 63 million, due to the hedging instrument were reclassified and transferred from the section "Financing Revenues not from Interest" to the section "Revenues from Interest." The losses include losses in the amount of approximately NIS 184 million, due to the impact of a change in fair value, as well as profits in the sum of approximately NIS 121 million due to the impact of accumulation of interest.

Note 27.B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges (cont.)

3. Items hedged at fair value hedges

	For the year ended December 31					
	2024			2023		
		Fair value adjustments which increased (decreased) the carrying amount			Fair value adjustments which increased (decreased) the carrying amount	
	Futures and forwards	Futures and forwards relationships	Existing hedge Total	Carrying amount of hedged item	Futures and forwards relationships	Existing hedge discontinued
	In NIS million					
Securities - debt instruments classified as available-for-sale securities	**5,861**	**(691)**	**-**	5,046	(800)	(1)
Subordinated notes	**(3,575)**	**161**	**-**	(3,601)	115	-
Housing loans[(a)]	**56**	**1**	**-**	-	-	-

a) The Bank dedicated in respect of the hedging the sum of NIS 55 million using the last level method, from a closed portfolio of approximately NIS 404 million, as at December 31, 2024 the reduced cost balance of the closed portfolio of the loans stands at approximately NIS 391 million.

4. The effect of hedging a net investment in foreign operations on accumulated other comprehensive income (loss) and on the income statement

	For the year ended December 31			
	2024		2023	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[(a)]	Amounts carried to other comprehensive income (loss) Other total	Profit (loss) reclassified to Accumulated other comprehensive income (loss)[(a)]
	In NIS million			
Deposits serving as investment hedges, net				
Foreign currency deposits	**(34)**	**-**	(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.

5. Effect of derivatives not designated as hedging instruments on the income statement

	For the year ended December 31	
	2024	2023
	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]	Profit (loss) recognized in income (expenses) from derivatives activity[(a)]
	In NIS millio	
Derivatives not designated as hedging instruments		
Interest rate contracts	**470**	(58)
Foreign exchange contracts	**1,711**	2,731
Stock contracts	**311**	249
Commodity- and other contracts	**2**	4
Total	**2,494**	2,926

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

Note 27.B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk due to Derivatives by Contract Counterparty

	December 31, 2024						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities	Other	Total
	In NIS million						
Book balance of assets in respect of derivatives[(a)(b)]	**362**	**6,517**	**10,558**	**26**	**9,712**	**2,023**	**29,198**
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**3,087**	**9,005**	**26**	**2,652**	**918**	**15,688**
Credit risk mitigation in respect of cash collateral received	**-**	**3,268**	**1,542**	**-**	**5,352**	**14**	**10,176**
Total net book balance of assets in respect of derivatives[(d)]	**362**	**162**	**11**	**-**	**1,708**	**1,091**	**3,334**
Adjustment of book balance, net to on-balance-sheet credit risk[(e)]	**13**	**6**	**(11)**	**-**	**(262)**	**75**	**(179)**
Total on-balance-sheet credit risk for derivatives	**375**	**168**	**-**	**-**	**1,446**	**1,166**	**3,155**
Net off-balance-sheet credit risk for derivatives[(f)]	**1,212**	**16,023**	**21,243**	**56**	**13,767**	**2,226**	**54,527**
Total credit risk for derivatives	**1,587**	**16,191**	**21,243**	**56**	**15,213**	**3,392**	**57,682**
Book balance of liabilities in respect of derivatives[(a)(c)]	**213**	**5,899**	**13,021**	**135**	**6,759**	**1,751**	**27,778**
Gross amounts not netted on the balance sheet:							
Financial instruments	**-**	**3,087**	**9,005**	**26**	**2,652**	**927**	**15,697**
Pledged cash collateral	**-**	**2,347**	**3,335**	**109**	**2,832**	**-**	**8,623**
Net amount of liabilities in respect of derivatives	**213**	**465**	**681**	**-**	**1,275**	**824**	**3,458**

	December 31, 2023						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities	Other	Total
	In NIS million						
Book balance of assets in respect of derivatives[(a)(b)]	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

Please see comments on the next page.

Note 27.B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit risk and for derivatives by contract counterparty (cont.)

Comments:

a) The Bank did not apply netting agreements.

b) Of which book balance of assets in respect of standalone derivatives totaling NIS 29,193 million (December 31 2023 - NIS 27,410 million).

c) Of which book balance of liabilities in respect of standalone derivatives totaling NIS 27,752 million (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.

General comments:

1. No loan losses were recognized in respect of derivatives in 2024 and 2023.
2. The effect of the counterparty credit risk and the effect of deferred gains on the transaction execution date on the valuation of assets due to derivatives as of December 31, 2024 and December 31, 2023 stood at NIS 223 million and NIS 231 million, respectively.
   The effect of the non-performance risk on the valuation of liabilities due to derivatives as of December 31, 2024 and December 31, 2023 stood at NIS 16 million and NIS 16 million, respectively.

Note 27.B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

D. Breakdown of Repayment Dates - Par Value: Balances

	December 31, 2024				
	To three months	Over three months and up to one year	Over Over one year and up to five years Years	Over Five Years	Total Total
	In NIS million				
Interest rate contracts:					
NIS-CPI	**2,074**	**5,568**	**5,575**	**3,411**	**16,628**
Other	**125,464**	**143,962**	**193,598**	**91,861**	**554,885**
Foreign exchange contracts	**387,499**	**182,296**	**28,720**	**4,533**	**603,048**
Stock contracts	**602,587**	**174,615**	**3,783**	**-**	**780,985**
Commodity- and other contracts	**403**	**835**	**-**	**-**	**1,238**
Total	**1,118,027**	**507,276**	**231,676**	**99,805**	**1,956,784**

	December 31, 2023				
	To three months	Over three months and up to one year	Over Over one year and up to five years Years	Over Five Years	Total Total
	In NIS million				
Interest rate contracts:					
NIS-CPI	2,110	5,045	6,600	2,994	16,749
Other	94,118	96,505	178,407	76,701	445,731
Foreign currency contracts	294,982	99,803	25,646	6,845	427,276
Stock contracts	399,752	141,663	4,427	-	545,842
Commodity- and other contracts	2,820	6,582	7	-	9,409
Total	793,782	349,598	215,087	86,540	1,445,007

Note 28A - Regulatory Operating Segments and Geographic Areas of Activity

Regulatory operating segments are reported according to the format and classifications prescribed by the Reporting to the Public Directives of the Banking Supervision Department, as follows:

1. Households segment – private individuals excluding Private Banking customers.
2. Private Banking segment – private individuals with a financial portfolio with the Bank whose balance (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.
3. Micro businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) of less than NIS 10 million.
4. Small businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) of more than NIS 10 million and less than NIS 50 million.
5. Mid-market segment – businesses whose turnover (annual sales turnover or amount of annual revenues) of more than NIS 50 million and less than NIS 250 million.
6. Corporate segment – businesses whose turnover (or annual income) is equal to or higher than NIS 250 million.
7. Institutional entities segment - includes institutional clients as defined by the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, including provident funds, pension funds, study funds, mutual funds, exchange-traded notes (ETNs), insurers, members of the TASE managing customers' money.
8. Financial management segment – includes the following activities:
   a. Trading activities - investment in tradable securities, market-making activity involving securities and derivatives, activity in derivatives not designated as hedges and not used by the Bank in its Asset and Liability Management (ALM) activities, repurchase and lending transactions involving held-for-trading securities, short selling of securities, securities' underwriting services.
   b. Asset and Liability Management (ALM) activities - including investment in available-for-sale bonds and held-to-maturity bonds not allocated to other operating segments (when the borrower has no indebtedness to the Bank, other than securities), hedging derivatives and derivatives used in asset and liability management, deposits with and by domestic and foreign banks, foreign currency hedges of exchange rate differentials in respect of investments in foreign offices, deposits with and by governments.
   c. Non-financial investment activity – investment in not held-for-trading equity securities and investments in associates of businesses.
   d. Other – management, operating, trust and custodial services to banks, advisory services, sale and management of loan portfolios and development of financial products.
9. Other segment – including discontinued operations, gains on amounts funded for employee benefits and other results related to employee benefits which were not allocated to other operating segments, activities that were not allocated to the other segments and adjustments between the total amount of items allocated to segments and the total amount of items in the consolidated financial statements.

Customer classification

According to the circular, when a banking corporation has no information regarding the total income turnover of a business customer which has no indebtedness towards the banking corporation (including credit line, etc.), the banking corporation may classify them into the relevant regulatory segment according to their total financial assets multiplied by a factor of 10. In addition, when the Bank believes that the total income does not represent the customer's activity volume, the customer should be classified as follows: A customer whose indebtedness is less than NIS 100 million - according to the business's total balance-sheet assets, as stated in the FAQ file, and a customer whose indebtedness exceeds NIS 100 million - into the corporate segment.
During the period, measures were taken to complete missing information, mainly regarding business customers' turnovers. In cases where the information has not yet been completed, customers were classified using estimates and other information in the Bank's possession. The Bank continues to collect additional information and improve the data.

Note 28A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

	For the year ended December 31, 2024			
	Activity in Israel[a]			
	Households[E]	Private banking	Small- and micro-businesses	Mid-market
	In NIS million			
Interest income from external	9,532	14	4,543	2,529
Interest expense for external	2,885	1,239	2,777	1,874
Interest income, net:				
From external	6,647	(1,225)	1,766	655
Inter-segmental	(754)	1,591	2,102	1,313
Total interest income, net	5,893	366	3,868	1,968
Total noninterest income	1,043	175	925	343
Total income	6,936	541	4,793	2,311
Loan loss expenses (income)	433	-	168	3
Operating and other expenses:				
For external	2,834	128	1,634	489
Inter-segmental	2	-	-	-
Total operating and other expenses	2,836	128	1,634	489
Profit (loss) before taxes	3,667	413	2,991	1,819
Provision (benefit) for profit taxes	1,331	149	1,084	660
Profit (loss) after taxes	2,336	264	1,907	1,159
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before attribution to non-controlling interests	2,336	264	1,907	1,159
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	2,336	264	1,907	1,159
Average balance of assets[b]	163,824	400	67,666	39,118
Of which: Investments in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	164,915	393	69,120	39,670
Outstanding loans to the public as at the end of the reporting period	175,057	458	75,044	39,611
Outstanding non-performing debts in arrears of over 90 days	968	-	676	222
Outstanding other troubled debts	630	-	1,071	410
Balance of the loan loss provision for loans to the public	1,615	2	2,345	846
Net charge-offs during the reporting period	367	-	177	(40)
Average outstanding liabilities[b]	139,633	33,899	102,322	59,323
Of which: Average balance of deposits by the public[b]	139,512	33,897	102,183	59,189
Balance of deposits by the public as at the end of the reporting period	139,802	35,781	101,224	59,641
Average balance of risk-weighted assets[b][c]	108,445	945	59,822	43,662
Balance of risk-weighted assets as at the end of the reporting period[c]	113,081	1,079	60,383	44,577
Average balance of assets under management[b][d]	64,965	61,655	99,437	32,972
Breakdown of interest income, net:				
Spread[g] from granting loans to the public	2,329	1	1,781	850
Spread[g] from deposit taking from the public	3,122	331	1,853	944
Other	442	34	234	174
Total interest income (expenses), net	5,893	366	3,868	1,968

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 21.7 billion to customers whose business activity is classified to business segments.
f) Including the impairment loss due to the investment in Valley shares in the amount of approximately NIS 0.6 billion. For further information please see Note 15 A.
g) Spread from credit granting activity is the difference between the interest received from credit and the cost of raising the sources used to grant the credit (hereinafter - "transfer prices"). These transfer prices are subject to the period, currency and type of interest in the transaction. Transfer prices are the Bank's internal pricing tool and are based on internal models and the Bank's judgment. Spread from deposit taking activity is the difference between the transfer prices and the interest paid to customers for these deposits.

					Foreign operations				
Corporations	Institutional entities	Financial management Financial	Other	Total activities Israel	Private individuals	Business activity	Other	Foreign operations – total[(a)]	Total Total
9,310	201	10,596	–	36,725	5	730	2	737	37,462
4,077	5,610	2,490	–	20,952	–	–	1	1	20,953
5,233	(5,409)	8,106	–	15,773	5	730	1	736	16,509
(1,180)	6,213	(8,956)	57	386	–	9	(395)	(386)	–
4,053	804	(850)	57	16,159	5	739	(394)	350	16,509
948	205	2,011	867	6,517	1	87	(6)	82	6,599
5,001	1,009	1,161	924	22,676	6	826	(400)	432	23,108
118	3	25	–	750	–	(37)	–	(37)	713
576	260	311	556	6,788	1	121	(6)	116	6,904
(1)	8	12	(21)	–	–	–	–	–	–
575	268	323	535	6,788	1	121	(6)	116	6,904
4,308	738	813	389	15,138	5	742	(394)	353	15,491
1,564	267	174	73	5,302	1	141	(22)	120	5,422
2,744	471	639	316	9,836	4	601	(372)	233	10,069
–	–	(271)[(f)]	–	(271)	–	–	–	–	(271)
2,744	471	368	316	9,565	4	601	(372)	233	9,798
–	–	–	–	–	–	–	–	–	–
2,744	471	368	316	9,565	4	601	(372)	233	9,798
148,394	7,210	303,447	7,313	737,372	66	8,706	195	8,967	746,339
–	–	3,673	–	3,673	–	–	–	–	3,673
149,771	7,214	–	–	431,083	63	8,752	–	8,815	439,898
159,390	3,604	–	–	453,164	15	9,227	–	9,242	462,406
574	2	–	–	2,442	1	30	–	31	2,473
1,829	–	–	–	3,940	–	282	–	282	4,222
2,039	7	–	–	6,854	–	33	–	33	6,887
(62)	–	–	–	442	–	–	–	–	442
102,280	152,639	87,018	10,435	687,549	–	2	240	242	687,791
96,606	152,214	–	–	583,601	–	–	–	–	583,601
109,860	171,993	–	–	618,301	–	–	–	–	618,301
189,601	1,334	43,794	17,492	465,095	67	10,622	215	10,904	475,999
204,532	1,582	50,991	15,902	492,127	32	10,977	143	11,152	503,279
114,728	1,053,718	44,412	–	1,471,887	–	–	–	–	1,471,887
2,625	21	–	–	7,607	5	730	4	739	8,346
710	780	–	–	7,740	–	–	–	–	7,740
718	3	(850)	57	812	–	9	(398)	(389)	423
4,053	804	(850)	57	16,159	5	739	(394)	350	16,509

Note 28A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

	For the year ended December 31, 2023			
	Activity in Israel[a]			
	Households[E]	Private banking	Small- and micro-businesses	Mid-market
	In NIS million			
Interest income from external	8,922	13	4,481	2,681
Interest expense for external	2,428	1,035	2,690	1,939
Interest income, net:				
From external	6,494	(1,022)	1,791	742
Inter-segmental	(546)	1,420	2,087	1,367
Total interest income, net	5,948	398	3,878	2,109
Total noninterest income	1,092	159	931	359
Total income	7,040	557	4,809	2,468
Loan loss expenses (income)	870	-	681	160
Operating and other expenses:				
For external	2,727	104	1,560	459
Inter-segmental	4	-	-	-
Total operating and other expenses	2,731	104	1,560	459
Profit (loss) before taxes	3,439	453	2,568	1,849
Provision for profit tax (benefit)	1,185	156	891	638
Profit (loss) after taxes	2,254	297	1,677	1,211
The Bank's share in associates' losses, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling	2,254	297	1,677	1,211
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	2,254	297	1,677	1,211
Average outstanding balance of assets[b]	153,127	372	64,406	40,063
Of which: Investment in associates[b]	-	-	-	-
Average outstanding balance of loans to the public[b]	154,025	365	65,668	40,505
Outstanding loans to the public as at the end of the reporting	160,356	330	66,554	40,038
Outstanding non-performing debts in arrears of over 90 days	1,111	-	672	286
Outstanding other troubled debts	654	-	1,113	383
Balance of the loan loss provision for loans to the public	1,513	-	2,174	816
Net charge-offs during the reporting period	430	-	201	(9)
Average outstanding balance of liabilities[b]	132,758	31,690	101,773	65,816
Of which: Average balance of deposits by the public[b]	132,640	31,688	101,637	65,724
Balance of deposits by the public as at the end of the reporting	137,230	32,558	103,573	62,171
Average balance of risk-weighted assets[b][c]	101,932	736	58,330	43,974
Balance of risk-weighted assets as at the end of the reporting	107,923	844	58,825	43,734
Average balance of assets under management[b][d]	59,334	49,433	82,199	29,472
Breakdown of interest income, net:				
Spread[g] from granting loans to the public[h]	2,533	1	1,787	911
Spread[g] from deposit taking from the public	3,096	367	1,924	1,070
Other[h]	319	30	167	128
Total interest income (expenses), net	5,948	398	3,878	2,109

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 approximately NIS 1.1 billion. For further information, please see Note 15A
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.

					Foreign operations				
Corporations	Institutional entities	Financial management Financial	Other	Total activities Israel	Private individuals	Business activity	Other	Foreign operations – total	Total Total
8,116	156	8,690	–	33,059	4	581	11	596	33,655
3,314	4,311	1,941	–	17,658	–	–	–	–	17,658
4,802	(4,155)	6,749	–	15,401	4	581	11	596	15,997
(1,259)	4,745	(7,507)	39	346	–	(31)	(315)	(346)	–
3,543	590	(758)	39	15,747	4	550	(304)	250	15,997
875	181	1,491	41	5,129	1	69	(18)	52	5,181
4,418	771	733	80	20,876	5	619	(322)	302	21,178
673	(9)	(12)	–	2,363	–	20	–	20	2,383
518	220	289	886	6,763	1	134	(4)	131	6,894
1	8	11	(24)	–	–	–	–	–	–
519	228	300	862	6,763	1	134	(4)	131	6,894
3,226	552	445	(782)	11,750	4	465	(318)	151	11,901
1,146	192	(25)	(268)	3,915	1	92	(20)	73	3,988
2,080	360	470	(514)	7,835	3	373	(298)	78	7,913
–	–	(886)[f]	–	(886)	–	–	–	–	(886)
2,080	360	(416)	(514)	6,949	3	373	(298)	78	7,027
–	–	–	–	–	–	–	–	–	–
2,080	360	(416)	(514)	6,949	3	373	(298)	78	7,027
139,427	3,864	280,205	7,595	689,059	52	7,580	201	7,833	696,892
–	–	4,184	–	4,184	–	–	–	–	4,184
140,373	3,869	–	–	404,805	73	7,409	–	7,482	412,287
142,404	8,046	–	–	417,728	12	8,463	–	8,475	426,203
1,477	1	–	–	3,547	–	212	–	212	3,759
1,446	20	–	–	3,616	–	199	–	199	3,815
2,135	5	–	–	6,643	–	74	–	74	6,717
(88)	–	–	–	534	–	(7)	–	(7)	527
93,342	121,426	83,897	11,402	642,104	25	3,140	130	3,295	645,399
85,739	120,941	–	–	538,369	1	1	8	10	538,379
93,814	138,478	–	–	567,824	–	–	–	–	567,824
179,736	4,175	31,909	17,071	437,863	124	9,324	319	9,767	447,630
186,352	1,244	34,934	17,683	451,539	92	10,292	253	10,637	462,176
104,295	932,658	52,412	–	1,309,803	–	–	–	–	1,309,803
2,075	19	–	–	7,326	4	584	41	629	7,955
972	561	–	–	7,990	–	–	–	–	7,990
496	10	(758)	39	431	–	(34)	(345)	(379)	52
3,543	590	(758)	39	15,747	4	550	(304)	250	15,997

Note 28A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

	For the year ended December 31, 2022			
	Activity in Israel(a)			
	Households (E)	Private banking	Small- and micro-businesses	Mid-market
	In NIS million			
Interest income from external	6,765	11	2,733	1,395
Interest expense for external	585	219	587	578
Interest income, net:				
From external	6,180	(208)	2,146	817
Inter-segmental	(2,392)	414	574	548
Total interest income, net	3,788	206	2,720	1,365
Total noninterest income	996	148	894	344
Total income	4,784	354	3,614	1,709
Loan loss expenses (income)	223	–	184	(12)
Operating and other expenses:				
For external	2,684	91	1,626	435
Inter-segmental	–	–	–	–
Total operating and other expenses	2,684	91	1,626	435
Profit (loss) before taxes	1,877	263	1,804	1,286
Provision for profit tax (benefit)	654	93	634	451
Profit (loss) after taxes	1,223	170	1,170	835
The Bank's share in associates' profits , after tax effect	–	–	–	–
Net income (loss) before attribution to non-controlling interests	1,223	170	1,170	835
Net income attributable to non-controlling interests	–	–	–	–
Net income (loss) attributable to the Bank's shareholders	1,223	170	1,170	835
Average outstanding balance of assets(b)	139,737	456	61,176	37,459
Of which: Investment in associates(b)	–	–	–	–
Average outstanding loans to the public(b)	140,481	456	62,076	37,840
Outstanding loans to the public as at the end of the reporting period	150,178	440	65,803	39,473
Outstanding non-performing debts in arrears of over 90 days	857	–	439	290
Outstanding other troubled debts	481	27	877	259
Balance of the loan loss provision for loans to the public	1,159	1	1,781	629
Net charge-offs during the reporting period	146	–	33	(21)
Average outstanding balance of liabilities(b)	124,108	27,169	94,274	65,032
Of which: Average balance of deposits by the public(b)	123,996	27,169	94,151	64,946
Balance of deposits by the public as at the end of the reporting period	128,394	29,612	100,557	70,077
Average balance of risk-weighted assets(b)(d)	91,330	644	57,121	40,667
Balance of risk-weighted assets as at the end of the reporting	99,971	662	58,528	42,542
Average balance of assets under management(b)(d)	62,339	48,626	78,277	31,837
Breakdown of interest income, net:				
Spread(F) due to extending loans to the public(H)	2,494	4	1,838	818
Spread(f) from deposit taking from the public	1,158	188	781	475
Other(h)	136	14	101	72
Total interest income (expenses), net	3,788	206	2,720	1,365

a) The classification is based on the office's location.
b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
c) Risk-weighted assets - as calculated for capital adequacy purposes.
d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
e) **Including housing loans with outstanding loans to the public as** at end of period in the **amount of NIS 18.6 billion to customers whose business activity is classified to business segments**.
f) 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) Including revenues totaling NIS 782 million in respect of the Valley merger.
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.

					Foreign operations				
Corporations	Institutional entities	Financial management Financial	Other	Total activities Israel	Private individuals	Business activity	Other	Foreign operations – total	Total Total
3,885	55	3,453	–	18,297	9	455	34	498	18,795
1,042	1,428	1,127	–	5,566	–	18	–	18	5,584
2,843	(1,373)	2,326	–	12,731	9	437	34	480	13,211
(413)	1,708	(362)	24	101	1	(2)	(100)	(101)	–
2,430	335	1,964	24	12,832	10	435	(66)	379	13,211
700	186	798	849(G)	4,915	22	61	20	103	5,018
3,130	521	2,762	873	17,747	32	496	(46)	482	18,229
20	(1)	84	–	498	1	(1)	–	–	498
511	247	345	586	6,525	12	294	4	310	6,835
–	7	13	(20)	–	–	–	–	–	–
511	254	358	566	6,525	12	294	4	310	6,835
2,599	268	2,320	307	10,724	19	203	(50)	172	10,896
907	95	777	(93)	3,518	5	42	(1)	46	3,564
1,692	173	1,543	400	7,206	14	161	(49)	126	7,332
–	–	387	–	387	–	–	–	–	387
1,692	173	1,930	400	7,593	14	161	(49)	126	7,719
–	–	–	–	–	2	4	4	10	10
1,692	173	1,930	400	7,593	12	157	(53)	116	7,709
115,156	3,186	290,346	6,633	654,149	558	10,227	2,621	13,406	667,555
–	–	1,112	–	1,112	–	–	–	–	1,112
114,975	3,193	–	–	359,021	545	10,081	–	10,626	369,647
126,628	759	–	–	383,281	62	6,425	–	6,487	389,768
416	–	–	–	2,002	–	18	–	18	2,020
2,112	4	–	–	3,760	–	214	–	214	3,974
1,354	14	–	–	4,938	–	48	–	48	4,986
67	–	–	–	225	–	39	–	39	264
91,781	130,117	70,742	11,430	614,653	1,567	5,281	639	7,487	622,140
87,554	129,580	–	–	527,396	1,563	5,228	309	7,100	534,496
97,741	130,685	–	–	557,066	5	4	9	18	557,084
135,692	2,869	31,310	17,033	376,666	115	17,080	1,845	19,040	395,706
163,247	6,844	30,585	14,846	417,225	148	7,872	398	8,418	425,643
127,135	979,141	52,980	–	1,380,335	4,189	484	–	4,673	1,385,008
1,895	17	–	(1)	7,065	2	354	122	478	7,543
316	314	–	1	3,233	8	85	(106)	(13)	3,220
219	4	1,964	24	2,534	–	(4)	(82)	(86)	2,448
2,430	335	1,964	24	12,832	10	435	(66)	379	13,211

Note 28A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Private individuals – Households and private banking

	For the year ended December 31, 2024								
	Households segment				Private banking segment				
	Housing loans	Credit cards	Other	Total Total	Housing loans	Credit cards	Other	Total Total	Total Individuals
	In NIS million								
Interest income from external	7,284	77	2,171	9,532	10	–	4	14	9,546
Interest expense from external	–	–	2,885	2,885	–	–	1,239	1,239	4,124
Interest income, net:									
From external	7,284	77	(714)	6,647	10	–	(1,235)	(1,225)	5,422
Inter-segmental	(5,682)	(7)	4,935	(754)	(5)	14	1,582	1,591	837
Total interest income, net	1,602	70	4,221	5,893	5	14	347	366	6,259
Total noninterest income	41	356	646	1,043	–	5	170	175	1,218
Total income	1,643	426	4,867	6,936	5	19	517	541	7,477
Loan loss expenses (income)	36	(2)	399	433	–	–	–	–	433
Operating and other expenses:									
For external	444	238	2,152	2,834	1	3	124	128	2,962
Inter-segmental	2	–	–	2	–	–	–	–	2
Total operating and other	446	238	2,152	2,836	1	3	124	128	2,964
Profit before taxes	1,161	190	2,316	3,667	4	16	393	413	4,080
Provision for profit taxes	423	70	838	1,331	1	6	142	149	1,480
Profit after taxes	738	120	1,478	2,336	3	10	251	264	2,600
The Bank's share in associates' profits, after tax effect	–	–	–	–	–	–	–	–	–
Net income before attribution to non-controlling interests	738	120	1,478	2,336	3	10	251	264	2,600
Net income attributable to non-controlling interests	–	–	–	–	–	–	–	–	–
Net income attributable to the Bank's shareholders	738	120	1,478	2,336	3	10	251	264	2,600
Average balance of assets[(a)]	135,364	4,583	23,877	163,824	198	119	83	400	164,224
Of which: Investments in associates[(a)]	–	–	–	–	–	–	–	–	–
Profit (loss) after taxes to the public[(A)]	135,789	4,647	24,479	164,915	198	120	75	393	165,308
Outstanding loans to the public as at the end of the reporting period Average outstanding loans to the public(b)	144,387	5,161	25,509	175,057	232	138	88	458	175,515
Outstanding non-performing debts	677	1	203	881	–	–	–	–	881
Outstanding debts in arrears of over 90 days	–	–	87	87	–	–	–	–	87
Average outstanding liabilities[(a)]	53	17	139,563	139,633	–	–	33,899	33,899	173,532
Average outstanding balance of liabilities(b) to the public[(A)]	–	–	139,512	139,512	–	–	33,897	33,897	173,409
Investment in associates(b) Average outstanding loans to the public(b)	–	–	139,802	139,802	–	–	35,781	35,781	175,583
Average balance of risk-weighted assets[(a)(b)]	81,807	4,510	22,128	108,445	55	412	478	945	109,390
Balance of risk-weighted assets as at the end of the reporting period[(b)]	85,989	4,515	22,577	113,081	63	478	538	1,079	114,160
Average balance of assets under	1,363	–	63,602	64,965	–	–	61,655	61,655	126,620
Breakdown of interest income, net:									
Spread from granting loans to the public	1,266	52	1,011	2,329	1	–	–	1	2,330
Spread from taking deposits by the public	–	–	3,122	3,122	–	–	331	331	3,453
Other	336	18	88	442	4	14	16	34	476
Total interest income, net	1,602	70	4,221	5,893	5	14	347	366	6,259

a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
b) Risk-weighted assets - as calculated for capital adequacy purposes.
c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

Note 28A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Private individuals – households and private banking (cont.)

	For the year ended December 31, 2023								
	Households segment				Private banking segment				
	Housing loans	Credit cards	Other	Total Total	Housing loans	Credit cards	Other	Total Total	Total Individuals
	In NIS million								
Interest income from external	6,520	84	2,318	8,922	8	–	5	13	8,935
Interest expense from external	6	–	2,422	2,428	–	–	1,035	1,035	3,463
Interest income, net:									
From external	6,514	84	(104)	6,494	8	–	(1,030)	(1,022)	5,472
Inter-segmental	(4,943)	(12)	4,409	(546)	(5)	13	1,412	1,420	874
Total interest income, net	1,571	72	4,305	5,948	3	13	382	398	6,346
Total noninterest income	46	375	671	1,092	–	6	153	159	1,251
Total income	1,617	447	4,976	7,040	3	19	535	557	7,597
Loan loss expenses	221	37	612	870	–	–	–	–	870
Operating and other expenses:									
For external	375	227	2,125	2,727	–	3	101	104	2,831
Inter-segmental	4	–	–	4	–	–	–	–	4
Total operating and other expenses	379	227	2,125	2,731	–	3	101	104	2,835
Profit before taxes	1,017	183	2,239	3,439	3	16	434	453	3,892
Provision for profit tax	348	63	774	1,185	1	5	150	156	1,341
Profit after taxes	669	120	1,465	2,254	2	11	284	297	2,551
The Bank's share in associates' profits, after tax effect	–	–	–	–	–	–	–	–	–
Net income before amount attributable to non-controlling interests	669	120	1,465	2,254	2	11	284	297	2,551
Net income attributable to non-controlling interests	–	–	–	–	–	–	–	–	–
Net income attributable to the Bank's shareholders	669	120	1,465	2,254	2	11	284	297	2,551
Average balance of assets[a]	123,604	4,474	25,049	153,127	161	104	107	372	153,499
Of which: Investments in associates[a]	–	–	–	–	–	–	–	–	–
Profit (loss) after taxes to the public[A]	123,955	4,515	25,555	154,025	161	104	100	365	154,390
Outstanding loans to the public as at the end of the reporting period	130,410	4,468	25,478	160,356	158	94	78	330	160,686
Outstanding non-performing debts	688	4	339	1,031	–	–	–	–	1,031
Outstanding debts in arrears of 90 days	–	–	80	80	–	–	–	–	80
Average outstanding liabilities[a]	53	13	132,692	132,758	–	–	31,690	31,690	164,448
Average outstanding balance of liabilities(b) to the public[A]	–	–	132,640	132,640	–	–	31,688	31,688	164,328
Investment in associates(b) Average outstanding loans to the public(b)	–	–	137,230	137,230	–	–	32,558	32,558	169,788
Average balance of risk-weighted assets[a][b]	75,452	3,987	22,493	101,932	106	249	381	736	102,668
Balance of risk-weighted assets as at the end of the reporting period[b]	81,475	4,237	22,211	107,923	45	360	439	844	108,767
Average balance of assets under management[a][c]	1,633	–	57,701	59,334	1	–	49,432	49,433	108,767
Breakdown of interest income, net:									
Spread from granting loans to the public	1,336	59	1,138	2,533	1	–	–	1	2,534
Spread from taking deposits by the public	(6)	–	3,102	3,096	–	–	367	367	3,463
Other	241	13	65	319	2	13	15	30	349
Total interest income, net	1,571	72	4,305	5,948	3	13	382	398	6,346

a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
b) Risk-weighted assets - as calculated for capital adequacy purposes.
c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

Note 28A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Small-, micro- and mid-sized businesses and corporations

	For the year ended December 31, 2024									
	Small- and micro-business segment			Mid-market segment			Corporate segment			
	Construction and real estate	Other	Total Total	Construction and real estate	Other	Total Total	Construction and real estate	Other	Total Total	Total Total
	In NIS million									
Interest income from external	1,896	2,647	4,543	1,068	1,461	2,529	5,226	4,084	9,310	16,382
Interest expense from external	577	2,200	2,777	268	1,606	1,874	594	3,483	4,077	8,728
Interest income, net:										
From external	1,319	447	1,766	800	(145)	655	4,632	601	5,233	7,654
Inter-segmental	(175)	2,277	2,102	(297)	1,610	1,313	(2,506)	1,326	(1,180)	2,235
Total interest income, net	1,144	2,724	3,868	503	1,465	1,968	2,126	1,927	4,053	9,889
Total noninterest income	169	756	925	43	300	343	494	454	948	2,216
Of which: Income from credit	18	95	113	2	6	8	1	2	3	124
Total income	1,313	3,480	4,793	546	1,765	2,311	2,620	2,381	5,001	12,105
Loan loss expenses (income)	83	85	168	(11)	14	3	137	(19)	118	289
Operating and other expenses:										
For external	302	1,332	1,634	98	391	489	174	402	576	2,699
Inter-segmental	-	-	-	-	-	-	-	(1)	(1)	(1)
Total operating and other	302	1,332	1,634	98	391	489	174	401	575	2,698
Profit before taxes	928	2,063	2,991	459	1,360	1,819	2,309	1,999	4,308	9,118
Provision for profit taxes	337	747	1,084	167	493	660	835	729	1,564	3,308
Profit after taxes	591	1,316	1,907	292	867	1,159	1,474	1,270	2,744	5,810
The Bank's share in associates' profits, after tax effect	-	-	-	-	-	-	-	-	-	-
Net income before attribution to non-controlling interests	591	1,316	1,907	292	867	1,159	1,474	1,270	2,744	5,810
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Net income attributable to the Bank's shareholders	591	1,316	1,907	292	867	1,159	1,474	1,270	2,744	5,810
Average balance of assets[(a)]	25,445	42,221	67,666	16,550	22,568	39,118	75,480	72,914	148,394	255,178
Of which: Investments in	-	-	-	-	-	-	-	-	-	-
Average outstanding loans to	25,896	43,224	69,120	16,794	22,876	39,670	76,161	73,610	149,771	258,561
Outstanding loans to the public as at the end of the reporting period	26,754	48,290	75,044	16,690	22,921	39,611	81,372	78,018	159,390	274,045
Outstanding non-performing debts	181	406	587	14	207	221	324	249	573	1,381
Outstanding debts in arrears of over 90 days	33	56	89	-	1	1	-	1	1	91
Average outstanding liabilities[(a)]	20,504	81,818	102,322	8,041	51,282	59,323	15,344	86,936	102,280	263,925
Average outstanding balance of liabilities(b) to the public[(A)]	20,451	81,732	102,183	7,987	51,202	59,189	14,361	82,245	96,606	257,978
Investment in associates(b) Average outstanding loans to the public(b)	20,035	81,189	101,224	8,202	51,439	59,641	20,172	89,688	109,860	270,725
Average balance of risk-	26,087	33,735	59,822	18,566	25,096	43,662	107,541	82,060	189,601	293,085
Outstanding impaired debts reporting period[(B)]	25,781	34,602	60,383	18,157	26,420	44,577	114,160	90,372	204,532	309,492
Average balance of assets under management[(a)(c)]	18,326	81,111	99,437	5,798	27,174	32,972	24,010	90,718	114,728	247,137
Breakdown of interest income, net:										
Spread from granting loans to the public	686	1,095	1,781	335	515	850	1,607	1,018	2,625	5,256
Spread from taking deposits by the public	357	1,496	1,853	96	848	944	123	587	710	3,507
Other	101	133	234	72	102	174	396	322	718	1,126
Total interest income, net	1,144	2,724	3,868	503	1,465	1,968	2,126	1,927	4,053	9,889

a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
b) Risk-weighted assets - as calculated for capital adequacy purposes.
c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

Note 28A - Regulatory Operating Segments and Geographic Areas (cont.)

A. Information on Regulatory Operating Segments (cont.)

Small-, micro- and mid-sized businesses and corporations (cont.)

	For the year ended December 31, 2023									
	Small- and micro-business segment			Mid-market segment			Corporate segment			
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Total
	In NIS million									
Interest income from external	1,817	2,664	4,481	1,123	1,558	2,681	4,427	3,689	8,116	15,278
Interest expense from external	535	2,155	2,690	219	1,720	1,939	486	2,828	3,314	7,943
Interest income, net:										
From external	1,282	509	1,791	904	(162)	742	3,941	861	4,802	7,335
Inter-segmental	(146)	2,233	2,087	(373)	1,740	1,367	(2,144)	885	(1,259)	2,195
Total interest income, net	1,136	2,742	3,878	531	1,578	2,109	1,797	1,746	3,543	9,530
Total noninterest income	177	754	931	50	309	359	458	417	875	2,165
Of which: Income from credit	17	86	103	1	7	8	1	2	3	114
Total income	1,313	3,496	4,809	581	1,887	2,468	2,255	2,163	4,418	11,695
Loan loss expenses (income)	163	518	681	55	105	160	738	(65)	673	1,514
Operating and other expenses:										
For external	308	1,252	1,560	88	371	459	144	374	518	2,537
Inter-segmental	-	-	-	-	-	-	-	1	1	1
Total operating and other	308	1,252	1,560	88	371	459	144	375	519	2,538
Profit before taxes	842	1,726	2,568	438	1,411	1,849	1,373	1,853	3,226	7,643
Provision for profit tax	292	599	891	151	487	638	475	671	1,146	2,675
Profit after taxes	550	1,127	1,677	287	924	1,211	898	1,182	2,080	4,968
The Bank's share in associates' profits, after tax effect	-	-	-	-	-	-	-	-	-	-
Net income before amount attributable to non-controlling	550	1,127	1,677	287	924	1,211	898	1,182	2,080	4,968
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Net income attributable to the Bank's shareholders	550	1,127	1,677	287	924	1,211	898	1,182	2,080	4,968
Average balance of assets[a]	24,181	40,225	64,406	16,402	23,661	40,063	65,774	73,653	139,427	243,896
Of which: Investments in associates[a]	-	-	-	-	-	-	-	-	-	-
Average outstanding loans to the public[a]	24,611	41,057	65,668	16,644	23,861	40,505	66,324	74,049	140,373	246,546
Outstanding loans to the public as at the end of the reporting period Average outstanding loans to the public(b)	25,141	41,413	66,554	17,113	22,925	40,038	72,666	69,738	142,404	248,996
Outstanding non-performing debts	224	414	638	94	192	286	948	494	1,442	2,366
Outstanding debts in arrears of over 90 days	3	31	34	-	-	-	29	6	35	69
Average outstanding liabilities[a]	20,097	81,676	101,773	7,556	58,260	65,816	15,399	77,943	93,342	260,931
Average outstanding balance of liabilities(b)	20,045	81,592	101,637	7,514	58,210	65,724	14,470	71,269	85,739	253,100
Balance of deposits by the public as at the end of the reporting period	20,713	82,860	103,573	7,660	54,511	62,171	14,202	79,612	93,814	259,558
Average balance of risk-weighted assets[a][b]	24,832	33,498	58,330	19,027	24,947	43,974	93,688	86,048	179,736	282,040
Outstanding impaired debts reporting period[B]	26,190	32,635	58,825	19,190	24,544	43,734	105,463	80,889	186,352	288,911
Average balance of assets under management[a][c]	16,302	65,897	82,199	4,570	24,902	29,472	21,818	82,477	104,295	215,966
Breakdown of interest income,										
Spread from granting loans to	691	1,096	1,787	364	547	911	1,385	690	2,075	4,773
Spread from taking deposits by the public	370	1,554	1,924	110	960	1,070	134	838	972	3,966
Other	75	92	167	57	71	128	278	218	496	791
Total interest income, net	1,136	2,742	3,878	531	1,578	2,109	1,797	1,746	3,543	9,530

a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
b) Risk-weighted assets - as calculated for capital adequacy purposes.
c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

Note 28A - Regulatory Operating Segments and Geographic Areas (cont.)

A. Information on Regulatory Operating Segments (cont.)

Financial management

	For the year ended December 31, 2024				
	activities Held-for- trading	activities Assets managem ent and liabilities	activities Share in voting rights Real	Other	Total Total
	In NIS million				
Interest income from external	549	9,995	28	24	10,596
Interest expense from external	633	1,857	-	-	2,490
Interest income, net:					
From external	(84)	8,138	28	24	8,106
Inter-segmental	(826)	(8,260)	(160)	290	(8,956)
Total interest income, net	(910)	(122)	(132)	314	(850)
Total noninterest income	658	696	570	87	2,011
Total income	(252)	574	438	401	1,161
Loan loss expenses	-	-	-	25	25
Operating and other expenses:					
For external	152	36	42	81	311
Inter-segmental	-	4	5	3	12
Total operating and other expenses	152	40	47	84	323
Profit (loss) before taxes	(404)	534	391	292	813
Provision (benefit) for profit taxes	(158)	168	174	(10)	174
Profit (loss) after taxes	(246)	366	217	302	639
The Bank's share in associates' losses, after tax effect	-	-	(271)	-	(271)
Net income (loss) before amount attributable to non-controlling interests	(246)	366	(54)	302	368
Net income (loss) attributable to the Bank's shareholders	(246)	366	(54)	302	368
Average balance of assets[(a)]	33,437	254,678	10,486	4,846	303,447
Of which: Investments in associates[(a)]	-	-	3,673	-	3,673
Average outstanding liabilities[(a)]	33,514	53,035	94	375	87,018
Average balance of risk-weighted assets[(a)(b)]	10,234	27,823	5,737	-	43,794
Balance of risk-weighted assets as at the end of the reporting period[(b)]	13,268	31,344	6,379	-	50,991
Average balance of managed assets[(c)]	-	6	-	44,406	44,412
Component of interest income and noninterest finance income, net:					
Exchange rate differentials, net[(d)]	326	77	-	-	-
Index differentials, net[(D)]	(35)	1,232	-	-	-
Net interest exposures[(d)]	(190)	9,800	-	-	-
Net exposures to shares[(d)]	105	-	-	-	-
Interest spreads attributed to financial management	-	(10,472)	-	-	-
Total net interest income and noninterest income on accrual basis	206	637	-	-	-
Spread from taking deposits by the public Bonds	-	(465)	-	-	-
Change in the difference between fair value and accrual basis of derivatives recognized in profit and loss	-	464	-	-	-
Other noninterest income	(458)	(62)	-	-	-
Total net interest income and noninterest finance income	(252)	574	-	-	-

a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
b) Risk-weighted assets - as calculated for capital adequacy purposes.
c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
d) Including for securities and derivatives.

Note 28A - Regulatory Operating Segments and Geographic Areas (cont.)

A. Information on Regulatory Operating Segments (cont.)

Financial Management (cont.)

	For the year ended December 31, 2023				
	activities Held-for- trading	activities Assets managem ent and liabilities	Non- financial investmen t activity	Other	Total Total
	In NIS million				
Interest income from external	663	8,151	14	(138)	8,690
Interest expense from external	624	1,321	-	(4)	1,941
Interest income, net:					
From external	39	6,830	14	(134)	6,749
Inter-segmental	(769)	(6,885)	(146)	293	(7,507)
Total interest income, net	(730)	(55)	(132)	159	(758)
Total noninterest income	697	477	216	101	1,491
Total income	(33)	422	84	260	733
Loan loss income	-	(1)	-	(11)	(12)
Operating and other expenses:					
For external	136	33	40	80	289
Inter-segmental	-	5	3	3	11
Total operating and other expenses	136	38	43	83	300
Profit (loss) before taxes	(169)	385	41	188	445
Provision for profit tax (benefit)	(158)	91	35	7	(25)
Profit (loss) after taxes	(11)	294	6	181	470
The Bank's share in associates' losses, after tax effect	-	-	(886)	-	(886)
Net income (loss) before amount attributable to non-controlling interests	(11)	294	(880)	181	(416)
Net income (loss) attributable to the Bank's shareholders	(11)	294	(880)	181	(416)
Average balance of assets[(a)]	32,651	230,666	13,590	3,298	280,205
Of which: Investments in associates[(a)]	-	-	4,184	-	4,184
Average outstanding liabilities[(a)]	30,575	52,743	109	470	83,897
Average balance of risk-weighted assets[(a)(b)]	6,754	19,905	5,250	-	31,909
Balance of risk-weighted assets as at the end of the reporting period[(b)]	5,791	23,878	5,263	2	34,934
Average balance of managed assets[(c)]	-	-	-	52,412	52,412
Component of interest income and noninterest finance income, net:					
Exchange rate differentials, net[(d)]	555	(108)	-	-	-
Index differentials, net[(D)]	4	1,004	-	-	-
Net interest exposures[(d)]	(525)	8,060	-	-	-
Net exposures to shares[(d)]	77	-	-	-	-
Interest spreads attributed to financial management	-	(8,722)	-	-	-
Total net interest income and noninterest income on accrual basis	111	234	-	-	-
Spread from taking deposits by the public Bonds	-	(331)	-	-	-
Change in the difference between fair value and accrual basis of derivatives recognized in profit and loss	-	573	-	-	-
Other noninterest income	(144)	(54)	-	-	-
Total net interest income and noninterest finance income	(33)	422	-	-	-

a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
b) Risk-weighted assets - as calculated for capital adequacy purposes.
c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
d) Including for securities and derivatives.

Note 28A - Regulatory Operating Segments and Geographic Areas (cont.)

A. Information on Activity by Geographical Area[a]

	December 31, 2024					
	Israel	United States[C]	UK	Other	Total activity outside Israel	Total consolidated
	In NIS million					
Total income [b]	22,359	-	743	6	749	23,108
Net income (loss) attributable to the Bank's shareholders	9,191	-	613	(6)	607	9,798
Total assets	775,995	-	9,524	32	9,556	785,551

	December 31, 2023					
	Israel	United States[C]	UK	Other	Total activity outside Israel	Total consolidated
	In NIS million					
Total income (expenses)[b]	20,033	-	1,148	(3)	1,145	21,178
Net income attributable to the Bank's shareholders	6,402	-	622	3	625	7,027
Total assets	722,775	-	8,688	34	8,722	731,497

	December 31, 2022					
	Israel	United States[C]	UK	Other	Total activity outside Israel	Total consolidated
	In NIS million					
Total income[b]	17,599	268	362	-	630	18,229
Net income attributable to the Bank's shareholders	7,454	56	199	-	255	7,709
Total assets	692,327	-	6,798	41	6,839	699,166

a) The classification is based on the office's location.
b) Interest income and noninterest income, net.
c) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

Note 28B - Operating Segments according to Management Approach

A. Overview

Operating segment according to management approach - a component of the banking corporation engaged in activities from which it may generate income and bear expenses. Its operating results are reviewed on an ongoing basis by the Bank's CEO in order to make decisions regarding the allocation of resources and assessment of its performances. Furthermore, separate financial data is available for operating segments.
Operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure and decision of the Bank's management and Board of Directors.

The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

The Bank's activity in Israel is managed as follows:

1. Banking – provision of banking services to retail customers and small businesses. This line of business comprises three departments: Retail Banking, Small Businesses, and Private Banking. The services and products are adapted to all the customer segments differentially, according to the nature of their banking activity, their characteristics and their needs.
2. Mortgages - provision of loans intended to purchase residential apartments or loans pledged by a residential apartment or another asset.
3. Commercial - providing banking and financial services to middle-market companies and interested parties in these companies.
4. Corporate banking - providing banking and financial services to large Israeli corporations and international corporations, supporting their domestic and foreign activities.
5. Real estate – providing banking and financial services to the construction and real estate sector.
6. Capital markets – management of the Bank's own portfolio, management of assets and liabilities and management of investments in financial assets.
7. Other – activities not attributed to the other business lines.

Results of operations are attributed to the line of business in charge of the customer's account.

- Net interest income – interest on loans extended by the business line is credited to the business line, net of the cost of raising the loans (transfer price). Furthermore, the business line is credited with a transfer price in respect of deposits raised net of interest paid to customers.
- Noninterest income (noninterest finance income, fees and commissions and other income) – is allocated to the business lines according to the customer's activity.
- Business lines' expenses include their direct expenses. Expenses of corporate units providing services to business lines are allocated to the business lines.
- Part of the income from the management of assets and liabilities is recorded to the business lines according to their business activity.

The operating results of the business lines, both in terms of on-balance sheet items as well as in terms of profit and loss, are assessed on an ongoing basis by the Bank's CEO. The results are compared to objectives set in an annual work plan and to the corresponding period in the previous year. Furthermore, the Bank measures a range of other metrics relating to the business lines' activities.

Note 28B - Operating Segments according to the Management Approach(cont.)

A. Information Regarding Operating Segments according to Management Approach

	For the year ended December 31, 2024											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	
	People Private individuals	Small businesses	Total Banking	Mortgages	Commercial	Corporate	Real estate	Capital markets Equity	Other and adjustments			Total
	In NIS million											
Interest income:												
Interest income from external, net	(3,133)	894	(2,239)	7,482	1,482	2,081	4,250	2,457	58	204	734	16,509
Interest income - Inter-segmental	8,607	1,206	9,813	(6,144)	1,236	(961)	(2,792)	(809)	(4)	45	(384)	-
Interest income, net	5,474	2,100	7,574	1,338	2,718	1,120	1,458	1,648	54	249	350	16,509
Noninterest income	1,557	483	2,040	9	584	323	426	1,651	963[b]	521	82	6,599
Total income	7,031	2,583	9,614	1,347	3,302	1,443	1,884	3,299	1,017	770	432	23,108
Loan loss expenses (income)	470	94	564	62	194	(139)	55	8	(8)	14	(37)	713
Total operating and other expenses	2,922	920	3,842	439	723	304	179	463	629	209	116	6,904
Profit before tax	3,639	1,569	5,208	846	2,385	1,278	1,650	2,828	396	547	353	15,491
Provision (benefit) for taxes To tax	1,384	597	1,981	322	907	486	627	1,064	(198)	113	120	5,422
Operating and other expenses: Bank's shareholders	2,255	972	3,227	524	1,478	792	1,023	1,441[A]	594	486	233	9,798

Balances as at December 31, 2024												
Loans to the public, net	30,579	27,574	58,153	146,630	65,101	66,216	71,054	31,057	6,843	1,256	9,209	455,519
Deposits by the public	225,833	61,164	286,997	-	86,666	41,773	13,640	189,221	4	-	-	618,301

a) Including the impairment loss due to the investment in Valley shares in the amount of approximately NIS 0.6 billion. For further information please see Note 15 A.

b) Including capital gains due to the sale of the headquarters buildings in Tel Aviv in the sum of approximately NIS 830 million.

Note 28B - Operating Segments according to the Management Approach(cont.)

B. Information Regarding Operating Segments according to Management Approach (cont.)

	For the year ended December 31, 2023											
	The Bank									Subsidiaries Subsidiaries In Israel	Subsidiaries Subsidiaries Abroad	
	Private individuals	Small businesses	Total Banking	Mortgages	Commercial	Corporate	Real estate	Capital markets Equity	Other and adjustments			Total
	In NIS million											
Interest income:												
Interest income from external, net	(2,113)	1,113	(1,000)	6,689	1,577	2,098	3,829	2,045	24	141	594	15,997
Interest income – 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
Expenses (incomes) due to credit losses Total loans to the public – activity in Israel	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 To tax	1,197	459	1,656	269	839	371	399	674	(337)	44	73	3,988
Net income 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 approximately NIS 1.1 billion.

Note 28B - Operating Segments according to the Management Approach(cont.)

B. Information Regarding Operating Segments according to Management Approach (cont.)

	For the year ended December 31, 2022											
	The Bank									Subsidiaries Subsidiaries In Israel	Subsidiaries Subsidiaries Abroad	
	Private individuals	Small businesses	Retail banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets Equity	Other and adjustments			Total
	In NIS million											
Interest income:												
Interest income from external, net	786	1,254	2,040	5,168	1,535	1,336	1,776	741	14	121	480	13,211
Interest income - Inter-segmental	2,328	248	2,576	(3,832)	473	(529)	(696)	2,108	(5)	6	(101)	0
Interest income, net	3,114	1,502	4,616	1,336	2,008	807	1,080	2,849	9	127	379	13,211
Noninterest income	1,430	471	1,901	14	552	245	378	563	778[(a)]	484	103	5,018
Total income	4,544	1,973	6,517	1,350	2,560	1,052	1,458	3,412	787	611	482	18,229
Expenses (incomes) due to credit losses Total loans to the public - activity in Israel	131	126	257	114	115	(16)	(57)	113	(21)	(7)	-	498
Total operating and other expenses	2,697	1,006	3,703	377	723	278	148	415	682	199	310	6,835
Profit before tax	1,716	841	2,557	859	1,722	790	1,367	2,884	126	419	172	10,896
Provision (benefit) for taxes	587	288	875	294	589	270	467	986	(64)	101	46	3,564
Operating and other expenses: Bank's shareholders	1,129	553	1,682	565	1,133	520	900	2,207	190	396	116	7,709

Balances as at December 31, 2022												
Loans to the public, net	32,498	26,688	59,186	120,927	60,820	54,807	54,669	21,310	5,747	871	6,445	384,782
Deposits by the public	202,991	55,415	258,406	-	95,839	39,617	14,423	148,773	7	-	19	557,084

a) Including revenues in the sum of NIS 782 million in respect of the Valley merger transaction.

Note 29 - 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 year ended December 31, 2024					
	Loan loss provision					
	Loans to the public				Banks, Governments and Bonds Held to maturity Available for sale	Total
	Commercial	Housing	Private Other	Total - public		
	In NIS million					
Balance of loan loss provision as at the beginning of the year	5,873	634	957	7,464	17	7,481
Loan loss expenses	250	36	397	683	30	713
Charge-offs	(624)	(4)	(620)	(1,248)	-	(1,248)
Collection of debts written off in previous years	549	3	254	806	-	806
Net charge-offs	(75)	(1)	(366)	(442)	-	(442)
Balance of loan loss provision as at year end[1]	6,048	669	988	7,705	47	7,752
[1]Of which: in respect of off-balance-sheet credit instruments	754	29	35	818	24	842

	For the year ended December 31, 2023					
	Loan loss provision					
	Loans to the public				Banks, Governments and Bonds Held to maturity Available for sale	Total
	Commercial	Housing	Private Other	Total Public		
	In NIS million					
Balance of loan loss provision as at the beginning of the year	4,420	419	732	5,571	54	5,625
Loan-loss expenses (income)	1,550	221	649	2,420	(37)	2,383
Charge-offs	(455)	(6)	(662)	(1,123)	-	(1,123)
Collection of debts written off in previous years	358	-	238	596	-	596
Net charge-offs	(97)	(6)	(424)	(527)	-	(527)
Balance of loan loss provision as at year end[1]	5,873	634	957	7,464	17	7,481
[1]Of which: in respect of off-balance-sheet credit instruments	697	12	38	747	-	747

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

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

1. Change in balance of provision for loan losses (cont.)

	For the year ended December 31, 2022					
	Loan loss provision					
	Loans to the public				Banks, Governments and Bonds Held to maturity Available for sale	
	Commercial	Housing	Private Other	Total Public		Total
	In NIS million					
Balance of loan loss provision as at the beginning of the year	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application(b)	804	(165)	22	661	26	687
Balance as at January 1, 2022	4,569	324	749	5,642	29	5,671
Loan losses	240	112	112	464	34	498
Charge-offs	(589)	(17)	(370)	(976)	-	(976)
Collection of debts written off in previous years	471	-	241	712	-	712
Net charge-offs	(118)	(17)	(129)	(264)	-	(264)
Adjustments from translation of Financial Statements	5	-	-	5	-	5
Less balances of the subsidiary in the United States that was sold(c)	(276)	-	-	(276)	(9)	(285)
Balance of loan loss provision as at year end[1]	4,420	419	732	5,571	54	5,625
[1]Of which: in respect of off-balance-sheet credit instruments	563	1	21	585	-	585

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 repurchase agreements.

b) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.H.

c) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

Note 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

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

2. Additional information on calculating the loan loss provision for debts, [a] held-to-maturity bonds and available-for-sale bonds

	December 31, 2024					
	Loans to the public				Banks, Governments and Bonds Held to maturity Available for sale	
	Commercial	Housing	Private Other	Total - public		Total
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	257,989	-	653	258,642	130,156	388,798
Examined on a collective basis	29,241	144,633	29,890	203,764	-	203,764
Total debts[a]	287,230	144,633	30,543	462,406	130,156	592,562
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	4,247	-	219	4,466	23	4,489
Examined on a collective basis	1,047	640	734	2,421	-	2,421
Total loan loss provision	5,294	640	953	6,887	23	6,910

	December 31, 2023					
	Loans to the public				Banks, Governments and Bonds Held to maturity 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 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public

1. Credit quality and arrears

	December 31, 2024					
		Troubled(a)			Performing debts - additional information	
	Non-troubled(D)	Performing	Non-performing	Total	In arrears of 90 days or more(b)	In arrears of 30 to 89 days(c)
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction & real estate - construction	69,273	461	352	70,086	20	31
Construction & real estate - real estate activities	47,886	256	87	48,229	13	79
Financial services	40,502	10	9	40,521	1	22
Commercial - Other	94,678	2,274	702	97,654	57	113
Commercial - total	252,339	3,001	1,150	256,490	91	245
Private individuals - housing loans	143,885	23	677	144,585	-	856
Private individuals - other	29,635	694	204	30,533	87	174
Total loans to the public - activity in Israel	425,859	3,718	2,031	431,608	178	1,275
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	11,401	165	80	11,646	-	2
Commercial - Other	18,394	517	183	19,094	-	2
Commercial - total	29,795	682	263	30,740	-	4
Private individuals	57	-	1	58	-	-
Total loans to the public - foreign operations	29,852	682	264	30,798	-	4
Total loans to the public	455,711	4,400	2,295	462,406	178	1,279

a) Non-performing loans to the public, substandard or special mention.
b) Classified as troubled, performing debts.
c) Accumulates interest income Debts in arrears of 30 and up to 89 days, totaling NIS 159 million, were classified as troubled debt.
d) Non-troubled debts include debts that are not classified as troubled, with a deferral of payments of 180 days or more, that was given during the War to borrowers who were not in financial difficulties, in the sum of NIS 2.2 billion as at December 31, 2024 (commercial in the sum of NIS 0.5 billion, housing loans in the sum of NIS 1.6 billion, other private individuals, in the sum of NIS 0.1 billion).

Note 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	December 31, 2023					
		Troubled[(a)]			Performing debts - additional information	
	Non-troubled	Performing	Non-performing	Total	In arrears of 90 days or more[(b)]	In arrears of 30 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 29 – 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

	December 31, 2024								
	Recorded outstanding debt of fixed loans to the public						Debit balance Recorde d Loans renewin g	Debit balance Recorde d Loans renewin g converte d to loans Fixed deposits	
	2024	2023	2022	2021	2020	Past			Total
	In NIS million								
Borrower activity in									
Public - commercial									
Construction and real	23,418	14,706	11,576	9,012	2,625	6,291	48,360	2,327	118,315
Credit that is rated as	23,243	14,285	11,173	8,804	2,553	6,057	48,241	2,316	116,672
Unrated performing credit	151	46	161	53	13	8	49	6	487
Troubled performing	19	260	160	95	25	105	50	3	717
Non-performing credit	5	115	82	60	34	121	20	2	439
Gross charge-offs during the period	(5)	(18)	(24)	(85)	(6)	(6)	(33)	(3)	(180)
Commercial - other,	44,549	20,560	15,724	9,944	5,278	8,375	31,465	2,280	138,175
Credit that is rated as	44,431	20,076	15,279	9,212	5,055	8,018	30,622	2,094	134,787
Unrated performing credit	35	20	23	33	10	56	53	163	393
Troubled performing	65	319	260	575	155	239	660	11	2,284
Non-performing credit	18	145	162	124	58	62	130	12	711
Gross charge-offs during the period	(14)	(53)	(64)	(34)	(26)	(19)	(124)	(9)	(343)
Private individuals - housing loans - total	29,176	19,600	22,970	19,822	11,975	41,041	–	1	144,585
LTV of up to 60%	16,232	11,002	12,412	11,153	7,453	28,168	–	1	86,421
LTV of more than 60%	12,811	8,399	10,425	8,305	4,464	11,901	–	–	56,305
LTV over 75%	133	199	133	364	58	972	–	–	1,859
Credit that is non-delinquent and	28,887	19,086	22,178	19,218	11,620	39,533	–	1	140,523
Non-delinquent credit not rated as	120	352	567	434	210	846	–	–	2,529
In arrears of 30-89 days	129	100	149	92	66	320	–	–	856
Non-performing credit	40	62	76	78	79	342	–	–	677
Gross charge-offs during the period	–	–	–	–	–	(4)	–	–	(4)
Private individuals - other	10,389	5,204	3,688	2,102	1,245	284	7,219	402	30,533
Credit that is non-delinquent and	9,900	4,630	3,183	1,857	1,140	236	6,784	326	28,056
Non-delinquent credit not rated as	419	460	407	209	86	40	340	51	2,012
In arrears of 30-89 days	26	38	34	16	4	3	52	1	174
In arrears of over 90	9	32	13	5	2	–	26	–	87
Non-performing credit	35	44	51	15	13	5	17	24	204
Gross charge-offs during the period	(28)	(129)	(136)	(76)	(23)	(14)	(202)	(12)	(620)
Total loans to the public - activity in	107,532	60,070	53,958	40,880	21,123	55,991	87,044	5,010	431,608
Total loans to the public - foreign	7,118	4,279	2,607	1,737	150	289	14,566	52	30,798
Non-troubled credit	7,118	4,278	2,285	1,535	150	289	14,145	52	29,852
Troubled performing	–	1	74	202	–	–	405	–	682
Non-performing credit	–	–	248	–	–	–	16	–	264
Gross charge-offs during the period	–	–	(20)	–	(22)	–	(58)	–	(100)
Total loans to the public	114,650	64,349	56,565	42,617	21,273	56,280	101,610	5,062	462,406

Note 29 - 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.)

	December 31, 2023								
	Recorded outstanding debt of fixed loans to the public						Debit balance Recorded Loans renewing	Debit balance Recorded Loans renewing converted to loans Fixed deposits	Total
	2023	2022	2021	2020	2019	Past			
	In NIS million								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	19,809	16,824	12,837	3,934	3,321	6,450	45,103	1,799	110,077
Credit that is rated as performing	19,657	16,324	12,104	3,708	3,224	6,282	44,979	1,784	108,062
Unrated performing credit that is not troubled	66	96	50	56	57	2	51	3	381
Troubled performing credit	42	187	75	29	25	53	46	4	461
Non-performing credit	44	217	608	141	15	113	27	8	1,173
Commercial - other, total	36,822	24,155	14,157	8,464	3,628	8,513	35,742	1,398	132,879
Credit that is rated as performing	36,588	23,572	13,700	8,175	3,430	8,152	34,912	1,342	129,871
Unrated performing credit that is not troubled	107	28	35	17	5	3	60	1	256
Troubled performing credit	81	411	293	175	160	239	678	15	2,052
Non-performing credit	46	144	129	97	33	119	92	40	700
Private individuals - housing loans - total	21,519	25,977	22,057	13,239	8,859	38,916	-	1	130,568
LTV of up to 60%	12,013	13,795	12,203	8,118	5,773	27,006	-	1	78,909
LTV of more than 60% and up to 75%	9,466	12,111	9,770	5,063	3,044	10,852	-	-	50,306
LTV over 75%	40	71	84	58	42	1,058	-	-	1,353
Credit that is non-delinquent and investment-grade	20,889	24,936	21,160	12,701	8,426	36,949	-	1	125,062
Non-delinquent credit not rated as investment-grade	541	886	738	418	351	1,477	-	-	4,411
In arrears of 30-89 days	47	88	75	54	29	114	-	-	407
Non-performing credit	42	67	84	66	53	376	-	-	688
Private individuals - other									
Total	9,517	6,361	3,724	2,014	579	308	6,914	399	29,816
Credit that is non-delinquent and investment-grade	9,002	5,604	3,270	1,842	500	258	6,445	298	27,219
Non-delinquent credit not rated as investment-grade	434	591	342	133	63	40	363	42	2,008
In arrears of 30-89 days	29	43	23	6	3	2	59	1	166
In arrears of over 90 days	14	18	8	2	1	1	35	1	80
Non-performing credit	38	105	81	31	12	7	12	57	343
Total loans to the public - activity in Israel	87,667	73,317	52,775	27,651	16,387	54,187	87,759	3,597	403,340
Total loans to the public - foreign operations	11,022	3,540	2,891	262	290	635	4,097	126	22,863

Note 29 – Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

	December 31, 2023								
	Recorded outstanding debt of fixed loans to the public						Debit balance Recorded Loans renewing	Debit balance Recorded Loans renewing converted to loans Fixed deposits	Total
	2023	2022	2021	2020	2019	Past			
	In NIS million								
Non-troubled credit	11,002	3,120	2,732	53	285	557	3,565	126	21,440
Troubled performing credit	5	102	61	–	–	78	471	–	717
Non-performing credit	15	318	98	209	5	–	61	–	706
Total loans to the public	98,689	76,857	55,666	27,913	16,677	54,822	91,856	3,723	426,203

Note 29 - 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]

	December 31, 2024					
	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 balance of [(b)] Non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	290	77	149	439	1,044	6
Commercial - Other	581	356	130	711	2,556	2
Commercial - total	871	433	279	1,150	3,600	8
Private individuals - housing loans	677	109	-	677	677	-
Private individuals - other	204	134	-	204	573	-
Total loans to the public - activity in Israel	1,752	676	279	2,031	4,850	8
Borrower activity outside Israel						
Total loans to the public - foreign operations	147	31	117	264	496	-
Total public[1]	1,899	707	396	2,295	5,346	8
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,112	581	371	1,483	3,834	
Measured on a specific basis according to fair value of collateral	110	17	25	135	835	
Measured on a collective basis	677	109	-	677	677	

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 163 million would have been recorded.
Additional information: the total recorded average outstanding debt of non-performing debts in the year ended December 31, 2024 is NIS 2,809 million.

Note 29 - 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					
	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 balance of [(b)] Non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	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 according to the present value of cash flows	1,723	654	417	2,140	4,108	
Measured 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 29 - 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, 2022					
	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 balance of [(b)] Non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	136	47	41	177	570	2
Commercial - other	481	155	212	693	2,367	4
Commercial - total	617	202	253	870	2,937	6
Private individuals - housing loans	559	77	-	559	579	-
Private individuals - other	222	115	-	222	474	1
Total loans to the public - activity in Israel	1,398	394	253	1,651	3,990	7
Borrower activity outside Israel						
Total loans to the public - foreign operations	204	48	53	257	478	2
Total public[1]	1,602	442	306	1,908	4,468	9
[1]Of which:						
Measured according to the present value of cash flows	997	364	258	1,255	3,623	
Measured according to fair value of collateral	46	1	48	94	266	
Measured on a collective basis	559	77	-	559	579	

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

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 467 million would be recorded.
Additional information: the total recorded average outstanding debt of non-performing debts in the year ended December 31, 2022 is NIS 2,657 million.

Note 29 - 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 December 31, 2024[A]				
	Recorded outstanding debt				
	Troubled		Non-troubled		
	Non-performing	performing[a] Interest income	In arrears of 30 days or more	Non-delinquent	Total
	In NIS million				
Borrower activity in Israel					
Commercial	390	142	1	320	853
Private individuals - housing loans	108	23	-	36	167
Private individuals - other	173	154	3	237	567
Total loans to the public - activity in Israel	671	319	4	593	1,587
Total loans to the public - foreign operations	171	-	-	619	790
Total loans to the public	842	319	4	1,212	2,377

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 further information, please see Note 1.X.1.

	December 31, 2023[b]			
	Non-performing	Performing[A] in arrears In arrears of 30 days up 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

a) Performing.
b) The disclosure referring to troubled debt restructurings carried out until December 31, 2023 remained in its previous format.

Comment: As of December 31, 2023, troubled debts that underwent restructuring in the amount of NIS 1,448 million were classified as troubled debts.

Note 29 - 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 year ended December 31, 2024[(a)]				
	Recorded outstanding debt				
	Troubled		Non-troubled		
	Non-performing	performing[(a)] Interest income	Non-delinquent	Total	Charge-offs
	In NIS million				
Borrower activity in Israel					
Commercial	165	52	17	234	50
Private individuals - housing loans	62	-	-	62	1
Private individuals - other	154	82	1	237	57
Total loans to the public - activity in Israel	381	134	18	533	108
Total loans to the public - foreign operations	65	-	495	560	-
Total - public	446	134	513	1,093	108

	Restructurings carried out					
	For the year ended December 31[(B)]					
	2023			2022		
	No. of contracts	Debit balance recorded before restructuring	Debit balance recorded after restructuring	No. of contracts	Debit balance recorded before restructuring	Debit balance recorded after restructuring
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction and real estate	396	356	356	281	40	38
Commercial - Other	1,662	227	226	1,209	178	176
Commercial - total	2,058	583	582	1,490	218	214
Private individuals - housing loans	109	32	32	111	41	41
Private individuals — other	9,169	494	492	6,426	297	296
Total loans to the public - activity in Israel	11,336	1,109	1,106	8,027	556	551
Borrower activity outside Israel						
Total loans to the public - foreign operations	1	31	31	2	1	1
Total - public	11,337	1,140	1,137	8,029	557	552

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 further information, please see Note 1.X.1.

b) The fair disclosure regarding the restructurings carried out until December 31, 2023 has remained in its previous format.

Note 29 - 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 period

	Debts of borrowers with financial difficulties who underwent a change in terms and conditions								
	in the year ended December 31, 2024[(A)]								
	Total		Type of change						
	Recorded outstanding debt	percent Total	Waiver of principal	Waiver of interest	Period extension	Deferral of payments	Waiver of interest and period extension	Waiver for interest, period extension and deferral of payments	Period extension and deferral of payments
	In NIS million	In %	millions NIS						
Borrower activity in Israel									
Commercial	234	0.09	22	31	109	-	72	-	-
Private individuals - housing loans	62	0.04	-	-	11	51	-	-	-
Private individuals - other	237	0.78	-	11	118	1	94	3	10
Total loans to the public - Activity in Israel	533	0.12	22	42	238	52	166	3	10
Total loans to the public - Foreign operations	560	1.82	-	-	560	-	-	-	-
Total - public	1,093	0.24	22	42	798	52	166	3	10

	Financial effects of a change in terms and conditions for debts of borrowers with financial difficulties			
	in the year ended December 31, 2024[(A)]			
	Type of change			
	Waiver of principal	Average waiver of interest	Average period extension	Average deferral of payments
	In NIS million	In %	Months	Months
Borrower activity in Israel				
Commercial	129	3.69	42	-
Private individuals - housing loans	-	-	75	11
Private individuals - other	27	4.19	46	3
Total loans to the public - activity in Israel	156	3.92	45	11
Total loans to the public - foreign operations	-	-	12	-
Total - public	156	3.92	26	11

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 further information, please see Note 1.X.1.

Note 29 - 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 period (cont.)

	Debts of borrowers with financial difficulties who defaulted in the reporting year following a change in terms and conditions(b)			
	in the year ended December 31, 2024(A)			
	Total	Type of change		
	Recorded outstanding debt	Waiver of interest	Extension of the period for	Waiver of interest and period extension
	In NIS million			
Borrower activity in Israel				
Commercial	**28**	**-**	**13**	**15**
Private individuals - other	**26**	**1**	**13**	**12**
Total loans to the public - activity in Israel	**54**	**1**	**26**	**27**
Total - public	**54**	**1**	**26**	**27**

	Failed restructurings(b)			
	For the year ended December 31(C)			
	2023		2022	
	Number of contracts	Debit balance Recorded	Number of contracts	Debit balance Recorded
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction and real estate	201	25	156	24
Commercial - Other	743	76	692	66
Commercial - total	944	101	848	90
Private individuals - housing loans	67	29	66	13
Private individuals - other	3,621	130	2,661	85
Total loans to the public - activity in Israel	4,632	260	3,575	188
Total - public	4,632	260	3,575	188

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 further information, please see Note 1.X.1.
b) Debts which were in arrears of at least 30 days during the reporting year, which underwent a change in terms and conditions during the 12 months preceding the date on which they became delinquent.
c) The disclosure referring to restructurings carried out until December 31, 2023 remained in its previous format.

Note 29 - 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

	December 31, 2024							
	Is not in arrears of 90 days or more	In arrears of 90 days up to 180	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	**1,067**	**66**	**122**	**149**	**4**	**3**	**2**	**1,413**
Housing loans	**70**	**330**	**138**	**117**	**12**	**5**	**6**	**678**
Private individuals	**204**	**–**	**–**	**–**	**–**	**–**	**–**	**204**
Total	**1,341**	**396**	**260**	**266**	**16**	**8**	**8**	**2,295**

	December 31, 2023							
	Is not in arrears of 90 days or more	In arrears of 90 days up to 180	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	343	–	–	–	–	–	–	343
Total	2,265	633	439	184	76	8	5	3,610

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV),[(a)] type of repayment and interest

		December 31, 2024			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon	[1]Of which: varying interest Variable	Credit risk Off-balance-sheet Total
		In NIS million			
First pledge: LTV ratio	Up to 60%	**86,172**	**5,088**	**50,831**	**2,678**
	Over 60%	**58,458**	**1,911**	**35,890**	**2,935**
Secondary pledge or unpledged		**3**	**–**	**3**	**–**
Total		**144,633**	**6,999**	**86,724**	**5,613**

		December 31, 2023			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon	[1]Of which: varying interest Variable	Credit risk Off-balance-sheet Total
		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
Secondary pledge or unpledged		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 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Loans to the Public and Off-Balance-Sheet Credit Risk by Borrower's Loan Amount

Maximum credit		December 31, 2024		
		No. of borrowers[c]	Loans[a]	Credit risk Off-balance sheet[A][B]
Loans to borrower in NIS thousands			In NIS million	
From	To			
0	10	472,017	835	1,721
10	20	213,638	1,028	2,264
20	40	210,173	2,326	3,907
40	80	194,109	5,701	5,496
80	150	133,566	10,147	4,537
150	300	107,176	19,162	3,498
300	600	73,987	28,924	2,801
600	1,200	76,820	63,237	4,392
1,200	2,000	33,162	45,208	4,454
2,000	4,000	11,816	27,209	3,959
4,000	8,000	3,238	14,622	3,205
8,000	20,000	2,266	22,965	5,587
20,000	40,000	1,025	21,315	7,189
40,000	200,000	1,223	75,314	28,916
200,000	400,000	222	36,860	24,521
400,000	800,000	95	30,459	22,050
800,000	1,200,000	35	16,793	16,340
1,200,000	1,600,000	11	8,991	6,489
1,600,000	2,000,000	9	5,196	10,823
2,000,000	2,400,000	4	5,356	3,664
2,400,000	2,800,000	2	4,864	263
2,800,000	3,200,000	3	4,849	4,165
Over 3,200,000		5	3,599	20,709
Total		1,534,602	454,960	190,950

Please see comments on the next page.

Note 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Loans to the public and off-balance-sheet credit risk by borrower's loan amount (cont.)

		December 31, 2023		
Maximum credit		No. of borrowers[(c)]	Loans[(a)]	Credit risk Off-balance sheet[(A)(B)]
Loans to borrower in NIS thousands			In NIS million	
From	To			
0	10	482,704	855	1,845
10	20	220,439	1,061	2,394
20	40	212,871	2,413	3,974
40	80	192,958	5,826	5,312
80	150	134,121	10,488	4,284
150	300	103,971	18,732	3,247
300	600	71,295	27,976	2,682
600	1,200	72,677	59,649	4,351
1,200	2,000	28,875	39,195	3,998
2,000	4,000	10,074	23,308	3,499
4,000	8,000	2,934	13,219	2,966
8,000	20,000	2,220	22,153	5,884
20,000	40,000	1,029	21,613	6,553
40,000	200,000	1,166	71,282	29,671
200,000	400,000	201	35,744	21,447
400,000	800,000	76	24,556	18,505
800,000	1,200,000	21	10,649	9,679
1,200,000	1,600,000	11	8,613	6,845
1,600,000	2,000,000	8	7,039	7,133
2,000,000	2,400,000	3	3,656	3,373
2,400,000	2,800,000	2	4,107	1,001
2,800,000	3,200,000	1	958	2,027
Over 3,200,000		5	4,797	16,680
Total		1,537,662	417,889	167,350

a) Prior to the effect of provisions for credit losses and after the effect of collateral that are deductible for the purpose of a borrower' or borrower group's indebtedness. The on-balance sheet credit includes fair value balances of derivatives in the sum of NIS 2,987 million, as at December 31, 2023 the sum of NIS 1,679 million.
b) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per borrower indebtedness limitations.
c) Number of borrowers according to total off-balance-sheet credit and credit risk.

Comments:
Starting with loans of up to NIS 8,000 thousand, loans are classified by the specific consolidation method; loans to other borrowers were classified by the category consolidation method.
The definition of "borrower" and the definition of "indebtedness", including off-balance-sheet credit risk, are in accordance with the Banking Supervision Department's directives regarding the amendment of Proper Conduct of Banking Business Directive No. 313 – "Limitations on the indebtedness of a borrower and a group of borrowers".

Note 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

D. Off-balance-sheet financial instruments

	December 31			
	2024		2023	
	Balances Contracts[a]	Balance Commercial - other Commercial - total Total loans to the public - activity in Israel	Balances Contracts[a]	Balance Commercial - other Commercial - total Total loans to the public - activity in Israel
	In NIS million			
A. Off-balance sheet financial instruments - Contractual balances or notional amounts as of year-end - Transactions in which the balance reflects credit risk:				
Documentary credit	**1,177**	**1**	642	3
Loan guarantees	**8,614**	**96**	8,453	103
Guarantees for apartment buyers	**42,749**	**21**	35,731	19
Guarantees and other commitments[b]	**30,063**	**107**	26,548	96
Unutilized credit card credit facilities	**14,457**	**33**	13,916	34
Unutilized current loan account facilities and other credit facilities in demand accounts	**14,717**	**58**	15,922	58
Irrevocable loan commitments approved and not yet given	**60,052**	**438**	54,416	339
Commitments to issue guarantees	**40,280**	**88**	34,340	95
Unutilized credit facilities for derivatives activity	**2,690**	**-**	3,122	-
Approval in principle to maintain interest rate[c]	**6,613**	**-**	5,404	-

a) The balance of the contracts or their par value as at the end of the year, 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 293 million (as at 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 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

E. Guarantees by repayment date

	As at December 31, 2024				
	Up to one year	One year up to three Years	Three up to Five Years	Over Five Years	Total
	In NIS million				
Loan guarantees	**6,161**	**1,421**	**355**	**677**	**8,614**
Guarantees for apartment buyers	**–**	**42,749**	**–**	**–**	**42,749**
Guarantees and other commitments	**15,745**	**6,267**	**1,396**	**6,655**	**30,063**
Total guarantees	**21,906**	**50,437**	**1,751**	**7,332**	**81,426**

	As at December 31, 2023				
	Up to one year	One year up to three Years	Three up 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 cash balance available to the Bank to cover losses to be realized under these guarantees and indemnities amounted to the sum of approximately NIS 250 million (as at December 31, 2023 — NIS 302 million). In addition, securities and other tradable assets held as collateral, amounted to the sum of approximately NIS 12 million (as of December 31, 2023 – NIS 9 million).

Note 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

F. Sale and purchase of loans to the public

Credit risk from sold loans to the public

	For the year ended December 31									
	2024					2023				
	Sold loans to the public	Sold off-balance sheet credit risk[(a)]	Of which: Troubled credit risk	Total gain for sold loans to the public	Total year-end outstanding loans sold, for which the Bank provides services	Sold loans to the public	Sold off-balance sheet credit risk[(a)]	Of which: Troubled credit risk	Total gain for sold loans to the public	Total year-end outstanding loans sold, for which the Bank provides services
	In NIS million									
Commercial - total	**473**	**567**	**-**	**-**	**1,648**	42	290	42	-	989
Individuals - Housing loans	**-**	**-**	**-**	**-**	**492**	-	-	-	-	563
Private individuals - other	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Commercial - other Loans to the public	**473**	**567**	**-**	**-**	**2,140**	42	290	42	-	1,552

Purchased credit risk from loans to the public

	For the year ended December 31					
	2024			2023		
	Loans to the public purchased in the reporting period	Credit risk Off-balance sheet[(A)] purchased	Of which: Troubled Credit Risk	Loans to the public purchased in the reporting period	Credit risk Off-balance sheet[(A)] purchased	Of which: B.Debts(a) (cont.) Additional information on impaired debts (cont.)
	In NIS million					
Commercial - total	**15,725**	**345**	**-**	13,646	-	-
Private individuals - housing loans	**-**	**-**	**-**	1,556	-	-
Private individuals - other	**12,308**	**-**	**-**	10,718	-	-
Total credit risk arising from loans to the public	**28,033**	**345**	**-**	25,920	-	-

a) Credit risk arising from off-balance-sheet financial instruments as calculated for the purpose of measuring a borrower's indebtedness limitation, excluding in respect of derivatives.

Note 29 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

G. Syndications and Participation in Loan Syndications

	As at December 31, 2024					
	Syndication transactions organized by the Bank[(a)]				Syndication transactions organized by others	
	The Bank's share		Others' share		The Bank's share	
	Loans to the public	Credit risk Off-balance sheet[(b)]	Loans to the public	Credit risk Off-balance sheet[(B)]	Loans to the public	Credit risk Off-balance sheet[(b)]
	In NIS million					
Commercial - total	**7,445**	**4,353**	**11,497**	**5,940**	**3,138**	**2,128**
Private individuals - housing loans	**49**	**-**	**49**	**-**	**-**	**-**
Private individuals - other	**-**	**-**	**-**	**-**	**-**	**-**
Total credit risk arising from loans to the public	**7,494**	**4,353**	**11,546**	**5,940**	**3,138**	**2,128**

	As at December 31, 2023					
	Syndication transactions organized by the Bank[(a)]				Syndication transactions organized by others	
	The Bank's share		Others' share		The Bank's share	
	Loans to the public	Credit risk Off-balance sheet[(b)]	Loans to the public	Credit risk Off-balance sheet[(b)]	Loans to the public	Credit risk Off-balance sheet[(b)]
	In NIS million					
Commercial - total	6,087	4,282	11,000	5,816	1,995	2,321
Private individuals - housing loans	75	17	77	17	-	-
Private individuals - other	-	-	-	-	-	-
Total credit risk arising from loans to the public	6,162	4,299	11,077	5,833	1,995	2,321

a) Including where the banking corporation provides a material service in the syndication transaction.
b) Credit risk arising from off-balance-sheet financial instruments as calculated for the purpose of measuring a borrower's indebtedness limitation, excluding in respect of derivatives.

Note 30 – Assets and Liabilities by Linkage Basis

	December 31, 2024						
	NIS		Foreign currency[a]				
	Non-linked	Linked to the Consumer Price Index	in US dollars US	In EUR	In other foreign currencies Other	Non-monetary items[B]	Total
	In NIS million						
Assets							
Cash and deposits with banks	140,163	-	9,661	856	1,964	3,184	155,828
Securities	46,481	4,607	58,560	5,831	1,433	7,189	124,101
Securities borrowed or purchased under reverse repurchase agreement	1,510	-	3,170	1	3	-	4,684
Loans to the public, net[c]	337,629	66,050	32,530	6,385	10,998	1,927	455,519
Loans to the government	650	-	294	1,565	-	-	2,509
Investments in associates	-	-	-	-	-	3,580	3,580
Buildings and equipment	-	-	-	-	-	2,822	2,822
Assets in respect of derivatives	6,880	321	9,065	146	141	12,640	29,193
Other assets	6,205	1	43	32	71	963	7,315
Total assets	539,518	70,979	113,323	14,816	14,610	32,305	785,551
Liabilities							
Deposits by the public	452,040	11,685	131,669	12,841	4,927	5,139	618,301
Deposits by banks	8,750	-	5,900	3,027	362	4	18,043
Deposits by the Israeli Government	44	-	120	8	-	-	172
Securities loaned or sold under reverse repurchase agreement	1,089	-	10,597	-	-	-	11,686
Bonds, promissory notes and deferred liability letters[A] Subordinated notes	5,008	20,612	6,349	-	-	-	31,969
Liabilities for derivatives	8,104	279	6,617	117	77	12,558	27,752
Other liabilities	6,746	8,254	124	30	138	673	15,965
Total liabilities	481,781	40,830	161,376	16,023	5,504	18,374	723,888
Difference[d]	57,737	30,149	(48,053)	(1,207)	9,106	13,931	61,663
Effect of hedging derivatives:							
Derivatives (excluding options)	611	(611)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(30,150)	(3,518)	41,962	267	(9,083)	522	-
In the money options, net (according to underlying asset)	(781)	-	730	113	(62)	-	-
Out of the money options, net (according to underlying asset)	(308)	-	157	122	29	-	-
Grand total	27,109	26,020	(5,204)	(705)	(10)	14,453	61,663
In the money options, net (discounted nominal value)	(1,079)	-	1,062	118	(101)	-	-
Out of the money options, net (discounted nominal value)	(1,853)	-	1,310	501	42	-	-

a) Including those linked to foreign currency.
b) Including derivatives whose underlying asset relates to a non-monetary item.
c) After the deduction of loan loss provisions attributed to a linkage basis, in accordance with the linkage of the underlying credit, in the amount of NIS 6,887 million.
d) Shareholders' equity includes non-controlling interests.

Note 30 - Assets and Liabilities by Linkage Basis (cont.)

	December 31, 2023						
	NIS		Foreign currency[(a)]				
	Non-linked	Linked to the Consumer Price Index	in US dollars US	In EUR	In other foreign currencies 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 agreement	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 the Israeli Government	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 the Israeli Government	83	–	64	13	–	–	160
Securities loaned or sold under reverse repurchase agreement	80	–	13,696	–	–	–	13,776
Bonds, promissory notes and deferred liability letters[(A)] 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 31 - Cashflows According to the Contractual Maturity Date[A]

	December 31, 2024		
	Cash flows according to the contractual maturity date		
	Upon demand And until	More than one day And up to a week	More than a week Up to one month
	In NIS million		
Cash, deposits and tradable bonds[F]			
Cash and deposits with banks	92,943	54,218	4,311
Tradable government bonds	20	24	550
Other tradable bonds	29	20	724
Total cash, deposits and tradable bonds	92,992	54,262	5,585
Other monetary assets			
Loans to the public[B]	16,408	21,603	55,552
Other monetary assets excluding derivatives	4,636	218	762
Total monetary assets, excluding derivatives	21,044	21,821	56,314
Monetary liabilities			
Deposits by the public[G]	312,699	59,843	50,167
Of which: households and small and micro businesses	116,346	25,799	26,140
Deposits by banks	9,350	-	640
Securities loaned or sold under repurchase agreements	1,863	918	1,613
Bonds and deferred promissory notes	-	-	142
Other monetary liabilities excluding derivatives	727	1,851	136
Total monetary liabilities excluding derivatives	324,639	62,612	52,698
Derivative instruments, Off-balance sheet items employees' rights			
The impact of derivatives	18	41	(23)
Undertakings to extend credit	371	1,726	14,909
Employee Benefits	3	-	(2)
The impact of derivative instruments, off-balance sheet items and employees' rights	392	1,767	14,884
Total cash flows, net (including shekels and foreign currency)[H]	(210,995)	11,704	(5,683)
Of which in foreign currency:[C]			
Total cash, deposits and tradable bonds in foreign currency	7,685	3,636	974
Total other monetary assets, excluding derivatives in foreign currency	15,124	6,016	4,807
Total monetary liabilities excluding derivatives in foreign currency	80,849	16,193	15,143
The impact of derivative instruments, off-balance sheet items and employees' rights in foreign currency	5	(5,796)	(18,586)
Total cash flows in foreign currency	(58,045)	(745)	9,224

	December 31, 2023[I]		
	Cash flows according to the contractual maturity date		
	Upon demand And until	More than one day And up to a week	More than a week Up to one month
	In NIS million		
Cash, deposits and tradable bonds[F]	54,303	53,127	3,468
Other financial assets excluding derivatives	14,604	13,154	54,211
Deposits by the public[G]	284,990	54,234	50,011
Other financial liabilities excluding derivatives and deposits by the public	10,382	1,722	4,174
The impact of derivative instruments, off-balance sheet items and employees' rights	4,413	2,459	14,477
Total cash flows, net (including shekels and foreign currency)[H]	(230,878)	7,866	(10,983)
Of which: cash flows in foreign currency[C]	(63,034)	344	4,307

Please see comments on page 280.

					Book balance[(d)]		
Over one month and up three months	Over three months and up to one year	More than 12 months and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Without repayment date	Total	Effective rate of return[(E)]
							In %
32	216	383	357	363		152,644	1.03
3,087	11,660	29,422	12,864	43,977		83,245	3.87
395	2,254	7,779	6,738	30,042		33,667	4.59
3,514	14,130	37,584	19,959	74,382		269,556	4.07
41,474	62,453	92,470	55,228	202,346	20,455	453,592	5.26
504	729	786	429	2,950	3,099	13,545	1.45
41,978	63,182	93,256	55,657	205,296	23,554	467,137	5.19
80,653	92,668	12,163	2,870	8,693		613,162	3.21
39,322	59,096	9,271	2,157	1,453		276,807	3.01
1,361	2,620	2,533	199	2,378		18,039	4.13
5,827	1,545	–	–	–		11,686	3.93
2,825	2,745	14,261	9,150	5,670		31,969	2.70
254	1,091	502	425	222	2,853	8,057	0.06
90,920	100,669	29,459	12,644	16,963	2,853	682,913	3.07
(233)	(513)	(645)	(494)	(1,011)	–	(1,441)	
6,383	37,954	20,210	5,505	2,559		88,697	
(16)	554	1,386	153	16,355		7,407	
6,134	37,995	20,951	5,164	17,903	–	94,663	
(51,562)	(61,352)	80,430	57,808	244,812	20,701	(40,883)	
2,491	8,853	20,512	10,976	45,599		79,146	4.42
3,226	9,001	11,108	4,965	1,098	3,053	55,093	6.16
25,444	29,859	6,481	2,253	2,435	–	175,750	4.33
5,668	(5,820)	707	(1,070)	(1,267)	–	(24,330)	
(25,395)	(6,185)	24,432	14,758	45,529	3,053	(17,181)	

					Book balance[(d)]		
Over one month and up three months	Over three months and up to one year	More than 12 months and up to 3 years	Over 3 years and up to 5 years	Over 5 years	Without repayment date	Total	Effective rate of return[(E)]
							In %
18,216	64,192	24,990	13,713	52,364		258,288	4.21
39,932	57,539	83,106	53,938	187,410	25,498	426,195	5.07
75,946	84,322	8,155	3,179	4,501	–	560,986	2.73
12,072	13,717	14,440	11,237	6,647	2,392	73,830	2.33
5,707	33,258	21,707	4,158	18,785	–	91,245	
(35,577)	(9,566)	63,794	49,077	209,841	23,106	(41,578)	
(3,910)	(415)	14,373	10,077	40,342	3,698	(15,920)	

Note 31 - Cashflows According to the Contractual Maturity Date(A) (cont.)

Comments:

a) This note presents the expected contractual future cash flows in respect of the assets and liabilities sections according to the remaining periods until the contractual maturity date. The provision for credit losses is deducted from the relevant cash flows.

b) The future cash flows of loans to the public are presented according to the contractual maturity date of the loans. Credit in checking accounts or revolving credit accounts of the "ON CALL" type and credit in arrears of 30 days or more are presented in the column "with no maturity date".

c) Excluding foreign-currency linked NIS.

d) As included in Note 30 "Assets and Liabilities by Linkage Basis", including off-balance sheet amounts in respect of derivatives that are not settled on a net basis.

e) The rate of effective return is the interest rate used to discount the projected contractual cash flows due to a monetary item to its book balance.

f) The fair value of cash, deposits and tradable bonds that are not pledged as at December 31, 2024 stands at NIS 250,198 million (as at December 31, 2023 - NIS 240,054 million).

g) The future cash flows of the deposits are presented according to the earliest possible date pursuant to the contract. Deposits made for immediate withdrawal are presented on the "upon demand and up to a day" column

h) This difference does not necessarily reflect exposure to interest and/or linkage basis.

i) Had been presented anew according to the Bank of Israel's circular concerning disclosure of interest risk and disclosure of liquidity and financing risk. Please see Note 1.X.3.

Note 32A - Balances and Fair Value Assessments of Financial Instruments

A. Overview

This note includes information regarding the measurement of financial instruments' fair value according to Banking Supervision Department's directives. Most of the Bank's financial instruments do not have a quoted "market price" since they are not traded in an active market. Therefore, the fair value of such instruments is measured based on the present value of the future cash flows discounted by an interest rate reflecting the interest rate of a similar transaction entered into on reporting date. The estimated fair value is calculated by estimating the future cash flows and determining a subjective discount rate. Therefore, for most financial instruments, the reported fair value estimate is not necessarily indicative of the financial instrument's realizable value on reporting date. Fair value was estimated on the basis of interest rates in effect as of reporting date and does not take into account interest rate fluctuations. If different interest rates are used, the fair value calculated may be significantly different. This mainly applies to financial instruments bearing fixed interest or non-interest-bearing financial instruments. Furthermore, fees and commissions receivable or payable as a result of the business activities were not taken into account in the calculation of fair values. Moreover, the difference between the book balance and the fair value balances may not be realized since in most cases the Bank may hold the financial instrument to maturity. In view of the above, it should be emphasized that the data included in this note does not reflect the Group's value as a going concern. Furthermore, because of the wide range of valuation techniques and estimates that can potentially be applied in the measurement of fair value, one must exercise caution when comparing the fair value of different banks.

B. Principal Methods and Assumptions Used in Estimating the Fair Value of Financial Instruments

Financial assets

Loans to the public - the fair value of the outstanding loans to the public is measured according to the present value of the future cash flows discounted at an adequate discount rate. The outstanding loans were classified into several categories according to the operating segment and the borrowers' credit rating. Future cash flows (principal and interest) were calculated for each category according to the different linkage bases. These cash flows were discounted at interest rates that reflect the risk level and average spread inherent in that loan category and the term of the loan.

This interest rate is normally determined according to the interest rate used in similar transactions as of reporting date.

The fair value of debit current account balances was estimated according to their book balances.

The fair value of impaired debts was calculated using interest rates that reflect the high level of their inherent credit risk. In any case, these interest rates reflect the highest interest rates used by the Group in transactions carried out in that same segment as of reporting date.

The fair value of current account balances classified as impaired debts was calculated according to their estimated average duration based on maximum interest rates used by the Bank.

The future cash flows in respect of impaired debts were calculated after deducting the effect of charge-offs and loan loss provisions.

Deposits with banks and loans to governments - by discounting the future cash flows at interest rates used in similar transactions entered into on reporting date.

Securities — tradable securities were measured at market value. Non-tradable securities — shares were measured at cost and bonds were measured using a model that takes into account the present value of the future cash flows discounted at an adequate discount rate, which also takes into account the probability of default and the market value.

Financial liabilities

Deposits by the public - the balance of the deposits was classified into a number of categories according to operating segments, linkage basis and deposits' periods to maturity. The flows of future payments (principal and interest) were calculated in respect of each category. These payments were discounted at an interest rate reflecting the average interest rate the Group pays on similar deposits of the same category for the term to maturity.

Deposits by banks and deposits by Governments - the fair value is estimated by discounting the future cash flows at the estimated interest rates at which the Group may raise similar deposits on reporting date.

Note 32.A - Financial Instruments - Balances and Fair Value Measurement (cont.)

Bonds, promissory notes and subordinated bonds — at market value or by discounting the future cash flows at the interest rates at which the Group raises similar deposits, or can issue similar promissory notes on the reporting date.

Other financial assets and liabilities

Derivatives

Derivatives with an active market were estimated at market value determined in the principal market. If the instrument is traded in several markets, fair value is estimated according to the most active market. Derivatives not traded on an active market were measured using models used by the Bank in the ordinary course of business, which take into account the risks inherent in the financial instrument (market risk, credit risk, etc.).

	December 31, 2024				
	Balance Unrealized gains	Fair value			
		(Level 1)	(Level 2)	(Level 3)	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	155,828	144,754	9,865	1,037	155,656
Securities[b]	124,101	69,879	43,486	9,499	122,864
Securities borrowed or purchased under reverse repurchase agreements	4,684	4,684	-	-	4,684
Loans to the public, net	455,519	23,123	-	430,227	453,350
Loans to governments	2,509	-	984	1,453	2,437
Assets in respect of derivatives	29,193	7,113	18,688	3,392	29,193
Other financial assets	340	49	-	291	340
Total financial assets	772,174[C]	249,602	73,023	445,899	768,524
Financial liabilities					
Deposits by the public	618,301	30,259	324,386	261,905	616,550
Deposits by banks	18,043	3,861	5,847	8,399	18,107
Deposits by governments	172	-	137	35	172
Securities loaned or sold under repurchase agreements	11,686	11,686	-	-	11,686
Bonds, promissory notes and subordinated notes	31,969	26,820	-	4,479	31,299
Liabilities for derivatives	27,752	7,043	20,633	76	27,752
Other financial liabilities	3,132	438	1,555	1,139	3,132
Total financial liabilities	711,055[C]	80,107	352,558	276,033	708,698
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	476	-	-	476	476
In addition, liabilities in respect of employee benefits, net[d]	7,913	-	-	7,913	7,913

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 further information regarding the book balance and fair value of securities, please see Note 12.

c) Of which: Assets and liabilities in the amount of NIS 197,689 million and NIS 267,393 million, respectively, as 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 for an original period of up to 3 months for which the outstanding balance sheet amount is used as an approximation of the fair value). For further information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 32B - 32D.

d) The liability is presented on a net basis and takes into account plan assets managed against it.

Note 32.A – Financial Instruments – Balances and Fair Value Measurement (cont.)

	December 31, 2023				
	Balance Unrealized gains	Fair value			
		(Level 1)	(Level 2)	(Level 3)	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[(F)]	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 further information regarding the book balance and fair value of securities, please see Note 12.

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 for an original period of up to 3 months for which the outstanding balance sheet amount is used as an approximation of the fair value). For further information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 32B – 32D.

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.

f) In 2024 the Bank had updated the assessment of the fair value of the credit to the public, net. The impact as at December 31, 2023, had the aforementioned assessment been implemented, is a reduction pf the fair value of the credit to the public, net, in the sum of approximately NIS 0.5 billion out of a balance of approximately NIS 416.4 billion.

Note 32B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis

	December 31, 2024			
	Fair value measurements using -			
	Prices quoted in an active market (Level 1)	Observable data Other significant (Level 2)	Unobservable significant data significant (Level 3)	Total Fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	37,658	10,043	24	47,725
Foreign governments bonds	14,885	2,670	-	17,555
Bonds of Israeli financial institutions	176	-	-	176
Bonds of foreign financial institutions	-	8,487	-	8,487
Asset-backed bonds (ABS) Mortgage-backed (MBS)	-	6,542	4,960	11,502
Other Israeli bonds	741	281	-	1,022
Other foreign bonds	-	4,033	-	4,033
Total available-for-sale bonds	53,460	32,056	4,984	90,500
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	3,180	-	-	3,180
Held-for-trading securities:				
Government of Israel bonds	6,825	-	-	6,825
Foreign governments bonds	255	52	-	307
Bonds of Israeli financial institutions	61	-	-	61
Bonds of foreign financial institutions	-	132	-	132
Asset-backed bonds (ABS) Mortgage-backed (MBS)	-	11	1	12
Other Israeli bonds	137	-	-	137
Other foreign bonds	-	71	-	71
Held-for-trading equity securities and mutual funds	11	-	-	11
Total held-for-trading securities	7,289	266	1	7,556
Assets in respect of derivatives:				
NIS-CPI contracts	-	63	267	330
Interest rate contracts	500	8,286	203	8,989
Foreign exchange contracts	-	4,884	1,637	6,521
Stock contracts	6,042	5,454	1,284	12,780
Commodity- and other contracts	25	1	1	27
MAOF (Israeli financial instruments and futures) market activity	546	-	-	546
Total underlying assets for derivatives	7,113	18,688	3,392	29,193
Other:				
Credit and deposits for loaned securities	15,928	-	-	15,928
Securities borrowed or purchased under reverse repurchase agreement	4,684	-	-	4,684
Other	48	-	-	48
Other - total	20,660	-	-	20,660
Total assets	91,702	51,010	8,377	151,089

Note 32.B – Items Measured at Fair Value (cont.)

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

	December 31, 2024			
	Fair value measurements using –			
	Prices quoted in an active market (Level 1)	Observable data Other significant (Level 2)	Unobservable significant data In significant unobservable inputs (Level 3)	Total Fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	–	223	64	287
Interest rate contracts	463	7,475	–	7,938
Foreign exchange contracts	–	6,261	5	6,266
Stock contracts	6,009	6,672	7	12,688
Commodity- and other contracts	25	2	–	27
MAOF (Israeli financial instruments and futures) market activity	546	–	–	546
Total liabilities in respect of derivatives	7,043	20,633	76	27,752
Other:				
Deposits by the public	14,935	21	–	14,956
Securities loaned or sold under reverse repurchase agreement	11,686	–	–	11,686
Credit-linked notes (CLN)	–	–	3,962	3,962
Other	438	–	–	438
Other – total	27,059	21	3,962	31,042
Total liabilities	34,102	20,654	4,038	58,794

Note 32.B – Items Measured at Fair Value (cont.)

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

	December 31, 2023			
	Fair value measurements using –			
	Prices quoted in an active market (Level 1)	Observable data Other significant (Level 2)	Unobservable significant data 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 bonds (ABS) Or mortgage-backed (MBS)	–	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 bonds (ABS) Or mortgage-backed (MBS)	–	20	5	25
Other Israeli bonds	159	–	–	159
Other foreign bonds	–	35	2	37
Held-for-trading 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 agreement	3,053	–	–	3,053
Other	22	–	–	22
Other - total	17,224	–	–	17,224
Total assets	129,386	49,291	7,782	186,459

Note 32.B - Items Measured at Fair Value (cont.)

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

	December 31, 2023			
	Fair value measurements using -			
	Prices quoted in an active market (Level 1)	Observable data Other significant (Level 2)	Unobservable significant data 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 by the public	13,682	17	-	13,699
Securities loaned or sold under reverse repurchase agreement	13,776	-	-	13,776
Credit-linked notes (CLN)	-	-	419	419
Other	175	-	-	175
Other - total	27,633	17	419	28,069
Total liabilities	33,444	20,713	548	54,705

Note 32.B - Items Measured at Fair Value (cont.)

B. Items Measured at Fair Value on a Non-Recurring Basis

	December 31, 2024				
	Fair value measurements using -				
	Prices quoted in an active market (Level 1)	Observable data Other significant (Level 2)	Unobservable significant data In significant unobservable inputs (Level 3)	Total Fair value	Total Profit (loss) for changes in value for the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	135	135	5
Total	-	-	135	135	5

	December 31, 2023				
	Fair value measurements using -				
	Prices quoted in an active market (Level 1)	Observable data Other significant (Level 2)	Unobservable significant data In significant unobservable inputs (Level 3)	Total Fair value	Total Profit (loss) for changes in value for the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	782	782	(127)
Total	-	-	782	782	(127)

Note 32C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3

For the year ended December 31, 2024

	Fair value as at the beginning of the year	Realized/unrealized gains (losses), net, including: In the income statement[(A)]	In income Total Other[(b)]	Purchases and issuances	Sales	Discharges	Transfers to level 3[(C)]	Transfers from level 3[(c)]	Fair value as at December 31, 2024	Unrealized gains (losses) for instruments held as at December 31, 2024
	In NIS million									
Assets										
Available-for-sale bonds:										
Israeli Government	26	(1)	(1)	-	-	-	-	-	24	(1)
MBS/ABS	4,889	(49)	4	1,061	-	(1,092)	147	-	4,960	3
Total available-for-sale bonds	4,915	(50)	3	1,061	-	(1,092)	147	-	4,984	2
Held-for-trading bonds:										
MBS/ABS	5	-	-	-	-	(4)	-	-	1	-
Others - abroad	2	-	-	-	(2)	-	-	-	-	-
Total held-for-trading bonds	7	-	-	-	(2)	(4)	-	-	1	-
Assets in respect of derivatives:										
NIS-CPI contracts	200	(10)	-	-	-	-	77	-	267	140
Interest rate contracts	118	709	-	-	-	(624)	-	-	203	143
Foreign exchange contracts	2,363	(2,938)	-	2,212	-	-	-	-	1,637	1,351
Stock contracts	179	1,105	-	-	-	-	-	-	1,284	1,261
Commodity- and other contracts	-	1	-	-	-	-	-	-	1	1
Total assets in respect of derivatives	2,860	(1,133)	-	2,212	-	(624)	77	-	3,392	2,896
Total assets	7,782	(1,183)	3	3,273	(2)	(1,720)	224	-	8,377	2,898
Liabilities										
Liabilities for derivatives:										
NIS-CPI contracts	116	(115)	-	-	-	-	63	-	64	7
Foreign exchange contracts	6	(1)	-	-	-	-	-	-	5	-
Stock contracts	7	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	129	(116)	-	-	-	-	63	-	76	7
Total - other	419	28	(3)	3,770	-	(252)	-	-	3,962	25
Total liabilities	548	(88)	(3)	3,770	-	(252)	63	-	4,038	32

a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.
b) Unrealized gains included in the Statement of Changes in Equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) in respect of available-for-sale bonds as at December 31, 2024, amounted to NIS 2 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 32C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the year ended December 31, 2023									
		Realized/unrealized gains (losses), net, including:								
	Fair value as at the beginning of year	In the income statement(A)	In income Total Other(b)	Purchases and issuances	Sales	Discharges	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	–
Others - abroad	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 assets in respect of 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
Total - other	–	–	–	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 losses included in the Statement of Changes in Equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) in respect of available-for-sale bonds 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 32D - Quantitative Information on Items Measured at Fair Value and Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	December 31, 2024				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
A. Items Measured at Fair Value on a Recurring Basis	NIS Millions				
Assets					
Available-for-sale securities[1]					
Government of Israel bonds	24	Discounted cash flows	Spread	bp 205	bp 205
			Probability of default	1.68%	1.68%
			% of loss	25.00%	25.00%
Asset-backed bonds (ABS)	4,960	Discounted cash flows	Spread	100-230 bp	165bp
Or mortgage-backed (MBS)			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30.00%	30.00%
Held-for-trading securities [1]					
Asset-backed bonds (ABS)	1	Discounted cash flows	Spread	100-230 bp	165bp
Or mortgage-backed (MBS)			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30.00%	30.00%
Assets for derivatives [2]					
NIS-CPI interest contracts	267	Discounted cash flows	Expected inflation	0.13%-2.58%	1.35%
Interest rate contracts	203	Discounted cash flows	Counterparty risk	0.15%-100%[*]	0.72%
Foreign exchange contracts	1,637	Discounted cash flows	Counterparty risk	0.15%-100%[*]	0.72%
Stock contracts	1,284	Discounted cash flows	Counterparty risk	0.15%-100%[*]	0.72%
Commodity contracts	1	Discounted cash flows	Counterparty risk	0.15%-100%[*]	0.72%
Liabilities					
Liabilities for derivatives [2]					
NIS-CPI interest contracts	64	Discounted cash flows	Expected inflation	0.13%-2.58%	1.35%
Foreign exchange contracts	5	Discounted cash flows	Expected inflation	0.13%-2.58%	1.35%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.15%-100%	0.72%
Other liabilities	255	Discounted cash flows	Probability of default	3.22%-3.76%	3.42%
			Effective average duration in years	0.09-0.52	0.25
	722	Discounted cash flows	Probability of default	3.22%-3.76%	3.40%
			Effective average duration in years	0.56-1.53	0.93
	578	Discounted cash flows	Probability of default	3.19%-3.56%	3.38%
			Effective average duration in years	4.28	4.28
	150	Discounted cash flows	Probability of default	3.30%-3.46%	3.39%
			Effective average duration in years	0.95	0.95
	234	Discounted cash flows	Probability of default	3.31%-3.51%	3.43%
			Effective average duration in years	2.27	2.27
	548	Discounted cash flows	Probability of default	3.29%-3.46%	3.40%
			Effective average duration in years	1.13	1.13
	1,475	Discounted cash flows	Probability of default	3.16%-3.54%	3.37%
			Effective average duration in years	3.08	3.08
B. Items measured at fair value on a Non-Recurring Basis					
Collateral-dependent non-performing credit	135	Collateral's fair value			

* For a defaulted counterparty.

Please see comments on page 293.

Note 32D - Quantitative Information on Items Measured at Fair Value and Included in Level 3(cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31, 2023				
	Fair value	Valuation technique	Unobservable inputs	Range	Average (3)
A. Items Measured at Fair Value on a Recurring Basis					
Assets					
Available-for-sale securities (1)					
Government of Israel bonds	26	Discounted cash flows	Spread	bp 205	bp 205
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed bonds (ABS) Or mortgage-backed (MBS)	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 bonds (ABS) Or mortgage-backed (MBS)	5	Discounted cash flows	Spread	200-280 bp	240bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate % of loss	20% 30%	20% 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 due to derivative instruments (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 years	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 on the next page.

Note 32D - Quantitative Information on Items Measured at Fair Value and Included in Level 3(cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.

2. The following unobservable inputs were used to measure the derivatives' fair value: counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value.
   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. 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.

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 33 -Interested and Related Parties of the Bank and Its Consolidated Companies

Control of the Bank

Bank without a controlling core

As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

A. Balances

	December 31, 2024			
	Interested parties[(f)(h)]			
	Shareholders - other[(K)]		Officers[(a)]	
	Balance As of December, 31	Highest balance[(d)]	Balance As of December, 31	Highest balance[(d)]
	In NIS million			
Assets				
Deposits with banks	-	-	-	-
Securities[(e)]	-	-	-	-
Loans to the public	19	19	4	5
Provision for credit losses[(j)]	-	-	-	-
Loans to the public, net	19	19	4	5
Investments in associates[(e)]	-	-	-	-
Other assets	-	-	-	-
Liabilities:				
Deposits by the public	175	175	16	17
Deposits by banks	-	-	-	-
Bonds, promissory notes and subordinated notes	-	-	-	-
Other liabilities	-	-	-	-
Credit risk in off-balance sheet items[(g)]	4	7	2	2

a) Including their immediate family members, as defined in Section 80.D(3) to the Reporting to the Public Directives.
b) Pursuant to Section 80.D(4) to the Reporting to the Public Directives, corporations controlled by a person or corporation included in any of the interested party groups in accordance with the Securities Law and who/which holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
c) In accordance with Section 80.D(8) of the Reporting to the Public Directives. Commencing July 1, 2022, in accordance with the revision of Proper Conduct of Banking Business Directive 312, the inclusion was canceled regarding corporations held at over 10 percent of the means of control, which the Bank does not control and the value of the holding does not exceed 0.5 percent of the Tier 1 capital after supervisory adjustments and deductions.
d) Based on end-of-month balances.
e) Additional details about these items are also included in Note 12 and Note 15.
f) As at December 31, 2024, interested parties' holdings in the Bank's share capital amounted to NIS 357,178,595 par value of Bank's shares (of which officers: NIS 188,706 par value).
g) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per borrower indebtedness limitations.
h) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
i) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
j) Specific loan loss provision.
k) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives. "Other shareholders" as at December 31, 2024, including through entities held by them, are The Phoenix Holdings Ltd. and Excellence Investments Ltd. (commencing August 28, 2019).
7.38 percent of the Bank's equity Harel Investments in Insurance and Financial Services Ltd. (commencing March 12, 2020) - 6.11 percent of the equity, Meitav Dash Investments Ltd. (commencing June 4, 2020) - 5.01 percent of the equity, Clal Insurance Enterprises Holdings Ltd. (commencing June 18, 2021) - 5.26 percent of the equity.

Related parties[h]							
				Held by the Bank		Other[c]	
Other[b]		One who had been an interested party on the transaction date		Associates[i]			
Balance As of December, 31	Highest balance[d]	Balance As of 31 December	Highest balance[d]	Balance As of December, 31	Highest balance[d]	Balance As of December, 31	Highest balance[d]
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
5,134	5,134	–	229	2,944	3,084	–	–
–	–	–	–	–	–	–	–
5,134	5,134	–	229	2,944	3,084	–	–
–	–	–	–	3,580	4,129	–	–
132	132	–	2	1	4	–	–
2,521	3,544	–	125	681	851	–	–
–	–	–	–	35	35	–	–
2	23	–	1	–	–	–	–
32	66	–	2	8	14	–	–
665	665	–	13	761	865	–	–

Note 33 - Interested and Related Parties of the Bank and its Consolidated Subsidiaries (cont.)

A. Balances (cont.)

	December 31, 2023			
	Interested parties[(f)(h)]			
	Shareholders - other[(K)]		Officers[(a)]	
	Balance As of 31 December	Highest balance[(d)]	Balance As of 31 December	Highest balance[(d)]
	In NIS million			
Assets				
Deposits with banks	–	–	–	–
Securities[(e)]	–	–	–	–
Loans to the public	204	232	3	4
Provision for credit losses[(J)]	–	–	–	–
Loans to the public, net	204	232	3	4
Investments in associates[(e)]	–	–	–	–
Other assets	1	2	–	–
Liabilities:				
Deposits by the public	201	252	12	13
Deposits by banks	–	–	–	–
Bonds, promissory notes and subordinated notes	–	–	–	–
Other liabilities	4	4	–	–
Credit risk in off-balance sheet items[(g)]	8	53	2	2

a) Including their immediate family members, as defined in Section 80.D(3) of the Reporting to the Public Directives.
b) Pursuant to Section 80.D(4) to the Reporting to the Public Directives, corporations controlled by a person or corporation included in any of the interested party groups in accordance with the Securities Law and who/which holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
c) In accordance with Section 80.D(8) of the Reporting to the Public Directives. Commencing July 1, 2022, in accordance with the revision of Proper Conduct of Banking Business Directive 312, the inclusion was canceled regarding corporations held at over 10 percent of the means of control, which the Bank does not control and the value of the holding does not exceed 0.5 percent of the Tier 1 capital after supervisory adjustments and deductions.
d) Based on end-of-month balances.
e) Additional details about these items are also included in Note 12 and Note 15.
f) As at December 31, 2023, interested parties' holdings in the Bank's share capital amounted to NIS 479,119,344 par value of Bank's shares (of which officers: NIS 191,562 par value).
g) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per borrower indebtedness limitations.
h) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
i) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
j) Specific loan loss provision.
k) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives. "Other shareholders" as at December 31, 2023, including through entities held by them, are The Phoenix Holdings Ltd. and Excellence Investments Ltd. (commencing August 28, 2019). - 7.60 percent of the equity, Harel Investments in Insurance and Financial Services Ltd. (commencing March 12, 2020) - 6.31 percent of the equity; Meitav Dash Investments Ltd. (commencing June 4, 2020) - 6.43 percent of the equity; Clal Insurance Enterprises Holdings Ltd. (commencing June 18, 2021) - 6.21 percent of the equity; Altshuler Shaham Ltd. (commencing June 27, 2022) - 5.10 percent of the equity.

				Related parties[h]			
				Held by the Bank		Other[c]	
Other[b]		One who had been an interested party on the transaction date		Associates[i]			
Balance As of 31 December	Highest balance[d]	Balance As of 31 December	Highest balance[d]	Balance As of 31 December	Highest balance[d]	Balance As of 31 December	Highest balance[d]
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
5,025	5,608	–	7	3,016	3,133	–	–
–	–	–	–	–	–	–	–
5,025	5,608	–	7	3,016	3,133	–	–
–	–	–	–	4,014	4,078	–	–
37	82	–	–	3	5	–	–
2,946	3,845	–	4	734	828	–	–
–	–	–	–	32	37	–	–
23	23	–	9	–	–	–	–
59	115	–	–	4	52	–	–
464	546	–	1	658	1,448	–	–

Note 33 - Interested and Related Parties of the Bank and its Consolidated Subsidiaries (cont.)

B. Condensed Business Results with Interested Parties and Related Parties

	For the year ended December 31, 2024				
	Interested parties[f]			Related parties[f]	
				Held by the Bank	Other[c]
	Other shareholders[h]	Officers[a]	Other[b]	Subsidiaries Associates[G]	
	In NIS million				
Interest (expenses) income, net[D]	(3)	–	72	169	–
Provision for loan losses[I]	–	–	–	–	–
Noninterest income, net	2	–	153	5	–
Of which: Management and service fees	–	–	41	9	–
Operating and other expenses[e]	–	(68)	(17)	(19)	–
Total	(1)	(68)	208	155	–

	For the year ended December 31, 2023				
	Interested parties[F]			Related parties[f]	
				Held by the Bank	Other[c]
	Other shareholders[h]	Officers[a]	Other[b]	Subsidiaries Associates[G]	
	In NIS million				
Interest (expenses) income, net[D]	(1)	–	78	139	–
Provision for loan losses[I]	–	–	–	20	–
Noninterest income (expenses), net	2	–	3	(7)	–
Of which: Management and service fees	1	–	8	14	–
Operating and other expenses[e]	–	(41)	(8)	(19)	–
Total	1	(41)	73	133	–

a) Including their immediate family members, as defined in Section 80.D(3) of the Reporting to the Public Directives.
b) Pursuant to Section 80.D(4) of the Reporting to the Public Directives, corporations controlled or jointly held by a person or corporation included in any of the interested party groups and who/which has significant influence on it or holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
c) In accordance with Section 80.D(8) of the Reporting to the Public Directives.
d) Additional information in Section D below.
e) Additional information in Section C below.
f) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
g) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
h) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives.
i) Specific loan loss provision.

Note 33 - Interested and Related Parties of the Bank and its Consolidated Subsidiaries (cont.)

B. Condensed Business Results with Interested Parties and Related Parties (cont.)

	For the year ended December 31, 2022				
	Interested parties[f]			Related parties[f]	
				Held by the Bank	Other[c]
	holders Shares Other[h]	Officers[a]	Other[b]	Subsidiari es Associat e[g]	
	In NIS million				
Interest income (expenses), net[d]	1	–	(31)	43	10
Loan loss provision[i]	–	–	–	(75)	–
Noninterest expenses, net	–	–	(89)	(18)	(1)
Of which: Management and service fees	–	–	2	5	–
Operating and other expenses[e]	–	(50)	(5)	(19)	(19)
Total	1	(50)	(125)	(69)	(10)

a) Including their immediate family members, as defined in Section 80.D(3) to the Reporting to the Public Directives.
b) Pursuant to Section 80.D(4) of the Reporting to the Public Directives, corporations controlled or jointly held by a person or corporation included in any of the interested party groups and who/which has significant influence on it or holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
c) In accordance with Section 80.D(8) of the Reporting to the Public Directives.
d) Additional information in Section D below.
e) Additional information in Section C below.
f) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
g) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
h) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives.
i) Specific loan loss provision.

Note 33 - Interested and Related Parties of the Bank and its Consolidated Subsidiaries (cont.)

C. Compensation and Any Other Benefits to Interested Parties

	For the year ended December 31					
	2024		2023		2022	
	Officers					
	Purchases and issuances MBS/ABS	Government of Israel	Total MBS/ABS	Government of Israel	Total MBS/ABS	No. of benefit recipients
	In NIS million		In NIS million		In NIS million	
Interested party employed in the corporation or on its behalf(a)(b)(c)	**56**	**20**	28	20	36	17
Director not employed in the corporation or on its behalf(c)	**6**	**11**	6	12	5	10

a) Excluding payroll tax expenses and VAT.
b) Of which: Short-term employee benefits NIS 54 million including remuneration for CEO of Leumi Partners and CEO of Leumi UK Group (2023 - NIS 37 million, 2022 - NIS 41 million), and post-employment benefit NIS 1 million (2023 - NIS (11) million, 2022 - NIS (6) million).
c) In 2024, expenses for share-based compensation were NIS 1.6 million (in 2023 - NIS 2.1 million, 2022 - NIS 1.3 million).

Bank's directors and officers are covered by a directors' and officers' liability insurance policy (D&O) taken out by the Bank. The overall insurance premium totaled NIS 6,410 thousand (2023 — NIS 7,326 thousand, 2022 — NIS 8,598 thousand).

D. Net Interest Income from Transactions of the Bank and its Consolidated Companies with Interested and Related Parties

	For the year ended December 31					
	2024		2023		2022	
	Consolidated	Of which: Associates	Consolidated	Of which: Associates	Consolidated	Of which: Associates
	In NIS million					
(a) For assets						
From loans to the public	**392**	**196**	373	163	84	49
(b) For liabilities						
For deposits by the public	**(154)**	**(27)**	(157)	(24)	(61)	(6)
Total interest income, net	**238**	**169**	216	139	23	43

E. Information Relating to the Terms and Conditions of Transactions and Balances with Related Parties and Interested Parties

All transactions and balances with interested parties and related parties were carried out in the ordinary course of business and under terms and conditions similar to those of transactions with entities not related to the Bank and its consolidated subsidiaries.
Interest receivable and payable in respect of transactions with interested parties and related parties is calculated at the normal interest rates applied to transactions in the ordinary course of business with non-related parties of the Bank.

Note 34 – The Bank's Condensed Financial Statements

A. Condensed Income Statement

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Interest income	**36,910**	33,258	18,289
Interest expenses	**20,998**	17,717	5,591
Interest income, net	**15,912**	15,541	12,698
Loan loss expenses	**737**	2,291	505
Interest income, net after loan loss expenses	**15,175**	13,250	12,193
Noninterest income			
Noninterest Finance Income	**1,528**	1,026	1,071 [(a)]
Fees and commissions	**3,572**	3,515	3,294
Other income	**940**	156	59
Total noninterest income	**6,040**	4,697	4,424
Operating and other expenses			
Salaries and related expenses	**3,597**	3,280	3,646
Buildings and equipment – maintenance and depreciation	**1,469**	1,494	1,255
Other Expenses	**1,548**	1,827	1,459
Total operating and other expenses	**6,614**	6,601	6,360
Profit before taxes	**14,601**	11,346	10,257
Provision for profit taxes	**5,198**	3,875	3,416
Profit after taxes	**9,403**	7,471	6,841
Bank's share in investees' net profits (losses), after tax	**395**	(444)	868 [(a)]
Net income	**9,798**	7,027	7,709

a) For the purpose of presentation only, the gain on the sale of BLUSA reclassified from the Bank's share in net profits of investees after tax to noninterest finance income. For further information, please see Note 15.A to the financial statements as of December 31, 2022.

Note 34 – The Bank's Condensed Financial Statements (cont.)

B. The Bank's Balance Sheet

	December 31	
	2024	2023
	In NIS million	
Assets		
Cash and deposits with banks	**155,572**	105,272
Securities	**118,892**	154,824
Securities borrowed or purchased under reverse repurchase agreements	**4,684**	3,053
Loans to the public	**456,965**	421,006
Loan loss provision	**(6,769)**	(6,552)
Loans to the public, net	**450,196**	414,454
Loans to governments	**2,509**	1,806
Investments in investees	**15,621**	15,509
Buildings and equipment	**2,786**	2,840
Assets in respect of derivatives	**29,197**	27,413
Other assets	**7,159**	7,169
Total assets	**786,616**	732,340
Liabilities and equity		
Deposits by the public	**619,673**	568,990
Deposits by banks	**18,084**	20,822
Deposits by governments	**172**	160
Securities loaned or sold under repurchase agreements	**11,686**	13,776
Bonds, promissory notes and subordinated notes	**31,969**	32,114
Liabilities for derivatives	**27,751**	26,649
Other liabilities	**15,623**	15,332
Total liabilities	**724,958**	677,843
Equity attributable to the Bank's shareholders	**61,658**	54,497
Total liabilities and equity	**786,616**	732,340

Note 34 – The Bank's Condensed Financial Statements (cont.)

c. Statement of Cash Flows

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Cash flows from operating activities			
Net income for the year	**9,798**	7,027	7,709
Adjustments:			
Bank's share in undistributed losses (profits) of investees, net of dividend received	**38**	641	(870)
Depreciation of buildings and equipment (including impairment)	**597**	660	570
Loan loss expenses	**737**	2,291	505
Gains on sale of loan portfolios	**–**	–	(15)
Net losses on sale of available-for-sale bonds	**428**	289	141
Realized and unrealized losses (profits), net from fair value adjustments of held-for-trading securities	**19**	(90)	164
Gain on sale of investees' equity	**–**	–	(752)
Gains on disposal of buildings and equipment – net	**(852)**	(22)	(52)
Provision for impairment of available-for-sale bonds	**53**	33	42
Net realized and unrealized gains from fair value adjustments of shares not held for trading	**(264)**	(175)	(178)
Expenses for stock-based compensation transactions	**3**	7	4
Deferred taxes – net	**(20)**	(711)	(259)
Severance pay and pension — (decrease) increase in the reserve surplus over the designated amount	**(207)**	171	33
Interest receivable over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds	**(2,460)**	(2,190)	(195)
Accrual differences and rate in respect of bonds and subordinated notes	**149**	379	1,003
Effect of exchange rate differentials on cash and cash equivalent balances	**617**	(156)	(765)
Other, net	**(1)**	(2)	(11)
Net change in current assets:			
Assets in respect of derivatives	**(1,784)**	(767)	(12,700)
Held-for-trading securities	**6,105**	(11,326)	713
Other assets	**100**	(324)	(12)
Net change in current liabilities:			
Liabilities for derivatives	**1,128**	3,232	8,712
Other Liabilities	**606**	472	1,788
Net cash provided by (for) current activities	**14,790**	(561)	5,575

Note 34 - The Bank's Condensed Financial Statements (cont.)

C. Statement of Cash Flows (cont.)

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Cash flows from investing activities			
Net change in deposits with banks with original maturities of more than Restated.	**(2,190)**	2,928	123
Net change in loans to the public[(a)]	**(35,425)**	(31,518)	(66,609)
Net change in loans to the Israeli Government	**(705)**	(696)	(171)
Net change in securities loaned or sold under repurchase agreements	**(1,631)**	(19)	(587)
Purchase of held-to-maturity bonds	**(4,666)**	(3,164)	(8,550)
Proceeds from redemption of held-to-maturity bonds	**1,407**	2,311	418
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(186,662)**	(174,380)	(113,235)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**177,091**	87,402	95,800
Proceeds from redemption of available-for-sale bonds and equity securities	**44,452**	24,648	19,240
Purchase of investees' shares	**(40)**	(10)	(355)
Proceeds from disposal of investment in investees	**-**	267	-
Decrease, net in capital notes of investees	**(30)**	(2,432)	306
Purchase of loan portfolios	**(551)**	(1,556)	-
Proceeds from sale of loan portfolios	**308**	42	443
Purchase of buildings and equipment	**(719)**	(814)	(753)
Proceeds from disposal of buildings and equipment	**1,028**	38	109
Central severance pay fund	**2**	14	91
Net cash for investing activities	**(8,331)**	(96,939)	(73,730)
Cash flow from financing activities			
Interested party employed in the corporation or on its behalf(a)(b)(c) Restated.	**(2,738)**	(2,591)	(1,986)
Net change in deposits by the public	**50,679**	10,929	44,157
Net change in deposits by the government	**12**	(87)	(52)
Net change in securities loaned or sold under repurchase agreements	**(2,090)**	9,824	1,906
Proceeds from issue of bonds and subordinated notes	**7,668**	10,758	11,435
Redemption of bonds and subordinated notes	**(8,008)**	(6,874)	(61)
Issuance of shares	**-**	-	2,736
Dividend paid to shareholders	**(2,569)**	(2,081)	(1,665)
Share buyback	**(682)**	(600)	-
Net cash from financing activities	**42,272**	19,278	56,470
Increase (decrease) in cash and cash equivalents	**48,731**	(78,222)	(11,685)
Balance of cash and cash equivalents at the beginning of the year	**102,267**	180,333	191,253
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(617)**	156	765
Balance of cash and cash equivalents at the end of the year	**150,381**	102,267	180,333

a) Including operating activities from invoice factoring. Please see Note 29.F.

Note 34 – The Bank's Condensed Financial Statements (cont.)

C. Statement of Cash Flows (cont.)

Interest and taxes paid and/or received and dividends received

	For the year ended December 31		
	2024	2023	2022
	In NIS million		
Interest received	**32,132**	29,078	15,106
Interest paid	**(20,574)**	(14,112)	(3,437)
Dividends received	**270**	151	95
Income tax paid	**(5,594)**	(4,268)	(2,297)
Income tax received	**705**	104	193

Note 35 - Miscellaneous Topics and Events after the Balance Sheet Date

A. The "Iron Swords" War

Commencing October 7, 2023, the State of Israel has been in a war - the "Iron Swords" War.

The War has led to significant disruptions in the economic activity, which were expressed by a substantial decrease in GDP in the fourth quarter of 2023. 2024 was characterized by return to activities against the background of the War, as well as partial and gradual recovery from the affects of the War. Among the main areas of activity that were significantly impaired due to the War, activity of which has not yet returned to their level prior to the War, the foreign tourism, construction and agriculture sectors should be noted.

2024 concluded with a significantly lower growth rate than that estimated prior to the War, as the forecast for 2025 onwards depends on the security developments. So long as the cease fires in the northern and the southern fronts continue, this is expected to assist in accelerating the economy's recovery process, and in reducing and risks related to the markets' sentiment toward Israel.

Against the background of the war and its immediate and long-term impact on financial activity in the economy and on Israel's fiscal position, Israel's credit rating has been lowered during 2024, as well as the rating outlook, which had been updated downwards to negative by all the leading rating firms. The improvement that took place in the economy's risk environment may be expressed by Israel's rating and rating outlook later on.

Credit rating company S&P has lowered Israel's credit rating to A, leaving the country's credit rating outlook negative, and credit rating company Moody's has reduced Israel's credit rating by two notches from A2 to Baa1, leaving the country's credit rating outlook negative. Fitch lowered Israel's credit rating to A, maintaining the negative outlook.

In the wake of the reduction of the State of Israel's credit rating, the three leading credit rating companies also reduced the credit rating of the Bank (and other Israeli banks), with a negative credit rating outlook.

The downgrading of the credit ratings did not have an effect on the Bank's capital adequacy ratios.

On January 21, 2025, the rating firms Moody's and Fitch published reports with a positive message, according to which the risk of a further deterioration of Israel's credit rating was halted, and now, depending on the continued stability, the direction may be positive. The end of the War in Gaza will reduce the risks that are included in the negative outlook of Israel's credit rating. Meaning, should the cease fire agreement between Israel and the Hamas indeed be implemented in full, it could reduce the degree of risk in Israel and the entire region. Additionally, it had been noted that the negative financial consequences of the War were more moderate than the concerns at the time of lowering the rating, and there was no real adverse impact on the infrastructures and investments in Israel. At the same time, it had been emphasized that the current agreement for ceasing the War on the Gaza front is limited in scope and continuation, and thus extension of the cease fire remained uncertain, alongside challenges in implementation of the next stages. Additionally, domestic political challenges as well as security concerns in Israel may delay the progress.

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.

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.

On March 4, 2024, the Banking Supervision Department published an announcement on an additional extension of the outline for assisting the banks' customers in facilitating the burden of credit and commissions in coping with the impacts of the "Iron Swords" War for the duration of three months, commencing April 1, 2024, and extension thereof to additional populations commencing that date.

On June 23, 2024, the Bank of Israel announced a further extension and expansion of the relief outline for banking system customers for an additional three months commencing July 1, 2024 through September 30, 2024.

On September 22, 2024, the Bank of Israel announced a further extension and expansion of the relief outline for banking system customers, for an additional three months commencing October 1, 2024 through December 31, 2024.

Note 35 - Miscellaneous Topics and Events after the Balance Sheet Date (cont.)

On December 3, 2024 the Bank of Israel announced an additional extension and expansion of the outline for assisting the banking system's customers, for three additional months, commencing January 1, 2025 through March 31, 2025, as it is possible to file an application to be included in the updated outline commencing December 10, 2024, through February 10, 2025. According to the updated outline, population residing or owning a business located within the range of up to 7 km from the Gaza Strip had been excluded from the entitlement to easements, as a dedicated outline of easements for business owners operating in the northern region had been defined.

The Bank has adopted the outlines and implemented additional expedients for its customers, which further expanded those of the Bank of Israel.

Donations and bonuses

Commencing the outbreak of the Iron Sword War, the Bank had focused its contributions and social responsibility resources on rehabilitating populations that had been adversely affected by the War. Among other things, the Bank announced the accompaniment of Kibbutz Be'eri, launched the "Katif Leumi" project, which financed scholarships for students who volunteered for a significant period to assist farmers nationwide, initiated the "Leumi Matriculations" project, which financed marathons of preparation for the matriculation exams for children in the areas that had been evacuated from their home, financed a wedding event for couples who had served on active duty for a long period, as part of the Leumi Weddings Project, and more.

At the same time, the Bank has granted a designated contribution for supporting reserve soldiers – both female and male – and their spouses who are independent business owners and, in many cases, experienced financial distress. The grants had been granted through the "Otef for Reserve Businesses" project.

Following the Statements' period, the Bank initiated the "National Gratitude Project", as part of which private individuals who established a significant volunteering venture during the War, gain gratitude for their actions and are **given hundreds of vacations in hotels and lodges in the north, funded by the Bank.**

B. Investment in Valley

For further information regarding the impairment of the investment, and regarding the issue of regular share capital in Valley, see Note 15.A.

C. Sale of headquarters buildings in Tel Aviv

"Beit Lin" – on March 25, 2024 the Beit Lin transaction had been completed, the Bank was paid the balance of the consideration, and possession of the asset had been delivered to the buyer. In respect of the Beit Lin transaction, in the period of the report a capital gain of approximately NIS 271 million was included in the reporting period.

"Beit Mani" – on February 29, 2024 the Beit Mani transaction had been completed, the Bank was paid the balance of the consideration, and possession of the asset had been delivered to the buyer. In respect of the Beit Mani transaction, a capital gain (before tax) in the sum of approximately 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.

For further information on the subject, please see Note 8.M.

E. Issuances and early redemption of bonds, subordinated bonds, and commercial securities after the balance sheet date

For more information regarding the issuances and early redemption of bonds, subordinated bonds, and commercial securities after the balance sheet date, see Note 24.A.

F. Notice from Bank of Israel — Position with respect to outline for the banking system

On February 26, 2025, Bank of Israel published a notice regarding Bank of Israel's position with respect to the outline for the banking system. According to the notice, Bank of Israel is presenting principles for an additional outline which it believes the banking system should adopt. The primary elements of the proposed outline are: Term of the outline — in general, it will apply from 2025-2026. The term may be updated under certain circumstances; the entire banking system will allocate a total annual sum of NIS 1.5 billion for the outline. In the event that the outline lasts for two years, the cost will be NIS 3 billion. Each bank will finance relief measures for its customers at the monetary scope derived from its market segment, as at the date of publication of the outline; the monetary discounts for the customers of each bank will be formulated according to different packages as set forth: granting of interest or benefits for positive balances in checking accounts, and improvement of interest rates paid for the short term; reduction of interest rates on negative balances; automatic transfer of sums above a predefined minimum balance from checking accounts to yield-generating tracks; granting exemptions from fees or significant discounts to distinct populations. The decision regarding the amount allocated for each package will be left to each bank's corporate discretion. From the perspective of Bank of Israel, adoption of the outline as aforementioned will eliminate the need for tax measures specific to the banking system as well as legislative processes intended to encourage the transfer of funds from checking accounts to yield-generating tracks, or enhance the transmission from Bank of Israel's interest rate to interest-bearing deposits.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Corporate Governance, Additional Details and Appendices
Table of Contents

Members of the Bank's Board of Directors(*)(**)

Mr. Uri Alon, Chairman(a)(b)

Mr. Sasson Elya(c)(d)

Mr. Ram Belinkov(e)(f)

Ms. Esther Deutsch, Adv.(a)

Ms. Esther Dominissini(a)

Mr. Zvika Nagan(c)

Mr. Dan Alexander Koller(e)(g)

Ms. Leah Ruth (Schwartz), CPA(c)(h)

Prof. Yedidia (Zvi) Stern(e)

Ms. Irit Shlomi(a)

a) A director who is not an external director, as stated in Section 11D(a)(2) of the Banking Ordinance, 1941 (hereinafter – "**Director with another Director Status** "and "**Banking Ordinance**," respectively).

b) At a Bank's board meeting held on November 28, 2024, Mr. Uri Alon was appointed Chairman of the Bank's Board of Directors. The tenure of Mr. Uri Alon as Chairman of the Bank's Board of Directors commenced on December 18, 2024, after receiving the Supervisor of Bank's notice of non-objection to the appointment.

c) External Director, according to the Companies Law, 1999 (hereinafter – "**ED Companies Law**" and the "**Companies Law**", respectively).

d) Mr. Sasson Elya was elected director with the status of External Director, in accordance with the provisions of the Companies Law, 1999, by the Bank's annual general meeting held on October 8, 2024, commencing his second term of office at the Bank on November 1, 2024 after having received the Banking Supervision Department's notice of non-objection to his appointment as aforesaid.

e) External Director, according to Proper Conduct of Banking Business Directive No. 301 (hereinafter – "**ED Directive 301**" and "**Directive 301**", respectively.).

f) Mr. Ram Belinkov was elected director with the status of External Director, Directive 301, in accordance with the provisions of the Companies Law, 1999, by the Bank's annual general meeting held on October 8, 2024, commencing his first term of office at the Bank on October 30, 2024 after having received the Banking Supervision Department's notice of non-objection to his appointment as aforesaid.

g) Mr. Dan Alexander Koller was elected director with the status of External Director, Directive 301, in accordance with the provisions of the Companies Law, by the Bank's annual general meeting held on October 8, 2024, commencing his second term of office at the Bank on November 13, 2024 after having received the Banking Supervision Department's notice of non-objection to his appointment as aforesaid.

h) Ms. Leah Ruth (Schwartz), CPA, was appointed ED Companies Law by the Bank's annual general meeting held on October 8, 2024 and commenced her first term of office in the Bank on October 29, 2024, after having received the Banking Supervision Department's notice of non-objection to her appointment as aforesaid.

i) For further information regarding the annual general meeting, please see the immediate reports dated May 5, 2024, August 27, 2024, and October 8, 2024 (reference numbers: 2024-01-043501, 2024-01-094861 and 2024-01-608913, respectively).

* On October 14, 2024, the term of office of Ms. Tamar Gottlieb as an ED Companies Law came to an end.

* On December 5, 2024, Dr. Shmuel Ben Zvi ended his tenure as a director with an ED Directive 301 status and as the Bank's Chairman of the Board.

** For further information regarding members of the Bank's Board of Directors, please see "Changes in the Board of Directors" and Directive 26 in the Bank's 2024 Annual Report and on the MAGNA website of the Israel Securities Authority: http://www.magna.isa.gov.il.

Pursuant to Directive 301, at least one third of the Board members should be external directors, as this term is defined in Directive 301. Accordingly, as of the report date and its publication date, the Bank's Board of Directors includes 6 external directors pursuant to Directive 301, including 3 EDs Companies Law.

In addition, due to the "independent director" definition in the Companies Law, the Audit Committee of the Board of Directors resolved that the Bank's External Directors Directive 301 constitute independent directors.

Pursuant to the directives of the Banking Supervision Department and the provisions of the Companies Law and the regulations promulgated thereunder, the Bank's Board of Directors decided that at least three directors with "accounting and financial expertise" serving on the Board of Directors at any given time shall participate in the Board plenum's discussions of the draft financial statements and their approval. so as to enable the Board of Directors to meet its obligations in accordance with the law and the Bank's articles of association, and especially its responsibility for examining the Bank's financial position and preparing the financial statements.

In determining the said minimum number, the Board of Directors took into account the Bank's size, the complexity of its activity and the diverse risks involved, as well as its existing systems and procedures, such as: control, risk management, compliance, internal auditing and audit by the independent auditors. In addition, all Board members comply with the legal qualification requirements for serving as directors at the Bank.

As of the report's publication date – and as approved by the Board of Directors based on their education, experience, abilities and knowledge – 9 members of the board meet the definition of directors with accounting and financial expertise and all board members meet the professional qualifications definition in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications), 2005. For more information regarding the education and experience of the members of the Bank's Board of Directors, please see Directive 26 in the periodic report.

As of January 1, 2013, and pursuant to Directive 301, discussions regarding the financial statements take place in the Board of directors' Audit Committee. Pursuant to Directive 301, at least 2 members of the Audit Committee should have accounting and financial expertise. The Bank's Board of Directors determined that, at any given time, at least 3 directors with accounting and financial expertise will serve on the Board of Directors' Audit Committee. In practice, as of the report's publication date, 5 out of 6 directors serving have accounting and financial expertise. It should be noted that on July 22, 2020, the Bank's Board of Directors approved the split of the Compensation Committee from the Audit Committee.

Following are more details regarding additional qualifications for board members, in accordance with Directive 301: 1) At lease one third of the members of the board are required to have banking experience; 2) At least half of the directors are required to have professional qualifications as defined in the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise), 2005; 3) At least one director is required to have proven knowledge and experience in information technology.

The Bank's Board of Directors meets all of the foregoing requirements. As of the reporting date and publication date: 1) The Bank has 6 directors having "banking experience", i.e., Uri Alon, Adv. Esther Deutsch, Zvika Nagan, Dan Alexander Koller, Prof. Yedidia Zvi Stern and Irit Shlomi; 2) All members of the Board of Directors are defined as being "professionally qualified"; 3) The Bank's Board of Directors includes 2 directors classified by the Board as having proven knowledge and experience in information technology – Sasson Elya and Zvika Nagan.

Changes in the Board of Directors

As of the report publication date, the Board of Directors includes 10 members, in accordance with the number of directors allowed in banking corporations pursuant to Directive 301.

During 2024, there were changes in the composition of the Board of Directors as detailed below:

A. On June 20, 2024, the Bank received approval from the Banking Supervision Department (hereinafter - the "Supervisor"), according to which: 1) the Supervisor of Banks approves, by virtue of his power vested in him pursuant to Section 11.E(a)(6) of the Banking Ordinance, the extension of the term of office of Dr. Shmuel Ben Zvi, Chairman of the Bank's Board of Directors, for a period not to exceed 30 days following the date of the beginning of the term of office of the new directors who will be elected at the Bank's general meeting or up to one week following the date of the election of a new Chairman of the Board by the Bank's Board of Directors, the earlier of the two, provided that it does not exceed six months following the date of the expiration of the term of office of the Chairman of the Board, for the continuity of the term of office of the Chairman of the Board and the overlap period. 2) The Banking Supervision Department approves, by virtue of its authority under Section 22(d) of Directive 301, that the proper quorum of directors will be the total number of Board members serving on the Board of Directors plus the new directors who will be elected at the Bank's general meeting (subject to their approval by the Banking Supervision Department) plus the Chairman of the Board (whose term of office will be extended according to Subsection 1 above), until the end of the directors' terms of office, including the Chairman of the Board, who will end their terms of office in 2024. As detailed in the Banking Supervision Department letter, the approvals were given in view of the exceptional circumstances regarding a delay in the work of the Committee for the Appointment of Directors, which operates under the Banking Ordinance due to the absence of a committee chairman for a long time. Please see the immediate report published by the Bank on June 20, 2024 (Ref. No. 2024-01-062725).

B. On October 8, 2024 the annual general meeting approved, *inter alia,* the resolutions as follows[1]

1. To appoint Mr. Sasson Elya as ED Companies Law. On October 28 2024, the Bank received notification from the Banking Supervision Department of non-objection to said appointment. As such, his second term commenced on November 1, 2024. For further details, please see the immediate report published by the Bank on October 29, 2024 (Ref. No. 2024-01-612297).
2. To appoint Ms. Leah Ruth (Schwartz), CPA as ED Companies Law. Ms. Leah Ruth (Schwartz), CPA began her first tenure on October 29, 2024. For further details, please see the immediate report published by the Bank on October 29, 2024 (Ref. No. 2024-01-612294).
3. To appoint Mr. Ram Belinkov as an ED Directive 301. Mr. Ram Belinkov began his first tenure on October 30, 2024. For further details, please see the immediate report published by the Bank on October 30, 2024 (Ref. No. 2024-01-612700).
4. To appoint Mr. Dan Alexander Koller as an ED Directive 301. On November 6, 2024, the Bank received notification from the Banking Supervision Department of non-objection to said appointment. As such, his second term commenced on November 13, 2024.

C. *On October 14, 2024, the third and final term of office of Ms. Tamar Gottlieb as an ED Companies Law came to an end. For further details, please see the immediate report published by the Bank on October 15, 2024 (Ref. No. 2024-01-610992).

D. On December 5, 2024, Dr. Shmuel Ben Zvi ended his tenure as a director and as the Bank's Chairman of the Board. For further information, please see the immediate report published by the Bank on December 8, 2024 regarding the end of tenure (Ref. No.: 2024-01-622582).

E. At the board meeting held on November 28, 2024, Mr. Uri Alon was appointed Chairman of the Bank's Board of Directors. The appointment of Mr. Uri Alon became effective on December 18, 2024, upon receiving the Supervisor of Bank's notice of non-objection to the appointment. For further information, please see the Bank's immediate reports dated November 28, 2024 and December 18, 2024 (Ref. No.: 2024-01-620149 and 2024-01-625456, respectively).

[1] For further information regarding the annual general meeting, please see the immediate reports dated May 5, 2024, August 27, 2024, and October 8, 2024 (reference numbers: 2024-01-043501, 2024-01-094861 and 2024-01-608913, respectively).

Members of the Bank's Management and their Positions[2]

Mr. Hanan Friedman, Adv.
President & CEO

Mr. Omer Ziv, CPA
First Executive Vice President, Head of Capital Markets Division

Ms. Liat Shuv, CPA
First Executive Vice President, Head of Corporate Division

Mr. Eyal Ben Haim
First Executive Vice President, Head of Retail Banking Division

Mr. Uri Yonissi, CPA
First Executive Vice President, Head of Mortgages Division

Mr. Eyal Efrat[1]
First Executive Vice President, Head of Technologies Division

Ms. Hagit Argov, CPA
First Executive Vice President, Head of the Finance Division and Chief Accounting Officer

Mr. Ronen Mori
First Executive Vice President, Head of Risk Management Division and Chief Risk Officer

Ms. Tamar Mass[1]
First Executive Vice President, Head of the Strategy Division and Head of Human Resources Division

Mr. Avi Pollack
First Executive Vice President, Head of Operations and Service Division

Ms. Nitzan Sandor, Adv.[1]
First Executive Vice President, Chief Legal Counsel, Head of Legal Counsel Division and Head of Legal Risk

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Ms. Bosmat Ben-Zvi, CPA[1]
First Executive Vice President, Chief Internal Auditor and Head of the Internal Audit Division

Somekh Chaikin
Brightman Almagor Zohar & Co.
The Bank's Joint Independent Auditors

(1) For information regarding changes in the Bank's management and senior officers during 2024 and until the report's publication date, please see the section entitled "Appointments and Departures". For more information regarding members of the Bank's management, please see the Bank's 2024 Annual Report and on the MAGNA website of the Israel Securities Authority: http://www.magna.isa.gov.il.
(2) The above information is as of the report's publication date, rather than as of the end of the reporting period.

The Chief Internal Auditor

The Chief Internal Auditor meets the criteria of Section 146(b) to the Companies Law, 1999 and the provisions of Section 8 to the Internal Audit Law, 1992 (hereinafter: the "Internal Audit Law") and the employees of the Internal Audit Division meet the provisions of Sections 11 and 12 to Proper Conduct of Banking Business Directive No. 307 regarding the Internal Audit function.

The Chief Internal Auditor is a full-time employee of the Bank, is a member of management and this is her sole occupation. The Internal Auditor reports to the Bank's Chairman of the Board.

The Internal Audit Division has an annual work plan and a multi-year work plan for a period of up to three years. The annual work plan and the multi-year work plan are derived from a mapping of audit topics - which are based, inter alia, on the documents outlined in Directive No. 307. The work plans are derived from a systematic methodology for assessing risks and controls, according to which the frequency and scope of the audit for each topic are determined. Thus, audits of higher risk topics are carried out annually, while lower risk topics are audited every two to three years. Drafts of annual work plans and multi-year work plans are submitted by the Internal Audit Division and approved by the Chairman of the Board of Directors, Audit Committee and the Board of Directors' plenum.

The Internal Audit function uses monitoring tools, analysis and advanced data investigations, investing significant resourcing in boosting its analytical infrastructure across a variety of content domains.

The Internal Audit Division's annual work plan and the multi-year work plan allow the Chief Internal Auditor to exercise discretion in deciding to deviate from the plan, as necessary.

In addition, several audit days are allocated each year to unplanned audits and review of special incidents, enabling the Internal Auditor to examine ad hoc topics, either at the request of the Bank's management or Audit Committee, or as a result of new activities or topics undertaken by the Group.

As part of the audit work, a sample of material transactions carried out by the Bank — including their approval procedures — is examined. In this context, material transactions include a material acquisition or sale of an operation, "transactions" - in accordance with Section 270 to the Companies Law and "extraordinary transaction" — as defined by the Companies Law.

The Internal Audit Division's annual work plan and multi-year work plan each include all audit topics for the Bank, the material consolidated subsidiaries in Israel as well as the material foreign subsidiaries, in accordance with Proper Conduct of Banking Business Directive No. 306 (as set forth in Note 15D).

Employees of the Internal Audit Division serve as internal auditors of the Bank's consolidated subsidiaries in Israel.

Local internal auditors are appointed in the UK subsidiary.

The internal auditors of each of the material subsidiaries in Israel and abroad report to their respective boards of directors or audit committees, and Leumi's Internal Audit Division oversees their professional activity according to the requirements of the Bank of Israel and subject to local laws.

The Chief Internal Auditor and team of auditors in the Leumi Group in Israel comprise, on annual average, 67.9 positions for 2024, as outlined below.

	Average number of auditor positions in the Leumi Group in Israel
The Bank	65.3
Subsidiaries in Israel	1.4
Supervision and control over foreign subsidiaries	1.2
Total	67.9*

* Of which approx. 1 position, on average, are on maternity leave or unpaid leave.

In addition, 3.8 positions are outsourced.
Furthermore, the foreign office employs local auditors in 2.1 positions (including outsourcing)
The number of positions was approved by the Audit Committee in Israel, based on the annual and multi-year work plans.
The Chief Internal Auditor may, within the framework of the budget, use outsourcers to carry out work that requires special knowledge or in the event of insufficient staff.

Set forth below is a breakdown of the benefits and amounts which were paid or provided for in 2024 to the Chief Internal Auditor in NIS thousands

2024						
% Of the Bank's capital	Compensation for services				Other compensation	
	Salaries	Bonuses**	Value of options	Social benefit contributions	Benefit value	Total*
	(in NIS					
-	1,718	1,106	101	419	106	3,450

* Excluding salary tax.
** See Note 22.E. to the Financial Statements.

The amounts and components of payments to the Chief Internal Auditor are brought with the recommendation of the Chairman of the Board for approval by the Audit Committee and the Board of Directors.

The Audit Committee and Board of Directors believe that the fact that the Chief Internal Auditor holds securities and her compensation do not affect the exercise of her professional judgement.

The Chief Internal Auditor operates in accordance with the professional standards of the Institute of Internal Auditors in Israel and the Institute of Internal Auditors (IIA).

Furthermore, the Chief Internal Auditor operates in accordance with the directives and instructions of the Banking Supervision Department, including Proper Conduct of Banking Business Directive No. 307 regarding the Internal Audit function.

The Audit Committee and Board of Directors have noted the Chief Internal Auditor's written statement, according to which she complies with all of the requirements set forth in the abovementioned generally accepted professional standards, and also operates in accordance with the directives of the Banking Supervision Department. Based on this statement and on her performance, as reflected in meetings of the Board of Directors' Audit Committee, the Audit Committee and the Board of Directors are satisfied that the Chief Internal Auditor meets the aforesaid requirements.

Audit reports and records are submitted to the audited entities in writing, after the findings are discussed with them. Furthermore, towards the date of issuance of the reports and records, material findings are discussed with the heads of divisions and with the President and CEO.

Audit reports and records are discussed by the Audit Committee several times a month. In addition to the Chief Internal Auditor, members participating in meetings of the Audit Committee include representatives of the Internal Audit Division and the heads of the audited divisions and their representatives.

Ahead of Audit Committee meetings, the Chairman of the Audit Committee determines, after consulting the Chief Internal Auditor, which audit reports and records will be presented in their entirety for discussion by the Audit Committee. Furthermore, summaries of all audit reports and records issued by the Internal Audit Division throughout the relevant period are submitted on an ongoing basis for review by all Audit Committee members. Audit Committee members may review any audit report and record they deem fit and request that the

Chairman of the Audit Committee present these reports and records in their entirety for discussion by the Audit Committee.

At the end of the first and second halves of the year, the Chief Internal Auditor submits reports summarizing the audit activities to the Chairman of the Board of Directors, the President and CEO and the Chairman of the Audit Committee, the Audit Committee and the Board of Directors; the reports include a summary of the material findings, the auditor's recommendations and the audited entity's responses.

In addition, the Chief Internal Auditor submits to the Chairman of the Board of Directors, the President and CEO and the Chairman of the Audit Committee, the Audit Committee and the Board of Directors an annual report summarizing the audit activities during the course of the entire year; the report also monitors the implementation of the annual work plan and assesses the effectiveness of the Group's internal control framework.

The Internal Audit Division's work plan for 2024 was submitted to the Audit Committee on December 27, 2023 and approved by the Committee on January 1, 2024; the plan was submitted to the Board of Directors on January 8, 2024 and was approved by the Board on January 22, 2024.

The audit report for the first half of 2024 was submitted to the Audit Committee on July 31, 2024, discussed by the Committee on August 7, 2024 and reported to the Board of Directors on August 14, 2024.

The Internal Audit Division's report for the second half of 2024 will be submitted to the Audit Committee on February 17, 2025, reported in the Committee on February 24, 2025 and reported in the Board of Directors on February 26, 2025.

The Internal Audit Division's annual report for 2024 was submitted to the Audit Committee on February 17, 2025, discussed by the Audit Committee on February 24, 2025 and discussed by the Board of Directors on March 5, 2025.

The Internal Audit Division's work plan for 2025 was submitted to the Audit Committee on January 13, 2025, 2025 and approved by the Committee on January 20, 2025; the plan was submitted to the Board of Directors on January 20, 2025 and was approved by the Board on January 27, 2025.

The Chief Internal Auditor received documents and information as specified in Section 9 to the Internal Audit Law and was given access to information as specified in that section, including continuous and indirect access to the Bank's information systems and to financial data.

Internal auditors auditing Leumi's Israeli subsidiary and foreign subsidiary were provided with documents and information as specified in Section 9 of the Internal Audit Law and given access to information as specified in that Section. These auditors have continuous and direct access to the information systems of the Israeli and foreign subsidiaries, including financial data, all subject to the applicable law.

The Audit Committee and Board of Directors believe that the scope, nature and continuity of the Chief Internal Auditor's activities and the work plan are reasonable under the circumstances, and are sufficient to implement the Internal Audit objectives of the Group.

The Independent Auditors' Fees[a][b][c][g]

	Consolidated		The Bank	
	2024	2023	**2024**	2023
	In NIS thousands			
For audit work:[d]				
Joint Independent Auditors	**14,973**	15,926	**11,582**	12,257
Total	**14,973**	15,926	**11,582**	12,257
For audit-related services:[f]				
Joint Independent Auditors	**677**	1,054	**677**	1,054
For tax services:[e]				
Joint Independent Auditors	**374**	430	**257**	416
For other services:				
Joint Independent Auditors	**4,196**	4,971	**3,155**	4,549
Other independent auditors	**358**	110	**-**	-
Total	**5,605**	6,565	**4,089**	6,019
Independent auditors' fees - total	**20,578**	22,491	**15,671**	18,276

a. The Board of Directors' Report to the Annual general meeting on the Independent Auditors' Fees in respect of Audit and Audit-Related Services, under Sections 165 and 167 to the Companies Law, 1999.

b. The Independent Auditors' fees include payments to partnerships and corporations under their control and payments required pursuant to the VAT Law.

c. Including fees paid and accumulated fees.

d. Auditing of annual financial statements and review of interim financial statements.

e. Includes the auditing of adjusted reports for income tax purposes, assessment discussions and tax advisory services.

f. Audit-related fees mainly include: prospectuses, special certificates, comfort letters, and forms or reports to authorities which require the Independent Auditor's signature.

g. Accountancy firm Somekh Chaikin (KPMG) has served as joint independent auditors of the Bank since 1950 and accountancy firm Brightman Almagor Zohar (Deloitte) serves as joint independent auditors of the Bank since 2020.

Officer Compensation Policy

The Bank's Officer Compensation Policy

On August 4, 2022, the Bank's general meeting approved the updated compensation policy for the Bank's officers (hereinafter – the "Compensation Policy"). The Compensation Policy went into effect as of the beginning of 2023 and will be in force until the end of 2025. The Compensation Policy is based on the provisions of Amendment No. 20 to the Companies Law regarding the Bank's officers' service and employment terms and conditions, on Proper Conduct of Banking Business Directive No. 301A, Compensation Policy of a Banking Corporation, and on the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016 (hereinafter – the "Compensation Limitation Law").

The Compensation Policy sets out a framework for the compensation of the Bank's officers and refers, among other things, to fixed compensation components, which is the principal compensation paid to officers and includes: A fixed salary, social benefits, related benefits, as well as severance and retirement benefits, as well as variable compensation components which include any compensation which is not fixed in nature, such as a measurable annual performance bonus comprised of a bonus component based on the Bank's return on equity, based on the weighted earnings per share of the Bank compared to the return of the TA-Banks Index, a bonus component based on the Bank's weighted efficiency ratio, and additional components, to the extent that the Compensation Committee and Board of Directors will decide to determine additional components regarding officers other than the Bank's President and CEO; a qualitative personal mission bonus, based on the achievement of personal targets and qualitative criteria according to the relevant officer's areas of responsibility; and a retention bonus. It should be noted that Board members, including the Chairman of the Board, are not entitled to variable annual bonuses. The Bank's President and CEO is not entitled to an annual variable bonus, unless decided otherwise by the Bank's competent organs.

The total amount payable in variable bonuses to an officer is limited to 8 monthly salaries per year; as under special circumstances, the Compensation Committee and the Board of Directors may approve an additional special bonus to any of the officers, that would not exceed one month' salary.

The Bank's Board of Directors may also reduce (due to special considerations) the amount of the variable annual bonus, after obtaining the approval of the Compensation Committee, at its discretion. Furthermore, the Compensation Policy prescribes, based on Directive 301A, a mechanism for repayment of variable bonuses, including repayment criteria and circumstances and a repayment period.

The Compensation Policy also sets out arrangements for deferral of payment of variable bonus to officers, payment of which is subject to the Bank's meeting the required capital adequacy ratios according to the directives of the Banking Supervision Department immediately prior to each vesting date (or the fixed vesting conditions in a equity compensation, to the extent that the deferred part of the variable bonus payments is given as a equity compensation).

The Compensation Policy includes various mechanisms and arrangements designed to allow the Compensation Committee and the Board of Directors to revise the Compensation Policy or service and employment terms and conditions of officers to whom the Compensation Policy applies, without being required to obtain the approval of the Bank's general meeting for every such revision. Such revisions will be made when, in the opinion of the Compensation Committee and the Bank's Board of Directors, they are justified under the circumstances on revision date.

According to the Compensation Policy, the compensation of any of the officers at the Bank (other than the Chairman of the Board or President and CEO) which will exceed, according to a decision by the Compensation Committee and Board of Directors the ceiling set out in Section 2(a) of the Compensation Limitation Law, and in such a case, part of the salaries of these officers will not be tax deductible, subject to Section 32(17) of the Income Tax Ordinance. The compensation policy also includes a mechanism enabling an increase in the amount of compensation to which the Chairman of the Board and the President and CEO will be entitled automatically with an increase in the lowest compensation at the Bank, as stated in the Compensation Limitation Law (where to the extent that the revised compensation amount to the Chairman of the Board and/or to the President and CEO will exceed 5% due to the linkage to the rate of increase of the lowest compensation at the Bank, as stated in the Compensation Limitation Law, the revision will be brought for approval of the Compensation Committee and Board of Directors).

In addition, the compensation policy includes the option according to which, subject to approval by the Bank's competent organs and subject to the provisions of any law, the Bank's officers (including directors) may be entitled to equity compensation in the form of options, shares or share-based instruments.

For more information regarding the compensation policy, please see the Supplementary Report to the Summons Report of the Extraordinary General Meeting of the Bank published on July 14, 2022 (Ref. No. 2022-01-089413) as well as Note 22.C.2.and22C.3.

Compensation of Senior Officers

For the year ended December 31, 2024

Set forth below is a breakdown of the benefits and amounts paid or provided for in 2024 and 2023 to the Chairman of the Board of Directors and to the highest paid senior officers of the Group. The benefits described below do not include benefits in respect of banking services that are provided to the Bank's employees, such as preferred interest rates on financial deposits with the Bank, preferred interest rates on mortgages, discounts or exemptions from fees and commissions payable on banking services provided by the Bank, etc. The amounts of the benefits awarded to each of the employees in respect of such banking services are immaterial. Certain private customers of the Bank, including customers who are included in arrangements between the Bank and employee groups, are occasionally awarded benefits that are similar to those granted to Bank employees and in some cases, even exceed them.

2024								
Details of recipient of compensation (1)		Compensation for services					Compensation Other	
Name	Job title	% of the Bank's equity	Salaries/ Management fees	Bonuses (5)	Value of options	Social benefit contributions (3)	Benefit value (4)	Total (2)
		%	(In NIS thousand)					
Dr. Muli Ben Zvi (6)	Outgoing Chairman of the Board	–	3,550	–	–	–	–	3,550
Mr. Uri Alon(7)	Chairman of the Board	–	147	–	–	–	–	147
Mr. Hanan Friedman (8)	President & CEO	0.01%	3,690	–	–	632	67	4,389
Mr. Ron Ben Haim (12)	CEO of Leumi Partners	–	1,814	2,711	–	684	481	5,690
Mr. Michael Schiller	CEO of Bank Leumi UK	–	1,586	1,069	–	103	1,843	4,601
Mr. Phil Wedhard	CEO of ABL	–	1,126	3,067	–	175	65	4,433
Mr. Omer Ziv(9)	Deputy CEO, Head of Capital Markets Division	–	2,055	1,307	126	554	106	4,148
Ms. Bosmat Ben Zvi (10)	First Executive Vice President and Head of Internal Audit Division	–	1,718	1,106	101	419	106	3,450
Mr. Eyal Efrat (11)	First Executive Vice President and Head of Technology Division	–	1,698	1,014	101	479	119	3,411

1. The compensation recipients works full time.
2. Excluding payroll tax.
3. Social benefit contributions include contributions for severance pay, bonuses, pension, study fund, national insurance, a non-competition provision for the year 2024 for the relevant employees, as well as a supplementary provision in respect of the above due to salary changes during the reporting period. The Bank's senior employees have special personal employment contracts with the Bank. For more information regarding the retirement benefits of senior employees and their eligibility for advance notice on retirement, please see Note 22.C.1.

   It is clarified that the cost of employing officers does not include the cost of interest (the interest component, which is presented according to the financial standards under operating expenses) or the cost of taxes that do not apply to the officer.
4. The value of the benefit includes, inter alia, car and telephone expenses.
5. Including an annual variable bonus for 2024 for senior officers of the Bank (other than the Chairman of the Board and the President and CEO), in accordance with the Compensation Policy of the Bank or

according to the compensation policy of the relevant subsidiary. For more information regarding the eligibility of senior Bank employees for bonuses in accordance with the new officer compensation policy, please see Note 22.1.

6. On December 5, 2024, Dr. Shmuel Ben Zvi ended his tenure as Chairman of the Board of Directors and as a director at the Bank. On January 4, 2024 the Bank's general meeting approved terms of service of the outgoing Chairman, effective as from the date of the commencement of his term as Chairman of the Board of Directors (November 16, 2023) until the date of termination of his term as stated above. The outgoing Chairman's terms of service were adjusted as determined in the Bank's compensation policy for officers, in Directive 301A and in the Compensation Limitation Law. The terms of office of the outgoing Chairman of the Board of Directors were adjusted to those set forth in the Bank's compensation policy for officers, to those set forth in Directive A301 regarding the compensation structure of a chairman of the board of directors in a banking corporation without a controlling interest, and to those set forth in the Compensation for Officers in Financial Corporations Law (Special Approval and Disallowance of Expense for Tax Purposes Due to Exceptional Compensation), 2016 (hereinafter: the "Compensation Limitation Law"). The amounts detailed regarding the Chairman do not include VAT, which was paid in addition to the amounts in accordance with the Chairman's employment mechanism.

   For details regarding the terms of office of the outgoing Chairman of the Board of Directors, see Note 22.C.3. and the Bank's immediate report regarding the convening of a general meeting dated November 29, 2023 (Reference No.: 2023-01-130137).

7. Mr. Uri Alon has served as a director of the bank since August 30, 2023, and began serving as the Chairman of the Bank's Board of Directors on December 18, 2024 (hereinafter – the "Effective Date").

   The terms of office of the Chairman of the Board of Directors as described below were approved by the Compensation Committee and the Board of Directors of the Bank, and they will be submitted for approval to the General Meeting of the Bank to be held on March 13, 2025. The terms of office of the Chairman of the Board of Directors will apply from the Effective Date and as long as he serves as Chairman of the Board of Directors. The terms of office of the Chairman of the Board of Directors are in accordance with the compensation policy for office holders of the Bank, as stipulated in Directive A301 regarding the compensation structure of the Chairman of the Board of Directors in a banking corporation without a controlling interest and in accordance with the Compensation Limitation Law.

   In accordance with the terms of office of the Chairman of the Board of Directors, he is entitled to fixed compensation only, including that he is not entitled to a variable annual bonus. Also, and unlike the other members of the Board of Directors, the Chairman of the Board of Directors is not entitled to fixed capital compensation.

   The Chairman of the Board of Directors provides his services to the Bank through a management company he owns, in return for issuing a tax invoice to the Bank. The compensation detailed in the table includes the proportional portion of the compensation for his term of office as Chairman of the Board of Directors in the reporting year (in accordance with the terms of office of his term as Chairman of the Board of Directors, which are submitted for approval by the Bank's General Meeting), and does not include directors' compensation until the date of commencement of his term as Chairman of the Board of Directors.

   For details regarding the terms of office of the Chairman of the Board of Directors, as approved by the Compensation Committee and the Bank's Board of Directors and as submitted for approval to the Bank's General Meeting, see Note 22.C.3. and the Bank's immediate report regarding the convening of a General Meeting dated January 29, 2025 (Reference No.: 2025-01-007654).

8. Mr. Hanan Friedman serves as the Bank's President and CEO as of November 1, 2019 (hereinafter - the "Effective Date"). Prior to that, Mr. Friedman served as an officer of the Bank since September 1, 2014. On December 23, 2019, the Bank's general meeting approved the service and employment terms and conditions of the Bank's President and CEO under the Bank's compensation policy. The President and CEO's service and employment terms and conditions are in accordance with the provisions of Directive A301 and the limitations set forth in the Compensation Limitation Law, and the include a fixed supplementary compensation component that supplements the maximum possible compensation at the Bank pursuant to the Compensation Limitation Law.

   Under the President and CEO's service and employment terms and conditions, he is not eligible for a variable annual bonus.

For more information regarding the CEO's employment terms and conditions, please see Note 22.C.2. and the Bank's immediate report regarding convening of a general meeting, dated November 10, 2019 (Ref. No.: 2019-01-096531).

9. Mr. Omer Ziv has served as a member of the Bank's management team since August 16, 2016. Effective February 12, 2023, he was appointed head of the Capital Markets Division, Deputy CEO and Chairman of Leumi Partners. Mr. Ziv's service and employment terms and conditions are in line with the Bank's compensation policy and the Compensation Limitation Law.

10. Ms. Bosmat Ben Zvi has served as a member of the Bank's management team since April 1, 2017. Effective February 12, 2023, she was appointed Chief Auditor and Head of the Internal Audit Division. Ms. Ben Zvi's service and employment terms and conditions are in line with the Bank's compensation policy and the Compensation Limitation Law.

11. Mr. Eyal Efrat has served as a member of the Bank's management team since October 1, 2021 as Head of the Strategy, Digital, Data and Projects Division. Effective January 31, 2024, he was appointed as Head of the Technology Division. Mr. Eyal Efrat's service and employment terms and conditions are in line with the Bank's compensation policy and the Compensation Limitation Law.

12. Mr. Ron Ben Haim serves as CEO of Leumi Partners, a wholly-owned subsidiary of the Bank as from April 1, 2023. Mr. Ben Haim's annual bonus, as outlined in the table above, was approved by the Compensation Committee and Board of Directors of Leumi Partners, in accordance with his employment agreement and Leumi Partners' key employee compensation policy.

13. Loans under beneficial terms granted, if granted, pursuant to the accepted terms and conditions for all of the Bank's employees and their amounts were set according to uniform criteria. The said loans were marginal in terms of amount (a few thousands of shekels) and were therefore omitted from the table.

14. Directors and other officers are covered by directors and officer's liability insurance policy (D&O) taken out by the Bank and its investees. The relative insurance premium is marginal and therefore not included in the above tables. The premium totaled NIS 7,033 thousand for all of the Group's insured officers.

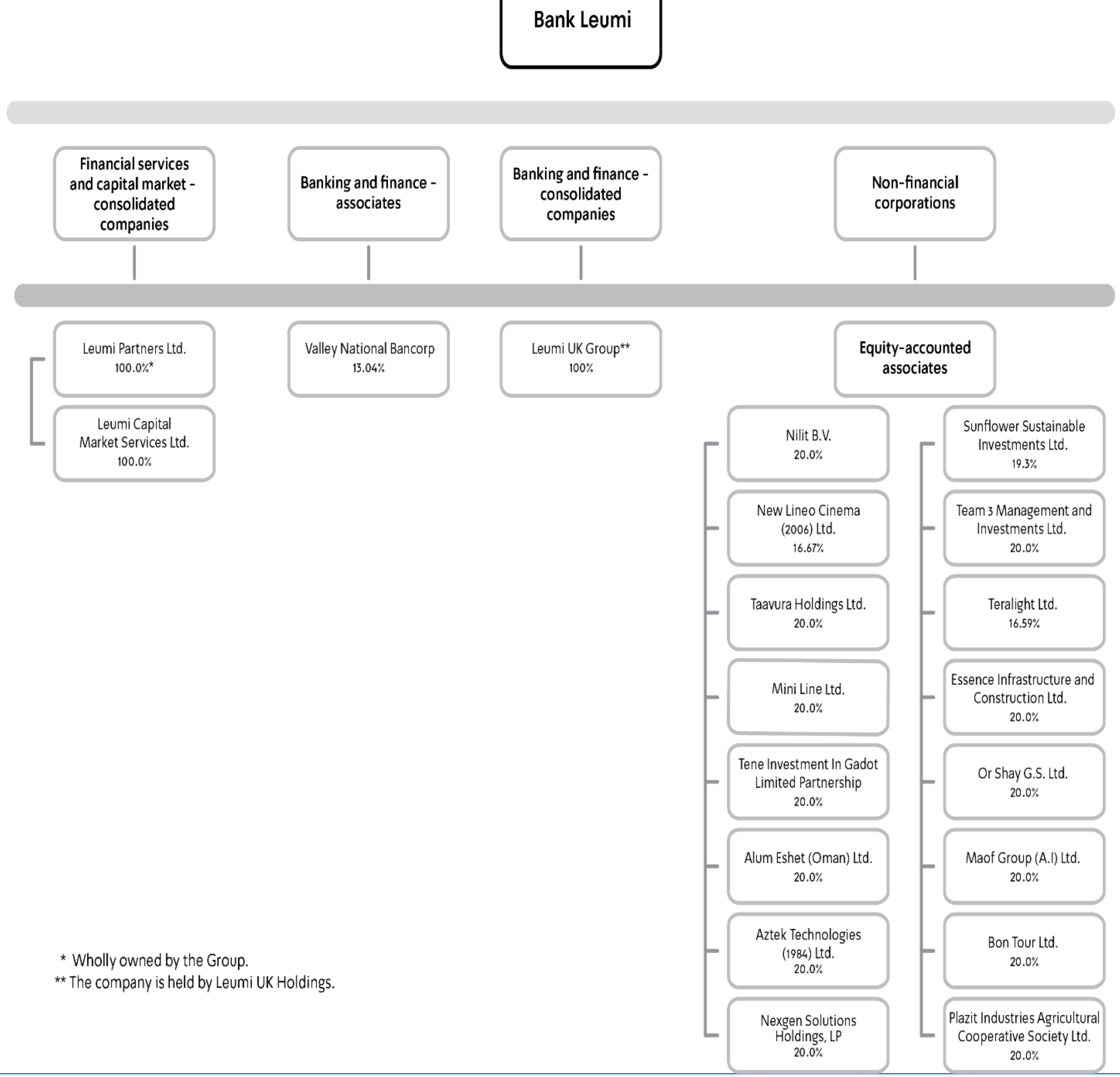
15. The remuneration provided to the officers of the Bank is in accordance with the Bank's remuneration policy and in accordance with and subject to the remuneration limit established in the law, with eight officers of the Bank reporting directly to the CEO of the Bank receiving remuneration for the reporting year that exceeds the salary limit established in Section 2(a) of this law.

16. The Board of Directors believes - after conducting discussions, receiving explanations and proper, relevant background material and reviewing the compensation while taking into account the Bank and Group's activity and performance in 2024 and taking into account the Group's compensation policy and its subsidiaries' compensation policy, as well as the work and performance of each senior officer of the Bank or Group - that the compensation paid to the aforementioned senior officers, as set out in the table and explanations above, in no way exceeds fair and reasonable compensation under the circumstances, taking into consideration each of the aforesaid officers' contribution to the Bank's results of operations and thus believes that the compensation, as aforesaid, is for the benefit of the Bank.

2023								
Details of recipient of compensation		Compensation for services					Compensation Other	
Name	Job title	% of the Bank's equity	Salaries/ Management fees	Bonuses	Value of options	Social benefit contributions	Benefit value	Total
		%	(In NIS thousand)					
Dr. Samer Haj Yehia	Outgoing Chairman of the Board	–	3,112	–	–	–	–	3,112
Dr. Muli Ben Zvi	Chairman of the Board	–	474	–	–	–	–	474
Mr. Hanan Friedman	President & CEO	0.01%	3,161	–	–	557	65	3,783
Mr. Michael Schiller	CEO of Bank Leumi UK	–	1,490	1,009	–	97	1,769	4,365
Mr. Ron Ben Haim	CEO of Leumi Partners	–	1,326	1,150	435	911	90	3,912
Mr. Omer Ziv	First Executive Vice President, Head of	–	1,994	797	258	453	105	3,607
Mr. Jaime Schcolnik	First Executive Vice President and Head of Leumi Technologies	–	1,624	927	258	359	125	3,293
Mr. Ronen Mori	First Executive Vice President and Head	–	1,255	644	170	316	89	2,474

For information and explanations regarding salaries and tenure terms of the officers outlined in the above table in respect of 2023, please see the chapter entitled "Senior Officers' Salaries" in the Bank's 2023 Annual Financial Statements (starting page 321).

The Bank's Main Investees and Investments



* Wholly owned by the Group.
** The company is held by Leumi UK Holdings.

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 on stakeholders' holdings in the Bank as of December 31, 2024, please see the immediate report entitled "Status of Holdings of Stakeholders and Senior Officers," dated January 7, 2025 (Ref. No. 2025-01-002387), immediate report of changes to stakeholder holdings dated January 9, 2025 (Ref. No. 2025-01-003093), immediate report on new stakeholders dated January 20, 2025 (Ref. No. 2025-01-005504), immediate report on new stakeholders dated February 3, 2025 (Ref. No. 2025-01-008338), and immediate report on one who is no longer a stakeholder dated February 19, 2025 (Ref. No. 2025-01-011703). 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); the immediate report on who became a holder of material means of control from April 8, 2024 (Ref. No.: 2024-01-034966); and the immediate report on who ceased to be and who became, a holder of material control as of October 10, 2024 (Ref. No.: 2024-01-094861).

Fixed Assets and Facilities

Buildings and equipment - the amortized cost of buildings and equipment as at December 31, 2024 amounted to NIS 2.8 billion, similar to December 31, 2023.

Investments in buildings and equipment as at December 31, 2024 are as follows:

	Cost	Accumulated depreciation	Carrying value	
	December 31			
	2024			2023
	In NIS million			
Buildings and land	**2,305**	**1,171**	**1,134**	1,317
Equipment, furniture and vehicles	**3,221**	**2,477**	**744**	764
Software costs	**5,055**	**4,111**	**944**	793
Total	**10,581**	**7,759**	**2,822**	2,874

The above buildings and equipment are used primarily for the Group's activities. Buildings that are not used by the Group and are leased to non-Group parties and included in the consolidated balance sheet as of December 31, 2024, amounted to NIS 29 million.

Real estate

The majority of the buildings in which the Group conducts its business in Israel are owned by the Bank or by its subsidiaries. Most of the properties in which the Group conducts its business abroad are leased.

Set forth below are data regarding the breakdown of the areas of the Bank, Binyanei Bank Ltd. and Lin City Center Ltd.

	As of December, 31	
	2024	2023
	In sq. m.	
Owned	**210**	235
Leased	**65**	73
Total	**275**	308

Sale of Beit Mani

In 2022, the Bank signed an agreement for the sale of Beit Mani (Leumi House, the main headquarters offices and Beit Mani), featuring a total above-ground built-up area of approximately 13,000 square meters. The sale was completed on February 29, 2024, upon delivery of the property. and completion of the transitioning of headquarters units to Lod.

Sale of half of Beit Lin

In 2023, the Bank signed an agreement for the sale of half of its holdings in Beit Lin, featuring a total above-ground built-up area of approximately 16,600 square meters. The sale was completed on March 25, 2024, upon delivery of the property and completion of the transitioning of headquarters units to Lod.

IT systems

Bank Leumi has two principal IT centers: a primary center in Lod and a secondary center in Har HaHotzvim, Jerusalem; the latter is a hosting site outsourced by Binat. In addition, there is a third copy of the data only, kept at the Med One facility in Petah Tikva.

The Bank's computing centers in Lod and Jerusalem (where the first and second copies are located) are underground facilities protected at an accepted level against rocket attacks, chemical warfare and earthquakes. The facilities were constructed using advanced technologies to enable the Bank to maintain its regular functionality independently in times of emergency. To the Bank's understanding, the survivability and redundancy levels of the computer center's infrastructures are equivalent to Tier-3 levels and the infrastructures comply with various international standards.

Bank Leumi has two mainframe computers, for use by the production, development, and emergency recovery systems.

Leumi's information and cyber security practices are based on the banking privacy policies or secrecy principle and various laws and directives, such as the provisions of the Protection of Privacy Law and regulations promulgated thereunder, the provisions of the Computers Law, Bank of Israel's directives, and generally accepted international standards relating to information security and cybersecurity.

Under these provisions and in light of Leumi's strategy and policy regarding cyber risk management, the Bank is highly active in this field. The main focus in this area is the implementation of controls and forward-looking information security mechanisms.

In a time of increasing threats posed both from within the organization and by external parties, Leumi takes measures to protect itself from cyberattacks and works to hedge the risks arising from various types of cyber-attacks. In addition, Leumi works in coordination with the Banking Supervision Department of the Bank of Israel, the banking sector and the National CERT to enhance its ability to tackle cyber threats.

The operations and computer-related activities of the Israeli and foreign subsidiaries are based on separate systems and the managements and boards of directors of those subsidiaries bear the managerial and professional responsibility for those activities which are coordinated with Leumi's IT strategy.

In 2024, the Group invested in equipment (including software) approximately NIS 697 million, compared with approximately NIS 648 million in 2023. The budget was adjusted to support the strategic targets set by the Bank's management.

For additional information, please see Note 16.

Intangible Assets

1. The Bank is the sole proprietor in Israel of the "Leumi" trademark and its accompanying logo, in the field of banking and finance services.
2. Furthermore, as part of its activities, the Group uses the names of the companies and their logos as well as products and services' names, some of which are registered as trademarks or service marks.
3. The Group has registered databases in which it stores, among other things, information pertaining to Leumi's customers, suppliers and employees. The Group implements advanced technological means designed to secure customers' activity and the Bank's business activity, while mitigating the risks arising from using information systems.
4. The Group has various intellectual property rights and licenses to use various computer software and information systems for the purpose of managing its business, including the provision of services to its customers.

Human Resources

Work force

In 2024, the average number of positions in the Group decreased by 97 positions compared to the average number in 2023, a 1.2 percent decrease.

	Positions[a] as at the end of the year		Annual average no. of positions[a]	
	2024	2023	**2024**	2023
The Bank in Israel	**7,502**	7,516	**7,542**	7,615
Consolidated Companies in Israel	**219**	238	**215**	236
Group in Israel – total	**7,721**	7,754	**7,757**	7,851
Consolidated Companies Outside Israel	**112**	108	**108**	111
Group in Israel and abroad – total	**7,833**	7,862	**7,865**	7,962

a) Position - a full-time position including specific overtime, working hours of service bureaus and employment of contract workers.

Positions by operating segments – Management Approach

	Average number of jobs	
	2024	2023
Banking:		
Private individuals	**3,460**	3,489
Small businesses	**1,202**	1,278
Retail banking – total	**4,662**	4,767
Mortgages	**632**	619
Commercial	**1,095**	1,121
Corporate	**419**	397
Real estate	**245**	238
Capital markets	**471**	451
Other and adjustments	**18**	22
Bank – total	**7,542**	7,615
Subsidiaries in Israel	**215**	236
Foreign subsidiaries	**108**	111
Total	**7,865**	7,962

The number of positions by operating segments is calculated based on the management of the workforce according to the Bank's main business lines, with various adjustments, and based on estimates. When calculating the number of positions by operating segments, the Banks also included HQ employees, who serve all or some of the Bank's operating segments.

Age and seniority

As at the end of 2024, the average age of Bank's employees was 42.7, compared with 42.6 in 2023 and 42.9 in 2022. As of the end of 2024, the average seniority of Bank's employees was 13.4 years, compared with 13.7 in 2023 and 14.1 in 2022.

Compensation mechanism and salary structure

The salary structure and compensation level of the Bank's employees is mainly affected by existing collective labor agreements. As a rule, the annual compensation is differential and is based, among other things, on the complexity of the employee's role, his/her contribution to the Bank, his/her manager's assessment, rank and pay grade.

Employee Benefits

Labor relations between the Bank and its Israeli employees, except for those who have personal employment contracts, are primarily based on a basic collective labor agreement known as the "Labor Code" and on collective and supplementary agreements. The employment terms of members of the

Bank's management, senior employees and certain other employees are regulated by personal employment contracts. For more information, please see Note 22.

Labor and salary costs (in the Bank)*

	2024	2023	2022
	In NIS thousands		
Cost per employee position – (excl. bonus)	**423.4**	416.4	400.1
Cost per employee position – (incl. bonus)	**500.5**	446.1	484.9
Salary per employee position – (excl. bonus)	**269.4**	261.3	256.7
Salary per employee position – (incl. bonus)	**331.3**	285.3	324.7

* Cost per employee position includes the cost of service and cost of interest (less expected return) for active employees.

Organizational development and learning

Organizational development and learning are key tools for strategic planning and management of human capital, adapting employees' skills to the changing business needs and implementing the business strategy in a changing organizational environment. The transformations that have taken place in the current period require increased attention to strengthening the sense of purpose, retaining employees, strengthening and preserving knowledge and adapting management skills.

Learning throughout the year focused on programs that support strategic targets at Leumi. Emphasis was placed on reinforcing professionalism, improving service and customer experience, developing skills needed in the different units, implementing systems and work processes while preserving flexibility and adaptation to changes in the market and regulatory requirements.

This past year was characterized by a hybrid learning mix combining in-person meetings with remote learning and online learning in order to ensure effective learning with flexibility that enables learning at any time and in any place. In total, in 2024, approximately 263,000 hours of study were logged at the organization.

In order to preserve knowledge at the organization, and as part of the need to ensure organizational and business continuity, mapping of employees with unique knowledge and material influence was performed. Subsequently, solutions were developed which include knowledge documentation measures, transfer of knowledge to additional employees, mechanization of processes, backup by external suppliers, and establishment of back-up mechanisms.

Social responsibility and involvement in the community

As a financial group with a central influence on Israeli society and the economy, we view our commitment to the community as a social and meaningful anchor. The Bank's activity in the area of social responsibility reflects our commitment to the empowerment of society and the economy in Israel and is a direct continuation of Bank Leumi's continuous and long-standing activity as a corporate organization that operates within and for the community.

In 2024, the Bank's social policy focused on rehabilitating populations affected by the war and the events of October 7. As such, the Bank announced a series of unique initiatives aimed at assisting and supporting various populations. For example:

- Leumi was the first corporate body in Israel that announced support for communities impacted in the Gaza Envelope region, and is still accompanying Kibbutz Be'eri and its residents to this day.
- The Leumi Picking Scholarship – In the project, students volunteered to help pick or work the fields for a whole month in exchange for a scholarship from the Bank for the academic year.
- The Leumi Matriculation Exams initiative – Financing the establishment of study programs throughout the country, as well as online study courses for the matriculation exams, for high school students whose study routines were affected, with an emphasis on students evacuated from their homes during the war.
- The Leumi Weddings project – Financing weddings for couples who served in reserve duty during the war. The services for the event were provided also by business owners from the north and south.

In addition to these selected initiatives, Bank Leumi donated, *inter alia*, to medical centers throughout the country that admitted and treated thousands of people wounded during the war, financing the purchase of advanced medical equipment and supporting expansion of the trauma and rehab departments. In 2024, total community outreach investment was increased to NIS 77 million in light of the year of war. Thousands of Leumi's employees from all functions volunteering in numerous programs, investing over 25,000 hours in volunteer work.

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. As of March 3, 2025, she was appointed, as Head of Human Resources Division.

Adv. **Nitzan Sandor** was appointed Head of the Legal Counsel Division, as a member of the Bank's management and First Executive Vice President, starting from September 9, 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.

Ms. **Avivit Klein**, Director of the Human Resources Division and a member of the Bank's management, ended her service on October 28, 2024 after 30 years of working at Bank Leumi.

Corporate Structure

The Leumi Group's organizational structure is divided into business lines and headquarters divisions.

Set forth below is a description of Leumi's four business lines, which focus on the different market segments:

The Retail Banking Division manages the activity of household customers, small businesses and high net-worth customers in Israel and abroad who receive the full range of services through the branches array and through a variety of digital or direct distribution channels. The services and products are adapted to all the customer segments according to the nature of their banking activity, their characteristics and their banking and service needs.

In addition, the Banking Division is responsible for the Investment Advisory Department that manages the advisory centers, the VIDEA operations, and the banking centers.

The Mortgage Division is responsible for all mortgage-related and housing loan activity at the Bank, serving both the Bank's customers and customers of other banks taking out mortgage loans from Bank Leumi.

The Corporate Division is responsible for all business customers (except small businesses, which are managed by the Retail Banking Division - please see above) and provides them with a range of services, which include, inter alia, financing of working capital and inventory, project and investment plan funding, factoring, international trade and financing, investment activity, hedges, etc. In addition, the department manages the syndicate transactions and sales of the debts while optimizing the credit portfolio. The Division's customers are divided into business lines:

- **The Corporate Department** is responsible for large Israeli corporations on the basis of sector expertise and synergies.
- **The Commercial Banking Department** is responsible for middle-market companies, through business centers across Israel.
- **The Construction & Real Estate Department** manages the banking activities of large construction companies, real estate entrepreneurs and contractors in Israel. The Department's employees have specific skills and expertise in all areas of the Israeli real estate market.
- **LeumiTech serves** high-tech and venture capital funds for the Group; the Department specializes in all segments of the technology industry.
- **The Infrastructures and Complex Financing Department is responsible** for project financing operations in the fields of infrastructure and energy, and supports operations of the other departments via branches specializing in syndication, international financing, factoring, financing of mergers and acquisitions, and investment programs.

The Corporate Division is also responsible for the Special Loans Department - which is responsible for reducing exposure to corporate customers in difficulties, as well as collecting debt by realizing collateral through legal means, reaching debt settlement agreements where applicable.

The Capital Markets Division is in charge of managing the Group's financial assets in Israeli currency and foreign currencies, managing the Bank's assets and liabilities, managing liquidity, setting the Bank's price policy and financial spreads, managing the Nostro account, managing the activities of the Bank's trading room, developing financial and investment products, coordinating the Bank's operational capital market services, and managing local and foreign financial customers.

Following are the purviews of the headquarters divisions, which provide services to the business lines:

The Finance Division is responsible for coordinating and preparing the Bank's work plan, managing P&L centers and financial and managerial measurement, measuring the Group's capital, preparing the Bank's expenditure budget and monitoring its implementation. The Division responsible for the accounting department; as such, it manages, develops and sets the Bank's accounting procedures; it manages the Bank's books of account and prepares the financial statements of the Bank and the Group; and it maintains the Bank's relations with the Bank of Israel regarding all accounting matters and related reports.

The Human Resources Division is responsible for developing and implementing the Bank's human resources strategy, labor relations, salary and compensation, organizational development and learning, recruitment and job placement, employee experience, welfare and individual care.

The Technology Department is responsible for all of the computerization aspects at the Bank, availability and stability of the infrastructures, systems, platforms, and interfaces used by the Bank and its customers. As such, it is responsible for managing IT, technological development, management of digital projects, communications, cyber, and information security. The department coordinates the IT strategy and IT policy on the Group level.

The Operations and Service Division deals with three main issues: dedicated professional centers, business units serving the business divisions, and construction and logistics services.

The Legal Counsel Division advises the Bank and its Israeli subsidiaries on all legal matters and manages the Bank and the Group's legal risks and regulatory risks. The Division is also responsible for the Ombudsman.

The Risk Management Division is responsible for risk management at the Group level; creating an up-to-date overall picture of each risk for decision-making purposes; creating an infrastructure for assessing the risks inherent in new activities; leading the drafting of the Bank's risk policy; assisting the Board of Directors in determining the Bank's risk appetite; and leading the process of evaluating the Internal Capital Adequacy Assessment Process (ICAAP), including its various components.
In addition, the division includes the Compliance and Enforcement Department, which is responsible for implementing the Bank's compliance program.

Strategy Division - In charge of formulating and implementing strategy in the Leumi Group, leading strategic and process-related projects, data management, providing analysis services and building models for the Bank's units, including credit models and ESG management.

The Internal Audit Division is independently responsible for Leumi Group's internal auditing.

Additional Topics

Issuance of the option warrants and shares

For more details regarding issuance of option warrants, see Note 23.A..

Collective agreement on employee benefits

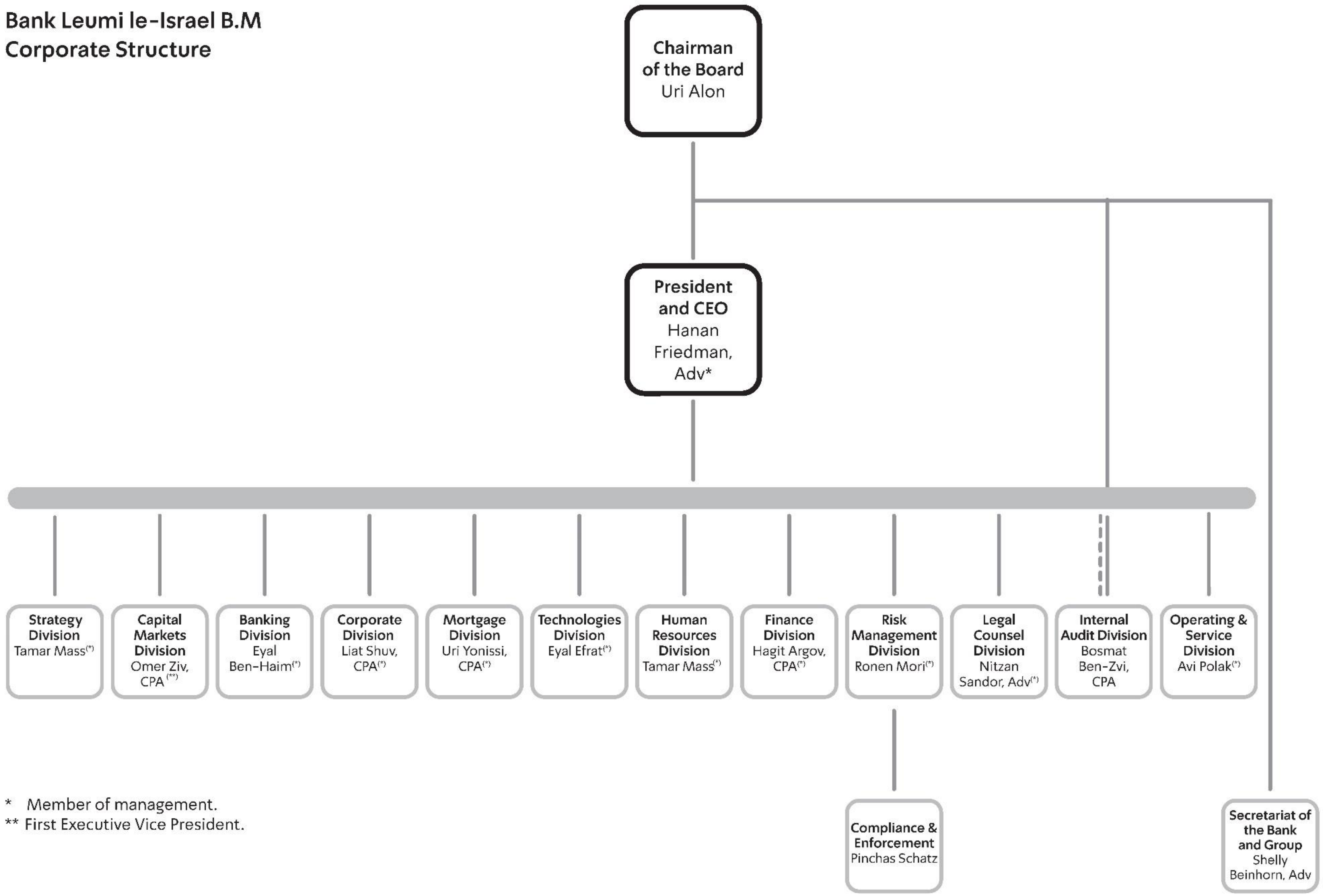
On April 16, 2023, the Bank signed a special collective agreement with the Workers' Union for 2023-2026.

For further information, please see Note 23.A to the financial statements as of December 31, 2023 and the immediate report dated April 16, 2023.

Human resources management during the Iron Swords period

The Bank acts based on the regulations and guidance issued by government entities and is taking a series of additional measures, in order to enable business continuity at this time.

Bank Leumi le-Israel B.M
Corporate Structure



* Member of management.
** First Executive Vice President.

Legal Proceedings

1. The Bank is party to legal proceedings, including motions to certify class actions, brought against the Bank by customers (including former customers) and various third parties, who allege to have been damaged or harmed as a result of the Bank's activity in the ordinary course of its business.
   In the opinion of the Bank's management, based on legal opinions, appropriate provisions have been made in the financial statements to cover potential damages in respect of all the claims.

   The grounds for the claims against the Bank are varied and include, among others, claims in connection with the execution of orders, account management, interest, fees and commissions charges, securities issues, labor relations and the invasion of privacy.

   For more information regarding claims filed against the Bank in material amounts, please see Note 25.

2. As part of measures taken to recover debts in the ordinary course of its business, the Bank takes, among other things, legal action against debtors and guarantors, and also pursues collateral realization proceedings. The Bank has included in the financial statements loan loss provisions based on an assessment of all the risks associated with the extension of loans to the various sectors of the economy and taking into account the extent of information available on the relevant debtor or guarantor with regard to their financial stability and the collaterals provided to the Bank to secure the repayment of the debt.

Material Agreements

1. The Bank granted officers and others letters of indemnification. For more information, please see Note 25G.
2. For information regarding agreements relating to the Bank's subsidiaries, please see Note 35 and the section entitled "Major Investee Companies" in the Report of the Board of Directors and Management.
3. For information regarding agreements with the Israel Tax Authority, please see Note 8.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning of the term, please see the chapter "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 date of signing the financial statements for 2023, please see the chapter entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023.

Directives Issued by the Banking Supervision Department

Policy and general terms and conditions for an applicant for a holding permit in banking corporations, providers of payment services of stability importance in acquirers and in their holding corporations.

In the Policy published on January 19, 2025, guidelines are detailed for examining an application for a holding permit in a bank, in a payment services provider with stability significance or in a holding corporation therein, in accordance with the Banking Law (Licensing), 1981. Summary of the Policy – The holding permit will be limited to a maximum of 10 percent of any type of control means in a corporation requiring a permit, provided that the corporation has a controlling shareholder and has not been publicly issued. In the case of a bank with a small scope of activity (as define in the Banking Law (Customer Service), 1981), which has a controlling shareholder and has not been publicly issued, the holding permit will be limited up to 20%, while voting rights and the right to appoint directors will be restricted to up to 10% of any type of control means. Additionally, the policy document addresses the method of holding control means, the financial resilience and personal and business integrity of the permit application, considerations to be taken into account when examining a holding permit application by a private investment fund, as well as the data and documents the fund must submit with its application.

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.

An additional amendment to the directive published on October 10, 2024 is intended to define the necessary adjustments that must be made in the directive, after the Knesset passed the Regulation of the Engagement in

Payment and Payment Initiation Services Law, 2023 ("Payment Initiation Law"). Similarly, the amendment includes clarifications for the implementation of the Financial Information Service Law, 2021 ("Financial Information Service Law"), regarding aspects concerning customers that are corporations. Inter alia, the amendment expands the application of the directive, in accordance with the specifications in the Payment Initiation Law and in the Financial Information Service Law, regarding entities monitored by the Banking Supervision Department, so that the amendment will now also apply, on the one hand, to corporations controlled by the providers of a payment service that is important from the standpoint of stability and, on the other, to foreign banks. In addition, the amendment also adjusts provisions related to the obligation of providing accessibility that applies to a banking corporation that serves as the manager of an account for payment to a payment initiation service; to the obligations of the manager of a payment account toward the payer, the purpose of which obligations is to protect the payer's interests with regard to the receipt of basic initiation services; and to the obligations of a basic initiator.

On November 19, 2024, a draft of the amendment to the directive was published, proposing to update the appendix to the directive that specifies the technological standard, so that the charge authorization standard would be added.

Amendment to Proper Conduct of Banking Business Directive No. 425 – "Annual Reports to Customers of the Banking Corporations"

According to the amended directive published on July 29, 2024, 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.

Amendment to Proper Conduct of Banking Business Directive No. 414 – "Disclosure of the Cost of Services in Securities"

According to an amendment published on July 29, 2024, a banking corporation shall 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 No. 447 – "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.

New Draft Proper Conduct of Banking Business Directive No. 477A regarding publication of concentrated information on monetary funds and treasury bills.

On December 31, 2024, the draft directive was published, with the intent of increasing the exposure of customers in the banking system to existing and new monetary funds and increasing customers' ability to make comparisons, as well as competition in the financial system. The draft directive proposes making information accessible to the entire public of customers of the banks, so that along with publication of the required information related to deposits as set forth in Proper Conduct of Banking Business Directive No. 447 – "Interest Rates on Deposits and Credit Balances in an Account," information will be published, in a uniform format, about financial funds and short-term government bonds.

Draft of Proper Conduct of Banking Business Directive No. 369 and draft of a FAQ file on the subject of model risk management

The new draft of a Proper Conduct of Banking Business Directive published on August 21, 2024 deals with the main aspects of effective management of model risks. According to the approach expressed in the new draft, the management of model risks should be identical with the management of other categories of risk. The Directive refers, among other things, to appropriate the development, implementation and use of models, the model validation process and the corporate governance and control mechanisms that must be established in relation to each model and to all models. The Directive replaces the Banking Supervision Department's October 2010 letter regarding model validation, and it is based on the guidelines of the US regulators regarding model risk management (SR Letter 11-7). The directive will come into force on August 21 2025 (but will not apply to exceptional models regarding which other dates have been set).

Together with the publication of the draft directive, a draft FAQ file was published, and it will present Banking Supervision Department positions regarding various issues related to the implementation of the directive, including model risks, model validation, corporate governance, policy, and controls.

Bank of Israel letter – General Permit for the Provision of Certain Banking Services (according to the Banking Law (Licensing), 1981)

On June 16, 2024, the Banking Supervision Department published an updated general permit, which replaces the permit from 2022, and expands the physical banking services that a bank may provide to customers outside of the branch, while making adjustments to customer characteristics and their needs. Main points of the permit: (1) A list of the banking services that a bank may provide to its customers outside of the branch through a bank employee who has been authorized for this purpose; (2) A permit to manage businesses and to provide banking services at any location to customers who have an objective difficulty reaching the branch, and to customers with financial understanding, according to criteria to be determined by the bank, with the exception of certain services listed in the permit; (3) A permit for a bank to perform certain operations other than through a bank employee. On December 31, 2024, the Bank received a permit to operation according to the format it requested, valid until December 31, 2029.

Revision of Proper Conduct of Banking Business Directive No. 206 – Capital Measurement and Adequacy – Operational Risk and FAQ File for implementing the Directive

On March 23, 2024, a revision to the Directive was published, which included 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 revision 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 Directive will enter into effect on January 1, 2026. Regarding the requirement to calculate weighted risk assets for operating risk – the standard approach, despite the provisions of the directive, until December 31, 2028, the internal loss multiplier will be set at one.

Together with the revision of the Directive, on the same date a FAQ File was published regarding the Directive's implementation. 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. On January 29, 2025, an update was published to the FAQ File regarding the Directive's implementation, by which questions and answers were added regarding the manner that assets for derivatives are included, in the section called "Interest bearing assets"; calculation of the annual average of returns for operational risk; and that there is no example of loss arising from an operational risk event with an unequivocal financial affect that is temporarily recorded in transitional accounts or temporary accounts and is not yet reflected in the profit and loss statement.

Draft Proper Conduct of Banking Business Directive No. 364 – Management of Information Technology, Information Security and Cybersecurity Risks, and letter from the Banking Supervision Department regarding preparations of the banking corporations for implementation of the Directive.

On November 18, 2024, a new Proper Conduct of Banking Business Directive was published with the aim of adapting the regulatory framework for technological risk management to the changing technological environment, to new threats and to accepted regulation around the world in this regard. The Directive refers, among other things, to corporate governance aspects, information technology risk management, information security risk and cybersecurity risk management, technological failure event management and information security incidents, reporting on information technology risks, business continuity management and more, and will replace Proper Conduct of Banking Business Directive No. 357 – "Information Technology Management", Proper Conduct of Banking Business Directive No. 361 – "Cybersecurity Management" and Proper Conduct of Banking Business Directive No. 363 – "Management of Cyber Risks in the Supply Chain". Directive begins – May 18, 2026. In addition to the Directive, on November 18, 2024, the Banking Supervision Department published a letter preparing for implementation of the Directive. In the letter, the Supervision Department set guidelines for implementation of the Directive, including setting appropriate management processes, performing a discrepancy identification survey compared with the requirements, while establishing an appropriate work plan and allocating appropriate resources. Additionally, the Supervision Department noted that it will hold periodic meetings with the banking corporations in order to assess the nature of the progress in implementing the Directive and its anticipated compliance with the implementation date.

Update of the general policy and the terms and conditions for granting holding permits in banking corporations, payment service providers of stability importance and in their holding corporations, to entities managing customer funds

According to the Banking Law (Licensing), 1981, any holding in means of control in a banking corporation, a payment service provider of stability importance or a holding corporation (hereinafter – a "corporation in which holdings require a permit") at a rate exceeding 5 percent requires a holding permit from the Governor of the Bank of Israel after appearing before the Licensing Committee. The Banking Supervision Department policy, as published in June 2016, allows controlling shareholders in entities that manage customer funds (provident funds, insurers and mutual funds) holdings of up to 7.5 percent of the means of control in a corporation for which a holding permit is required, where the total holding of any entity that manages customer funds, controlled by the permit applicant, may not exceed 5 percent of any type of means of control in a corporation for which a holding permit is required.

On July 14, 2024, the Banking Supervision Department published an update of the above policy and general terms and conditions, whose main points are as follows: The limitation according to which the total holding of provident funds or insurers that are controlled by the permit applicant may not exceed, each of them, 5 percent of any type of means of control in a corporation for which a holding permit is required, with the exception of the limitation on the funds' activity which remains at a rate of 5 percent; setting the permit period until December 31, 2029 and the addition of requirements for permit holders' reporting to the Banking Supervision Department on various subjects.

Updating of FAQ file on the subject of the implementation of Proper Conduct of Banking Business Directive No. 301A regarding compensation policy in a banking corporation

An updated FAQ file published on August 19, 2024 proposes, inter alia, the payment of equity compensation in shares to directors, provided that there is no prohibition, according to the Companies Regulations (Rules Regarding Compensation and Expenses to an External Director), 2000, on the payment of an equity compensation to directors, subject to the fulfillment of all the requirements in the directive regarding directors' compensation, and subject to the fulfillment of the terms and conditions according to which an equity compensation will be considered a fixed compensation. According to the FAQ, the equity compensation in shares may be granted for the first time or updated for all directors upon the appointment or renewal of the term of office of one of the external directors.

Letter from the Banking Supervision Department – Emphasis on the need for increased fairness on the part of the Bank toward customers and for reinforcement of the public's faith in the banking system

On August 5, 2024, a letter from the Banking Supervision Department requested that the Board of Directors reexamine the measures the Bank undertakes and provides to its customers during the present period, including, inter alia, the interest rate in current accounts on negative balances, on deposits, and on positive balances, and that special attention be given to the impact of these measures on the public's trust and to the fairness expected from the Bank in its relations with its customers.

Update of the Proper Conduct of Banking Business Directive No. 313 on the subject of large-scale exposures

On February 4, 2025, an update to the Directive was published based on the standard publicized by the Basel Committee in 2014, in the context of the Basel 3 reform, regarding measurement of, and restrictions on, large-scale exposures for the purpose of protecting the stability of the banking corporations from losses due to a sudden failure of the opposing side. This directive replaces the existing directive, "Restrictions on the indebtedness of a borrower and a group of borrowers." Inter alia, the directive provides alternative definitions to the existing ones as of the date of Proper Conduct of Banking Business Directive No. 313 regarding "borrower," "group of borrowers," "borrower who is engaged in speculative activity," and "a banking group of borrowers." In addition, updates were made on the restrictions on exposure of the Banking Corporation vis-a-vis various opposing sides; similarly, updates were made on the demands regarding the manner in which exposure is measured, and exposures exempt from the demands of the directive were defined. The Directive will enter into effect on January 1, 2026. A banking corporation is entitled to implement the Directive before the starting date, on condition that it has implemented all of the requirements of the Directive. On January 1, 2025, an update was published regarding the existing Directive – "Restrictions on indebtedness of a borrower and a group of borrowers" – on July 30, 2023, an exemption was granted to credit card companies from compliance with the restriction in Section 4(b)(2) of Proper Conduct of Banking Business Directive No. 313 regarding the liability of a bank borrowers group, and it was established that this liability will not be included as a cumulative restriction for large borrowers (Section 4(e) of said Directive). This as of December 31, 2024. In light of the anticipated entry of the new directive "Large Exposures" (the "New Directive"), which will replace Directive 313 in which it was resolved, *inter alia*, to exempt liabilities arising for credit card companies as a result of operating bank debit cards, it was decided to extend the aforementioned period until January 1, 2026 or the date of the early implementation of the New Directive, whichever is earlier.

Amendment to Proper Conduct of Banking Business Directive No. 411 – "Forbidden Credit Risk Management, Money Laundering, and Prohibition of the Funding of Terrorism"

An update of the directive, published on September 2, 2024, focused on the use of identity cards that are no longer valid, with reference to Section 3(a)1 of the Prohibition on Money Laundering Ordinance (Obligations of Identification, Reporting, and Record-Keeping of Banking Corporations for the Prevention of Money Laundering and Financing of Terrorism), 2001 (hereinafter, "the Ordinance". The update adds to the directive Appendix B-6 and states, as a temporary order, that, in the matter of Section 3(a)(1) of the directive, a banking corporation is authorized to validate the identifying details of the recipient of a banking service, in accordance with an identity card that does not contain biometric means of identification and does not bear a validating stamp, in cases where the validity of the identity card has expired. This temporary order will remain in effective until January 31, 2025. The background for the update is that starting from August 2024, older ID cards lacking biometric identification features, which do not display an expiration date, will gradually begin to expire. The purpose of this update is to ease the system's operation regarding financial dealings with customers holding these cards.

Amendment to Proper Conduct of Banking Business Directive No. 451 – Housing loans procedures

On October 1, 2024, the Banking Supervision Department issued an amendment to the directive, postponing the effective date of Section 15.B.1 of the directive, concerning early loan repayment at a bank via a loan from another bank, to April 1, 2025. This postponement follows requests from the banking system due to the complexity of the process and the need to formulate an inter-bank arrangement that will enable implementation of the directive and improve the process of loan refinancing through a loan from another banking corporation.

Cancellation of the Proper Conduct of Banking Business Directive No. 358 – Management of Business Outside the Banking Corporation Offices

On September 19, 2024, the Banking Supervision Department canceled the directive as part of a periodic review of the existing regulation under the Banking Supervision framework. This was because the matter is already regulated under the Banking (Licensing) Law, 1981, and through the special permits issued under Section 28(a) of the Law.

Declaration of the "Debit Card Scheme" as a Controlled Payment System

On July 31, 2024, the Governor of the Bank of Israel declared the "Debit Card Scheme" system (a set of rules between issuers and acquirers in Israel regarding their debit card activities, operated by SVA) as a controlled system under the Payment Systems Law, 2008. This declaration will allow the Bank of Israel to supervise the scheme to ensure its stability and efficiency.

The Banking Supervision Department's letter on "Developments in the construction and real estate sectors"

On October 15, 2024, a letter was sent to banking corporations in which the Banking Supervision Department addressed the additional increase over the past year in the risk level associated with exposures to the construction and real estate sector. The letter also detailed a series of developments in the sector, including: the impact of slowdowns at many construction sites due to a labor shortage; the effect of increased project financing costs amid construction or sales slowdowns; the impact of rising construction costs on project profitability; the effect of higher financing costs on the value of land purchased in recent years; the significant increase in apartment sales through various promotional efforts by developers while avoiding price reductions; the impact of the increased proportion of high-leverage credit for income-generating real estate in offices and commercial properties; the effect of reduced activity in the income-generating residential real estate sector; and the growth in the volume and severity of problematic debts in the sector. In light of this, the Banking Supervision Department required the board of directors to hold a discussion on the impact of these developments on the risks associated with exposures in both the construction sector and the housing portfolio, as well as their effect on the adequacy of controls and the guidelines in the current credit policy. The board is also expected to formulate recommendations for appropriate measures, including the establishment of restrictions, as necessary. Additionally, the Banking Supervision Department required continued adjustment of the loan loss provision to adequately reflect the ongoing increase in the mentioned risk. It also mandated that the quantitative and qualitative disclosures in the board of directors' and management's report continue to be adjusted to address the increasing risk and to demonstrate how the bank manages this risk, incorporating the heightened risk into its loan loss provision.

Update of questions and answers file for implementation of the Proper Conduct of Banking Business Directive 333, "Interest Rate Risk in the Banking Portfolio"

On January 19, 2025, an update to the FAQ File was published, by which in order to calculate the impact of standard shocks on the economic value of capital, and according to the guidelines set in the public reporting guidelines, the fair value of public deposits must be calculated using the discounting interest that the banking corporation estimates it would have raised from a similar deposit on the date of the calculation, according to the relevant interest scenario and subject to the instructions set forth in the FAQ File.

Banking Supervision Department – Update of Policy Paper on Supervision, Correction, and Enforcement Measures.

On December 5, 2024, an updated paper was published regarding the policy for supervision, correction, and enforcement measures. The document describes the fundamentals for activating the different measures of the Banking Supervision Department to ensure that faults are in fact rectified, and the various deterrents available to it. The document addresses the following subjects: (1) central roles of the Banking Supervision Department, including maintaining the stability of the corporations supervised and customer affairs. To this end, preventative activities, ongoing supervisory activities, and sanctions are implemented; (2) fundamentals – the Banking Supervision Department applies optimal international standards in its operations that are applied by the leading regulators in the world. These standards include risk-focused supervision and early intervention; (3) corporate governance and internal enforcement mechanisms in the supervised corporations – Proper Conduct of Banking Business Directives in the area of corporate governance establish specific requirements for corporate governance that apply in addition to the general law; (4) ongoing supervisory activities – identification and assessment of risks and faults and specification of supervisory requirements; (5) application of sanctions – using means of enforcement to rectify faults, including measures of a personal nature, administrative enforcement, and imposing monetary fines; (6) transferring information for criminal enforcement or to other regulators – in any case of a suspicion of criminal activities, the Banking Supervision Division operates pursuant to Section 15A of the Banking Ordinance, which sets forth that despite the duty of confidentiality, the Banking Supervision Department is entitled to transfer knowledge and documents for purposes of a criminal lawsuit, with approval of the Governor.

Letter from the Supervisor of Banks regarding preparations of the banking system for cyber risks arising from quantum computing capabilities.

On January 7, 2025, the Banking Supervision Department published a letter describing recent developments in the field of quantum computing and the risks inherent in the field for the financial system, emphasizing the importance of preparations by the banking system to contend with the information security and cyber risks related to quantum computing, and specifically encryption breach risks in the quantum computing era, according to the overall developments in the field. The letter states that pursuant to the provisions of Proper Conduct of Banking Business Directive No. 364 ("Management of Information Technology, Information Security, and Cyber Protection Risks"), banking corporations will be required to act in the following areas, at the least: increasing awareness of the subject at the banking corporation, ongoing tracking of developments in the field of quantum computing and evaluation of the accompanying cyber risks; mapping and management of encrypted information assets; preparations for development of skills and capabilities to contend with cyber risks related to quantum computing (according to developments in the field). In addition, it established that the bank must build an initial preparation plan that responds to the subjects raised in the letter. The plan will be discussed by the Board of Directors and the Management. Furthermore, it was established that the preparation plan will be sent to the Technology, Innovation, and Cyber Division at the Banking Supervision Department within a year from the date of the letter (meaning, by January 7, 2026). The subject of mapping and managing encrypted information assets (Section 7 of the letter) must be completed as part of the Bank's preparations for complying with the requirements of Proper Conduct of Banking Business Directive No. 364.

Draft Revising Proper Conduct of Banking Business Directive No. 201, "Measurement and Capital Adequacy".

On February 11, 2025, a draft directive was sent to banking corporations. The draft proposes replacing Banking Supervision Directive No. 201 with a new directive, aiming to improve the alignment between the regulatory capital requirements applicable to banking corporations in Israel and the recommendations of the Basel Committee, as well as internationally accepted practices. The draft directive addresses the following subjects – risk-based capital requirements, risk-weighted assets, capital buffers, derivative capital requirements, classification of banks according to local systemic importance, capital additions for banks with local systemic importance. In addition, regarding the counter-cyclical capital buffer – it was proposed that the buffer will be set at first at a rate of 0 percent and that Bank of Israel will later assess the need to formulate a calibration method for this buffer and update of its rate. The Bank is reviewing its position on the draft and its possible implications.

Directives regarding banking consumerism

Revisions to Banking Principles (Customer Service) (Fees and Commissions), 2008

On July 31, 2024, several revisions to the Rules were made, the main ones being: (a) Revision of the "Small Business" definition in a manner that excludes 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 is required to return a charge to a customer within 5 days in the event of a bounced check due to 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 a maximum price for the "handling of a housing loan request" service; (f) Revision of the price structure for the "a bank guarantee secured by a specific financial deposit" to a fee in NIS rather than as a percentage of the deposit value, and the addition of a new fee for a "bank guarantee secured by a specific financial deposit for a residential apartment rental agreement"; (f) Regulation of the manner of collection of an early repayment fee in a mortgage loan; (g) Addition of an "automatic coverage of a deficit balance in a foreign currency account" service; (h) Benefits in the prices of services offered on e-banking channels.

In addition, on November 5, 2024, the Banking Supervision Department published an additional update to the rules, by which an additional chapter was added to the fees and commissions price list regarding payment applications (with the exception of payment applications of a banking corporation that are only used by customers with a current account at the same banking corporation) and refers to services regarding receipt of a payment, a payment order and subscription fees for the service. According to the amendment, fees and commissions can be collected in respect of the receipt of a payment or payment orders by customers receiving or transferring payments through payment applications, with an activity volume exceeding NIS 25 thousand per calendar year, in each of the services. The activity volume is determined for a two-year period, after which, the banking corporation may revise the threshold subject to approval by the Banking Supervision Department. In addition, the collection of subscription fees for special services provided to interested payment application customers will be allowed, in addition to payment transfer and receipt services. The item was added with the aim of enabling business flexibility and the addition of new and valuable services for customers choosing to subscribe to them. Collection of the fees and commissions in respect of these types of services will be possible subject to approval by the Banking Supervision Department.

The Banking Law (Licensing) (Amendment No. 32) (Closing of Permanent Bank Branches), 2024

On July 25, 2024, the amendment to the Law, according to which any decision regarding a motion to close a bank branch will require the approval of the Licensing Committee, and the time period has been extended, for the Banking Supervision Department to issue a decision regarding the motion to close a bank branch, to 90 days from the date of receipt of the motion or from the date of receipt of additional information required to examine the motion, as the case may be. In addition, a reporting obligation has been added for the Banking Supervision Department to the Knesset Economy Committee, twice a year, on the implementation of the provisions of the arrangement regarding the closing of permanent branches.

Draft Banking Law (Customer Service) (Amendment No. 38), (Notice to Customer of Positive Balance in Checking Account), 2024

On January 27, 2025, the draft was passed for discussed in the committee as preparation for the second and third readings. According to the proposal, in the event that a private customer has a positive balance of NIS 15,000 and above for at least one quarter in their checking account, the Bank will be required to notify them at the beginning of each quarter and clarify that they can examine investment options that could yield higher returns. In addition, it is proposed that the Supervisor of Banks will be entitled to establish guidelines regarding those notices, including the wording of the notices and reference to information about investment options, and that the Supervisor will be able to impose a monetary fine of NIS 50,000 on the banks for any violation.

Bank of Israel - Call for proposals to the public - Criteria weighed in the process of examining the banks' requests to close permanent branches.

On December 24, 2024, the Banking Supervision Department issued a public call for proposals. The document reflects to the public all of the criteria weighed by the Supervisor of Banks as part of the process of examining requests by banks to close permanent branches, including: the alternatives proposed to continue provision of the services, reasonability of the distance between the branch closed and the intaking branch; customer characteristics; characteristics of the environment of the specific branch, and more. The Banking Supervision Department invites the general public to share, respond, and address the criteria set forth.

Draft Banking Law (Customer Service) (Amendment - Provision of Deposit Services at Every Bank ATM), 2024

On December 30, 2024, a draft (private) was submitted, proposing to require every banking corporation to enable every customer with an active bank account in Israel to perform transactions for depositing cash and checks at any bank ATM. To implement the arrangement, it proposes that the banking corporations will make adjustments to their systems to report the deposit to each other and the need to credit the customer for the transaction amount.

Initiatives for Increasing Competition

The Competition Commissioner's announcement of her intention, subject to a hearing, to declare the five central 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 central banking groups (including the Bank) 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. In October 2024, the Bank had a hearing before the Commissioner.

The Competition Commissioner's announcement regarding the ownership structure in the Bank Clearing Center Ltd. (MASAV)

On March 31, 2024, the Competition Commissioner announced that she does not intend to extend the exemption according to which the binding arrangement regarding the ownership structure of the five largest banks in MASAV was excluded, and therefore it will expire on June 18, 2025. The significance is that the parties to the arrangement (including the Bank) will have to turn to the court to receive approval for the existing arrangement, contrary to the Commissioner's position, or alternatively, to reduce their holding rates in MASAV to a rate accepted by the Commissioner by the expiry date of the exemption, on June 18, 2025 or by a later date to be determined by the Commissioner.

Banking Law (Licensing) (Amendment No. 31), 2024

On July 23, 2024, the amendment to the law 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 and nine months, 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 four years and three months will have elapsed from the effective date, i.e. - until May 1, 2027. 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 five years and three months will have elapsed from the effective date, i.e. – May 1, 2028; (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 must be cancelled. (This amendment is relevant only with regard to the sale of ICC, which is still owned by Bank Discount and the First International Bank).

Establishment of a team to examine the reduction of regulatory arbitrage in short- and medium-term investment and savings instruments

On April 18, 2024, the Ministry of Finance published a call for comments and public positions regarding the reduction of regulatory arbitrage in short- and medium-term investment and savings instruments. The Minister of Finance decided to establish a team in the Ministry of Finance headed by the Ministry CEO and including the Capital Markets Authority, Insurance and Savings Authority, the Israel Securities Authority, the Israel Tax Authority, the Chief Economist Department, the Accountant General Department and the Budget Department, whose purpose will be to examine the existing regulation regarding investment and savings instruments managed for the short- and medium-term – savings policies, investment provident funds and mutual funds, including a mapping of regulatory and tax differences; and to form recommendations for an appropriate regulatory outline for promoting competition in the instruments and for the benefit of savers and investors. The team turned to the public for comments on the subject. On February 13, 2025, an interim report was published for public commenting by the team for reducing discrepancies between short- and medium-term investment instruments. According to the interim report, regulatory and tax arbitrage was identified between the products, which impact the decisions and wellbeing of the saver; the lack of a financial agent that provides the saver with "holistic" advice makes it difficult for the saver to properly plan management of its savings and leads to the selection of products that are not necessarily optimal; the tax arbitrage is liable to result in preferring products due to considerations that are not necessarily in the best interest of the consumer, and do not comply with the principle of neutrality of an optimal tax system. In this context and due to other challenges, the team proposes several proposals, including application of a uniform tax deferral system for a range of investment and savings products; promotion of a proper infrastructure for establishing one platform for viewing and managing all of the savings and investment instruments of the savers; minimizing tax benefits in the field; changing the types of licenses of the agents.

Competition Authority decision according to Section 14 of the Economic Competition Law, 1988 regarding the provision of a conditional exemption from approval of a binding arrangement in respect of the cross-acquiring arrangement

On May 15, 2024, the Competition Commissioner published the decision regarding the provision of an exemption concerning the cross-clearing arrangement for the Visa and Mastercard international payment cards with Isracard, Max, CAL, Tranzila, CardCom, Bank Leumi, Israel Discount Bank, and the First International Bank of Israel. The exemption was given until December 31, 2028 and is conditional upon, among other things, an obligation to attach a "new player" to an the agreement without delay, equally and without cost; a prohibition on discriminating against customers, acquirers and issuers; a prohibition for a party to the agreement to link between acquiring payment cards issued by a party to the agreement and acquiring of payment cards issued by one who is not a party to the agreement, a prohibition on an acquirer to reach agreements with a business preventing or limiting a merchant from giving discounts to its customers which depend on the means of payment used by the customer.

Notice of an amendment to the terms and conditions of the exemption from cartel clearance according to the Economic Competition Law, 1988, regarding a joint transaction by the banks under ABS

On August 5, 2024, the Competition Commissioner's notice was published in the Official Gazette, according to Section 14 of the law regarding an amendment to the terms and conditions of the exemption from cartel clearance in relation to a joint transaction by the banks under ABS in the system for approval of payment card and cash withdrawal transactions, the clearing interface between acquirers and issuers, and software for terminals. The parties to the cartel are Bank Hapoalim Ltd., Bank Leumi le-Israel B.M., Israel Discount Bank Ltd., First International Bank of Israel Ltd., Automatic Bank Services Ltd. The conditions for the exemption (which has been given until December 31, 2028) reset the obligations of ABS so as to enable a merging into its systems in an egalitarian and open manner. In addition, ABS may not harm the activity of terminal manufacturers that are in competition with ABS, and it must carry out a certification process for the EMV standard equally for all of those certified. The terms and conditions that defined ABS's permitted areas of activity were canceled, and the entrance into new areas of activity is now subject to the Economic Competition Rules (Block Exemption from Joint Ventures) (Temporary Order), 2006.

Notice of granting a conditional exemption from approval of a restrictive a arrangement pursuant to the Economic Competition Law, 5748-1988 regarding common activity of payment card issuers and automatic device operators.

On November 4, 2024, an announcement made by the Commissioner of Competition had been published in the public records, pursuant to section 14 of the law, regarding common activity of payment card issuers and automatic device operators related to an ATM clearing interface for calculation and money withdrawals due to operations conducted through automatic devices. The parties to the arrangement are: Bank Hapoalim Ltd., Bank Leumi Le Israel Ltd., Israel Discount Bank Ltd., BankMizrahi-Tefahot Ltd. the First International Bank of Israel, Ltd., the Bank of Jerusalem Ltd., Bank Yahav for Government Employees, Ltd., One Zero Digital Bank Ltd., Casponet Ltd., A.T.M.S Matrix Ltd., and Ofek Cooperative Credit Society Ltd. The conditions for an exemption require the parties to the arrangement, inter alia, to enable any issuer or operator of automatic devices that may wish to join it equally and free of charge; to conduct all the operations required for connection of a new participant to the central ATM clearing system, within reasonable time and free of charge and set a mechanism for decision making and dispute resolution that would enable appropriate and equal representation for all the parties to the arrangement and all the types of the participants in it. The exemption is in effect until July 30, 2029.

Regulation of Payment Services and Payment Initiation Law, 2023

Further to what was specified in the section entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023, regarding publication of the Law that, inter alia, allows non-bank entities to enter the field of payment services, and in view of its entry into effect on June 6, 2024, during May-July 2024, the Israel Securities Authority published a series of directives concerning the licensing obligation that applies to payment companies and to basic initiating service providers (including the exemption for the licensing obligation) and regarding the requirements that will apply to license holders. In addition, in September 2024, the Israel Securities Authority published a draft directive to payment companies and license holders or holders of the authority to provide basic initiating services, according to which it was proposed that periodic and immediate mechanisms reporting to the Israel Securities Authority will be established; furthermore, the Authority published a directive regarding the regularization of consumer and practical aspects related to the provision of accompanying services by payment companies, whether that service is authorized by the law regarding the regularization of businesses in the field of payment services or by the Fair Credit Law, 1993, which applies to loans, especially a credit transaction provided along with a payment transaction. Inter alia, the directive refers to arrangements concerning avoidance of deception and the manner in which accompanying services should be marketed, for the purpose of protecting the interests of the customers of payment companies, and also refers to the various aspects of corporative governance and to the need for fair disclosure in all matters relating to accompanying services.

On July 14, 2024, a draft order was published to postpone the effective date of the Law in connection with the obligation to access a basic initiative according to Section 35(a) of the Law. With regard to a payment account manager that is a banking corporation or a stable payment service provider with a corporation under its control, the effective date has been postponed from December 6, 2024 to June 6, 2025; with regard to a payment account manager that is a licensee for the provision of deposit and credit services, the effective date has been postponed from March 6, 2025 to September 6, 2025; furthermore, it has been proposed that the obligation to provide access to supervised initiators (including those who are supervised, but not by the Banking Supervision Department), for the purpose of initiating a single payment order, will apply until the updated effective date, in order not to harm the payment initiation service currently provided.

Banking Supervision Department letter - The banking corporations' activity with payment service provider customers

On June 23, 2024, following the entry into effect of the Regulation of Payment and Payments Initiation Services Law, 2023, the Banking Supervision Department letter regarding the banking corporations' activity with payment service provider customers was published. The letter determines, among other things, that a banking corporation will open a bank account for a payment service provider, including a multi-user account in favor of payment service provider customers, as required by law, unless there are reasonable justifications for not opening an account, and that a banking corporation will perform transactions in the account, unless there are reasonable justifications for not performing them. The opening and management of such accounts will be carried out with risk management and activity monitoring appropriate for the risk level and the relevant activity of each payment service provider.

Joint Investment in Trust Law (Amendment no. 31), 2024

On July 3, 2024, publication was made of an amendment to the law in whose framework the Joint Investment in Trust Law, 1994; the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995; and the Securities Law, 1968 were indirectly amended; with the aim of enabling the launch of new money market funds with characteristics 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 Law's effective date is October 3, 2024.

Within the context of the law, the Israel Securities Authority was empowered to determine directives and principles that will apply to money market funds (with regard to both the product and its marketing to the public). On September 11, 2024, the Israel Securities Authority published the following directives: (1) A directive to fund managers and trustees regarding the terms and conditions that will apply to money market funds in accordance with Sections 47(b), 97, 129c(2) and (3) of the Joint Investment in Trust Law, 1994, in the context of which, inter alia, principles were determined regarding the assets held in money market funds and regarding the limitations on those assets; the manner in which the prices and the terms and conditions of the presentation of expected yield are to be calculated and published; regarding the terms and conditions of the provision of an early announcement concerning the redemption of units in a money market fund, fixed dates, and the demand for reporting and for full disclosure in the prospectus of the annual financial statement (2) A directive to those engaged in investment advice or investment marketing in connection with a money marketing fund, in accordance with Section 3(a)(14) and (d) of the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995. The directive determines the obligations of the service providers in a money market fund with regard to fair disclosure to the customer concerning the characteristics of the money market fund, with regard to fair disclosure of conflicts of interest, and with regard to the reporting obligation vis-a-vis the Authority. (3) A directive regarding the formula for calculating yield and regarding the fixed periods for the publication of yield, in accordance with Section 73(b)(1) of the Joint Investment in Trust Law, 1994, which replaces the Regulations of the Joint Investment in Trust Law (Calculation of Yield), 1995.

Alongside these directives, the Israel Securities Authority also published rules concerning the following aspects: (1) On September 19, 2024, publication was made of the Rules for the Regulation of Investment Advice and Investment Marketing (Notification from a Non-Licensee of the Intention to Engage in Investment Advice or in Investment Marketing regarding a Money Market Fund), 2024, in connection with the notification that said non-licensee must submit to the Authority and in connection with the manner of its submission. (2) On September 23, 2024, publication was made of the Rules for Joint Investment in Trust (Directives for the Creation and Redemption of a Fund's Units on Fixed Dates, Fair Disclosure of the Details of the Prospectus of a Money Market Fund, and Additional Details That Must Be Presented in a Publication with regard to a Money Market Fund, 2024. (3) On September 25, 2024, publication was made of the Rules for Joint Investment in Trust (Calculation of Market Segment), 2024.

Bank of Israel - Interim Report of the Team for Examining a Framework for Granting Banking Licenses to Non-Banking Entities

On October 14, 2024, the Bank of Israel published the intermediate report for commenting by the public. The main recommendations concern three areas that require legislative and banking regulatory amendments and the establishment of supervisory policy: (1) allowing a non-banking entity that obtains a banking license to maintain its existing activities and operate under a flexible business model, including an exemption from the obligation to offer the full range of services currently mandated by law, such as opening and managing a checking account, accepting deposits in shekels and foreign currency, and selling bank checks in shekels and foreign currency. Additionally, if a small bank chooses to open and manage a checking account, it is proposed that it be permitted to offer partial checking services (e.g., providing one or more of the existing payments and banking services, such as cash, checks, debit cards, and digital payment instructions). It is also proposed to exempt a small bank from the mandatory compliance with the structured fee schedule established by legislation; to exempt a small bank from obligations related to bank switching and open banking; to amend the Anti-Money Laundering Order for banking corporations to allow reliance on "Know Your Customer" procedures conducted by another bank; to publish a clarification document regarding consumer regulations applicable to a small bank operating without branches; and more. It is also proposed to grant the Supervisor of Banks the authority to temporarily exempt a small bank, as well as an entity that obtains a banking license, from providing services to customers and from high-risk activities. Additionally, it is proposed to expand the list of permitted activities for a small bank beyond the current list for banks, and to allow the Supervisor to add activities according to technological and financial developments. (2) Formulating a supervisory policy tailored to the size and complexity of banks to establish regulations in the areas of stability, corporate governance, and risk management. It is proposed to adjust supervisory regulations to the size and complexity of the bank by establishing two new supervisory levels and a gradual transition between these levels. (3) It is proposed to allow holding companies that control institutional entities to also control a small bank. These holding companies would not be required to sell the bank upon crossing the small bank threshold, provided that the growth in its activities is organic and not the result of additional acquisitions. It is further recommended that a holding permit for a small bank would only be required for ownership of more than 10% of any type of control means, as long as there is a primary controller of the bank and the bank has not been publicly listed. Additionally, if a non-banking entity is not currently subject to the law limiting executive compensation, this exemption would continue to apply for a period of five years from the time of obtaining the banking license.

Letter from the Banking Supervision Department regarding the Law to Increase Competition and Reduce Concentration in Israel's Banking System – Infant Industry Protections

On October 15, 2024, a letter was sent to banking corporations and credit card companies, in which the Banking Supervision Department clarified its interpretation regarding the applicability of infant industry protections set forth in Section 9(a) of the Law to Increase Competition and Reduce Concentration in Israel's Banking Market (Legislative Amendments), 2013, in light of the Banking (Licensing) Regulations (Large-Scale Bank), 2023. In this context, the Banking Supervision Department clarified that during the transition period set by law, the infant industry protections stipulated in the law apply to the bank. This includes the requirement not to operate, through a single operating company (as defined by law), the issuance of more than 52% of the total new credit cards issued by the bank to its customers, as specified in Section 9(a)(1)(b) of the law, for the period from January 31, 2024, to January 31, 2028. In light of this clarification, the Bank is working to comply with the interpretation of the Banking Supervision Department.

A public appeal concerning remuneration models in the public activity regarding securities

On November 12, 2024 an inter-ministerial team, which includes the Bank of Israel, the Securities Authority and the Budget Department at the Ministry of Finance, published a public appeal for obtaining the public's comments regarding possible changes in the structure of commissions and renumeration in the public activities regarding securities. As part of the public appeal it had been noted that the move is intended to increase transparency, promote competition and improve the service to customers operating in the capital market. Additionally, it was noted that the team found that in the current situation there are several main challenges: a difficulty in comparing costs between different service providers resulting from the variance in the structure of commissions, limited access to investment consultancy services and the lack of adequacy between the provided services and the payment for these. As part of its work, the team defined four main principles that will underly the planned reform: promotion of competition through simple and clear cost models, which will improve the ability to compare between various service providers and optimal pricing by the customer; establishing adequacy between the service provided in practice and the consideration for such; standardization of similar products and increasing the transparency of the pricing models; and establishing an incentive for making the capital market accessible for the public through professional and licensed financial brokers. As part of the public appeal, the team wishes to obtain the public's comments in respect of a variety of issues derived from these principles, including: the structure of commissions and securities deposit management fees, distinction between products regarding sale and purchase commissions, the model of renumeration for consulting and investment services, distribution of commissions in mutual funds, costs collected by the generators of the financial assets, and a possibility for establishing structured investment tracks at a fixed cost for the investor.

Draft Banking Law (Customer Service) (Amendment - Moving Deposits for Customers of Banks Without Transferring Bank Accounts), 2024

On December 18, 2024, a draft law passed its first reading in the Knesset, by which it is proposed to establish that the banking corporation will not refuse receipt of a monetary deposit or savings plan from a different bank, manage the transfer process for its customers who are moving their deposits, and will not stipulate said acceptance of the deposit upon opening a bank account at the intaking bank or any other service with it, on condition that the original deposit or plan is at a non-foreign banking corporation. Moreover, it proposes to require all banks to offer the general public the option of moving their deposits or savings to them, with the interest rate offered by the intaking bank being no less than the average interest rate that the same bank pays its customers for similar deposits or savings plans. In addition, it proposes to establish that moving a deposit or savings plan will not be considered early withdrawal, and that the original banking corporation will not impose any restriction or collect any payment for the transfer. However, while the banks will be able to compete over the interest, the other instructions of the original deposit will remain in place. It also proposes allowing the Supervisor of Banks to impose a monetary fine of NIS 1.5 million on violators of the provisions of the draft law, and to introduce transparency with regard to publishing data related to the number of deposits and savings plans transferred from one banking corporation to another by virtue of the provisions of the draft law. On February 16, 2025, the Economic Committee received an amended draft law by which instead of moving deposits as described above, it was proposed that banks would allow customers to perform deposits of funds in a monetary deposit in Israeli currency in a "closed system account" - an individual account used to hold and manage monetary deposits at the bank, whose source is the account of that individual who has the deposit at a different bank or at the Postal Bank, on condition that the money managed therein is transferred back to the account from which it was transferred.

Memorandum of the Financial Information Service Law (Amendment No. 3), 2025

On February 2, 2025, a memorandum of the law was published, by which it was proposed that in light of the existing difficulties in connecting accounts of corporations to the financial information service performed via the interface system for financial information, to establish transition provisions for accounts of a corporation established before the starting date of this amendment, by which it will not be necessary to provide unique authorization to grant access to the service provider of financial information; rather, the holder of the highest authorization at the corporation will be entitled, as a default, to also grant authorization to provide access to the service provider of financial information. Moreover, it is proposed to provide a second transition period for license holders of financial information service providers for a two-year period, from the date that the amendment comes into force. As such, it is proposed to allow license holders of financial information service providers to access the financial information about the customer by means of accessing information using the customer's details and based on this, to provide service to the customer, only with regard to accounts of corporations.

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:

Directives Issued by the Banking Supervision Department

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 the Proper Conduct of Banking Business Directives were published following the outbreak of the War, and they remained in effect until March 31, 2024 (unless noted otherwise). Details regarding these adjustments can be found in 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 until June 30, 2024 (unless noted otherwise) On June 30, 2024, the validity of some of the adjustments was extended for the second time, and on October 31, 2024, the validity of some of the adjustments was extended again, as detailed below, until December 31, 2024 (unless stated otherwise). On December 31, 2024, the validity of some of the adjustments was extended for the second time:

- Proper Conduct of Banking Business Directive No. 311 – "Credit Risk Management" – On October 31, 2024, an additional three-month extension was provided for the receipt of an up-to-date financial statement from borrowers (a total of twelve 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 six months from the end of the period ending on June 30, 2024). The easements are valid until December 31, 2024. On December 31, 2024, a six-months extension was granted for receipt of the updated financial statements from borrowers (a total of eighteen months from the date of the financial statements), and in addition, the period for receipt of semiannual financial information from borrowers was extended by an additional six months (a total of twelve months from the end of the period ending on June 30, 2024).
- 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. The reliefs expired on June 30, 2024.

- 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. On June 30, 2024, the relief was extended until December 31, 2024. On December 31, 2024, the relief was extended until the end of the validity of the assistance outline for customers dealing with the consequences of the "Iron Swords" War (meaning, until March 31, 2025).
- Rules of Banking (Customer Service) (Fair Disclosure and Delivery of Documents), 1992 – The customer's signature will not be required for a customer's request to defer payments, in accordance with 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. On December 31, 2024, the relief was extended until the end of the validity of the assistance outline for customers dealing with the consequences of the "Iron Swords" War (meaning, until March 31, 2025). 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. On June 30, 2024, the reliefs were extended until December 31, 2024. On December 31, 2024, the relief was extended until December 31, 2025.
- 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. The reliefs expired on June 30, 2024.
- Proper Conduct of Banking Business Directive No. 329 regarding "Restrictions in the Granting of a Housing Loan" – The exemption from certain restrictions on the granting of a housing loan is given if such loan is needed for the construction of a "mamad" (residential secure space), which is exempt from the requirement for a building permit, in accordance with the Planning and Construction Regulations (Construction Work and Structures Exempt from the Requirement for a Building Permit [Temporary Directive – Iron Swords War], 2023), on condition that the cost of the construction work does not exceed NIS 200,000. The exemption refers to restrictions specified in Sections 5 through 8 of the Proper Conduct of Banking Business Directive No. 329 – A restriction on the granting of a housing loan at a rate of repayment from income exceeding 40 percent; a restriction of 66.6 percent in the variable interest rate out of the total housing loan; a restriction on the maximum period (namely, 30 years) for repayment of 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 (on October 14, 2024, it was determined that the exemption was extended until October 25, 2025. In addition, it was determined that a banking corporation will be entitled to grant an all-purpose loan in the mortgaging of an apartment (a housing loan not for the purpose of acquiring land rights), at an LTV ratio of 70 percent instead of 50 percent, provided that the amount of the loan exceeding the LTV ratio of 50 percent does not exceed NIS 200,000. On June 30, 2024, the easing of the restriction on an all-purpose loan for the mortgaging of an apartment has been extended until December 31, 2024. On December 31, 2024, the relief in respect of an all-purpose loan with a home mortgage was extended until December 31, 2025.
- 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. The reliefs expired on 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. The reliefs expired on June 30, 2024.

Outline for assistance to bank customers in dealing with the consequences of the "Iron Swords" War

Further to what was specified in the section entitled "Legislation and Regulation Governing the Banking System" in the Corporate Governance Report for 2023, a notice was published on March 4, 2024 regarding an additional extension of the outline for assistance to bank customers in the easing of the burden of credit and bank fees due to the consequences of the "Iron Swords" War, for three months as of April 1, 2024, and regarding its extension to additional population groups as of 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 were expanded in April-June, as follows: The granting of an exemption to reserve soldiers from the payment of 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 granting of benefits to reserve soldiers under the outline to be initiated by the Bank for a three-month period, with no need for documentation.

In view of the continuing security situation prevailing in Israel and its effects on the financial conduct of various populations, on June 23, 2024, the Bank of Israel announced a further extension and expansion of the relief outline it had published for banking system customers for an additional three months from July 1, 2024 to September 30, 2024.As specified in the announcement, the period for the submission of requests to defer loans under the outline will be extended by an additional three months; an exemption from payment of most of the bank fees and commissions for the ongoing management of a current account (in accordance with the updated table presented in the appendix to the announcement) and an exemption from payment of overdraft interest in a current account were extended under the outline by an additional three months to the First Circle population group; with regard to the exemption for business owners from payment of overdraft interest in a business current account, the exemption was expanded and given to any business with an annual turnover of up to NIS 10 million (instead of NIS 5 million). In addition, the business owners population group entitled to the exemption from payment of 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 30,000 for three months was expanded, in accordance with the actual overdraft amounts; the granting of benefits to reserve soldiers – exemption from fees and commissions and absorption of overdraft interest in a current account and in a business account, in accordance with the terms and conditions of the outline (the First Circle) was extended for an additional three-month period.

On September 22, 2024, the Bank of Israel announced that the outline would be extended for an additional three months, as of October 1, 2024 and until December 31, 2024, and that adjustments would be made for the First Circle population group eligible for the above extension, as follows: With regard to the residents of southern Israel, the terms and conditions under the outline would be eased for the population residing, or owning a business located, within a radius of up to 7 km. from the Gaza Strip (instead of up to 30 km. from the Gaza Strip). No changes were made for the remaining population group in the First Circle. In addition, as specified in the announcement, the period for the submission of requests for the deferment of loans under the outline was extended for an additional three months, until the end of 2024. Nonetheless, for all loans, the total maximum period for the deferment of payments under the outline will not exceed nine months. Customers who deferred payments for a period of nine months and are still struggling financially to meet their loan payments can request that the bank where they have an account weigh the possibility of easing the situation. Despite the above, the maximum total period for the deferment of payment of loans and mortgage loans will be twelve months for the following population groups: the population residing, or owning a business, in one of the communities in northern Israel that was evacuated by an official agency, as of November 7, 2023; the population residing in one of the communities in northern Israel that, in accordance with a decision made by the Government of Israel, was told to evacuate its community or which had not yet evacuated said community, in accordance with the list appearing on the Bank of Israel website; the above will also apply to reserve soldiers for the updated period of the outline. In addition, the easing of the terms and conditions relating to the exemption from payment of most of the bank fees and commissions that are involved in the ongoing operation of current accounts and which relate to the exemption from payment of overdraft interest in a current account will be extended under the outline for an additional three months for the First Circle population group, under terms and conditions similar to the outline's original terms and conditions. Moreover, the Bank will continue to initiate the provision to reserve soldiers of the following benefits for an additional three-year period: An exemption from payment of bank fees and commissions and the absorption of overdraft interest in current accounts and in business accounts, in accordance with the outline's terms and conditions (First Circle).

On December 3, 2024, Bank of Israel announced an extension of the comprehensive assistance outline adopted by the banks for dealing with the consequences of the "Iron Swords" War, and which was noted in the above paragraphs, from January 1, 2025 until March 31, 2025. As part of the outline extension, changes were made to the outline, the primary ones being: (a) the easements granted as part of the outline will be given to residents of the North who were evacuated from their homes; accounts of hostages and missing persons and first-degree relatives of casualties of the war, hostages, or missing persons; reserve soldiers; reserve soldiers hospitalized for a period of at least 7 days due to an injury caused by the war, and those injured at the Nova, Psyiadec and Midburn festivals. Extension of the outline will not include the population residing or owning a business located within the range of up to 7 km from the Gaza Strip. Granting easements to this population will be at the Bank's discretion;

In addition, on December 3, 2024, the Bank of Israel announced the formulation of another designated outline for business owners operating in the northern region, by which relief will be granted by deferral of business credit, subject to the customer's request and given that the following characteristics hold true - a business with an activity turnover of up to NIS 25 million per year, will be entitled to defer business credit in a cumulative sum of up to NIS 2 million, excluding loans in commercial collaboration with a third party. The easement will be granted subject to the terms set forth in the outline and to the population included under the definition of the criteria noted therein.

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 in which it was stated that, further to the Bad Checks Regulations (Exceptions to the Scope of the Law), 2023, according to which it was determined, inter alia, that a dishonored check in the bank account of a reserve soldier or his/her spouse during the period specified in the regulations (October 7, 2023 to January 21, 2024) will be removed from the count of checks for the purpose of Section 2(a) of 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.

Amendment to Proper Conduct of Banking Business Directive No. 315, Branch Liability Limitation

Due to the prolongation of the "Iron Swords" War, and in order to support the economy's credit needs, the Supervision of Banks Department extended by two additional years (up to December 31, 2027) an existing temporary relief in the prices of the construction and real estate segment under restriction, so that the total liabilities of the construction and real estate segment would not exceed the higher of the following: the total "construction and real estate, industry and trade of construction products" liabilities do not exceed 26% of the total public liabilities towards a banking institution; and the total "real estate, industry and trade of construction products" deducting liabilities for financing projects in collaboration with the private segment included in the "civil engineering works" do not exceed 22% of the public liabilities towards the banking institution. In addition, the Banking Supervision Department added a temporary easement regarding the rate for limitation of the financial services and insurance services branch, so that by December 31, 2027, the limitation by which the total liabilities of the branch will not exceed 20% of the total public liabilities to the Bank will be examined separately for Israeli and foreign activity, and the cumulative limitation (Israeli and foreign) will not exceed 25%.

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. In light of the ongoing War, the amendment was periodically extended, and on September 30, 2024, the amendment was extended again regarding reporting until December 2024. On December 24, 2024, the Commissioner of Sharing Credit Data decided not to extend the amendment again.

Measures Published by Additional Entities and Specific Legislation

Order for the Protection of Special Grants (Iron Swords) (Amendment of the Addendum to the Law) (No. 3), 2024

Further to what is specified in the section entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023, regarding the publication of the Law for the Protection of Special Grants (Iron Swords), 2023, dated November 1, 2023, an Order for the Protection of Special Grants (Iron Swords) (Amendment of the Addendum to the Law) (No. 3), 2024, which was published on May 27, 2024, established additional protected grants – an organizational grant for the purpose of acquiring equipment in the wake of the continued period of evacuation or recouping and for the purpose of preparing for the (autumn Jewish) holidays, limited to NIS 1,000 per person and to up to NIS 5,000 per family, and a protected assistance grant for businesses in local authorities that are connected to the tourist industry – in border communities and in communities included in the specially designated area in the Golan Heights.

The Law Authorizing the IDF and the General Security Service to Perform an Operation on Computer Material Used to Operate a Stationary Camera and to Operate It (Temporary Order – Iron Swords) (Amendment), 2024

Further to what is specified in the section entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023, regarding the publication of this law, an amendment to this law, which was published on June 5, 2024, extends the validity of the law until December 31, 2024. On December 25, 2024, an additional amendment to the law was published – Law Authorizing the IDF and ISA to Penetrate Computer Files Used to Operate a Stationary Camera and Functions in It (Temporary Order, Iron Swords) (Amendment No. 3), 2024, which extends the force of the law until June 30, 2025.

The Law for Protection of Workers in Times of Emergency (Amendment No. 5 and Temporary Order – Iron Swords) (Extension of the Temporary Order Period) (No. 3), 2024 was published.

Further to what is specified in the chapter entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023, regarding the publication of the Protection of Workers in Times of Emergency Law (Amendment no. 5 and Temporary Order – Iron Swords), 2023, an Order for the Protection of Workers in Times of Emergency (Amendment no. 5 and Temporary Order – Iron Swords) (Extension of the Period of the Temporary Order) (No. 3), 2024, which was published on June 30, 2024, extends the Temporary Order until October 6, 2024.

The Law for Protection of Workers in Times of Emergency (Amendment No. 5 and Temporary Order – Iron Swords) (Amendment No. 3), 2025

Further to what is specified in the section entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report of 2023, regarding the publication of the Law for Protection of Workers in Times of Emergency (Amendment no. 5 and Temporary Order – Iron Swords), 2023 (the "Law"), an additional amendment to the Law was published on September 30, 2024, which extends the Temporary Order for an additional period until February 7, 2025. On February 6, 2025, the Law for Protection of Workers in Times of Emergency (Amendment no. 5 and Temporary Order – Iron Swords) was published, which extends the Temporary Order for an additional period until June 30, 2026, and establishes various protection periods regarding the different groups, as set forth in the law.

Additional Topics

The Insolvency and Economic Rehabilitation Law (Amendment No. 4 – Temporary Order – Novel Coronavirus) (Amendment No. 2), 2023

Further to what is specified in the section entitled "Legislation and Regulation of the Banking System" in the Corporate Governance Report for 2023, Amendment 4 to this law establishes a dedicated track for the processing of debts of debtors (corporations and private individuals) adversely affected by the coronavirus crisis, which, inter alia, will allow a debtor to arrive at a debt settlement agreement 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.

The Insolvency and Economic Rehabilitation Bill (Amendment No. 9) (Temporary Stay of Proceedings in a Debt Settlement Procedure), 2024

On November 11, 2024, a bill had been published, which proposes to amend the Insolvency and Economic Rehabilitation Law, 2018 (hereinafter – the "Law") aiming at enshrining in it, permanently, a track that will encourage debt settlement arrangements and enable stay of proceedings during the negotiation period for their formation in order to increase the odds of achieving them. The proposed amendment establishes in Section J of the Law, which deals with debt settlement procedures not included in an order to open proceedings, the right of the debtor offering a debt settlement, whether an individual or a corporation, to request temporary relief from the court as a stay of proceedings and the terms and conditions under which the court may order such temporary relief. The proposed amendment is intended to replace the temporary arrangement included in the Law as a temporary order in the coronavirus pandemic period – the Insolvency and Economic Rehabilitation Law (Amendment No. 4 – Temporary Order – Novel Coronavirus), 2021 (hereinafter – the "Temporary Order"), which is still in effect and is expected to expire in December 2024. In the temporary order, special directives were added to Section J of the Law for a limited period, which allowed debtors to receive a temporary stay of proceedings of up to four months from the court in order to negotiate a debt settlement. The bill proposes to permanently enshrine in the Law the same relief that was enshrined in it until now only temporarily as part of the temporary order, however, the proposed amendment differs from the temporary order in several significant and fundamental aspects, the purpose of which is to protect the interests of the creditors, to provide a solution for the problems created in the implementation of the temporary order and to reduce the concern of abuse of the stay of proceedings. On December 12, 2024, the Insolvency and Economic Rehabilitation Ordinance (Extension of the Period Pertinent to Filing a Stay of Proceedings to Formulate a Debt Settlement Agreement), 2025 was published, which extends by three months, until March 17, 2025, the period that the special provisions in Section 1 to the Temporary Order will be in effect. On January 20, 2025, the Draft Insolvency and Economic Rehabilitation Bill (Amendment) (Temporary Order for Stay of Proceedings in a Debt Settlement Certification Procedure), 2025. As part of the draft, an amendment to the Insolvency and Economic Rehabilitation Bill, 2019 is proposed in order to complete the settlements included in the aforementioned bill. The draft deals, *inter alia*, with the following subjects: details and documents that an applicant for a debt settlement for certification will be required to attach to the application in order to also apply for a temporary stay of proceedings; various procedural aspects related to the granting of a temporary stay of proceedings by the court; provisions related to a settlement administrator appointed in a proceeding when such an order has been issued.

The Companies Law (Amendment No. 37) (Corporate Governance in Public Companies with No Controlling Shareholder), 2023, and Draft Regulations for Companies (Easing of Terms and Conditions in Transactions with Stakeholders) (Amendment), 2024

On April 1, 2024, the Knesset plenum approved in the first reading the proposal to amend the Companies Law regarding public companies in which there is no controlling shareholder, which would adapt the corporate governance principles in the Companies Law to companies with a decentralized ownership structure. In addition, the bill includes several adjustments relevant for all companies. The main points of the proposal: amendment of the definition of "Control"; change in the composition of the board of directors in a company with no controlling shareholder such that it will be composed of mainly independent directors; establishment of an arrangement that allows a company to determine additional compensation to be paid to an independent director who serves as chairman of the board; improvement of the procedure for appointing directors and the manner of approving transactions with company directors and dominant shareholders.

In addition, on July 7, 2024, draft regulations were published which proposed the addition of easements regarding the approval mechanism for an exceptional company transaction with one who serves as a director, similar to the easements currently existing in the regulations regarding transactions with a controlling shareholder.

The Stock Exchange document regarding transition to trading on the Stock Exchange from Monday – Friday

On February 3, 2025, the Stock Exchange published a document by which the Stock Exchange will transition to trading from Monday – Friday. The document describes the primary outline planned for the Stock Exchange's operations with the transition to trading from Monday – Friday and discusses the following areas: trading dates, scope of the trading day on Friday, clearing dates, MMS – reporting transactions outside the stock exchange, clearing and MAOF directives, changes in the derivatives sector, planned schedules. According to the document, it was decided that the change in the trading days will take effect in January 2026.

Tel Aviv Stock Exchange announcement regarding the decision of the TASE Board of Directors, according to which companies distributing a dividend will be required to declare the final dividend amount per share

On May 22, 2024, the Board of Directors of the Tel Aviv Stock Exchange approved an amendment to the TASE Rules, according to which companies distributing a dividend will be required to report the dividend amount per share to the public instead of the total dividend amount that will be distributed. According to the amendment, it will be possible to update the amount of the final dividend per share up to two trading days before the record date for payment, and in case of exercises of convertible securities for shares from the above date and until the effective date for payment, the dividend amount per share will not change and the total dividend amount will increase. The decision will enter into effect, subject to the approval of the authorities, on February 1, 2025.

The Payment Services Memorandum of Law (Amendment) (Consumer Protection against Dealers who Commit Violations under Aggravating Circumstances), 2024, and the Payment Services Memorandum of

Law (Consumer Protection against Dealers who Commit Violations under Aggravating Circumstances) (Legislative Amendments), 2024

On June 17, 2024, the Payment Services Memorandum of Law was published, which proposed an amendment to the responsibility arrangement established in Section 24 of the Law such that the responsibility imposed on the payment service provider will be expanded in circumstances of abuse of the essential component of means of payment. The memorandum proposes the imposition of the responsibility on the payment service provider, among other things also in a situation where the payer made the essential component available to another person who pretended impersonated the payment service provider or the beneficiary.

In addition, on July 4, 2024, the amendment to the Law was published, which is intended to deal with the phenomenon of swindling and exploiting senior citizens and other consumers in a weak position by strengthening the administrative enforcement. Several indirect adjustments were made in the Law: (1) The Consumer Protection Law, 1981, was amended such that it authorized the Commissioner of the Consumer Protection and Fair Trade Authority (hereinafter – the "Commissioner") to ask the court for a search warrant for computer material to determine that a dealer is committing violations under aggravating circumstances and to transmit information regarding such a determination to the payment service provider and to the Execution System Manager; (2) the Execution Law, 1967, was amended such that a determination that a dealer is violating under aggravating circumstances will result in no new portfolios will be opened for him, active portfolios defined in the Law in which the dealer is the winner will be closed and funds and proceedings in his favor will be delayed; (3) the Payment Services Law, 2019, was amended and an obligation was added for a payment service provider to stop performing a guaranteed payment transaction in circumstances where the Commissioner has announced his intention to determine that the beneficiary is a dealer who is committing violations under aggravating circumstances or in a case where the Commissioner announces such a determination where the manner of stopping the payment transaction varies according to the type of announcement.

Encouragement of Capital Market Activity Bill (Legislative Amendments), 2024

On June 26, 2024, the Bill for the Encouragement of Capital Market Activity (Legislative Amendments), 2024 was published, which proposed an expansion of the use of commercial securities (CSs) to finance the operations of corporations; to expand the option to register for trading for dual listed companies on the stock exchange in Israel; to establish a platform for creating alternative mutual funds; and to increase the interest and activity in the stock market through general consulting activity.

The National Insurance Bill (Amendment No. 247), 2024

On July 16, 2024, the amendment to the Law was published, which deals with the Savings for Every Child Plan. According to the amendment, parents who chose to deposit the funds in the bank for their first child and do not make an active choice for their second child, the default for their second child will be deposits in a provident fund in an increased track. It will also be possible to change the deposit track, which will enable people who started with a bank deposit as part of the Savings for Every Child Plan to transition to depositing in a provident fund. Amounts deposited up to the transition will remain in the original deposit. The Law's effective date will be January 1, 2025.

Privacy Protection Law (Amendment No. 13), 2024

On August 14, 2024, the Official Gazette published an amendment to the above law that adapts Israel's privacy protection laws to accepted standards around the world, and in particular to the European Union's General Data Protection Regulation (GDPR). The amendment to the Law includes, among other things, an expansion of the obligation to appoint an Information Security Supervisor, a significant reduction of the database registration obligation alongside a new obligation to inform the Privacy Protection Authority regarding certain databases, determination of the obligation to appoint a Privacy Protection Supervisor in certain cases, establishment of new directives regarding preliminary opinions of the database's compliance with legal requirements, which will be given by the Authority at the request of a controlling shareholder, or a holder, in a database, and more. The amendment to the Law includes a significant expansion of authorities and enforcement tools of the Privacy Protection Authority and the courts and includes, among other things, the possible imposition of financial sanctions that may reach, in certain circumstances, millions of shekels, and the option to impose part of the financial sanctions without allowing for the breach to be cured. The effective date of the amendment to the Law will be one year from the date of publication.

Privacy Protection Authority Directive No. 1/2024: The role of the Board of Directors of a company in the execution of that company's obligations, in accordance with the Privacy Protection Regulations (Information Security)

On September 12, 2024, the Privacy Protection Authority published its position on companies in which the processing of personal data is at the core of their activity or companies whose activity places the privacy of individuals in increased jeopardy, and made it clear that the Board of Directors of a company must monitor the company's compliance with the Privacy Protection Law, 1981, and with the Privacy Protection Regulations (Information Security), 2017, in accordance with the principles specified in the above directive. Similarly, the Board of Directors of a company is responsible for the monitoring of the consolidation, adoption, and implementation of the company's policy with regard to the manner in which the demands of the above law and the above regulations are executed, including the obligation to immediately report to the Privacy Protection Authority all events related to information security. In accordance with the above directive, the Board of Directors of a company is obligated, inter alia, to be significantly involved in the execution of the following demands, including the holding of discussions regarding these demands: (1) The creation of the document of definitions for the database that the company is obligated to compile. (2) Ratification of the central principles in the management of the company's information security. (3) The determination of the activities required in light of the results of a risk survey, in light of the examination of penetration vulnerability, and in light of the periodic auditing that the company is obligated to conduct in accordance with the security level of its databases, in accordance with the relevant regulations and following the investigation of security events that have taken place in the company. (4) The holding of quarterly or annual discussions, in accordance with the security level of the company's databases, in accordance with the relevant regulations and following the investigation of security events that have taken place in the organization. (5) The holding of discussions regarding the results of the biennial periodic auditing of the company's compliance with the relevant information security regulations.

Privacy Protection Authority – Guide for the Activity Required for the Implementation of Regulation 10(d) of the Privacy Protection Regulations (Information Security) Regarding the Preservation of Documentation Files and Logbooks

On September 29, 2024, the Privacy Protection Authority published a guide that clarified the manner in which a company must implement Regulation 10(d) of the Privacy Protection Regulations (Information Security), which specify the manner in which that company must preserve documentation data in database systems, when the security level applicable to said data is medium or high. Similarly, the guide proposes guidelines that the owner and the manager of the database can use in order to verify that they are complying with the regulation's directives regarding, inter alia, everything that is related to the management of a documentation mechanism and which will enable both the auditing of access to the database's systems and a retrospective examination of security events or other malfunctions, while, at the same time, ensuring the availability of this data and preventing its leaking out of these systems.

Privacy Protection Authority – A document describing the various challenges involved in the transfer of databases and database systems to a cloud

On September 8, 2024, the Privacy Protection Authority published a document that focuses on the various challenges an organization must take into consideration when executing a transfer to cloud technology and which includes guidelines for implementation. The document focuses on the following topics: incorrect definitions, API interfaces that have not been properly secured, the current architecture's unsuitability, the lack of strategy for the transfer to cloud technology, data loss, and security risks.

Privacy Protection Authority – A document that presents the principles of privacy protection that a company must apply when dealing with emergency events

On September 19, 2024, the Privacy Protection Authority published a document that presents the principles and primary rules that a company must apply in order to prevent and reduce any impairment of personal privacy when the company is dealing with emergency events, such as war, natural disasters, major terror incidents, and epidemics, all of which obligate various entities to operate in a manner that is markedly different from their manner of operating under routine circumstances. These principles and rules center on the following topics: the principle of consent, the obligation of notification, the principle of adherence to the central objective, the principle of reasonable action, the principle of data reduction, access to data on deceased persons, and information security in emergency situations. Regarding the Authority's position and the implementation of the principles and rules appearing in the above document, there is the possibility of striking a suitable balance between the need to operate urgently and effectively in an emergency situation and the obligation to protect the right to privacy and to reduce any impairment of that right.

Privacy Protection Authority – Guideline No. 2/2024 – Transfer of ownership of database according to the Privacy Protection Law

On December 22, 2024, the guideline was published by which the Authority emphasizes that a change to the identity of the controller of a database is liable to influence the data subjects and their rights, and as such, in these cases it is important to note the following: (a) transfer of ownership of a database does not enable changing the purpose of use of the database; (b) to expand the purposes of use of the information or changes, consent of the data subjects must be received for the new purpose before ownership of the database is transferred; (c) if the ownership transfer of the database does not involve a change in the purpose of the data processing, it will usually be sufficient to update the data subjects regarding the transfer of ownership, without receiving their positive consent. The update will be made by sending an email to the data subjects including the identity of the owner of the new database and their contact details.

The Authority emphasizes that in cases in which the characteristics of the receiving database owner are different than those of the original database owner, in a material manner that could significantly impact the rights of the data subject or significantly deviate from its expectations regarding the data collection circumstances and its use, or in cases when it can be assumed that the data subject would not have engaged with the receiving

Israel Securities Authority – Horizontal Auditing Report on Fair Disclosure and Reporting of Risks to Environmental Protection

On September 3, 2024, the Securities Authority published a report summarizing the findings of a broad audit it conducted, on the subject of disclosure and reporting of environmental risks in reporting corporations. The report describes central issues that emerged in the report, for the purpose of presenting to the corporations the position of the Authority's staff on these issues, contributing to the enhancement of the corporations' conduct, and upgrading the reported data in accordance with the law. The main findings and the recommendations focus on the following topics: qualitative and quantitative fair disclosure regarding environmental risks, including the ranking of the impact of the risks presented in the section entitled "Discussion of Risk Factors" in the corporation's report describing its activity; assessment of all the influences stemming from the realization of climate risks and the provision of fair disclosure regarding these influences; involvement of the corporation's Board of Directors and executives with regard to the management of environmental risks (formulation of the corporation's policies, the establishment of its procedures, and ongoing monitoring); identification and assessment of environmental risks; and the establishment of a workplan for the management of environmental risks and the monitoring of its implementation.

Draft Memorandum of the Securities Law (Regulation of Broker-Dealer Activity) (Amendment No. ...), 2024

On October 13, 2024, a draft memorandum of the law was published for public comment. The purpose of the proposed law is to establish a comprehensive regulatory and supervisory framework for broker-dealer activity in Israel to provide adequate protection for investors, increase public confidence in such activities, and develop the market. The draft memorandum, among other things, defines the regulated activity and its exceptions; establishes a licensing requirement for those engaged in regulated activities and sets conditions for obtaining a license and control permits; introduces a requirement for permits to provide ancillary services and engage in additional activities; specifies capital requirements, organizational requirements, and corporate governance obligations for holders of broker-dealer licenses and stock exchange membership licenses; sets obligations of a broker-dealer license holder toward their clients; grants the Securities Authority the power to set various directives for supervisory and enforcement purposes; and includes provisions regarding large traders.

Draft Economic Plan for 2025 - Structural Changes

On October 14, 2024, the Ministry of Finance published the draft economic plan for 2025 for public comment. The draft includes, among other things, the following proposals: 1. To assign the Minister of Finance, in cooperation with the Governor of the Bank of Israel, to establish an inter-ministerial team to examine the imposition of a special tax on bank activity in 2026. 2. To establish a public committee to formulate recommendations for increasing competition in banking services for the retail sector, including recommendations on introducing additional financial and real sector players capable of accepting public deposits and providing credit to the retail sector. 3. To expand the existing credit data database to include information on corporations, including data from additional sources, and to implement several improvements to the existing credit data database to enhance its functionality and provide high-quality and continuous access to information for credit providers. 4. To task the Prime Minister and the Ministry of Finance, in cooperation with the Governor of the Bank of Israel, with establishing a committee to examine the need, feasibility, and methods for making data held by financial and regulatory entities accessible for data processing, research, and official statistical production, including meeting international reporting requirements to support policy-making on economic and financial issues. 5. To assign the Minister of Finance to establish a public committee to examine the impact of the volume and management of assets held by financial entities on the Israeli economy. 6. To promote the completion of legislative processes for measures from the economic plans for 2023 and 2024, which are expected to increase state tax revenues. Among these legislative processes is the proposed amendment to Section 2(g) of the Law to Reduce the Use of Cash, as included in Section 50(3) of the Economic Efficiency Bill (Legislative Amendments for Achieving Budgetary Targets for Fiscal Years 2023 and 2024), 2023. This amendment would extend the prohibition on granting cash loans to apply to regulated financial entities, as defined in the Law to Reduce the Use of Cash, up to the statutory limit for cash loans.

Economic Efficiency Bill (Legislative Amendments for Achieving Budgetary Targets for Fiscal Year 2025), 2024

On December 4, 2024, the bill was published proposing, *inter alia*, to change the mechanism for updating the reduced collection level for purposes of collecting National Insurance payments (directives in this area have a direct influence on health insurance payments as well). It was also proposed to freeze and reduce the convalescence payments of all of the employees in the market who are entitled to convalescence pay in 2025 as set forth in the bill. In addition, as part of the bill, amendment proposals regarding the Income Tax Ordinance and the Value Added Tax Law, whose purpose is to increase the investments in the high-tech industry, including regarding a tax exemption on capital gains for foreign residents.

The Securities Authority - the interim report of the inter-ministerial team for examining the use of artificial intelligence in the financial sector.

On November 5, 2024 the Securities Authority published for public comments, the interim report, which is intended for coping in an initial manner with the potential and challenges involved in the use of artificial intelligence. The team's approach advocates encouragement of artificial intelligence activity in the financial sector, alongside setting adapted regulation, where required, as the position is that at this stage it is desirable to take moderate and flexible regulation measures regarding this issue. The team's recommendations concern, inter alia, the following issues: is it required to provide an explanation regarding the manner of the system's activity as well as the manner in which a specific decision had been made by artificial intelligence (general and individual "explanatory duty", respectively); when and in what manner human intervention is required; when do the duties of informing and disclosure of the use of an artificial intelligence system apply; the right to privacy and protection of personal information; discrimination and biases; the responsibility of the supervised entity; AI governance; a risk-based approach based on establishing a risk hierarchy; financial stability; competition laws and operational risks including cyber risks, third-party risks, fraud and disinformation. Additionally, the interim report includes reference to the infrastructural operations required alongside the regulatory ones in order to turn the regulation in the artificial intelligence domain to be advanced and effective. For example, it is proposed to update the government bill concerning a "regulatory sandbox" in the financial sector, which lays out dedicated and uniform regulation for all the financial regulators for establishing an experimental environment, and expansion thereof for increasing its potential effectiveness; to promote regulatory certainty using various tools, such as policy documents, a solution for preliminary inquiries, etc.; to consider vesting regulatory powers for giving the orders required against the background of changes in technology; and to promote supervision activities based on artificial intelligence technologies (Supertech).

The Securities Exchange - proposal for amending the guidelines for the listing for trading of ETFs, so that an ETF can be issued for a digital asset

The draft proposal was published on January 15, 2025. To date, it was not possible to register an ETF for a digital asset, but after the ISA's approval to issue ETFs for digital assets, the exchange seeks to expand the guidelines in this regard. According to the proposed amendment, a digital asset can be used as a tracking asset if it is traded in trading systems in which an international index calculator uses the rates it publishes for index calculation. The assumption is that the international index computers rely, to calculate the indices, on data from trading systems for the leading world digital assets, which meet strict qualitative and quantitative criteria of the international index calculators.

Call for proposals to assess feasibility of developing and promoting the Repo market in the Israeli market

On February 6, 2025, the call for proposals was published by a joint team of the Budget Department of the Ministry of Finance, Bank of Israel, the ISA, and the Stock Exchange, to examine the feasibility of developing and promoting the Repo market of government bonds. As such, the public's opinion on different subjects is requested.

Bill for Regulating Securitization Transactions, 5785-2025

On February 18, 2025 the bill had been published, aiming at regulating the issue of securitization transactions in Israel in order to bring about the market's development in this regard. A securitization transaction is a transaction in which an assignment is made of an expected and known in advance cashflow, arising from a credit portfolio or other charges (referred to in the Law as a "Back-Up Asset") from one or more individuals (referred to in the Law as a "Developer") to a corporation that issues promissory notes, repayment of which is secured by the aforementioned cashflow (referred to in the Law as a "Dedicated Corporation"). The use of the dedicated corporation is intended to enable an investment in promissory notes as the risk involved in them is focused on only the backing assets, without the risk involved in the investment in all the developer's assets. According to the bill, no securitization transaction would be executed other than pursuant to the bill. In addition, the bill includes provisions and restrictions regarding the types of the backing assets and the manner of executing the securitization transactions, alongside setting the liability on the entities involved in such transactions and the regulatory supervision over them, including imposition of financial sanctions on such parties that are regulated corporations and imposition of criminal penalties on developers that are unregulated corporations that engaged in securitization transaction contrary to the provisions of the Law, and this in order to ensure that the securitization transactions would be executed with adequate risk management and appropriate regulation.

Taxation

Tax rate

The taxes applicable to the profit of banking corporations include corporate tax levied pursuant to the Income Tax Ordinance and profit tax levied pursuant to the Value Added Tax Law, and in 2024 and 2025, additional tax pursuant to the Value Added Tax Law (see Note 8.M.). Set forth below are the statutory tax rates applicable to banking corporations:

- Corporate tax rate: 23 percent.
- Profit tax rate – 17 percent (commencing 2026 – 18 percent).
- Special tax rate:
  2024 – 4.5 percent.
  2025 – 6 percent[1].
- Overall tax rate:
- For the years 2024-2025 – 34.19% adding a special tax as specified in Note 8.M
  2026 and onward – 34.75 percent.

The deferred tax balances were calculated in accordance with the new tax rates applicable at the date of reversal, excluding for purposes of the Special Tax Payment Law.

Credit Ratings

Credit ratings and outlook for the State of Israel and the Bank as at March 3, 2025

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	Baa1	negative	P-2
	S&P	A	negative	A-1
	Fitch	A	negative	F1
Bank Leumi: Foreign exchange	Moody's	Baa1	negative	P-2
	S&P	BBB+	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 March 3, 2025

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

On April 6, 2024, the credit rating agency Fitch announced that, following the removal of the State of Israel's credit rating from the Ratings Watch Negative (RWN), it removed the Bank's long-term IDR rating from the RWN and ratified the Bank's long-term rating at a level of A and its short-term rating at a level of F1+, with a negative outlook.

On May 2, 2024, credit rating agency S&P announced that, following the downgrading of the State of Israel's credit rating from AA-/A-1+ to A+/A-1 with a negative outlook, the agency was downgrading the (long-term and short-term) credit rating of the Bank and other Israeli banks from A/A-1 to A-/A-2, with a negative outlook.

On May 2, 2024, credit rating agency S&P Maalot announced that, following the downgrading of the State of Israel's credit rating from AA-/A-1+ to A+/A-1 with a negative outlook, the agency downgraded the credit rating outlook of the Bank and other Israeli banks from stable to negative and reiterated the Bank's rating.

On August 1, 2024, credit rating agency S&P reiterated the Bank's credit rating and credit rating outlook.

On August 6, 2024, credit rating agency S&P Maalot reiterated the Bank's credit rating and credit rating outlook.

On August 15, 2024, credit rating agency Moody's reiterated the Bank's credit rating and credit rating outlook.

[1] Subject to the payment ceiling as set forth in Note 8.M.in the Financial Statements.

On August 15, 2024, credit rating agency Fitch announced that, following the downgrading of the State of Israel's credit rating from A+ to A with a negative outlook, the agency was also downgrading the long-term credit rating of the Bank (and other Israeli banks) from A to A- with a negative outlook and the short-term credit rating of the Bank (and other Israeli banks) from F1+ to F1.

On October 6, 2024, credit rating agency Moody's announced that, following the downgrading of the State of Israel's credit rating from A2 to Baa1 with a negative outlook, the agency was also downgrading the long-term deposits credit rating of the Bank (and other Israeli banks) to Baa1 with a negative credit rating outlook and was reiterating the short-term deposits credit rating of the Bank and other Israeli banks, namely, P-2. The BCA credit rating of the Bank remains unchanged.

On October 8, 2024, credit rating agency S&P announced that, following the downgrading of the State of Israel's credit rating from A+ to A with a negative outlook, the agency was also downgrading the long-term deposits credit rating of the Bank (and other Israeli banks) from A- to BBB+ with a negative credit rating outlook and was reiterating the short-term deposits credit rating of the Bank (and other Israeli banks), namely, A-2.

On October 8, 2024, credit rating agency S&P Maalot reiterated the Bank's credit rating.

On November 6, 2024, the credit rating agency Midroog ratified the Bank's credit rating and credit rating outlook.

On November 13, 2024, Fitch credit rating agency Fitch ratified the Bank's credit rating and credit rating outlook.

On December 4, 2024, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On January 21, 2025, the rating firms Moody's and Fitch published reports with a positive message, according to which the risk of a further deterioration of Israel's credit rating was halted, and now, depending on the continued stability, the direction may be positive. The end of the War in Gaza will reduce the risks that are included in the negative outlook of Israel's credit rating. Meaning, should the cease fire agreement between Israel and the Hamas indeed be implemented in full, it could reduce the degree of risk in Israel and the entire region. Additionally, it had been noted that the negative financial consequences of the War were more moderate than the concerns at the time of lowering the rating, and there was no real adverse impact on the infrastructures and investments in Israel. At the same time, it had been emphasized that the current agreement for ceasing the War on the Gaza front is limited in scope and continuation, and thus extension of the cease fire remained uncertain, alongside challenges in implementation of the next stages. Additionally, domestic political challenges as well as security concerns in Israel may delay the progress.

For details concerning the possible impact of lowering the State of Israel's rating on the bank's capital adequacy ratio see the chapter "Capital and Capital Adequacy Ratio" in the Report of the Board of Directors and Administration.

Main Operating Segments According to Management Approach - Additional Information

A. Management Approach – Retail Banking Segment

General

The retail banking segment is characterized by offering value propositions and financial services to households, small businesses and high net worth customers in Israel and worldwide (Private Banking). These offers and services are provided to customers according to their changing needs and preferences and in accordance with other relevant characteristics.

Segment's structure and characteristics

Branches:

Households and small businesses – extensive deployment of 184 branches, offices and service centers nationwide. At the branches, services to customers are rendered by dedicated teams of bankers according to customer segments. These teams handle all dealings related to customers and specialize in dealing with specific customer characteristics and needs.

Private Banking customers - In Israel, this segment is run through five unique Private Banking centers deployed nationwide – two in Tel Aviv, Jerusalem, Haifa and Herzliya Pituach. The centers serve Israeli and nonresident high-net-worth private customers; bank representatives in these centers are familiar with the customers' needs, preferences and areas of interest. Furthermore, the department has three designated branches for customers who hold investment portfolios ranging from NIS 4 million and NIS 10 million; these branches are located in Tel Aviv, Herzliya Pituach and Haifa.

Direct and digital channels:

The banking services provided on the Leumi website and app, at the banking centers, at the consulting centers, in the technological gateways and by way of other advanced solutions. In 2024, 87.6 percent of the customers performed transactions on digital channels, using either Leumi's website or the Leumi app.

A significant part of the retail credit in 2024 was provided automatically by models. Among other things, the segment works towards increasing the number of customers who use the remote services at the various centers and expanding the activity on the digital channels.

Banking app Pepper, which serves as a normal bank account, enabling execution of a range of transactions completely digitally, using advanced technology and customized user experience.

Developments in the segment's markets and customer characteristics

The segment is affected by demographic and economic changes which have taken place in Israel, as well as by changes in private consumption and customers' savings habits.

The competition in the segment is intensifying. In recent years, there have been new entrants (financial and other entities) trying to muscle their way into the retail banking market; these new entrants mainly include credit card companies (operating in the field of consumer loans), insurance companies, retail chains and technology-based financial ventures. Some of the new entrants are entities which are not regulated by the Bank of Israel or by any other authority and which do not operate under the restrictions applicable to banks.

Services and products

Private loans: The Bank offers its customers various loan products which suit their needs at various stages of their lives. The leverage level of Israeli households is low compared with other developed countries. However, the scope of loans is on the rise and so is the risk.

The Bank's policy is to take steps to mitigate the credit risk by setting exposure ceilings in the loans portfolio. The loan portfolio is managed according to risk considerations and return versus risk considerations.

Customers

The Bank's services are adapted to meet the needs of various population groups comprising the segment.

B. Management Approach – Mortgage Segment

The Mortgages Division specializes in providing mortgages to households and those interested in a mortgage to purchase a new/second-hand property, for providing all-purpose loans based on the asset mortgaged to the Bank, and performing refinancing for existing mortgage holders. The Bank offers loans for the purchase of residential apartments or loans pledged by a residential apartment or another asset. The loans are granted both from the Bank's own funds and under state-backed government plans, through 96 units deployed in Leumi branches and in the digital space that operate in a super-regional space associated with the Mortgage Division.

In addition, Leumi offers - to customers of all banks interested in taking out a mortgage or recycling their mortgage, to hold a consultation meeting with a Leumi mortgage banker via Zoom, without having to arrive at a branch, and to sign mortgage documents digitally without coming to the Bank's branches.

Leumi is active in the entire market, as well as specific activities for population segments such as - the Haredi sector, the Arab population, senior citizens, and foreign residents, and the Bank also provides mortgages to kibbutzim and buyers groups. These are provided after becoming familiar with the needs of the sectors and responding to their needs.

The Bank has unique products such as a time-out mortgage, which enables a selection of months off from the mortgage, a range of different linkage tracks - non-linked fixed interest for different periods, linked, bullet for 15 years, and non-linked mortgages.

C. Management Approach – Commercial Banking Segment

General

Commercial banking - specializes in the provision of the entire spectrum of financial services to middle-market business entities across all economic sectors. This segment sometimes includes interested parties of businesses in the sector, such as shareholders and senior officers.

Service and marketing to these companies are carried out on an individual basis, including financing transactions by means of credit instruments tailored to the customers' unique requirements, adapting investment products and financial instruments in order to hedge risks, financing international trade transactions and providing funding to start-up companies.

Segment's structure and characteristics

The Israeli activities of the segment are managed by the Commercial Banking Department and LeumiTech, which are part of the Corporate Division. The service is rendered by customer relations managers, who coordinate the Group's customer service; the operational services are provided by employees of the Operations Division, as well as through technological services, etc. The Commercial Banking Department's business model involves 11 business centers deployed across Israel, with the aim of providing the best, most efficient service to commercial customers. LeumiTech operates through the LeumiTech business center located in Herzliya.

Development in the segment's markets and its customers' characteristics

The segment's customers operate mainly in various economic sectors, such as manufacturing, infrastructure, high-tech, trade and services, real estate, etc., as well as in foreign markets.

Services and products

The Commercial Banking Department and LeumiTech has an extensive product offering designed for its different customers, including, among other things, financing of long-term investments, financing of foreign trade, financing of rental properties and construction loans, invoice discounting and factoring, financing of mergers and acquisitions, investment consulting and passive etc. LeumiTech offers technology company additional, dedicated credit products, including financing, venture lending and SAAS credit.

Customers

The customers of the Commercial Banking segment are mid-sized businesses from various economic sectors: commerce, industry, real estate, high-tech, etc. Furthermore, the segment also includes interested parties in these companies.

As a rule, customers with approved credit facilities of more than NIS 12.5 million and up to NIS 150 million (inclusive) and/or customers with approved credit facilities of up to NIS 250 million to fund income-generating properties or customers with turnovers of more than NIS 20 million and up to NIS 600 million are assigned to the Commercial Banking segment. In addition, the segment includes technology companies regardless of the extent of their credit facilities or business turnover.

D. Management Approach – Corporate Banking Segment

General

The Corporate banking segment specializes in providing banking and financial services to large corporations, some of which are multinationals. The services are based on providing an overall solution for the customer's needs, bearing in mind the whole spectrum of its businesses and adjusting financing for the specific needs.

Segment's structure and characteristics

The Corporate banking segment is managed in Israel by the Corporate Department and a system of international infrastructures and financing at the Corporate Division. The Corporate Department includes two business sectors: tourism, technology, defense and authorities, manufacturing, transportation, chemicals, and finance. Services are rendered by customer relations managers, who coordinate the Group's services vis a vis customer and specialize in the business sector in which the customer operates. The segment provides a comprehensive offering of banking services to all types of companies in the various sectors, and as relevant at the Bank's branches abroad. Special/complex transactions, such as the acquisition of means of control, assessment of investment plans and project financing, international trade activity, financing of foreign or domestic debtors, syndicated loans, etc., are dealt with by designated units specializing in dealing with such transactions, due to the complexity and risk level involved.

A system of infrastructures and international financing operates through two business sectors: infrastructures and energy sector and international financing sector, which also includes financing the hotelier industry in Israel and server farms in Israel. Customer accompaniment is provided by the customer relations managers, who specialize in the business sector in which the customer operates in outlines for project financing and corporate financing, as relevant. Special/complex financing transactions, such as financing means of control, assessment of investment plans, international trade activity, syndicated loans, etc., are dealt with by designated units specializing in dealing with such transactions, which are under the responsibility of the system.

Developments in the segment's markets and customer characteristics

The Corporate Banking Department manages the credit risks with due care while assessing the creditworthiness of customers on an ongoing basis, especially the creditworthiness of risk-sensitive customers; the department also assesses the impact of trends and developments on these customers.

In the fields of infrastructures, the potential of transactions is tracked, with an emphasis on tenders of the General Comptroller and the potential of transactions in the fields of conventional energy and renewable energy.

Services and products

The services rendered include, among other things, ongoing financing according to the customers' needs, financing of investments to maintain and expand operations, provision of financing and international trade solutions (including financing with credit insurance or private insurance companies of projects abroad), financing of mergers and acquisitions, granting loans for extensive transactions carried out through syndicates in collaboration with the institutional entities and foreign and Israeli banks, financial instruments hedging foreign exchange risks, interest risks and fluctuations in commodities prices, ongoing accompaniment of developers bidding on state tenders in the fields of national infrastructure and energy, leading financial closings, while organizing syndication as needed, and accompanying developers during the establishment period and while operating the projects. The service also includes promotion of banking services to the companies, managers and companies' employees.

Customers

This segment's customers are mostly market leaders in their fields. Some of these companies are public, operating in various economic sectors and have complex and multi-tiered organizational structures comprising several management and control tiers.

Generally, customers with approved credit facilities of more than NIS 150 million or with a turnover of more than NIS 600 million are assigned to the Corporate Banking segment.

E. Management Approach – Real Estate Segment

General

The service is rendered by customer relations managers, who coordinate the Group's customer service; the operational services are provided by employees of the Operations Division, as well as through technological services, etc. The projects are funded through construction loans and are closely monitored and supervised with an emphasis on meticulous review of each project.

Segment's structure and characteristics

Leumi's Real Estate segment in Israel is mostly managed by the Construction and Real Estate Department of the Corporate Division. The department provides a comprehensive offering of banking services to construction companies and large real estate developers and contractors in Israel; the department's areas of expertise cover all aspects of real estate activities. Customers' accounts are managed by the Operations Division. Services are rendered by customer relations managers, who coordinate the Group's services vis a vis customer and specialize in the business sector in which the customer operates.

Developments in the segment's markets and customer characteristics

The Real Estate function manages the credit risks with due care while assessing the creditworthiness of customers on an ongoing basis, especially the creditworthiness of risk-sensitive customers; the department also assesses the impact of trends and developments on these customers.

In the residential construction sector, according to the available data, it seems that 2024 was characterized by a certain recession in housing projects started compared with recent years, as well as a more significant decrease in completions and deliveries of apartments, likely due to a decrease in the labor force at some construction sites. This was driven by the replacement of Palestinian construction workers with other workers (Israeli and foreign workers) and also due to the impact on the ability to carry out work under fire. The recession in construction projects is on the backdrop of the inflation and high interest environment and continued lack of skilled manpower, but also alongside an improvement in the demand for apartment purchases and a relatively high volume of operations compared to the past two years, which was also accompanied by an increase in prices. Housing prices may continue to rise over the coming year, apparently at a one-digit rate. This is on the backdrop of the continued concern of the public that there will be a future shortage of housing supply, as well as the continued rehabilitation of the demand for apartment purchases, especially in light of the interest decrease, which is expected to begin in the second half of 2025.

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. Since the outbreak of the war, activity in shopping centers has been positively impacted by extensive government support for households and the reduced number of Israelis traveling abroad. However, the expected decline of these effects over the coming year, alongside the erosion of purchasing power due to tax hikes and increases in government service fees in early 2025, may lead to a slowdown in shopping center activity during 2025.Most of the adverse effect may be felt in large shopping centers, while neighborhood shopping centers may continue to fare better.

The office sector experienced a slowdown in demand since the second half of 2022, including a substantial decrease in rental prices in Tel Aviv and surrounding areas along with significant decline in occupancy rates in some areas of Tel Aviv. The economic recovery process from the war, as it gains momentum, my support the stabilization of office rental prices over the coming year and potentially lead to a renewed increase, particularly in Tel Aviv. Conversely, the continued 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, especially on the outskirts of Tel Aviv and Jerusalem.

In 2025, real estate activity is expected to be affected by the following factors: the macroeconomic environment; regulatory changes - particularly those relating to the residential housing market; continued implementation of government programs - especially in the real estate domain; completion of construction projects; as well as the scope of the government's investments in national infrastructures.

Services and products

Construction and real estate projects are funded through industry-specific and unique monitoring and analysis tools, which support the decision-making process and the monitoring of loans extended to the various projects and properties. Funding is extended with the aim of diversifying the credit portfolio and distinguishing between the various segments – housing, income-generating properties - especially commercial and office space, and construction for industry and commerce. Generally, loans granted in the construction phase are extended by way of construction loans, which allow the Bank to closely monitor and supervise the relevant project.

Furthermore, as part of its activities in the Construction and Real Estate segment, the Bank funds real estate transactions abroad, providing credit, financing the initiation and development of real estate and hotel projects through the Bank's branch in England and capital raising carried out by the Bank through collaborations in the United States.

The financing of the business activity in the Bank's major service centers abroad contributes to the risk diversification through exposure to different macroeconomic environments and different customer characteristics. Therefore, the Bank's real estate financing mix is also comprised of transactions by the Bank's branch in England and capital raising carried out by the Bank through collaborations in the United States.

Customers

The segment's customers include large and mid-sized real estate development companies, executive and infrastructure contractors and selected business companies engaged in real estate development and contracting in the field of rental properties.

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

1. Management Approach – Capital Markets Segment

General

The financial management function of the Bank and the Group manages the trading room and provides various services to banks and institutional investors, including serving as an account manager on their behalf. Set forth below are the segment's main areas of activity:

- Management of the Nostro portfolio by investing the Bank's own funds in marketable and non-marketable investment instruments and by management of direct investments in shares of marketable and non-marketable companies; non-financial investments are managed by Leumi Partners.
- Management of the trading room, which provides trading services to the Bank's customers, including market-making, primarily in currencies, securities and derivatives.
- Management of resources and liquidity sources and applications.
- Management of market risk exposures – including management of underlying exposures, interest and liquidity exposures.
- Price management – by setting transfer prices and pricing of special financial transactions.
- Management of banking activity of institutional customers and other corporations with extensive capital market activities.
- Development of financial instruments.

Segment's structure

Financial management is carried out by the Capital Markets Division, which coordinates the function at the Group level. The division manages the banking portfolio and the held-for-trading portfolio and provides services to customers with capital markets and financial markets activities, including institutional customers. The banking portfolio activity is managed by the Financial Management Department and includes the management of liquidity sources and applications, as well as of exposures to market and liquidity risks and the Nostro portfolios. The trading activity is carried out by the trading room and Nostro units in NIS and in foreign currency.

The main tools for managing the banking portfolio are transfer prices, trading activity in the available-for-sale and held-to-maturity Nostro portfolios, and the use of derivatives.

The ALM Department's main areas of responsibility include managing the Bank's financial capital and market risk exposures, managing corporate and statutory liquidity and liquidity risk, as well as allocating liquidity sources to the various applications by implementing the transfer prices policy. This policy is determined according to the Bank's needs, planning and management of the mix of liquidity sources and applications as well as developments in the business environment and forecasts. As part of this activity, the Bank also sets the methodology for netting P&L centers and prices complex and special transactions.

The liquidity is managed on a regular basis in accordance with the Bank's policy and pursuant to the binding directives. Liquidity is also managed by a special-purpose unit, whose main function is optimal planning and management of liquidity balances, subject to the risk appetite, while ensuring a liquidity level that enables the Bank to carry out its business activity while meeting all of its financial obligations in a normal business environment as well as under extreme scenarios. The measurement, analysis, planning and reporting activities are carried out through the OneSumX risk management system, which provides extensive information on all of the Bank's financial activities and on the market and liquidity risks associated therewith. The system enables to assess and monitor the effect of various scenarios (price and quantity) on the Bank's financial profitability and capital.

For a description of the principal points of the securities investment (Nostro) policy, please see the section entitled "Structure of, and Changes in, Assets, Liabilities, Capital, and Capital Adequacy", under "Securities".

Segment's profit

The segment's profit is mainly impacted by the Nostro activity, the trading room activity, ALM management, management of customers' accounts and accounts of other corporations with extensive capital market activities, as well as the results of non-financial associates. Set forth below are the main components of the net income:

- Results of market risks management, including changes in transfer prices. Income and expenses resulting from changes in transfer prices are carried in full to the financial segment, to which all of the market risks from the other operating segments are also transferred.
- Realized gains/losses of securities and from provisions for impairment of securities in respect of a decline which is not temporary in nature in the value of securities and unrealized gains/losses from adjustments of held-for-trading securities to market value.
- Adjustments of derivatives to market value.
- Effects of exchange rate differentials (foreign currency/NIS) and linkage differences (to the CPI), including adjustments from translation of foreign investments and the effect of the related tax effect.
- Income arising from market-making activities.
- Income/expenses arising from investment of pension, jubilee and regular leave reserves.
- Certain costs relating to pension liabilities, calculated on an actuarial basis.
- Profits of associates.

The segment's operating expenses mainly include direct operating expenses, as well as overheads associated with management of market risks, the Bank's own securities (Nostro) portfolios and the trading room.

Services and products

The segment's activity mainly involves custodian services, brokerage, and marketable and non-marketable derivatives. In addition, the Bank provides operating services to provident funds, mutual funds and investment funds' management companies.

Customers

The segment's customers include insurance companies, provident funds, study funds, pension funds, mutual funds, exchange-traded funds, commercial banks and investment banks, as well as other customers with extensive capital market activities.

Income and Expenditure Rates[(a)] and Analysis of the Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates — Assets

	2024			2023			2022		
	Balance Average[(b)]	Income Interest rate	% Income	Balance Average[(b)]	Income Interest rate	% Income	Balance Average[(b)]	Income Interest rate	% Income
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Interest-bearing assets									
Loans to the public[(c)]									
In Israel	**423,901**	**26,128**	**6.16**	395,467	24,360	6.16	350,329	14,842	4.24
Outside Israel	**8,992**	**736**	**8.19**	7,483	594	7.94	10,617	466	4.39
Total[(i)]	**432,893**	**26,864**	**6.21**	402,950	24,954	6.19	360,946	15,308	4.24
Loans to the government									
In Israel	**1,626**	**73**	**4.49**	1,209	54	4.47	1,160	46	3.97
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**1,626**	**73**	**4.49**	1,209	54	4.47	1,160	46	3.97
Deposits with banks									
In Israel	**13,294**	**609**	**4.58**	15,072	613	4.07	15,929	215	1.35
Outside Israel	**192**	**1**	**0.52**	243	-	-	185	-	-
Total	**13,486**	**610**	**4.52**	15,315	613	4.00	16,114	215	1.33
Deposits with central banks									
In Israel	**96,650**	**4,326**	**4.48**	78,781	3,478	4.41	132,593	1,693	1.28
Outside Israel	**-**	**-**	**-**	39	2	5.13	993	5	0.50
Total	**96,650**	**4,326**	**4.48**	78,820	3,480	4.42	133,586	1,698	1.27
Securities borrowed or purchased under reverse repurchase agreements									
In Israel	**3,297**	**174**	**5.28**	2,839	127	4.47	2,473	33	1.33
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**3,297**	**174**	**5.28**	2,839	127	4.47	2,473	33	1.33
Bonds held-to-maturity and available-for-sale[(d)]									
In Israel	**119,346**	**5,040**	**4.22**	113,356	4,167	3.68	79,347	1,411	1.78
Outside Israel	**-**	**-**	**-**	-	-	-	1,108	27	2.44
Total	**119,346**	**5,040**	**4.22**	113,356	4,167	3.68	80,455	1,438	1.79
Bonds - held-for-trading[(d)]									
In Israel	**9,318**	**375**	**4.02**	7,276	260	3.57	2,981	57	1.91
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**9,318**	**375**	**4.02**	7,276	260	3.57	2,981	57	1.91
Total interest-bearing assets	**676,616**	**37,462**	**5.54**	621,765	33,655	5.41	597,715	18,795	3.14
Non-interest-bearing receivables for credit cards	**6,566**			6,188			6,074		
Other non-interest-bearing assets[(e)]	**66,537**			72,760			65,432		
Total assets[(k)]	**749,719**	**37,462**		700,713	33,655		669,221	18,795	
Total interest-bearing assets attributable to foreign operations	**9,184**	**737**	**8.02**	7,765	596	7.68	12,903	498	3.86

Please see notes on page 360.

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

	2024			2023			2022		
	Average balance(b)	Interest expenses	% of expense	Average balance(b)	Interest expenses	% of expense	Average balance(b)	Interest expenses	% of expense
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Interest-bearing liabilities									
Deposits by the public									
In Israel	**441,617**	**18,428**	**4.17**	381,508	15,678	4.11	279,202	4,386	1.57
Demand deposits	**136,628**	**5,035**	**3.69**	117,020	4,376	3.74	108,114	1,254	1.16
Fixed deposits	**304,989**	**13,393**	**4.39**	264,488	11,302	4.27	171,088	3,132	1.83
Outside Israel	**–**	**–**	**–**	5	–	–	3,191	18	0.56
Demand deposits	**–**	**–**	**–**	5	–	–	1,874	2	0.11
Fixed deposits	**–**	**–**	**–**	–	–	–	1,317	16	1.21
Total	**441,617**	**18,428**	**4.17**	381,513	15,678	4.11	282,393	4,404	1.56
Deposits by the Israeli Government									
In Israel	**109**	**2**	**1.83**	225	2	0.89	275	2	0.73
Outside Israel	**–**	**–**	**–**	–	–	–	–	–	–
Total	**109**	**2**	**1.83**	225	2	0.89	275	2	0.73
Deposits by central banks									
In Israel	**7,981**	**89**	**1.12**	14,325	12	0.08	16,953	11	0.06
Outside Israel	**–**	**–**	**–**	–	–	–	–	–	–
Total	**7,981**	**89**	**1.12**	14,325	12	0.08	16,953	11	0.06
Deposits by banks									
In Israel	**10,917**	**295**	**2.70**	6,001	105	1.75	6,465	33	0.51
Outside Israel	**65**	**1**	**1.54**	14	–	–	39	–	–
Total	**10,982**	**296**	**2.70**	6,015	105	1.75	6,504	33	0.51
Securities loaned or sold under reverse repurchase agreement									
In Israel	**10,790**	**633**	**5.87**	10,627	630	5.93	3,388	61	1.80
Outside Israel	**–**	**–**	**–**	–	–	–	–	–	–
Total	**10,790**	**633**	**5.87**	10,627	630	5.93	3,388	61	1.80
Bonds									
In Israel	**31,138**	**1,505**	**4.83**	29,243	1,231	4.21	23,165	1,073	4.63
Outside Israel	**–**	**–**	**–**	–	–	–	–	–	–
Total	**31,138**	**1,505**	**4.83**	29,243	1,231	4.21	23,165	1,073	4.63
Total liabilities Interest-bearing	**502,617**	**20,953**	**4.17**	441,948	17,658	4.00	332,678	5,584	1.68
Deposits by the public that are not Interest-bearing deposits	**141,984**			156,866			252,103		
Credit card payables Non-interest bearing	**1,786**			1,891			1,694		
Other liabilities that are not Interest-bearing(f)	**41,404**			44,694			35,665		
Total liabilities	**687,791**	**20,953**		645,399	17,658		622,140	5,584	
Total capital resources	**61,928**			55,314			47,081		
Total liabilities and the capital resources	**749,719**	**20,953**		700,713	17,658		669,221	5,584	
Interest rate spread		**16,509**	**1.37**		15,997	1.41		13,211	1.46
Net return on assets Interest-bearing(g)(j)									
In Israel	**667,432**	**15,773**	**2.36**	614,000	15,401	2.51	584,812	12,731	2.18
Outside Israel	**9,184**	**736**	**8.01**	7,765	596	7.68	12,903	480	3.72
Total	**676,616**	**16,509**	**2.44**	621,765	15,997	2.57	597,715	13,211	2.21
Total interest-bearing liabilities attributable to foreign operations	**65**	**1**	**1.54**	19	–	–	3,230	18	0.56

Please see notes on p. 360.

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

	2024			2023			2022		
	Balance Average(b)	Income (Expenses) Interest rate	% Income (Expense)	Balance Average(b)	Income (Expenses) Interest rate	% Income (Expense)	Balance Average(b)	Income (Expenses) Interest rate	% Income (Expense)
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Non-linked NIS									
Total interest-bearing assets	**477,324**	**26,560**	**5.56**	445,361	24,832	5.58	434,967	12,186	2.80
Total interest-bearing liabilities	**345,598**	**(13,250)**	**(3.83)**	296,619	(10,750)	(3.62)	233,554	(2,547)	(1.09)
Interest rate spread			**1.73**			1.96			1.71
CPI-linked NIS									
Total interest-bearing assets	**69,110**	**4,226**	**6.11**	62,458	3,593	5.75	56,585	4,232	7.48
Total interest-bearing liabilities	**29,346**	**(1,303)**	**(4.44)**	27,864	(1,135)	(4.07)	23,756	(1,364)	(5.74)
Interest rate spread			**1.67**			1.68			1.74
Foreign currency (including currency Israeli, foreign-currency linked)									
Total interest-bearing assets	**120,998**	**5,939**	**4.91**	106,181	4,634	4.36	93,260	1,879	2.01
Total interest-bearing liabilities	**127,608**	**(6,399)**	**(5.01)**	117,446	(5,773)	(4.92)	72,138	(1,655)	(2.29)
Interest rate spread			**(0.10)**			(0.56)			(0.28)
Total activity in Israel									
Total interest-bearing assets	**667,432**	**36,725**	**5.50**	614,000	33,059	5.38	584,812	18,297	3.13
Total interest-bearing liabilities	**502,552**	**(20,952)**	**(4.17)**	441,929	(17,658)	(4.00)	329,448	(5,566)	(1.69)
Interest rate spread			**1.33**			1.38			1.44

Please see comments on the next page.

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

	2024 vs. 2023			2023 vs. 2022		
	Increase (decrease) due to change[h]		Net change	Increase (decrease) due to change[h]		Net change
	Quantity	Price		Quantity	Price	
	In NIS million					
Interest-bearing assets						
Loans to the public						
In Israel	1,753	15	1,768	2,780	6,738	9,518
Outside Israel	124	18	142	(249)	377	128
Total	1,877	33	1,910	2,531	7,115	9,646
Other interest-bearing assets						
In Israel	1,088	810	1,898	(635)	5,879	5,244
Outside Israel	–	(1)	(1)	(14)	(16)	(30)
Total	1,088	809	1,897	(649)	5,863	5,214
Total interest income	2,965	842	3,807	1,882	12,978	14,860
Interest-bearing liabilities						
Deposits by the public						
In Israel	2,508	242	2,750	4,204	7,088	11,292
Outside Israel	–	–	–	–	(18)	(18)
Total	2,508	242	2,750	4,204	7,070	11,274
Other interest-bearing liabilities						
In Israel	21	523	544	333	467	800
Outside Israel	1	–	1	–	–	–
Total	22	523	545	333	467	800
Total interest expenses	2,530	765	3,295	4,537	7,537	12,074
Total interest, net	435	77	512	(2,655)	5,441	2,786

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 impaired debts.

d) The average balance of unrealized gains/losses from fair value adjustments of available-for-sale bonds were deducted/added from the average balance of held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholder's equity under accumulated other comprehensive income, in the adjustments in respect of presentation of available-for-sale securities at fair value item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS (3,380) million (December 31, 2023 — NIS (3,821) million; December 31, 2022 - NIS (1,666) 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 derivatives 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 in the amount of NIS 381 million were included in interest income from loans to the public (December 31, 2023 - NIS 393 million; December 31, 2022 - NIS 481 million).

j) Net yield on interest-bearing assets (NIM) for the fourth quarter of 2024 and 2023 was 2.21 percent and 2.40 percent, respectively.

k) Total assets in the fourth quarter of 2024 and 2023 totaled NIS 766,914 million and NIS 716,843 million, respectively.

Quarterly Consolidated Income Statement - Multi-Quarter Information

	For the year ended December 31							
	2024				2023			
	4	3	2	1	4	3	2	1
	In NIS million							
Interest income	**8,877**	**9,966**	**9,792**	**8,827**	8,662	8,758	8,663	7,572
Interest expenses	**5,058**	**5,421**	**5,414**	**5,060**	4,812	4,823	4,379	3,644
Interest income, net	**3,819**	**4,545**	**4,378**	**3,767**	3,850	3,935	4,284	3,928
Loan loss expenses (income)	**197**	**312**	**(18)**	**222**	668	991	318	406
Interest income, net after loan loss expenses (income)	**3,622**	**4,233**	**4,396**	**3,545**	3,182	2,944	3,966	3,522
Noninterest income								
Noninterest finance income (expenses)	**686**	**(46)**	**446**	**734**	336	435	483	25
Fees and commissions	**994**	**984**	**910**	**935**	936	963	890	948
Other income	**48**	**40**	**9**	**859**	25	3	39	98
Total noninterest income	**1,728**	**978**	**1,365**	**2,528**	1,297	1,401	1,412	1,071
Operating and other expenses								
Salaries and related expenses	**910**	**933**	**882**	**1,071**	872	852	915	845
Buildings and equipment - maintenance and depreciation	**385**	**386**	**374**	**375**	390	449	361	341
Other Expenses	**417**	**397**	**395**	**379**	598	421	407	443
Total operating and other expenses	**1,712**	**1,716**	**1,651**	**1,825**	1,860	1,722	1,683	1,629
Profit before taxes	**3,638**	**3,495**	**4,110**	**4,248**	2,619	2,623	3,695	2,964
Provision for profit taxes	**1,294**	**1,285**	**1,340**	**1,503**	869	866	1,364	889
Profit after taxes	**2,344**	**2,210**	**2,770**	**2,745**	1,750	1,757	2,331	2,075
The Bank's share in associates' profits (losses), net after tax	**107**	**83**	**(501)**	**40**	76	10	122	(1,094)
Net income:								
Before attribution to shareholders Non-controlling[(a)]	**2,451**	**2,293**	**2,269**	**2,785**	1,826	1,767	2,453	981
Attributable to interests Non-controlling[(a)]	**-**	**-**	**-**	**-**	-	-	-	-
Attributable to the Bank's shareholders	**2,451**	**2,293**	**2,269**	**2,785**	1,826	1,767	2,453	981
Basic and diluted earnings per share (in NIS):								
Diluted basic earnings attributable to the Bank's shareholders	**1.63**	**1.51**	**1.49**	**1.83**	1.20	1.15	1.59	0.64

a) Sums lower than NIS 1 million.

Loan loss expenses (income)

	For the year ended December 31							
	2024				2023			
	4	3	2	1	4	3	2	1
	In NIS million							
Private expense (income) for Loan losses	(23)	(63)	(86)	(156)	192	122	19	17
Collective expense for Loan losses	220	375	68	378	476	869	299	389
Total loan loss expense (income) for Loan losses	197	312	(18)	222	668	991	318	406
Of which:								
Expenses (income) for credit losses for commercial credit risk	69	166	(60)	75	365	722	112	351
Expenses (income) for credit losses for credit risk for housing	46	14	(27)	3	102	75	31	13
Loan loss expenses for other credit risk for private individuals	71	113	69	144	204	197	174	74
Expenses (income) for credit losses for credit risk for banks, governments and bonds	11	19	–	–	(3)	(3)	1	(32)
Total loan loss expense (income) for Loan losses	197	312	(18)	222	668	991	318	406
Ratios (in %) :(a)								
Percentage of the specific loan loss expense (income) out of the average outstanding loans to the public	(0.02)	(0.06)	(0.08)	(0.15)	0.18	0.12	0.02	0.02
Percentage of loan loss expense (income) out of the average outstanding loans to the public	0.17	0.28	(0.02)	0.21	0.63	0.95	0.31	0.41
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	0.08	0.10	0.20	0.03	0.12	0.17	0.14	0.08
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	5.40	6.16	12.81	1.73	7.44	11.20	10.58	6.24

a) Annualized.

Noninterest income

	For the year ended December 31							
	2024				2023			
	4	3	2	1	4	3	2	1
	In NIS million							
Noninterest finance income (expenses)	686	(46)	446	734	336	435	483	25
Fees and commissions	994	984	910	935	936	963	890	948
Other income	48	40	9	859	25	3	39	98
Total	1,728	978	1,365	2,528	1,297	1,401	1,412	1,071

Fees and commissions

	For the year ended December 31							
	2024				2023			
	4	3	2	1	4	3	2	1
	In NIS million							
Account management	147	147	143	145	147	158	152	159
Credit cards	104	109	112	97	76	105	104	98
Activity in securities and certain derivatives	176	165	149	164	151	149	136	155
Fees and commissions for financial product distribution	56	52	49	48	46	47	45	46
Management, operating and trust services provided to entities entities	29	28	27	27	25	25	25	24
Credit handling	66	63	54	72	51	65	59	73
Exchange rate differentials	132	139	116	111	116	124	118	143
Foreign trade activity	35	38	36	39	39	40	38	43
Net income from loan portfolio servicing	3	1	1	1	2	1	1	1
Management fees and commissions on life insurance and apartment insurance	8	9	9	10	10	10	11	10
Financing fees and commissions	212	206	189	196	248	211	173	169
Other fees and commissions	26	27	25	25	25	28	28	27
Total fees and commissions	994	984	910	935	936	963	890	948

Salary expenses

	For the year ended December 31							
	2024				2023			
	4	3	2	1	4	3	2	1
	In NIS million							
Salaries and related expenses	811	846	796	986	781	766	831	754
Pension, severance and retirement expenses	99	87	86	85	91	86	84	91
Total salary expenses	910	933	882	1,071	872	852	915	845

Consolidated Balance Sheet as of End of Quarter - Multi-Quarter Information

	December 31							
	2024				2023			
	4	3	2	1	4	3	2	1
	In NIS million							
Assets								
Cash and deposits with banks	155,828	136,673	128,278	144,064	105,476	101,311	116,678	134,381
Securities:								
Held-to-maturity bonds	18,867	19,036	17,668	16,962	15,406	15,834	15,054	14,790
Available-for-sale bonds	90,500	87,756	98,037	110,165	126,137	103,740	91,303	76,284
Equity securities not held for trading	7,178	6,021	5,578	5,432	4,828	4,684	4,360	4,367
Held-for-trading securities	7,556	8,465	7,290	5,165	13,677	7,121	7,323	3,933
Total securities	124,101	121,278	128,573	137,724	160,048	131,379	118,040	99,374
Securities borrowed or purchased under reverse repurchase agreements	4,684	5,936	1,538	2,288	3,053	2,930	1,278	3,282
Loans to the public	462,406	453,772	440,480	435,537	426,203	423,477	415,047	409,136
Loan loss provision	(6,887)	(6,821)	(6,681)	(6,955)	(6,717)	(6,216)	(5,482)	(5,319)
Loans to the public, net	455,519	446,951	433,799	428,582	419,486	417,261	409,565	403,817
Loans to governments	2,509	1,957	1,918	1,387	1,806	1,356	1,194	1,123
Investments in associates	3,580	3,462	3,358	4,129	4,014	4,078	3,976	3,786
Buildings and equipment	2,822	2,721	2,688	2,682	2,874	2,795	2,792	2,767
Assets in respect of derivatives	29,193	27,509	26,679	25,745	27,410	32,615	26,173	26,959
Other assets	7,315	7,152	7,208	7,072	7,330	7,036	7,161	6,988
Total assets	785,551	753,639	734,039	753,673	731,497	700,761	686,857	682,477
Liabilities and equity								
Deposits by the public	618,301	588,305	581,187	595,805	567,824	544,519	533,977	532,906
Deposits by banks	18,043	18,970	18,179	24,139	20,776	16,068	19,793	24,042
Deposits by governments	172	102	109	101	160	213	190	383
Securities loaned or sold under repurchase agreements	11,686	12,312	8,633	6,307	13,776	16,853	11,007	4,739
Bonds, promissory notes and deferred liability letters[(A)] Subordinated notes	31,969	32,061	29,369	30,902	32,114	27,569	31,585	28,288
Liabilities due to Derivatives	27,752	26,500	24,156	23,591	26,636	28,503	23,107	25,601
Other liabilities	15,965	15,126	13,966	15,695	15,709	14,513	15,422	16,722
Total liabilities	723,888	693,376	675,599	696,540	676,995	648,238	635,081	632,681
Shareholders' equity	61,658	60,258	58,435	57,128	54,497	52,518	51,771	49,791
Non-controlling interests	5	5	5	5	5	5	5	5
Total equity	61,663	60,263	58,440	57,133	54,502	52,523	51,776	49,796
Total liabilities and equity	785,551	753,639	734,039	753,673	731,497	700,761	686,857	682,477

Consolidated Income Statement for 2020-2024 - Multi-Year Information

	2024	2023	2022	2021	2020
	In NIS millions				
Interest income	**37,462**	33,655	18,795	11,672	10,175
Interest expenses	**20,953**	17,658	5,584	1,326	1,452
Interest income, net	**16,509**	15,997	13,211	10,346	8,723
Loan loss expenses (income)	**713**	2,383	498	(812)	2,552
Interest income, net after loan loss expenses (income)	**15,796**	13,614	12,713	11,158	6,171
Noninterest income					
Noninterest Finance Income	**1,820**	1,279	1,408	1,714	1,026
Fees and commissions	**3,823**	3,737	3,535	3,506	3,281
Other income	**956**	165	75	291	59
Total noninterest income	**6,599**	5,181	5,018	5,511	4,366
Operating and other expenses					
Salaries and related expenses	**3,796**	3,484	3,935	4,242	3,742
Buildings and equipment - maintenance and depreciation	**1,520**	1,541	1,357	1,535	1,602
Other Expenses	**1,588**	1,869	1,543	1,651	1,702
Total operating and other expenses	**6,904**	6,894	6,835	7,428	7,046
Profit before taxes	**15,491**	11,901	10,896	9,241	3,491
Provision for profit taxes	**5,422**	3,988	3,564	3,275	1,356
Profit after taxes	**10,069**	7,913	7,332	5,966	2,135
The banking corporation's share in (losses) profits in associates' profits, after tax	**(271)**	(886)	387	101	(13)
Net income					
Before attribution to non-controlling interests	**9,798**	7,027	7,719	6,067	2,122
Attributable to non-controlling interests	**-**(a)	-(a)	(10)	(39)	(20)
Attributable to the Bank's shareholders	**9,798**	7,027	7,709	6,028	2,102
Basic and diluted earnings per share (in NIS):					
Basic earnings attributable to the Bank's shareholders	**6.46**	4.58	5.14	4.15	1.44
Diluted net income attributable to the Bank's shareholders	**6.46**	4.58	5.14	4.15	1.44

a) Sums lower than NIS 1 million.

Consolidated Balance Sheet as at December 31 - Multi-Year Information

	2024	2023	2022	2021	2020
	In NIS million				
Assets					
Cash and deposits with banks	**155,828**	105,476	186,569	197,402	136,194
Securities:					
Held-to-maturity bonds	**18,867**	15,406	14,528	8,031	7,002
Available-for-sale bonds	**90,500**	126,137	61,809	71,430	76,927
Equity securities not held for trading	**7,178**	4,828	4,353	4,344	4,335
Held-for-trading securities	**7,556**	13,677	2,260	3,122	4,033
Total securities	**124,101**	160,048	82,950	86,927	92,297
Securities borrowed or purchased under reverse repurchase agreements	**4,684**	3,053	3,034	2,447	3,019
Loans to the public	**462,406**	426,203	389,768	347,391	300,631
Loan loss provision	**(6,887)**	(6,717)	(4,986)	(4,512)	(5,290)
Loans to the public, net	**455,519**	419,486	384,782	342,879	295,341
Loans to governments	**2,509**	1,806	1,109	940	632
Investments in associates	**3,580**	4,014	4,947	1,113	795
Buildings and equipment	**2,822**	2,874	2,735	2,720	2,932
Goodwill	**-**	-	-	14	15
Assets in respect of derivatives	**29,193**	27,410	26,638	14,027	15,252
Other assets	**7,315**	7,330	6,402	7,985	9,558
Total assets	**785,551**	731,497	699,166	656,454	556,035
Liabilities and equity					
Deposits by the public	**618,301**	567,824	557,084	537,269	447,031
Deposits by banks	**18,043**	20,776	22,306	25,370	15,143
Deposits by governments	**172**	160	247	300	208
Securities loaned or sold under repurchase agreements	**11,686**	13,776	3,952	2,282	605
Bonds, promissory notes and subordinated notes	**31,969**	32,114	27,805	15,428	16,303
Liabilities for derivatives	**27,752**	26,636	23,311	15,551	17,315
Other liabilities	**15,965**	15,709	15,018	18,202	21,335
Total liabilities	**723,888**	676,995	649,723	614,402	517,940
Non-controlling interests	**5**	5	5	442	431
Shareholders' equity	**61,658**	54,497	49,438	41,610	37,664
Total equity	**61,663**	54,502	49,443	42,052	38,095
Total liabilities and equity	**785,551**	731,497	699,166	656,454	556,035

Glossary of Terms

Term	Definition
a	
Obligo	Represents the customers' total indebtedness to the bank.
Securitization	A process whereby bank loans and credit are pooled to create a long-term loan through bonds.
Cybernetic (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 banking corporation) 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.
Private individuals	Individuals who are not corporations (whether registered or non-registered) and who are not engaged in business activity. Private individuals defined, in accordance with the directives of the Bank of Israel, as belonging to a category that includes loans to individuals that are not intended for business purposes, with such individuals being classified as belonging to the Private Individuals Economic Branch, in accordance with the uniform definitions of the Central Bureau of Statistics, which also includes private households and private banking.
Restructuring of a Problem Debt	A debt for which, because of economic or legal reasons related to the debtor's financial difficulties, the Bank has granted a concession by changing the terms and conditions of the debt to alleviate the burden of the debtor's near-term cash payments or by accepting other assets in lieu of repayment.
On-call credit	Credit extended for a number of days and which is repaid after a call has been issued, in accordance with the terms and conditions of the agreement between the Bank and the customer.
Special mention credit	On-balance-sheet special mention credit for which there are potential weaknesses which should be monitored closely by the Bank's management. Off-balance sheet loans are classified as special mention credit 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 defined as a commercial letter of credit whose primary goal is to ensure the execution of payment. A Standby Letter of Credit is similar to a guarantee in the sense that it constitutes a commitment undertaken by the Bank to pay the amount specified therein against a payment demand from the beneficiary, whereas, in the case of a commercial letter of credit, one is required to present various documents in order to realize the Bank's guarantee.

Term	Definition
Substandard loan	Loans which are insufficiently guaranteed by the current sound worth and repayment capacity of the borrower or the pledged collateral, if any. On-balance sheet credit risk that has been classified in this way should have a well-defined weakness or weaknesses, which jeopardize the liquidation of the debt. Loans, in respect of which a collective loan loss provision is recorded, shall be classified as a substandard loan when it has been in arrears of 90 days or more.
Non-performing credit risk	Balance-sheet loans which examined on an individual basis, and which, based on present circumstances and information, it is probable that the Bank will not be able not to collect the full amounts payable to it (principal and interest) under the contractual terms of the debt agreement. A debt shall be classified as non-performing whenever the principal or interest has been in arrears of 90 days or more, unless it is both well secured and in the process of collection. Off-balance-sheet loans are classified as non-performing debts if the materialization of the contingent liability, as specified in the relevant clause, 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. Additionally, a non-performing debt can also be considered as a debt whose terms and conditions were changed due to the restructuring of a troubled debt.
b	
Basel 2/Basel 3	Directives regarding risk management by the banks that have been established by the Basel Committee for Banking Supervision (BCBS), which deals with supervision and which sets standards for the supervision of banks throughout the world. The directives of the Basel Committee constitute the benchmark for the fundamental standards intended to ensure the stability of financial institutions.
e	
Common Equity Tier 1 capital	Going Concern Capital Common Equity Tier 1 (CET1) Capital includes the equity of the banking corporation's shareholders, with the addition of some of the rights that do not provide control of the capital of consolidated subsidiaries (minority interests), less goodwill, other intangible assets, regulatory adjustments, and additional deductions, pursuant to what is specified in 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."

Term	Definition
Regulatory capital	Capital that is used for the calculation of the Bank's capital adequacy ratio (CAR) and for the establishment of additional regulatory ratios (such as: leverage ratio, credit concentration, etc.). Accounting capital components and other qualifying Regulatory Capital instruments (such as subordinated notes that qualify as Regulatory Capital).
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 capital instruments previously issued by the Bank that have been included in Tier 2 capital, pursuant to the transitional provisions for the implementation of Basel 3 Directives, as well as the new qualifying capital instruments that constitute the Contingent Convertible (CoCo) capital instruments issued by the Bank that will be converted into the Bank's shares if the situation reaches a point of non-viability. In addition, Tier 2 capital includes components such as the balance of the collective credit loss allowance before the related tax effect, up to a maximum of 1.25% of total credit risk-weighted assets.
Exposure at Default (EAD) EAD - (Exposure At Default)	The expected scale of exposure of an opposing side in the event of a credit failure.
Repurchase Agreement or Reverse Repurchase (Repurchase agreement or reverse repurchase)	These ameliatory agreements are agreements for the purchase or sale of securities in return for cash or securities, when, at the time of the transaction, both the buyer and the seller agree to carry out a reverse transaction, which would be the reverse of the original transaction, on a date and at a price that have been agreed upon in advance.
Specific Provision	An allowance determined for any debt analyzed on a case-by-case basis, except for housing loans (including any debt that is the reorganization of a problematic debt and which is subject to a case-by-case analysis, in accordance with the policies of the Bank). The amount of the allowance is assessed in accordance with the anticipated capitalized cash flow at the original effective interest rate of the debt or when the debt is defined as a security- conditional debt or when a seizure of assets is expected, in accordance with fair value of the security, after the deduction of the costs of materialization and with the implementation of cautious security factors. In order to determine the suitable amount of the allowance, the Bank conducts an ongoing check, in accordance with procedures, of the relevant borrowers.
Collective provision	The collective allowance for credit losses is applied for large groups of homogenous and relatively small debts, as well as of specifically-assessed debts that were found to be unimpaired. The collective provision for off-balance-sheet credit instruments is based on provision rates determined for balance-sheet credit, with the Bank taking into account its assessments regarding the likelihood of utilizing various off-balance-sheet items.

Term	Definition
h	
Indebtedness	The Bank's total credit exposure to a borrower or group of borrowers, including credit for which the bank has assumed responsibility, investments in the borrower's securities, the commitment of the Banking Corporation to pay money on a customer's behalf (including guarantees and Documentary Credit), and transactions in over- the-counter (OTC) derivatives. Liability is calculated pursuant to the Proper Conduct of Banking Business Directive No. 313 of the Banking Supervision Department.
Delinquent Debt	The delinquency (arrears) status of a debt is determined according to its contractual repayment terms. The debt is in arrears if the debt (whether all of it or part of it) has not been repaid within 30 days of the date set for repayment. 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 a period determined by the Bank's management.
Other options	Breaking down into purchase contracts (CALL) and sale contracts (PUT). 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 sale contract is the right to sell a certain quantity of a specific asset at a realized price until (American)/on (European) a specified date.
Actuarial calculation	Any calculation that expresses a condition of uncertainty, that is, which has been adapted to take into account the possibility of a risk. For example, an Actuarial Calculation reflects past experience and management's estimates as to the expected retirement dates of the Bank's employees and the expected retirement benefits allocated on a linear basis over the expected service period.
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 which therefore have not yet been recorded as a balance-sheet asset or liability. Examples of these exposures are, inter alia: • An undertaking to extend credit that has not yet been utilized; • Unutilized credit facilities • An undertaking that is in accordance with guarantee agreements; • An undertaking that is in accordance with an authorization in principle that commits the bank to maintain a certain interest rate for a specific period of time. • and so forth.

Term	Definition
Linkage-based and foreign- exchange-rate-based exposures	Exposure to the Basis Risk is the potential loss resulting from changes in the Consumer Price Index or in foreign exchange rates, due to the difference between the value of a customer's assets and the value of that customer's liabilities, including the impact of future transactions in each of the linkage sectors. Exposure to the base exposure risks are measured as a percentage of the Group's exposed capital. The exposed capital of the Bank, including equity and certain reserves, less fixed assets and investments in held companies.
j	
Capital Adequacy Ratio (CAR)	The ratio between the Bank's qualifying Regulatory Capital and its risk-weighted assets, that is, the Bank's assets weighted to reflect credit, market and operational risks, calculated in accordance with the Bank of Israel's directives and reflecting the risk stemming from exposures undertaken by the Bank in the course of its activities.
Liquidity coverage ratio	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.
Net stable funding ratio	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.
Leverage ratio	Defined as the measured capital (the numerator) divided by the measured exposure (the denominator), with the ratio expressed as a percentage.
k	
Subordinated bonds	Bonds the rights to which have been deferred because of the claims of all the other creditors of the Banking Corporation, less other bonds in the same category.

Term	Definition
From	
Securitization structures	Structures created for the purpose of transferring to bond holders the cash flow generated by other instruments/assets. For this purpose, the Bank is creating a Special Purpose Entity (SPE), whose function is to absorb the assets generating the cash flow being transferred by its originator and to channel the receipt of this cash flow to the bond holders, in accordance with the structure agreed upon with the bond holders and in accordance with the order of priorities as defined in the various bond series (tranche). The assignment of the above rights creates a legal structure in which the SPE's creditors will be unable to access the assets of the transferring entity but will not be exposed to the risks inherent in the entity's other activities, it being taken into consideration that the essence of the SPE is the absorption of the receipt of the above cash flow and its transfer to bond holders.
Israel's Capital Model	The Bank employs Israel's Capital Model, which is based on the ranking of the borrowers, in order to assess the credit risk at the overall level of the credit portfolio and in the portfolio's different cross-sections.
Embedded Derivative Instruments	Embedded derivatives are derived instruments that are embedded in contracts and in other financial instruments or in commercial purchase/sale contracts of commodities and services (in accounting literature, these contracts are termed host contracts). The accounting process is carried out in accordance with the economic substance of the items and transactions and not in accordance with their legal form; thus, embedded derivatives, that, in accordance with economic characteristics, are not clearly and closely connected with the host contract are separated from it for the purpose of measurement in the Bank's books.
Dormant shares	Shares directly held by a company. These shares do not provide equity or voting rights.
Credit spread (Bid-Ask)	The spread between the proposed purchase price and the selling price. This is, in effect, the difference between the highest price that the buyer is willing to pay for an asset and the lowest price at which the seller is willing to sell it.
Average duration (AD)	Average Duration (AD), which is measured in years, weights the periodic interest payments of the financial instrument over its life span until its final redemption.
n	
Credit derivative	A contract that transfers a credit risk from a buyer to a seller. Credit derivatives can take various forms: options for protection against credit failure, note for coverage of segments of a credit risk, SWAP for full coverage of the risk, etc.

Term	Definition
Pillar 1	The allocation of minimal capital against credit risks, market risks, and operational risks, by a technique that links the extent of exposure to various risks and the regulatory capital demand. The provisions of Pillar 1 that have been established by the Basel Committee within the context of the provisions of Proper Conduct of Banking Business Directives Nos. 201 to 209 establish both a monitoring method for the calculation of risk-weighted assets and the manner in which capital demands are calculated in respect of risk assets as noted above.
Asset and Liability Management (ALM)	The management of the Bank's assets and liabilities with the aim of avoiding a mismatch between the assets and liabilities and, in the long-term, increasing the Bank's capital for the benefit of its shareholders.
Risk-weighted assets (RWA)	Risk-weighted assets reflect the Bank's balance-sheet exposure resulting from the Bank's activities, and they are weighted with their own specific risks, in accordance with Proper Banking Conduct Directives Nos. 203-209 and everything that they specify with regard to credit risk, market risk, and operational risk. Risk assets, as noted above, are intended to reflect the weighted risk in respect of which the Bank is expected to maintain the regulatory capital demand in the context of the demands for capital adequacy.
Base Point (BP)	Base Point (BP), which is 1/100th of 1%, is used as a measurement unit for the calculation of interest rates.
O	
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 banking corporation.
Conduct Risk (Conduct vis-a-vis customers)	Conduct Risk (conduct vis-a-vis customers) is the risk that any dealings with the Bank's customers that are not fair, transparent, or aimed to meet their needs will lead to losses resulting from the payment of legal damages or fines, or from reputational damage.
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.
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 image risk.
Residual Risk	Residual risk is the risk remaining after the attribution of all specific risks. For example: When a person purchases an asset, that person is exposed to various risks. Many of these risks are not unique to the purchased asset, but rather reflect broader scenarios, such as an increase or decrease in share prices, an increase or decrease in interest rates, or a change in the growth rate of the economy or of a specific industry. Exposure to this risk can be reduced by diversification.

Term	Definition
Basis risks	A Basis Risk is the potential loss resulting from changes in the Consumer Price Index or in foreign exchange rates, due to the difference between the value of a customer’s assets and the value of that customer’s liabilities, including the impact of future transactions in each of the linkage sectors.
Interest Rate Risks	The risk of loss or reduction of value as a result of changes in interest rates across various currencies.
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 decisions, or lack of response to industry- specific, economic, regulatory, or technological changes.
Reputational Risk	The risk that the publicizing or the public disclosure of conduct or a transaction relating to customers, as well as business results and events relating to a group, will have an adverse effect on the public’s faith in the group, or will cause a reduction in the customer base, or will lead to high legal costs or a reduction in revenues.
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 prices and commodities, as well as in other economic measures).
Syndication	A transaction in which several lenders share the extension of a loan to a single borrower, but in which each lender extends a loan in a certain amount to the borrower and has the right to be directly repaid by that borrower. Groups of lenders frequently finance such loans together, with the amount extended being greater than what any single lender is willing to lend.
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Interest cost	The interest component allocated to a current year and classified as part of payroll expenses.
Service cost	All of the components of the cost of employee benefits that are allocated to a specific period of time.
S	
Basic Earnings Per Share	Basic profit per share are calculated through the division of the profit or loss attributed to ordinary shareholders of the parent company (numerator) by the weighted average number of ordinary shares outstanding during a given period (denominator).
Diluted Earnings Per Share	The distribution of the profit and loss attributable to the shareholders of the parent company, in accordance with the average weighting of the number of shares current in a given cycle and with the impact of all the diluted potential standard shares being taken into account.

Term	Definition
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.
Benchmark Interest Rate	Interest rate determined on an external objective basis, that is, according to a pre-set formula, where the Banking Corporation plays no direct role in the determination of that interest rate.
t	
Fair value	The value reflecting the price according to which a financial asset can be materialized or the financial obligation in a transaction can be transferred between a willing buyer and a willing seller. This value is determined according to the fair value hierarchy set in accounting standards: • Level 1 — Value based on quoted market prices; • Level 2 - Value assessed in the course of the use of observed data; • Level 3 - Value assessed in the course of the use of unobserved data.
Active market	A market in which transactions in an asset or a liability are conducted at a frequency and volume sufficient for the provision of information about pricing on an ongoing basis.
Internal Rate of Return (IRR)	A measure used to estimate the profitability of potential investments. The index indicates the effectiveness and quality of a specific investment, as opposed to the present net value indicating the investment's value and scope. The Internal Rate of Return is the interest rate that deducts expected cash flow from a financial instrument vis-a-vis its balance in the Bank's balance sheet.
Return on Equity (ROE)	The ratio between the yield of a business (net profit) and its equity. The Return on Equity (ROE) measures the Bank's ability to create net profits from assets and demonstrates to what extent the Bank is effective in utilizing additional investments in order to increase its revenues. The Return on Equity (ROE) in banks is expressed in the following ratios: • Net profit attributed to shareholders of the Bank, less a dividend to preferred shares that was not registered as an expense in the profit and loss report and which was declared only in the reporting period and is being distributed in the context of the average equity; • Net profit attributed to shareholders of the Bank, less a dividend to preferred shares that was not registered as an expense in the profit and loss report and which was declared only in the reporting period and is being distributed in the context of the average equity, less the average balance of preferred shares that were included in the equity.

Term	Definition
Auxiliary Corporation	A corporation that is not itself a banking corporation but whose activities are only in the field of activity that is permitted to the banking corporation that controls this corporation, except for activities that have been especially designated for banking corporations in accordance with the law.
Supervisory Review Process (SREP) (Supervisory Review Process) SREP -	This process is intended to ensure that banking corporations will allocate adequate capital in order to support all of the risks inherent in their activities, and also in order to encourage banking corporations to develop and use improved risk management techniques for the purpose of monitoring and managing their risks. In the context of this process, the Banking Supervision Department examines the risk profile of the banking corporation and the internal process that the Bank undertakes in order to assess the overall suitability of the regulatory capital adequacy held by the Bank against exposure. This process is intended to provide the Regulator with the tools needed for an independent assessment of the Bank's risk profile and its risk management, and to define the measures needed for early intervention for the purpose of preventing any impairment of the Bank's stability and its financial strength.
Defined benefit plan	The fixed and known-in-advance amounts of the allowance or insurance policy that are paid to eligible persons, whether these amounts are dependent on the investment expenses of the allocation fund or on the insurer.
Return on Equity (ROE)	Net profit, less a dividend to preferred shares that was not registered as an expense in the profit and loss report and which was declared only in the reporting period and is being distributed in the context of the average equity.
A	
ABS - Assets Back Securities **(Asset-Backed Bonds)**	Securities concerning which the guarantees provided for them, or the lien on them, with regard to the
B	
BSC - Balanced Score Card	A management tool for the measurement of the performance of the Bank and the lines of its business in a variety of quantitative and qualitative topics that have been defined by the Bank's management in the context of its strategic plan.
B.O.T - Build Operate Transfer	The financing of public projects where a private entity receives a franchise from a public agency to finance, plan, build, and operate a public facility for a limited period at the end of which ownership of the project is assumed by the government.

Term	Definition
	C
CECL – Current Expected Credit Losses	Model of provisions for anticipated credit losses.
CDO – Collateralized Debt Obligation	Bonds backed by a bonds portfolio and/or "seniority" loans and various rankings.
CDS – Credit Default Swap	A financial instrument transferring credit exposure to the issuer between the parties to the transaction.
CLO – Collateralized Loan Obligation	A bond backed by a loan portfolio.
COSO – Committee Of Sponsoring Organizations of the Treadway Commission	Structured model of internal audit. The framework of the model is intended to assist businesses and other entities in estimating, assessing and empowering the internal audit systems they operate.
Cross Border Activity **("Cross Border Activity")**	A term referring to various financing arrangements that cross-national borders, such as extending loans to people and entities in another country, credit letters, banking receipts, etc.
CVA - Credit Valuation Adjustment	Calculation of the credit risk in derivatives reflects the expected loss the Bank may incur in the event where the opposite party to the transaction will encounter a situation of credit failure.
	D
DFA - Dodd Frank Wall Street Reform and Consumer Protection Act	The DFA is a federal law, which took effect on July 28, 2010, and includes a comprehensive reform of the financial regulation, which has various impacts on the Leumi Group, the main one refers to transactions in derivatives over the counter (OTC) of the Swap domain.
	E
EMIR - European Market Infrastructure Regulation	The European Union's regulation, which is intended to increase the stability of OTC markets in all the European Union countries.
	F
FATCA - Foreign Accounts Tax Compliance Act	An American law that is intended to improve tax enforcement, prescribes that financial entities outside the USA are required to report to the American Tax Authority on accounts they manage and belong to one who is required to report, even if he is not a USA resident.
FDIC - Federal Deposit Insurance Corporation	The Federal Deposit Insurance Corporation and one of the agencies of the supervision of banks in the USA.
FHLMC - Freddie Mac	An agency affiliated with the US government that purchases mortgages, turns them into bonds and sells them to the public. (This company does not have a US government guarantee).
FNMA - Fannie Mae	A public company under the auspices of the US government that purchases mortgages, turns them into bonds and sells them in the free market (this company does not have a US government guarantee).
FORWARD **(Forward contract)**	A contract between two parties for the sale of any asset amount at a specific price on a date known in advance (the expiration date). The contract forms a binding relationship between the parties to the agreement. This is not a standard contract and is not traded in organized capital markets, but is rather drawn according to the customer's need.

Term	Definition
FUTURE **(Future option)**	A contract between two parties for the sale of any asset amount at a specific price on a date known in advance (the expiration date). The contract is binding on both parties to the agreement. This future contract is a standard contract traded in organized capital markets.
G	
GNMA - Ginnie Mea	A federal mortgage company. The bonds it issues are guaranteed by the Government National Mortgage Association.
I	
ICAAP - Internal Capital Adequacy Assessment Process	The Capital Adequacy Assessment Process (ICAAP) 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 given time.
L	
LGD - Loss Given Default **Loss Given Default (the loss rate)**	The rate from the borrower's overall credit exposure on the date of the exposure at default (EAD), which is expected to adversely affect the Bank upon the occurrence of the default event.
LTV **LTV ratio))**	The rate constituting the Bank's financing in the purchase transaction relative to the value of the purchased asset, the financing rate reflects another dimension of the loan risk, as a high LTV ratio reflects a higher risk for the bank extending the credit.
M	
MBS - Mortgage Back Securities **(Mortgage-Backed Bonds)**	Bonds backed by financial assets in which the interest and capital payments are based on the cashflow stemming from repayment of loans guaranteed by financial assets. The backing assets may be groups of loans, including mortgages for residence or other financial assets.
N	
NIM - Net Interest Margin	Ratio between net interest income and the average balance of interest-bearing assets.
NPL - Non Preforming Loan	Problematic credit that does not bear interest.
O	
OECD	An international organization of the developed countries accepting the principles of liberal democracy and free market. The Organization is a platform for discussing policies, comparing performances, finding solutions for difficulties and formulating codes, guiding principles and common standards for executing an economic and social policy on the national level. Within the framework of the Organization, each member-country may significantly contribute to the Organization's policies and drafting common lines of action.
P	
PD - Probability of Default **(A failure within a year following the rating within a given period).**	A term describing the odds that the borrower will arrive at a situation of credit failure within a given period following the date of rating. The term provides an assessment of the probability that a borrower would not be able to meet his liabilities per the contractual terms of his debts.

Term	Definition
PSU **(Performance-pending RSUs)**	A bonus in the form of shares that are blocked and depend on future performances of the banking corporation.
	R
RORAC **Return on Risk-Adjusted Capital (RORAC)**	A method that compares returns on various investments that takes into account the risk. The actual return is adjusted by measuring the degree of the asset's risk exposure and adjusts downwards the return on riskier assets. The method's efficiency depends on the accuracy of the assessment of the risk in various assets, and to what degree is the "penalty" imposed on riskier assets indeed reflects the degree of risk aversion of each given investor. For new types of assets, such as financial derivatives, risk assessment is a very uncertain issue, in light of the experience concerning the conduct of their prices in practice.
RSU **(RSUs)**	An ordinary share as per the terms of its issuance cannot be freely traded over a certain period of time, or until the occurrence or non-occurrence of a certain event, and this period had not yet expired and/or this event had not yet materialized.
	S
SBA - Small Business Administration	An American government agency for supporting small businesses in the USA.
SCDO - Synthetic Collateralized Debt Obligation	An agreement backed by a CDS portfolio (which are derivatives) at various seniority levels.
SWAP	A series of future contracts or series of forward contracts for several periods, known in advance, in which both parties agree to replace payment flows on a conceptual principal.
	V
VaR - Value at Risk Value at Risk	Is a model for measuring the maximal loss expected due to materialization of the market risks within a given period of time, and at a statistical level of security set out in advance. The use of this method requires ongoing evaluation of all the corporation's positions based on the assets' fair value and liabilities. The model's goal is assessing the risks the banking institutions are exposed to, as well as for returning adequate capital for covering losses resulting from materialization of the market risks in various activities.

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