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

Condensed Financial Statements
As at September 30, 2022
(Unaudited)

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In case of any discrepancy, the Hebrew version shall prevail.

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Report of the Board of Directors and Management

The Report of the Board of Directors and Management was prepared in accordance with the Reporting to the Public Directives of the Banking Supervision Department. The principles applied to the preparation of the interim financial statements are consistent with those applied to the Annual financial statements as at December 31, 2021, except as outlined in Note 1 to the financial statements. The statements herein should be read in conjunction with the 2021 Annual Financial Statements.

Condensed Financial Information and Key Performance Indicators

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

For additional information, please see Note 16.A.

Following are the key performance indicators (in %)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
Return on net income attributable to the Bank's shareholders to equity[(c)(d)]	**14.9**	15.1	**16.3**	15.4	15.0
Return on net income attributable to the Bank's shareholders to average assets[(c)(f)]	**1.1**	1.0	**1.1**	1.1	1.0
Ratio of income[(b)] to average assets[(c)(d)(f)]	**2.55**	2.58	**2.59**	2.75	2.70
Efficiency ratio	**39.1**	47.4	**39.9**	46.5	46.8
Ratio of net interest income to average assets[(c)(d)(f)]	**2.04**	1.76	**1.91**	1.79	1.76
Ratio of fees and commissions to average assets[(c)(d)(f)]	**0.52**	0.56	**0.54**	0.59	0.60
Rate of tax provision from profit, before taxes	**36.3**	36.4	**31.9**	36.3	35.4
Net interest income to average balance of interest-bearing assets (NIM)[(c)(d)]	**2.30**	1.96	**2.13**	1.99	1.95
Total income to total average assets under management by the Group[(b)(c)(d)(e)]	**0.85**	0.80	**0.82**	0.85	0.83
Total operating and other expenses to average total assets under management by the Group[(c)(d)(e)]	**0.33**	0.38	**0.33**	0.40	0.39

	As at September 30		As at December 31
	2022	2021	2021
Common Equity Tier 1 ratio[(l)]	**11.41**	11.83	11.50
Total capital to risk-weighted assets[(a)(l)]	**14.28**	14.67	14.21
Leverage ratio[(h)]	**6.34**	6.44	6.06
Liquidity coverage ratio[(g)]	**127**	131	124
Net stable funding ratio (NSFR)[(i)]	**126**		131
Equity attributable to the Bank's shareholders to total assets	**6.8**	6.8	6.3

Please see comments below.

Key credit quality indicators (in %)

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
Loan loss expenses (income) out of the average outstanding balance of loans to the public[(c)(k)]	**0.11**	(0.44)	**0.07**	(0.31)	(0.25)
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.26**	1.42	**1.26**	1.42	1.30
Percentage of non-performing[(j)] loans to the public or in arrears of 90 days or more out of outstanding loans to the public	**0.70**	1.09	**0.70**	1.09	1.02
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public[(c)]	**0.03**	0.01	**0.03**	(0.05)	(0.03)

(a) Equity - including non-controlling interests and various adjustments.
(b) Total income - net interest income and noninterest income.
(c) Annualized.
(d) As of January 1, 2022, the Bank is applying the revised disclosure requirements of the Banking Supervision Department regarding presenting the rate of return on equity and income and expense rates; under the revision, the presentation method of the quarterly rate of return on equity and of income and expense rates was revised to annualized terms, as is the method in US banks. The translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead of exponentiation, according to the previous presentation method. According to the circular's provisions, the Bank reclassified the comparative figures of rate of return on equity and income and expense rates relating to the previous quarterly periods presented in this report consistently with the new presentation method. The return on equity for the three and nine months ended September 30, 2021 as published in the financial statements as of September 30, 2021 is 16.0 percent and 15.7 percent, respectively. The effect of changing the presentation method of the income and expense rates is immaterial. In addition, the Bank reclassified additional performance indicators calculated on an annualized basis, in order to apply a consistent presentation method.
(e) Including off-balance-sheet operations.
(f) Average assets are the total assets - income-generating and others. For more information, please see Appendix 1 - Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses.
(g) For more information regarding the liquidity coverage ratio, please see section entitled "Risk Exposure and Management Thereof".
(h) For more information regarding the leverage ratio, please see Equity and Capital Adequacy under Structure of, and Changes in, Assets, Liabilities, Capital and Capital Adequacy.
(i) Net stable funding ration (NSFR) calculated as of the financial statements as at December 31, 2021. For more information, please see the Liquidity Risk.
(j) For more information regarding the revision of the accounting policy starting January 1, 2022 on identifying and classifying non-performing debts (in lieu of impaired debts), please see Note 1.B.1.
(k) As of January 1, 2022, the Bank applies for the first time Reporting to the Public Directives regarding current expected credit losses; for more information, please see Note 1.B.1. On first-time application, the accumulated effect was recorded net of tax in retained earnings, without adjusting comparative results.
(l) For more information, including anticipated regulatory changes regarding the measurement of capital adequacy, please see the section entitled Equity and Capital Adequacy.

Main income statement data

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	In NIS million				
Net income attributable to the Bank's shareholders	**1,782**	1,551	**5,383**	4,558	6,028
Interest Income, Net	**3,414**	2,671	**9,438**	7,793	10,346
Loan loss expenses (income)	**99**	(359)	**185**	(729)	(812)
Noninterest Income	**855**	1,240	**3,362**	4,146	5,511
Of which: fees and commissions	**872**	846	**2,674**	2,567	3,506
Total operating and other expenses	**1,671**	1,855	**5,106**	5,552	7,428
Of which: salaries and related expenses	**998**	1,079	**2,964**	3,212	4,242
Net earnings per share attributable to the Bank's shareholders (in NIS):					
Basic diluted net earnings	**1.15**	1.07	**3.62**	3.14	4.15

Main balance sheet data

	As at September 30		As at December 31
	2022	2021	2021
	In NIS million		
Total assets	**704,117**	611,912	656,454
Of which: cash and deposits with banks	**183,625**	171,645	197,402
Securities	**79,672**	81,580	86,927
Loans to the public, net	**383,023**	325,524	342,879
Total liabilities	**656,068**	569,673	614,402
Of which: deposits by the public	**546,706**	500,876	537,269
Deposits by banks	**25,427**	23,161	25,370
Bonds, promissory notes and subordinated bonds	**27,613**	13,189	15,428
Equity attributable to the Bank's shareholders	**48,044**	41,787	41,610
Additional data:			
Price per share (in NIS)	**30.6**	27.5	33.5
Dividend per share (in agorot)[(a)]	**88.44**	43.36	137.48

(a) According to the declaration date.

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

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

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

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

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

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

Trends, Phenomena, Developments and Material Changes

Main Developments in the Israeli Economy[1]

The Global Economy

On October 11, 2022, the International Monetary Fund (IMF) revised its global growth forecasts for the upcoming years. Compared to the previous forecast from July 2022, there was no change in the global growth forecast in 2022, but the forecast for 2023 was downgraded. The forecast for a slowdown in growth in 2023 reflects the continuation of three factors: the impact of the growing inflationary pressures (particularly in the US and in some European countries), the continued adverse effects of the war between Russian and Ukraine and the economic slowdown in China. According to the current growth forecasts, the gross world product is expected to grow at a rate of approx. 3.2 percent in 2022 and by 2.7 percent in 2023, with the IMF forecasting a 25 percent likelihood of global growth in 2023 falling below 2 percent. The IMF summarizes its assessment as follows: "the worst is yet to come, and for many people, 2023 will feel like a recession."

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

	2023	2022
World	**2.7%**	3.2%
USA	**1.0%**	1.6%
Eurozone	**0.5%**	3.1%
Japan	**1.6%**	1.7%
UK	**0.3%**	3.6%
China	**4.4%**	3.2%

The rising inflation in many countries - to rates unseen for many years (for example: in the United States, the annual price increase rate reached approx. 8.2 percent in September 2022), somewhat lower than in the past few months, in which the basic rate of inflation reached 6.6 percent - a 40-year record high) - is partially explained by aggregate excess demand, on the back of economic recovery following the pandemic and with government support, with emphasis on the labor market and due to restrictions, which exacerbated the situation on the supply side, which included significant effects of the war between Russia and Ukraine on commodity prices. As a result, many central banks - led by the US Federal Reserve - began to raise interest rates. Starting in March 2022, the Federal Reserve's Open Market Committee decided, as it did in each subsequent meeting, to raise the short-term interest rate, increasing the interest rate in September to a range of 3.00-3.25 percent, and in early November, it once again raised the interest rate to 3.75-4.00 percent. The Bank of England also continued the process of raising the interest rate, which began in December 2021; as of November 2022, the interest rate stands at 3.00 percent (with an annual price increase rate of 10.1 percent); this was also done by multiple central banks, including the Bank of Israel, which began raising the interest rate in April 2022.

In late February 2022, a war broke out between Russia and Ukraine, which is continuing at this time. Due to the characteristics of the commercial relations between these countries and Israel, the direct effect on the Israeli economy may be limited to only a few industries which have production operations in Ukraine and Russia and/or which may have major customers in these countries. The indirect effects that are already materializing, as a result of global processes, such as lower global growth rates - as forecast by the IMF for 2023 as well - in addition to a sharp increase in the prices of commodities imported into Israel (such as food) and the sharp increase in energy prices around the world, which affect prices in Israel. In addition, the growing uncertainty is adversely affecting financial markets globally as well as asset values and - as a result –households and businesses in Israel.

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

Growth and the Israeli labor market

During the third quarter of the year, the Israeli economy grew at an annual rate of 2.1 percent, compared with the second quarter, and at 5.8 percent compared to the third quarter of last year. Rapid growth rates were recorded on investments in fixed assets and public consumption, while private consumption shrank - with emphasis on durable goods (especially the expenses on imported private cars.

The labor market continued to reflect extensive economic activity, and according to the Bank of Israel is nearing full employment rates. The unemployment rate, under the ordinary definition (unemployed, net of seasonality), was 3.8 percent in September 2022 compared to 5.0 percent in September 2021.

The State Budget and its Funding

In the first nine months of the year, there was a surplus of approx. NIS 33.3 billion in the state budget, compared with a deficit of approx. NIS 51.6 billion in the corresponding period in 2021. In the past 12 months ended in September 2022, the surplus amounted to approx. 0.9 percent of GDP (approx. NIS 15.7 billion); according to the original 2022 budget, the deficit is expected to amount to 3.9 percent of GDP. The significant improvement stems from a marked increase in state revenues and a decline in government spending on the back of reducing the expenses for financial support due to the crisis. The higher income is explained by the robust economic activity, which generated substantial tax revenues - both directly and indirectly. On the other hand, collection data in July to September 2022 reflect a decrease in collections compared to June's record-high results. On the other hand, collections are higher than the trajectory line prior to the coronavirus crisis.

Foreign trade and service export data

Israel's trade deficit reached approx. USD 31.1 billion in the first nine months of the year, compared with approx. USD 25.5 billion in the corresponding period last year. The increase in deficit stems from a quicker expansion of imports compared with the increase in exports. The increase in imports is reflected across all its key components, especially in the imports value of energy products and other raw materials and also reflects the significant effect of price increases. These trends reflect the continued expansion of economic activity, which assumed its pre-pandemic growth trajectory. However, in the third quarter of the year, there was a decrease in the value of imports and exports compared with the second quarter.

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

Exchange Rate and Foreign Exchange Reserves

In the first nine months of the year, the shekel depreciated against the US dollar by 13.9 percent, and appreciated 1.0 percent against the euro; a 3.8 percent depreciation was recorded against the currency basket. The depreciation is partially explained by the sharp raising of interest rates by the Fed, compared to other large central banks, and the outbreak of the Russia-Ukraine war, which have caused higher demand for currencies perceived as global "anchors" in terms of the risk level embodied therein, such as the US dollar, especially when the financial markets are stormy. At the end of September 2022, the Bank of Israel's foreign exchange reserves stood at approx. USD 186.0 billion compared to USD 213.0 billion at the end of December 2021. The decrease in balances is mainly explained by the revaluation effects. During the reporting period, the Bank of Israel did not purchase foreign currency on the market.

Inflation and Monetary Policy

The "in lieu" consumer price index (CPI) was up 4.3 percent from January to September, and 4.6 percent in the 12 months ending in September 2022 - a deviation from the price stability target range (1-3 percent). The CPI, net of energy prices, was up 4.1 percent and 4.4 percent, respectively, such that the higher inflation rate reflects price increases across most CPI items, rather than focusing specifically on energy prices as is the case in Western countries, especially Europe. The main explanations for the rapid pace of increase is higher demand in the economy (some of which was pent up) due to the full reopening of, and improvement in, the labor market, which is reflected in wage increases in some market sectors, in addition to greater global trends of higher raw material and transport prices ("supply effects"), particularly in food and energy prices, on the back of the Russia-Ukraine war, but also due to bottlenecks in the supply chains across the world and particularly in China.

The "known" CPI was up 4.4 percent in the first nine months of the year.

During the first quarter of the year, there was no change in the Bank of Israel interest rate, which was 0.1 percent, similar to its level since April 2020. During the second quarter, in April 2022, the Bank of Israel began raising interest rates, a process that has continued through its meetings since then, reaching 2.75 percent in a meeting held in early October 2022. In this meeting, the Monetary Committee noted that the Israeli economy boasts robust economic activity, alongside a tight labor market, with an increase in the inflation environment. Therefore, the Committee decided to continue the process of raising the interest rate. The Committee also noted that the pace of raising the interest rate will be determined by the activity indicators and inflationary development, in order to continue to support the policy targets.

Israel's Capital Market

The Shares and Convertible Securities Index was down by approx. 10.0 percent in the first nine months of the year, while in 2021, an increase of approx. 30.9 percent was recorded. Following share price increases in the first quarter of the year and sharp price declines in the second quarter, a slight decline of approximately 0.5 percent was recorded in the third quarter. During the reporting period, the equity market was affected by the Russia-Ukraine war's adverse impact on prices of energy and other commodities, as well as by further morbidity surges, which lead to closures in China. As a result, an acceleration in inflation was recorded throughout the world, including in Israel, which led to an acceleration in the process of raising the interest rate by central banks around the world. The political instability and the early elections also contributed to the stock market weakness. On the other hand, the economy's growth data and the tight labor market reflected the fact that the Israeli economy has recovered and is expanding, similarly to the situation prior to the onset of the coronavirus.

The average daily trade volume of shares and convertible securities in the first nine months of 2022 totaled approx. NIS 2.39 billion, an increase of approx. 27.3 percent compared to the average level in 2021.

The government bonds market from January to September was affected by an increase in inflation which brought about an interest rate increase in Israel starting from the second quarter of the year. This is similar to the situation in the bond markets in other advanced countries. The CPI-Linked Government Bond Index was down by approx. 9.1 percent from January to September, while the Non-linked Government Bond Index was down by approx. 8.6 percent. Most of the decreases were in long-and mid-duration bonds.

Global Economic Impacts

After the gross world product (GWP) declined by 2.9 percent in 2020, due to the onset of the coronavirus pandemic, there was a "correction" in 2021, during which GWP was up by 6.0 percent. This rapid increase did not last, with the growth rate declining sharply in 2022 - by 3 percent. The slowing down in growth rate is expected to continue into 2023 and to be especially prominent in developed countries, primarily in the Eurozone, which are significantly affected by the war in Ukraine, as well as the rapid inflation, which led the European Central Bank to begin monetary normalization. In the US too, the growth rate is expected to slow down significantly, but not as substantially as in Europe and the UK, which are expected to experience contraction and lower GDPs. Central banks are expected to continue their monetary tightening during the remainder of 2022 as well as into 2023. The monetary tightening is expected to continue even at the price of worsening the substantial slowdown in economic activity. Against this background, there was a deterioration in the state of the financial markets around the world, leading tighter financial conditions.

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

The effects of the war in Ukraine, along with the effect of the tightening of the financial conditions, has resulted in large international entities, such as the IMF and the OECD, considerably reducing the world growth forecasts for the years 2022-2023.

As for the coronavirus pandemic, in some leading world countries, the vaccination process was relatively successful, which greatly improved the ability to "live alongside the coronavirus". China still has relatively many restrictions on activity still in place, although less than at peak times, as part of its "zero-Covid" policy. The coronavirus restrictions imposed by the Israeli Government are currently minimal, but recently, morbidity has begun to rise.

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

For more information, please see under Credit Risks, Market Risks and Operational Risks later in this Report.

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

Main Changes in the Reporting Period

Bank Leumi USA

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

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded in the first half of the year. (NIS 194 million in the first quarter of 2022 and NIS 451 million in the second quarter).

For information on the transaction, please see the section entitled "Major Investee Companies".

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	In NIS million				
Interest income	**4,978**	2,829	**12,160**	8,263	10,863
Interest expense	**1,564**	357	**2,922**	1,057	1,298
Interest Income, Net	**3,414**	2,472	**9,238**	7,206	9,565
Loan loss expenses (income)	**99**	(365)	**170**	(751)	(842)
Interest income, net after loan loss expenses (income)	**3,315**	2,837	**9,068**	7,957	10,407
Noninterest income					
Noninterest finance income (expenses)	**(56)**	272	**626**	1,329	1,694
Fees and Commissions	**872**	802	**2,626**	2,435	3,335
Other income	**39**	113	**41**	227	281
Total noninterest income	**855**	1,187	**3,293**	3,991	5,310
Operating and other expenses					
Salaries and related expenses	**998**	987	**2,871**	2,927	3,861
Buildings and equipment - maintenance and depreciation	**323**	339	**968**	1,031	1,392
Other expenses	**350**	379	**1,109**	1,140	1,558
Total operating and other expenses	**1,671**	1,705	**4,948**	5,098	6,811
Profit before taxes	**2,499**	2,319	**7,413**	6,850	8,906
Provision for profit tax	**908**	854	**2,371**	2,513	3,188
Profit after taxes	**1,591**	1,465	**5,042**	4,337	5,718
The Bank's share in associates' profits, after tax	**191**	86	**341**	221	310
Of which: The Bank's share in BLUSA's profits[(b)]	**-**	66	**60**	171	218
Before attribution to owners of non-controlling interests	**1,782**	1,551	**5,383**	4,558	6,028
Attributable to non-controlling interests	**-**	-	**-**	-	-
Attributable to the Bank's shareholders	**1,782**	1,551	**5,383**	4,558	6,028

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi USA.
(b) Bank Leumi USA includes the operating results of BLC and BLUSA.

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

	September 30		December 31
	2022	2021	2021
	In NIS million		
Assets			
Cash and deposits with banks	**183,625**	170,662	195,722
Securities	**79,672**	75,745	81,778
Loans to the public	**387,919**	312,310	329,201
Loan loss provision	**(4,896)**	(4,404)	(4,245)
Loans to the public, net	**383,023**	307,906	324,956
Loans to governments	**1,272**	873	940
Investment in associates	**4,867**	1,117	1,113
Buildings and equipment	**2,698**	2,592	2,618
Assets for derivatives	**41,359**	13,781	13,953
Other assets	**6,256**	6,874	6,935
Securities borrowed or purchased under reverse repurchase agreements	**1,345**	6,565	2,447
Investment in subsidiary BLUSA	**-**	2,399	2,340
Total assets	**704,117**	588,514	632,802
Liabilities and equity			
Deposits by the public	**546,706**	478,805	514,968
Deposits by banks	**25,427**	23,197	25,370
Deposits by Governments	**275**	176	299
Securities loaned or sold under repurchase agreements	**5,632**	632	2,046
Bonds, promissory notes and subordinated bonds	**27,613**	13,189	15,428
Liabilities for derivatives	**37,308**	14,074	15,475
Other liabilities	**13,107**	16,649	17,601
Total liabilities	**656,068**	546,722	591,187
Non-controlling interests	**5**	5	5
Capital attributable to the Bank's shareholders	**48,044**	41,787	41,610
Total equity	**48,049**	41,792	41,615
Total liabilities and equity	**704,117**	588,514	632,802

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi USA.
(b) Bank Leumi USA includes the operating results of BLC and BLUSA.

Sale of Beit Mani

Following on that stated in the Bank's 2021 Annual Financial Statements regarding to offer to bid for the purchase of the property located at Yehuda Halevi Street in Tel Aviv ("Beit Mani"), on April 26, 2022, the bid submitted by Sela Capital Real Estate Ltd. won. On May 18, 2022, after the approval of the Bank's competent organs, the sale agreement was signed.

For the purchase of Beit Mani, NIS 623 million will be paid to the Bank, with the addition of VAT. The pre-tax capital gain for the Bank is expected to be NIS 524 million, which will be recorded in the Bank's financial statements on the date in which management and the staff units will relocate to Lod, which is expected to take place in the second half of 2023.

The said sale transaction is another step in the Bank's plan to relocate its staff units and management to the Leumi Service Campus in Lod.

Cooperation Agreement with Paxos

The Bank signed a cooperation agreement with US-based Paxos Trust Company LLC which will allow the Bank - for the first time in Israel - to offer its customers to buy, hold and sell cryptographic currencies (hereinafter - "crypto").

Paxos is a pioneer in creating solutions for managing digital assets for leading companies around the world. The company, which was founded in 2012, holds licenses from US regulators and is a regulated company. The company has dozens of customers and strategic investors, such as PayPal, Bank of America and Revolut. Paxos has more than USD 20 billion under management and serves more than 400 million end-customers around the world.

The planned activity model has significant advantages for the customer. Thus, for example, customers will not be required to have a private crypto wallet or to remember or manage the passwords for such a wallet, with all the risks involved therein. In addition, taxation aspects will be handled by the Bank, and the tax will be deducted on a regular basis.

Trading will be initially possible in Bitcoin and Etherium - the leading crypto currencies with the highest trading volumes worldwide.

On October 27, 2022, the Bank received the approval of the Bank of Israel to provide crypto-currency trading services. On November 3, 2022, an appeal was filed with the High Court of Justice to issue an order nisi against the governor of the Bank of Israel, the Bank of Israel and the Banking Supervision Department (hereinafter, jointly - the "Defendants"), in which the plaintiffs requested an order nisi instructing the Defendants to explain why they would not revoke the approval given to the Bank, claiming it was contrary to the provisions of the Banking Law (Licensing), 1981; in addition, they requested a temporary order instructing the Bank to refrain from launching its crypto-currency trading services to customers. The court instructed the Defendants to file a response to the appeal by December 5, 2022.

Material Changes in Financial Statement Line Items

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

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

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

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded in the first half of the year.

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

During April 2022, the Bank entered into an agreement to sell one of the headquarters buildings in Tel Aviv. This sale is expected to generate a pre-tax capital gain for the Bank of NIS 524 million, which will be recorded on the date in which the Bank's management will relocate to Lod, which is expected to take place in the second half of 2023.

As of January 1, 2022, the Bank applies the revised directives of the Bank of Israel regarding the manner of calculating and presenting return on equity and income and expense rates; as part of the application of the directives, the relevant comparative results were reclassified.

For more information regarding the manner of calculation and presentation of return on equity as of January 1, 2022, please see Note 1.B.3.

The following is an analysis of the results for the nine months of 2022 (hereinafter - the "Reporting Period") and for the third quarter of 2022:

Net income attributable to shareholders (hereinafter - "net income") in the reporting period amounted to approx. NIS 5,383 million compared to approx. NIS 4,558 million in the same period last year. Net income in the third quarter of the year amounted to NIS 1,782 million, compared to a net income of NIS 1,551 million in the corresponding period last year.

The return on equity in the reporting period was 16.3 percent, compared to a rate of approx. 15.4 percent in the same period last year. The return on equity in the third quarter of 2022 amounted to a rate of 14.9 percent compared with a rate of approx. 15.1 percent in the corresponding quarter last year (the return on equity for the three and nine months ended September 30, 2021 as published in the financial statements as of September 30, 2021 is 16.0 percent and 15.7 percent, respectively. The difference stems from the revision of the Bank of Israel directives on the subject).

Net interest income, excluding BLUSA's results, in the reporting period totaled approx. NIS 9,238 million, compared to a total of approx. NIS 7,206 million in the corresponding period last year, an increase of approx. 28.2 percent. The increase in the interest income stems from the increase in the Bank's loan portfolio and from the differences in the CPI and interest rates from one period to another.

Loan loss expenses (income), excluding BLUSA's results, during the reporting period reflect an expense rate of approx. 0.06 percent of the average outstanding loans to the public compared to an expense rate of approx. (0.34) percent in the corresponding period last year, the expense in the reporting period stems from the increase in the collective provision, offset by collections. The rate of income in the specific provision was (0.16%) percent, excluding BLUSA's results, and the expense rate in the collective provision, excluding BLUSA's results, was 0.22 percent. The rate of loan loss provision relative to the outstanding loans as at September 30, 2022 was 1.26 percent.
In accordance with the Bank of Israel's directives, as of January 1, 2022, the Bank applies, for the first time, new rules regarding loan loss provisions by recording the cumulative effect arising from the application to retained earnings, less deferred taxes (without restating comparative results). The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses that might arise during the loan's life.

For additional information, please see Note 1.B.1.

Noninterest finance income, excluding BLUSA's results, in the reporting period totaled approx. NIS 626 million, compared to a total of approx. NIS 1,329 million in the corresponding period last year. The income in the reporting period includes gross profit in respect of the merger transaction with Valley in the amount of approx. NIS 782 million, most of which was recorded in the second quarter of the year. The income in the corresponding period includes gross gains on Retailors' shares and ironSource shares totaling approx. NIS 397 million, most of which was recorded in the second quarter of 2021. The difference between the periods stems from declines in financial markets and the effect of derivatives and exchange rate differentials, including interest rate derivatives.

The operating and other fees and commissions, excluding BLUSA's results, were up by approx. NIS 191 million compared to the corresponding period last year. Most of the increase is on the back of fees and commissions from exchange rate differentials, fees and commissions from financing activities.

Operating and other expenses, excluding BLUSA's results, were down in the reporting period compared with the corresponding period last year, in the amount of approx. NIS 150 million, an 2.9 percent decrease. The decrease was mainly due to maintenance, depreciation and other expenses.

The efficiency ratio, excluding BLUSA's results, for the reporting period was approx. 39.5 percent compared to 45.5 percent in the corresponding period last year. The efficiency ratio in the third quarter of 2022 was 39.1 percent, compared with 46.6 percent in the corresponding quarter last year. The efficiency ratio was affected in the reporting period by the merger with Valley.

Basic earnings per share attributable to the shareholders in the reporting period totaled a gain of approx. NIS 3.62 compared to a gain of NIS 3.14 in the corresponding period last year.

The CET1 capital to risk components ratio as at September 30, 2022 was 11.41 percent. The total capital ratio as at September 30, 2022 was 14.28 percent.

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

On November 28, the Board of Directors approved a dividend distribution totaling NIS 356 million, which represents approximately 20 percent of the profit for the third quarter of 2022. For more information, please see section entitled "Equity and Capital Adequacy".

Material Developments in Income, Expenses and Other Comprehensive Income

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

For additional information, please see Note 16.A.

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

	For the three months ended September 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Interest Income, Net	**3,414**	2,671	743	27.8
Loan loss expenses (income)	**99**	(359)	458	+
Noninterest Income	**855**	1,240	(385)	(31.0)
Operating and Other Expenses	**1,671**	1,855	(184)	(9.9)
Profit before taxes	**2,499**	2,415	84	3.5
Provision for tax	**908**	879	29	3.3
Profit after taxes	**1,591**	1,536	55	3.6
Bank's share in associates' profits	**191**	26	165	+
Net income attributable to non-controlling interests	**-**	(11)	11	100.0
Net income attributable to the Bank's shareholders	**1,782**	1,551	231	14.9
Return on equity[(a)] (in %)	**14.9**	15.1		
Basic earnings per share (in NIS)	**1.15**	1.07		

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

	For the nine months ended September 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Interest Income, Net	**9,438**	7,793	1,645	21.1
Loan loss expenses (income)	**185**	(729)	914	+
Noninterest Income	**3,362**	4,146	(784)	(18.9)
Operating and Other Expenses	**5,106**	5,552	(446)	(8.0)
Profit before taxes	**7,509**	7,116	393	5.5
Provision for tax	**2,398**	2,582	(184)	(7.1)
Profit after taxes	**5,111**	4,534	577	12.7
Bank's share in associates' profits	**282**	55	227	+
Net income attributable to non-controlling interests	**(10)**	(31)	21	67.7
Net income attributable to the Bank's shareholders	**5,383**	4,558	825	18.1
Return on equity[(a)] (in %)	**16.3**	15.4		
Basic earnings per share (in NIS)	**3.62**	3.14		

Please see comments below.

Net income development by quarter

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Interest Income, Net	**3,414**	3,125	2,899	2,553	2,671	2,774	2,348
Loan loss expenses (income)	**99**	126	(40)	(83)	(359)	(158)	(212)
Noninterest Income	**855**	1,557	950	1,365	1,240	1,532	1,374
Operating and Other Expenses	**1,671**	1,641	1,794	1,876	1,855	1,858	1,839
Profit before taxes	**2,499**	2,915	2,095	2,125	2,415	2,606	2,095
Provision for tax	**908**	1,007	483	693	879	950	753
Profit after taxes	**1,591**	1,908	1,612	1,432	1,536	1,656	1,342
Bank's share in associates' profits	**191**	84	7	46	26	22	7
Net income attributable to non-controlling interests	**-**	-	(10)	(8)	(11)	(11)	(9)
Net income attributable to the Bank's shareholders	**1,782**	1,992	1,609	1,470	1,551	1,667	1,340
Return on equity[(a)] (in %)	**14.9**	18.5	15.6	14.0	15.1	16.8	14.2
Basic earnings per share (in NIS)	**1.15**	1.36	1.11	1.01	1.07	1.15	0.92

(a) Annualized; as of January 1, 2022, the Bank is applying the revised disclosure requirements of the Banking Supervision Department regarding presenting the rate of return on equity and income and expense rates; under the revision, the presentation method of the quarterly rate of return on equity and of income and expense rates was revised to annualized terms, as is the method in US banks. The translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead of exponentiation, according to the previous presentation method. According to the circular's provisions, the Bank reclassified the comparative figures of rate of return on equity and income and expense rates relating to the previous quarterly periods presented in this report consistently with the new presentation method. The return on equity for the three and nine months ended September 30, 2021 as published in the financial statements as of September 30, 2021 is 16.0 percent and 15.7 percent, respectively. The effect of changing the presentation method of the income and expense rates is immaterial. In addition, the Bank reclassified additional performance indicators calculated on an annualized basis, in order to apply a consistent presentation method.

Net interest income, excluding BLUSA's results[a]

	For the three months ended September 30				For the nine months ended September 30			
	2022		2021		**2022**		2021	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense) [b]	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense) [b]
	In NIS million	In %	In NIS million	In %	In NIS million	In %	In NIS million	In %
Interest income	**4,978**	**3.35**	2,828	2.18	**12,160**	**2.78**	8,262	2.22
Interest expense	**(1,564)**	**(1.46)**	(356)	(0.39)	**(2,922)**	**(0.95)**	(1,057)	(0.40)
Interest Income, Net	**3,414**	**1.89**	2,472	1.79	**9,238**	**1.83**	7,205	1.82
Net yield on interest-bearing assets (NIM)		**2.30**		1.90		**2.11**		1.94

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

(b) Annualized; as of January 1, 2022, the Bank is applying the revised disclosure requirements of the Banking Supervision Department regarding presenting the rate of return on equity and income and expense rates; under the revision, the presentation method of the quarterly rate of return on equity and of income and expense rates was revised to annualized terms, as is the method in US banks. Therefore, the translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead of exponentiation, according to the previous presentation method. According to the circular's provisions, the Bank reclassified the comparative figures of rate of return on equity and income and expense rates relating to the previous quarterly periods presented in this report. The effect of the application of the directive on the comparative results of income and expense rates is immaterial.

The increase in the net interest income in the first nine months of 2022 compared to the corresponding period last year stemmed mainly from the growth in the Bank's loan portfolio and from CPI and interest rate differences from one period to another. The CPI in the reporting period was a positive 4.4 percent, compared with a positive CPI of 2.2 percent in the corresponding period last year. Net interest income in the current period was positively affected by the positive CPI in the amount of approx. NIS 1,414 million, while in the corresponding period last year, the results were positively affected by the positive CPI by a total of approx. NIS 725 million.

The growth in the net interest margin (NIM) in the reporting period mainly stems from the positive effect of the change in CPI and interest rates on net interest income.

The total interest rate spread in the reporting period is 1.83 percent, compared to a 1.82 percent spread in the corresponding period last year.

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

In the non-linked NIS segment, the interest rate spread was 1.88 percent, compared with 1.77 percent in the corresponding period last year. In the CPI segment, the interest rate spread was 1.55 percent, compared with 1.46 percent in the corresponding period last year. In the foreign exchange segment, the total interest spread in the reporting period was 0.21 percent, compared with 0.89 percent in the corresponding period last year.

Net interest income in the third quarter of 2022 totaled NIS 3,414 million, a 38.1 percent increase compared to the corresponding quarter last year. The CPI in the third quarter of 2022 was a positive 1.2 percent, and in the corresponding quarter last year, it was a positive 0.8 percent. Net interest income in the third quarter were positively affected by the positive CPI by a total of NIS 407 million, while in the corresponding quarter - they were positively affected by NIS 264 million. The increase in the net interest income compared to the corresponding quarter last year is mainly on the back on the growth in the loan portfolio, from the differences in the CPI between the quarters and from the increase in the interest rate.

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

Loan loss expenses (income), excluding BLUSA's results[a]

	For the nine months ended September 30		Change	
	2022[b]	2021		
	In NIS million		In NIS million	In %
Income for loan losses - Specific	**(433)**	(423)	(10)	2.4
Loan loss expense (income) - collective	**603**	(328)	931	+
Total loan loss expense (income)	**170**	(751)	921	+
Of which:				
Loan loss expenses (income) for credit risk for commercial credit risk	**8**	(602)	610	+
Loan loss expenses (income) for credit risk in respect of housing loans	**53**	(91)	144	+
Loan loss expenses (income) for other credit risk in respect of for private individuals	**85**	(58)	143	+
Loan loss expenses for credit risk for banks, governments and bonds	**24**	-	24	-
Total loan loss expenses (income)	**170**	(751)	921	+
Ratios (in %):[c]				
Percentage of specific income for loan losses out of the average outstanding loans to the public	**(0.16)**	(0.19)	0.03	15.8
Percentage of collective loan loss expense (income) out of the average outstanding loans to the public	**0.22**	(0.15)	0.37	+
Percentage of loan loss expenses (income) out of average outstanding loans to the public	**0.06**	(0.34)	0.40	+
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.02**	(0.07)	0.09	+
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**1.39**	(4.81)	6.20	+

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

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

(c) Annualized.

As of January 1, 2022, the Bank applies, for the first time, new rules regarding loan loss provisions by recording the cumulative effect arising from the application to retained earnings, less deferred taxes (without restating comparative results). The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses.

Development of loan loss expenses by quarter

	2022	2021					
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Income for loan losses - Specific	**(134)**	(111)	(164)	(90)	(151)	(76)	(169)
Loan loss expense (income) - collective	**233**	237	124	7	(208)	(82)	(43)
Total loan loss expense (income)	**99**	126	(40)	(83)	(359)	(158)	(212)
Of which:							
Loan loss expenses (income) for credit risk for commercial credit risk	**(21)**	42	1	(41)	(248)	(153)	(180)
Loan loss expenses (income) for credit risk in respect of housing loans	**47**	14	(7)	(55)	(63)	(8)	(19)
Loan loss expenses (income) for other credit risk in respect of for private individuals	**70**	63	(48)	13	(49)	4	(13)
Loan loss expenses (income) for credit risk for banks, governments and bonds	**3**	7	14	-	1	(1)	-
Total loan loss expenses (income)	**99**	126	(40)	(83)	(359)	(158)	(212)
Ratios (in %):[(a)]							
Percentage of specific (income) for loan losses out of the average outstanding loans to the public	**(0.14)**	(0.12)	(0.18)	(0.10)	(0.19)	(0.10)	(0.22)
Percentage of collective loan loss expense (income) out of the average outstanding loans to the public	**0.25**	0.26	0.14	0.01	(0.25)	(0.10)	(0.06)
Percentage of loan loss expenses (income) out of average outstanding loans to the public	**0.11**	0.14	(0.04)	(0.09)	(0.44)	(0.20)	(0.28)
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.03**	0.07	-[(b)]	0.03	0.01	(0.01)	(0.16)
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**2.29**	5.07	0.16	2.75	0.85	(0.79)	(9.32)

(a) Annualized.
(b) Rate of less than 0.01 percent.

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

Noninterest Income

	For the nine months ended Sept. 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
Noninterest finance income[(a)]	**646**	1,344	(698)	(51.9)
Fees and Commissions[(b)]	**2,674**	2,567	107	4.2
Other income[(a)]	**42**	235	(193)	(82.1)
Total	**3,362**	4,146	(784)	(18.9)

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.
(b) Based on the results net of Bank Leumi USA, fees and commissions increased by approx. NIS 191 million compared to the corresponding period last year.

In view of the significant decline in the markets, among other things, in the context of the increase in interest rates, the weight of noninterest income out of total income (i.e., net interest income and noninterest income), excluding BLUSA's results, in the reporting period was 26.3 percent, compared with 35.6 percent in the corresponding period last year. In the third quarter, it was 20.0 percent, compared with 32.4 percent in the corresponding quarter last year and 35.7 percent throughout 2021.

Development of noninterest income by quarter

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Noninterest finance income (expenses)[(a)]	**(56)**	688	14	370	276	627	441
Fees and Commissions[(b)]	**872**	872	930	939	846	853	868
Other income (expenses)[(a)]	**39**	(3)	6	56	118	52	65
Total	**855**	1,557	950	1,365	1,240	1,532	1,374

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.
(b) As for the results net of BLUSA, in the three months ended September 30, 2022, income from fees and commissions was up by NIS 70 million, compared with the corresponding quarter last year.

Breakdown of noninterest finance income

	For the nine months ended Sept. 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Net (expenses) income for derivatives and net exchange rate differentials for non-trading activities	**(128)**	259	(387)	-
(Losses) gains on sale of available-for-sale bonds, net	**(163)**	180	(343)	-
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**215**	748	(533)	(71.3)
Gain on sale of investees' equity[(b)]	**830**	-	830	-
Gains on sold loans, net	**15**	-	15	-
Net income for derivatives for trading activities	**33**	179	(146)	(81.6)
Realized and unrealized losses from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**(156)**	(22)	(134)	-
Total [(c)]	**646**	1,344	(698)	(51.9)

(a) Realized and unrealized gains from fair value adjustments of held-for-trading and not held for-trading bonds and equity securities, net also include the effect of exchange rate differentials. The nine months ended September 30, 2022 include realized losses on ironSource shares totaling approx. NIS 53 million, most of which was recorded in the first half of the year. The nine months ended September 30, 2021 include realized and unrealized gains on Retailors' shares and ironSource shares totaling approx. NIS 397 million, most of which was recorded in the second quarter of 2021.

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

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

As stated, the decrease in noninterest finance income compared to the previous year, was materially affected by the declines in markets during the reporting period compared with increases in the corresponding period, as well as the effect of derivatives and exchange rate differentials, including interest rate derivatives.

Breakdown of noninterest finance income by quarter

	2022		2021				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Net income (expense) in respect of derivatives and net exchange rate differentials for not-held-for-trading activities	**(76)**	3	(55)	51	48	110	101
(Losses) gains on sale of available-for-sale bonds, net	**(80)**	(76)	(7)	51	63	52	65
Realized and unrealized gains, net[a] and dividend from equity securities not held for trading	**34**	166	15	94	108	448	192
Gain on sale of investees' equity[b]	**-**	752	78	-	-	-	-
Gains on sold loans, net	**-**	-	15	-	-	-	-
Net income (expenses) for derivatives for trading activities	**122**	(113)	24	170	71	18	90
Realized and unrealized (losses) gains from adjustments to fair value of held-for-trading bonds and equity securities, net[a] and dividend from held-for-trading equity securities	**(56)**	(44)	(56)	4	(14)	(1)	(7)
Total [c]	**(56)**	688	14	370	276	627	441

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

Following are details regarding fees and commissions, net of BLUSA's results[a]

	For the nine months ended September 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Account management	**472**	443	29	6.5
Activity in securities and certain derivatives	**503**	535	(32)	(6.0)
Credit cards	**288**	270	18	6.7
Credit handling	**159**	141	18	12.8
Financial products distribution fees and commissions	**189**	190	(1)	(0.5)
Exchange rate differentials	**366**	284	82	28.9
Financing fees and commissions	**399**	339	60	17.7
Other fees and commissions	**250**	233	17	7.3
Total fees and commissions	**2,626**	2,435	191	7.8

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

The 7.8 percent increase in fees and commissions over last year stems primarily from commissions on exchange rate differentials, fees and commissions on financing activities, and credit handling fees.

Following are details regarding fees and commissions, by quarter, net of BLUSA's results[a]

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Account management	**159**	163	150	164	149	147	147
Activity in securities and certain derivatives	**157**	161	185	190	159	174	202
Credit cards	**102**	94	92	86	97	92	81
Credit handling	**49**	53	57	52	43	49	49
Financial products distribution fees and commissions	**61**	63	65	66	66	63	61
Exchange rate differentials	**124**	122	120	118	94	92	98
Financing fees and commissions	**137**	132	130	142	116	112	111
Other fees and commissions	**83**	84	83	82	78	80	75
Total fees and commissions	**872**	872	882	900	802	809	824

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

Breakdown of other income

	For the nine months ended September 30			
	2022	2021	Change	
	In NIS million		In NIS million	In %
(Losses) gains on severance pay reserve	**(13)**	73	(86)	-
Other income, including on sale of buildings and equipment	**55**	162	(107)	(66.0)
Total[a]	**42**	235	(193)	(82.1)

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

Breakdown of other income by quarter

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
(Losses) gains on severance pay reserve	**(6)**	(4)	(3)	10	39	24	10
Other income, including on sale of buildings and equipment	**45**	1	9	46	79	28	55
Total[a]	**39**	(3)	6	56	118	52	65

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

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

	For the nine months ended September 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Salaries and related expenses	**2,871**	2,927	(56)	(1.9)
Depreciation and amortization	**432**	488	(56)	(11.5)
Maintenance expenses for buildings and equipment	**536**	543	(7)	(1.3)
Other expenses	**1,109**	1,140	(31)	(2.7)
Total operating and other expenses	**4,948**	5,098	(150)	(2.9)

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

In the reporting period, there was a decrease of approx. NIS 150 million in operating and other expenses compared with the corresponding period last year; most of the decrease stems from depreciation expenses and other expenses.

The efficiency ratio for the reporting period was approx. 39.5 percent compared to 45.5 percent in the corresponding period last year. The substantial improvement in the efficiency ratio arises from an increase in income, among other things as a result of the merger transaction with Valley and from a decrease in expenses. Net of the revenue from the Valley merger, the efficiency ratio for the reporting period is 42.1 percent.

The efficiency ratio in the third quarter of 2022 was 39.1 percent, compared with 46.6 percent in the corresponding quarter last year.

Total (annualized) operating and other expenses constitute 0.94 percent of total assets, compared with 1.15 percent in the corresponding period last year.

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

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Salaries and related expenses	**998**	961	912	934	987	956	984
Depreciation and amortization	**138**	137	157	173	167	163	158
Maintenance expenses for buildings and equipment	**185**	178	173	188	172	185	186
Other expenses	**350**	365	394	418	379	402	359
Total operating and other expenses	**1,671**	1,641	1,636	1,713	1,705	1,706	1,687

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

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

	For the nine months ended September 30		Change	
	2022	2021		
	In NIS million		In NIS million	In %
Salaries and related expenses	**2,629**	2,645	(16)	(0.6)
Pension, severance and retirement expenses	**242**	282	(40)	(14.2)
Total salary expenses	**2,871**	2,927	(56)	(1.9)

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

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

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS million						
Salaries and related expenses	**918**	882	829	850	897	858	890
Pension, severance and retirement expenses	**80**	79	83	84	90	98	94
Total salary expenses	**998**	961	912	934	987	956	984

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

Following is the condensesd comprehensive income statement

Comprehensive income for the reporting period totaled NIS 5,485 million compared to NIS 4,753 million in the corresponding period last year.

During the reporting period, major negative adjustments were recorded for available-for-sale bonds in the amount of NIS (4,363) million, before tax, as a result of substantial declines in financial markets, mostly on the back of the higher interest rate and the military confrontation between Russia and Ukraine. Most of these negative adjustments were offset from substantial positive adjustments of the liabilities for employee benefits in the amount of NIS 4,096 million before tax, primarily as a result from the increase in the discount interest rate and from reduction of the capital reserve. These adjustments were stated directly in other comprehensive income.

It should be noted that the decline in the value of the bonds is immediately recorded in regulatory capital. Regarding the manner of measuring the pension liabilities and assets designated for hedging, for regulatory capital purposes, as of July 1, 2022, see the section entitled Capital and Capital Adequacy.

For the three and nine months ended September 30 2022 and 2021 and for the year ended December 31 2021

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	In NIS million				
Net income attributable to the Bank's shareholders	**1,782**	1,551	**5,383**	4,558	6,028
Changes in other comprehensive income (loss) attributable to the Bank's shareholders					
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(1,155)**	(49)	**(4,363)**	(541)	(438)
Adjustments of liabilities for employee benefits	**523**	99	**4,096**	848	392
Other adjustments[(a)]	**(17)**	(15)	**420**	(33)	(75)
Related tax effect	**249**	(21)	**45**	(91)	4
Less other comprehensive income (loss) attributable to non-controlling interests	**-**	(4)	**96**	(12)	(32)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**(400)**	18	**102**	195	(85)
Comprehensive income attributable to the Bank's shareholders	**1,382**	1,569	**5,485**	4,753	5,943

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

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

Total assets of the Leumi Group as of September 30, 2022 amounted to NIS 704.1 billion, compared to NIS 632.8 billion as of the end of 2021, not including the balances of Bank Leumi USA - a 11.3 percent increase, and compared to September 2021, not including the balances of Bank Leumi USA - a 19.6 percent increase.

The value of financial assets denominated in, and linked to, foreign currency out of the Group's total assets as of September 30, 2022 is approx. NIS 119.6 billion, 17.0 percent of the total assets. In the first nine months of 2022, the shekel devalued against the US dollar by 13.9 percent, appreciated 1.0 percent against the euro, and appreciated against the pound sterling by 5.7 percent. The change in the shekel's exchange rates against all foreign currencies during the reporting period contributed to a 2.2 percent increase in the Group's total consolidated assets.

Total assets under the Group's management – total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached approx. NIS 1,978 billion as of September 30, 2022, compared with a total of NIS 2,144 billion as of the end of 2021.

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

	September 30	December 31	Change	
	2022	2021	From December 2021	From September 2021
	In NIS million		In %	
Total assets	**704,117**	632,802	11.3	19.6
Cash and deposits with banks	**183,625**	195,722	(6.2)	7.6
Securities	**79,672**	81,778	(2.6)	5.2
Loans to the public, net	**383,023**	324,956	17.9	24.4
Buildings and equipment	**2,698**	2,618	3.1	4.1
Deposits by the public	**546,706**	514,968	6.2	14.2
Deposits by banks	**25,427**	25,370	0.2	9.6
Bonds, promissory notes and subordinated bonds[(b)]	**27,613**	15,428	79.0	+
Equity attributable to the Bank's shareholders	**48,044**	41,610	15.5	15.0

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

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

2. The following are developments in the main off-balance-sheet items, excluding the balances of Bank Leumi USA in comparative results[(a)]

	September 30	December 31	Change	
	2022	2021	From December 2021	From September 2021
	In NIS million		In %	
Documentary credit, net	**1,238**	1,449	(14.6)	(17.5)
Guarantees and other commitments, net	**64,127**	52,194	22.9	30.7
Unutilized credit card credit facilities, net	**9,064**	7,994	13.4	3.9
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**16,126**	16,528	(2.4)	5.7
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**75,461**	66,383	13.7	22.9
Derivatives[(b)(c)]	**1,111,558**	887,481	25.2	38.4
Options - all types[(c)]	**110,987**	108,811	2.0	(68.5)

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

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

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

Loans to the Public, Net

Outstanding net loans to the public in the Leumi Group as of September 30, 2022 totaled approx. NIS 383.0 billion compared to approx. NIS 325.0 billion as of December 31, 2021, not including the balances of Bank Leumi USA, an increase of approx. 17.9 percent, and compared to September 2021, not including the balances of Bank Leumi USA, an increase of approx. 24.4 percent.

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

In addition to loans to the public, the Group invests in corporate securities, which total - as of September 30, 2022 - NIS 22,280 million compared to NIS 15,774 million as at the end of 2021, not including the balances of Bank Leumi USA, and which also embody credit risk.

For more information regarding the impact of the coronavirus crisis, please see the section entitled "Credit Risks".

Development in loans to the public, after loan loss provision by main economic sector, excluding the balances of BLUSA in comparative results[a]

	September 30	December 31		
	2022	2021	Change	
	In NIS million		In NIS million	In %
Private individuals - housing loans	**116,551**	103,143	13,408	13.0
Private individuals - Other	**29,681**	27,040	2,641	9.8
Construction and real estate	**95,247**	80,859	14,388	17.8
Commercial	**32,046**	26,445	5,601	21.2
Industry	**24,512**	19,702	4,810	24.4
Other	**84,986**	67,767	17,219	25.4
Total	**383,023**	324,956	58,067	17.9

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

For more information regarding changes in loans and credit risk by economic sector, please see "Credit Risks".

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions, excluding the balances of BLUSA in comparative results[a]

	September 30			December 31[b]		
			2022			2021
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
	In NIS million					
Non-performing credit risk, net	**1,966**	**150**	**2,116**	1,534	119	1,653
Performing credit risk, net	**2,663**	**655**	**3,318**	2,635	657	3,292
Total	**4,629**	**805**	**5,434**	4,169	776	4,945

	September 30	December 31
	2022	2021
	In NIS million	
Troubled credit risk - Commercial	**5,547**	5,282
Troubled credit risk - retail	**1,288**	1,283
Total	**6,835**	6,565
Balance of loan loss provision	**1,401**	1,620
Troubled loans after loan loss provision	**5,434**	4,945

(a) The comparative results do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.
(b) The figures are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

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

Securities

As of September 30, 2022, the Leumi Group's investments in securities amounted to NIS 79.7 billion, compared to NIS 81.8 billion as of the end of 2021, net of the balances of Bank Leumi USA, a 2.6 percent decrease.

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

For more information, please see Note 1.I.1 to the 2021 Financial Statements.

Fair value calculation method

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

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

Following is the classification and analysis of the securities line item in the consolidated balance sheet, excluding the balances of BLUSA in comparative results[(a)]

	September 30, 2022					December 31, 2021				
	Held-to-maturity bonds[(e)]	Available-for-sale bonds[(b)(e)]	Held-not-for-trading equity securities and mutual funds	Held-for-trading securities[(c)]	Total	Held-to-maturity bonds	Available-for-sale bonds[(b)]	Held-not-for-trading equity securities and mutual funds	Held-for-trading securities[(c)]	Total
	In NIS million									
Bonds										
Of the Israeli Government	9,560	21,080		2,298	32,938	4,023	23,583		2,591	30,197
Of foreign governments[(d)]	-	13,540		-	13,540	-	25,500		-	25,500
Of Israeli financial institutions	-	48		491	539	-	54		288	342
Of foreign financial institutions[(f)]	1,322	10,068		50	11,440	-	8,206		27	8,233
Asset-backed (ABS) or mortgage-backed (MBS)	3,324	7,193		37	10,554	2,274	5,851		42	8,167
Of other Israeli entities	-	659		259	918	-	585		106	691
Of other foreign entities	322	4,912		84	5,318	51	4,229		53	4,333
Equity securities and mutual funds			4,414	11	4,425			4,298	15	4,313
Total securities	14,528	57,500	4,414	3,230	79,672	6,348	68,008	4,298	3,122	81,776

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

(b) Including unrealized losses from fair value adjustments of NIS 3,888 million recorded in other comprehensive income (December 31, 2021 - gains of NIS 1,359 million).

(c) Including unrealized losses from fair value adjustments in the amount of NIS 126 million recorded in profit and loss (December 31, 2021 - gains of NIS 8 million).

(d) The US government - NIS 9.1 billion (December 31, 2021 – NIS 18.7 billion).

(e) The outstanding balance of held-to-maturity bonds are presented net of a NIS 3 million loan loss provision. The outstanding balances of available-for-sale bonds are presented net of a NIS 23 million loan loss provision.

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

As at September 30, 2022, approximately 72.2 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 4.1 percent - as held for trading, approx. 5.5 percent as held-not-for-trading equity securities and mutual funds and 18.2 percent as held-to-maturity. Approx. 5.6 percent of the securities' value is investments in corporate equity securities or mutual funds that are not equity-accounted, but rather stated at cost or according to the listed share and listed mutual funds' prices.

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

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

1. In the reporting period, there was a NIS 4,363 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds, compared with a decrease of NIS 421 million (before tax) in the corresponding period last year.
2. During the reporting period, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 173 million (before tax), compared with net gains of NIS 181 million (before tax) in the corresponding period last year.

The net accumulated balance of fair value adjustments of available-for-sale bonds held in the available-for-sale portfolio as of September 30, 2022 totaled minus NIS 2,000 million (after tax), which represents a net realized loss as at the reporting date, compared with a positive NIS 902 million (after tax) as at the end of 2021, which represents a net unrealized gain as at the reporting date.

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

Held-for-trading portfolio

As at September 30, 2022, the held-for-trading portfolio has NIS 3.2 billion in bonds, compared with NIS 3.1 billion as at December 31, 2021. As at September 30, 2022, the held-for-trading portfolio constitutes 4.1 percent of the Group's total nostro portfolio, compared with 3.8 percent as at December 31, 2021.

Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 157 million were recorded net in the income statement in the reporting period, compared with net losses of NIS 23 million in the corresponding period last year.

Investments in equity securities and mutual funds

As at September 30, 2022, investments in equity securities and mutual funds totaled NIS 4,425 billion, of which NIS 2,179 billion was traded and NIS 2,246 billion - non-traded.

Of the total investment, approx. NIS 4,414 million is classified to the held-not-for-trading portfolio and approx. NIS 11 million - to the held-for-trading portfolio.

As at September 30 2022, the regulatory capital required in respect of these investments is NIS 365 million.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of NIS 216 million were recorded net in the income statement in the reporting period, compared with net gains of NIS 749 million in the corresponding period last year.

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

Investments in foreign securities

A. Investments in foreign asset-backed securities, excluding the balances of BLUSA in the comparative results

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, rated investment-grade, amounted to NIS 10.6 billion (about USD 3.0 billion) as at September 30, 2022, compared to NIS 8.2 billion as at the end of 2021. Out of the above portfolio, as of September 30, 2022, approx. NIS 7.2 billion (approx. USD 2.0 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of September 30, 2022, the portfolio of available-for-sale investments in foreign asset-backed bonds, including investment in mortgage-backed bonds, totaled NIS 3.9 billion. 90.62 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of September 30, 2022, the total net decrease in value from mortgage-backed bonds charged to shareholders' equity was NIS 533 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total approx. NIS 360 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is approx. 5.5 years (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio also includes other non-mortgage asset-backed bonds totaling NIS 3.3 billion, of which CLO bonds account for approx. NIS 2.1 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is approx. 4.6 years.

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

B. Investments in foreign non-asset-backed securities

As of September 30, 2022, the Group's securities portfolio includes NIS 40.1 billion (USD 11.3 billion) in foreign non-asset-backed securities. NIS 32.9 billion (about USD 9.3 billion) is from bonds classified to the available-for-sale portfolio and the remainder - from the held-for-trading and held-to-maturity portfolios. 98.26 percent of the total securities are investment-grade and include mainly securities of the US Government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli Government.

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

As of September 30, 2022, the cumulative decrease in shareholders' equity in respect of foreign non-asset-backed bonds which are in the available-for-sale portfolio was NIS 2,373 million (NIS 1,562 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. 75.75 percent of the securities in the held-for-trading portfolio are investment-grade.

As of September 30, 2022, the value of the non-asset-backed held-for-trading portfolio was NIS 142 million (approx. USD 40.1 million).

Investments in bonds issued in Israel

As at September 30, 2022, investments in bonds issued in Israel amounted to NIS 27.8 billion, of which NIS 26.3 billion was in shekel-denominated bonds issued by the Israeli government and the remainder - corporate bonds. Approx. 48.5 percent of corporate bonds investments - which are approx. NIS 0.7 billion - were included in the available-for-sale portfolio, and the remainder - in the held-for-trading portfolio.

The available-for-sale portfolio corporate bonds - which total NIS 0.7 billion - include a negative capital reserve of NIS 42 million.

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

For more information, please see Note 5.

Deposits by the public

The balance of deposits by the public in the Leumi Group as of September 30, 2022 totaled NIS 546.7 billion compared to NIS 515.0 billion as of December 31, 2021, not including the balances of Bank Leumi USA, an increase of approx. 6.2 percent, and compared to a total of NIS 478.8 billion as of September 30, 2021, not including the balances of Bank Leumi USA, an increase of approx. 14.2 percent.

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

	September 30	December 31		
	2022	2021	Change	
	In NIS million		In NIS million	In %
Securities portfolios[(a)(d)]	**908,300**	1,057,107	(148,807)	(14.1)
Assets for which operating services are provided:[(a)(b)(c)]				
Provident and pension funds	**202,840**	237,860	(35,020)	(14.7)
Advanced study funds	**162,461**	192,552	(30,091)	(15.6)

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

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

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

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

Bonds, Commercial Securities, Capital Notes and Subordinated Bonds

Shelf Prospectus and Issuance of Bonds and Commercial Securities

On May 27, 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus will be in effect for a period of two years from its publication date.

On January 16, 2022, the Bank issued a total of approx. NIS 1.2 billion p.v. in bonds by way of an expansion of Series 179 and a total of approx. NIS 1.8 billion p.v. in bonds by way of an expansion of Series 182.

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

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

On March 27, 2022, the Bank issued a total of NIS 1.336 billion p.v. in Series 184 Bonds as well as NIS 697 million p.v. in commercial securities (CS Series 1).

The principal of Series 184 Bonds is repayable in ten equal semiannual payments, from November 5, 2025 to May 5, 2030. The principal is not linked and carries an annual interest of 2.76 percent, which will be paid twice a year on May 5 and November 5 of each of the years 2022 to 2030, in respect of the six-month period ended on the day preceding the payment date, except for the first interest payment, which shall be made on November 5, 2022 for the period beginning on the first trading day following the tender date for the bonds, until November 4, 2022. The rate of the payable interest at the first interest payment date shall be 1.68625 percent.

The principal of the Series 1 Commercial Securities and interest in respect thereof shall be payable in one lump sum on March 23, 2023; it is not linked, and carries interest at a rate of 0.25 percent over the Bank of Israel’s interest rate.

The Series 184 Bonds and Commercial Securities (Series 1 CS) are not recognized for regulatory capital purposes.

On March 27, 2022, the Bank issued a total of NIS 632 million p.v. in Series 405 Subordinated Bonds for NIS 654.7 million. The Series 405 Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.5 percent payable on March 27 of each year. The Subordinated Bonds are repayable in one lump sum on March 27, 2033, with the issuer having an early repayment option in March 2028. At that date, if the Bank does not exercise its early redemption option, the bond’s nominal interest rate shall be revised according to the difference between the benchmark interest rate at the issue date and the benchmark interest rate at the interest revision date, as defined by the shelf offering report.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 405 Subordinated Bonds shall be converted into ordinary shares according to the average closing prices of the Bank’s shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 16.66 per share, subject to adjustments), the highest of the two.

On September 12, 2022, the Bank issued a total of NIS 772 million p.v. by way of expanding Series 405 Subordinated Bonds for NIS 757 million.

These subordinated bonds Series 405 are eligible for inclusion in Tier 2 capital as of the issue date.

For more information, please see the immediate reports dated March 24, 2022 and September 12, 2022.

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

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

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

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

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

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

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

On September 12, 2022, the Bank also issued a total of approx. NIS 1,306 million p.v. in commercial securities (Series 3 CS). The principal of the Series 3 Commercial Securities and interest in respect thereof shall be payable in one lump sum on September 10, 2023; it is not linked, and carries interest at a rate of 0.3 percent over the Bank of Israel's interest rate.

Commercial Securities (Series 3 CS) are not recognized for regulatory capital purposes.

For more information, please see the immediate report dated September 12, 2022.

On November 15, 2022, the Bank reported it is considering a public offering of a new series of Subordinated Bonds (Series 406) of the Bank, and listing them for trading on the TASE. These subordinated bonds, if issued, will be included in the Bank's capital. As of the reporting date, the issuance has not yet been executed.

For more information, please see the immediate report dated November 15, 2022.

Equity and Capital Adequacy

Issuance of shares

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

Equity attributable to the Bank's shareholders totaled NIS 48,044 million on September 30, 2022 compared with NIS 41,610 million as at the end of 2021.

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

The ratio of equity to total assets on September 30, 2022 is 6.8 percent.

Capital Adequacy Structure[(a)]

	September 30		December 31
	2022	2021	2021
	In NIS million		
Capital base for capital ratio purposes			
CET1 capital, after regulatory capital deductions and adjustments[(c)]	**47,245**	42,946	43,117
Tier 2 capital, after deductions	**11,906**	10,292	10,148
Total capital	**59,151**	53,238	53,265
Balances of risk-weighted assets			
Credit risk[(c)(d)(e)]	**381,466**	335,495	346,602
Market Risks	**7,532**	5,111	5,592
Operational risk	**25,095**	22,393	22,582
Total balances of risk-weighted assets	**414,093**	362,999	374,776
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.41%**	11.83%	11.50%
Total capital to risk-weighted assets	**14.28%**	14.67%	14.21%
Minimum CET1 capital ratio set by the Banking Supervision Department[(b)]	**10.21%**	9.18%	9.19%
Minimum total capital ratio set by the Banking Supervision Department[(b)]	**13.50%**	12.50%	12.50%

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

(b) As of January 1, 2022, the minimum capital requirements applicable to the Bank are 10 percent for Common Equity Tier 1 capital ratio (added to this ratio is a capital requirement representing 1 percent of the housing loans, excluding loans for the purchase of residential apartments granted from March 19, 2020 to September 30, 2021 and excluding all-purpose housing loans granted as of March 19, 2020) and 13.5 percent for the total capital ratio.

(c) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For additional information, please see Note 1.B.1.

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

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

The capital adequacy ratios during the reporting period were affected both by the significant increase in the credit portfolio and market declines, mostly on the back on the interest rate increase.

In addition, the capital adequacy ratios during the reporting period were affected by several events, some of which have a non-recurring effect:

• As mentioned above, during the second quarter of the year, the Bank executed an issue of shares;

• On April 1, 2022, the merger transaction between Leumi's subsidiary Bank Leumi USA and Valley National Bancorp was completed; the transaction improved the Bank's capital ratios as of its completion; for further details regarding the transaction, please see Note 16.A;

• As of July 1, 2022, the Bank applies Directive No. 203A, Treating Counterparty Credit Risk, as well as revised Directives Nos. 203 and 218. The effect of the application of the said provisions as at the transition date led to a 0.2 percent decrease in the Common Equity Tier 1 capital ratio, and 0.26 in the total capital ratio; for further details, see below in this section;

• On September 5, 2022, the Bank's Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to alter the manner of measuring the pension liabilities for the purpose of regulatory capital. According to the new measurement method, 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. The new method has been applied since July 1, 2022, and 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). At the same time, the approval of the Banking Supervision Department for measuring the pension liabilities for the purpose of calculating the regulatory capital according to a moving average of market yields for a period of eight quarters ended on the relevant reporting date, which was in effect as from the financial statements as at June 30, 2016. Upon transitioning to the new measurement method, the Bank recorded a one-off adjustment of NIS 1.4 billion between the regulatory capital and the accounting method for pension liabilities accounted for under the previous method until the June 30, 2022. For additional details regarding the affect of the transition to the new method, see Note 9B.

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

Regulatory capital structure

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

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

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

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

Common Equity Tier 1 capital

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

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

A breakdown of the minimum Common Equity Tier 1 capital regulatory requirement appears in the section entitled "Capital Adequacy".

Tier 1 capital

According to the Banking Supervision Department's directives, Tier 1 capital will include - in addition to CET1 capital - Additional Tier 1 capital, which is comprised of equity instruments complying with the criteria set forth in Proper Conduct of Banking Business Directive No. 202.

To date, Israel has set no regulatory requirement regarding minimum Tier 1 capital ratio, and the Leumi Group has no Additional Tier 1 capital instruments.

Tier 2 capital

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

Capital instruments which were included in Tier 2 Capital at December 31, 2013, were subject to transitional provisions and a recognition ceiling, which was amortized at the beginning of each year at 10 percent until January 1, 2022. As of January 1, 2022, these equity instruments are no longer recognized for regulatory capital purposes.

From the beginning of 2014, issued capital instruments must comply with the criteria set forth in Proper Conduct of Banking Business Directive No. 202 in order to be included in capital. The main criteria that the instrument must include are: (1) a mechanism for principal loss absorption through conversion into ordinary shares or amortization of the instrument when the banking corporation's Common Equity Tier 1 capital ratio falls below 5 percent; (2) a clause determining that, on the occurrence of the defining event for non-viability (as defined in Appendix E to Proper Conduct of Banking Business Directive No. 202), the instrument shall be immediately converted to ordinary shares or written off.

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

Capital Adequacy

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

The Bank of Israel's capital adequacy targets

As of January 1, 2022, Leumi is subject to the minimum capital targets applicable to large banking corporations, the total consolidated on-balance sheet assets of which constitutes at least 24 percent of the on-balance sheet assets of the Israeli banking system, in effect prior to the temporary order which was issued for the purpose of coping with the coronavirus crisis - i.e. the CET1 capital ratio shall not fall below 10 percent, and a total capital ratio of no less than 13.5 percent. In addition to the Common Equity Tier 1 capital, there are capital requirements of 1 percent of the outstanding housing loans as of the financial statements dates, excluding housing loans for which a relief was granted as part of the temporary order for dealing with the coronavirus crisis.

In accordance with the circular published by the Banking Supervision Department on September 30, 2021, as of October 1, 2021, the easement remains in effect only in respect to the capital requirement for housing loans not intended for the purchase real estate properties (all-purpose loans). Accordingly, the additional capital requirement for housing loans, as of September 30, 2022, is 0.21 percent in terms of CET1 ratio.

Accordingly, the minimum capital requirements applicable to the Bank as of September 30, 2022 are 10.21 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

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

For additional details regarding the capital adequacy targets set by the Bank of Israel and the temporary orders for coping with the coronavirus crisis, see under Capital and Capital Adequacy in the 2021 Report of the Board of Directors and Management.

The Bank's capital planning and capital adequacy targets

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

The Group's policy, which was approved by the Board of Directors, is to maintain a capital adequacy level that is higher than the minimum threshold set by the Bank of Israel from time to time and no less than the rate of capital required to cover the risks as assessed using the ICAAP process. In addition, the Group has set capital targets in case of a stress scenario event. For more information on the ICAAP process and the use of stress tests, please see the Risk Management Report as at December 31, 2021.

Under the regulatory review process, the Banking Supervision Department instructed the banks to set internal capital targets that would match each Bank's risk profile. As a result, the Bank's Board of Directors approved an increase in the Bank's internal Tier 1 capital target to 10.5 percent, as from December 31, 2017.

Upon the outbreak of the coronavirus crisis, the Bank's board of directors decided to decrease the Common Equity Tier 1 internal capital target to 9.5 percent. After the expiration of the capital target easements, the Bank's Board of Directors decided, on March 8, 2022, to revise the internal CET1 capital, raising it to 10.5 percent as was prior to the coronavirus crisis.

For more information, please see the immediate report dated March 9, 2022 (Ref. No. 2022-01-027670).

Dividend distribution policy

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

In the Banking Supervision Department circular dated December 27, 2021, limitations on distribution of dividends were revoked and banking corporations were instructed to exercise due caution when examining their business model, as well as take into account the remaining uncertainty in the markets, due, among other things, to new virus mutations.

On November 28, 2022, the Bank's Board of Directors approved a dividend distribution of NIS 356 million, which represents 20 percent of the net income of the third quarter of 2022. The dividend approved per share of NIS 1 par value amounts to 23.08 agorot. The Board of Directors set December 11, 2022, as the record date for dividend payment purposes and December 19, 2022 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Cash dividend paid
		In agorot	In NIS million
August 12, 2021	September 2, 2021	43.36	630
November 15, 2021	December 12, 2021	94.11	1,367
March 9, 2022	April 6, 2022	40.48	588
May 23, 2022	June 15, 2022	22.14	322
August 15, 2022	September 6, 2022	25.82	399

Adjustments to Common Equity Tier 1 capital

Measurement of the employee benefits liability and hedging assets

For the change in the manner of measuring the pension liabilities to calculate regulatory capital adequacy, see the Capital Adequacy Structure earlier in this chapter.

For more information, please see the immediate report dated September 6, 2022 (Ref. No. 2022-01-113977).

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

Relief for operational efficiency plans

In 2016 and 2017, the Banking Supervision Department published letters entitled "Operational Efficiency of the Banking System in Israel" - workforce and real estate. According to the letters, a banking corporation which meets the terms and conditions prescribed, will be granted a relief, according to which it may spread the effect of the plans, on a straight-line basis, over a period of five years.

In July 2017, the Bank's Board of Directors approved an efficiency plan, for a total cost of NIS 204 million (after tax). As at September 30, 2022, 100 percent of the plan's costs are attributable to regulatory capital.

As part of the understandings regarding the special collective agreement signed with the Workers' Union in July 2019, the Bank's Board of Directors approved a voluntary retirement plan, which amounted to NIS 167 million (after tax). As at September 30, 2022, 65 percent of the plan's costs are attributable to regulatory capital.

Regulatory and other changes in measuring the capital requirements

Developments in the guidance of the Basel Committee on Banking Supervision regarding capital adequacy measurement

In 2017, the Basel Committee on Banking Supervision completed its revision of the overall capital adequacy Basel III framework. As part of the revisions, also known as Basel IV, significant revisions were made in the manner of calculating risk-weighted assets for the purpose of the Tier 1 capital requirements. The application of the various standards included in the revision will be postponed by one year and will begin on January 1, 2023. The European Union is expected to postpone the application until 2025. Presently, the Bank does not know how and when these rules will be adopted by Israel's Banking Supervision Department.

Directives pertaining to the attribution of capital for derivative financial instruments

In April 2019, the Banking Supervision Department announced plans to begin implementing the Basel 2014 Guidelines "The Standardized Approach for Measuring Counterparty Credit Risk Exposures" (SA-CCR).

On December 1, 2021, the Banking Supervision Department published a circular revising 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.

On March 15, 2022, the Banking Supervision Department published a circular entitled "Treating Counterparty Credit Risk", which includes revisions and various clarifications (FAQ) regarding the implementation of Directive No. 203A.

On April 7, 2022, a circular was published revising Proper Conduct of Banking Business Directive No. 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk" and Directive No. 218, "Leverage Ratio". According to the revisions, the calculation of the exposure will be made according to Directive No. 203A.

As of July 1, 2022, the Bank applies Directive No. 203A, Treating Counterparty Credit Risk, as well as revised Directives Nos. 203 and 218. The effect of the application of the said provisions as at the transition date, led to a decrease of 0.2 percent in the Common Equity Tier 1 capital ratio, 0.26 percent in the total capital ratio and 0.11 percent in the leverage ratio.

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

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

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

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

For the effect of the application of the new directives on the Bank's financial statements and on the Bank's capital ratios, please see Note 1.B.1.

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

On May 25, 2022, the Banking Supervision Department published a circular to the amendment to the Proper Conduct of Banking Business Directive No. 203, "The Standardized Approach - Credit Risk". Under the circular, the weight of the risk attributed to loans designated for the purchase of land for development or construction will be raised to 150 percent at an LTV rate exceeding 80 percent of the purchased property, excluding loans to purchase agricultural or forested land with no planning or rezoning prospects or loans for the purchase of land for the self-use of the borrower, who is not classified in the construction and real estate sector according to the sectoral classification in Section 7 of the Banking Supervision Reporting Directive 831 - "Total Credit Risk by Economic Sector". The revisions of the circular are in effect as of June 30, 2022, as clarified by the Banking Supervision Department clarified that the change will be implemented starting from the third quarter of 2022, over four quarters, so that in the quarter ending on June 30, 2023, the capital requirement will be fully reflected. The Bank has applied the circular to its financial statements as at September 30, 2022 and its effect on the Bank's capital ratios as at that date is immaterial.

Further to the abovementioned circular, on August 24, the Bank of Israel issued a draft revision to the FAQ on capital adequacy requirements under the standard approach and the internal credit risk model approach; in this context, it is noted that the Bank responded to a revision published by the Banking Supervision Department on several topics and clarifications which may affect the manner in which the circular is applied and the revisions included in the FAQ as well as the manner of calculating the added risk required as a result. If the revisions in the FAQ are applied verbatim, the Common Equity Tier 1 capital ratio is expected to decrease by 0.2%. This decrease will, as aforesaid, be spread until the quarter ending on June 30, 2023.

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

- Change in the amount of risk-weighted assets – Leumi's risk-weighted assets – amounted to NIS 414.1 billion as at September 30, 2022. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital and total capital ratio by 0.03 percent.
- Change in Common Equity Tier 1 - as of September 30, 2022, Common Equity Tier 1 totals NIS 47.2 billion. A NIS 100 million decrease in Common Equity Tier 1 capital will decrease the Common Equity Tier 1 capital ratio and total capital ratio by 0.02 percent.

- Change in the foreign exchange rate - a 1 percent depreciation in the shekel's exchange rate against all currencies will decrease the Common Equity Tier 1 capital and total capital ratio by 0.01 percent.
- A 1 percent increase in the risk-free interest rate curve across all currencies for the regulatory capital exposure signifies a 0.1 percent decrease in the Common Equity Tier 1 capital ratio and total capital ratio.

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

Leverage Ratio

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

The leverage ratio may be affected by changes in the Bank's regulatory capital. Among other things, when calculating the leverage ratio, the effect of applying the efficiency plan and adjustments from the change in the measurement method of pension liabilities net were taken into account for the purpose of calculating the regulatory capital as of July 1, 2022, as explained above.

	September 30		December 31
	2022	2021	2021
	In NIS million		
Consolidated data			
Tier 1 capital[c]	**47,245**	42,946	43,117
Total exposures[b]	**744,777**	666,818	711,125
Leverage ratio			
Leverage Ratio	**6.34%**	6.44%	6.06%
Minimum total leverage ratio set by the Banking Supervision Department[a]	**5.50%**	5.50%	5.50%

For additional information regarding capital adequacy and leverage, please see directives pertaining to the attribution of capital for derivative financial instruments above and Note 9.B.

(a) For more information regarding compliance with the leverage ratio temporary order, please see under "Capital adequacy targets" as set by the Bank of Israel above.

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

(c) In calculating the leverage ratio, adjustments from the application of the new measurement method for certain actuarial liabilities were taken into account. For additional details regarding the affect of the transition to the new method, see Note 9B.

Operating Segments - Management Approach

Operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.
The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

For more information regarding the business lines according to the management approach, please see section entitled "Operating Segments" in the financial statements as at December 31, 2021.

Condensed results of operations according to management approach

	For the three months ended September 30, 2022											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	220	336	556	1,304	386	357	469	237	2	31	72	3,414
Inter-segmental	718	96	814	(918)	188	(133)	(182)	239	(2)	2	(8)	-
Interest Income, Net	938	432	1,370	386	574	224	287	476	-	33	64	3,414
Noninterest income (expense)	404	136	540	25	156	74	96	(127)	19	81	(9)	855
Total income	1,342	568	1,910	411	730	298	383	349	19	114	55	4,269
Loan loss expenses (income)	65	47	112	48	(56)	65	(88)	17	(11)	(4)	16	99
Total operating and other expenses	702	253	955	100	191	69	37	99	148	51	21	1,671
Profit before taxes	575	268	843	263	595	164	434	233	(118)	67	18	2,499
Provision for tax	196	92	288	90	204	56	148	80	22	13	7	908
Net income attributable to the Bank's shareholders	379	176	555	173	391	108	286	339	(140)	59	11	1,782

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

	For the three months ended September 30, 2021											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	277	271	548	897	355	243	277	74	-	31	246	2,671
Inter-segmental	199	22	221	(548)	(2)	(72)	(41)	457	(2)	1	(14)	-
Interest Income, Net	476	293	769	349	353	171	236	531	(2)	32	232	2,671
Noninterest Income	349	112	461	4	111	52	83	151	127	185	66	1,240
Total income	825	405	1,230	353	464	223	319	682	125	217	298	3,911
Loan loss expenses (income)	(47)	(130)	(177)	(60)	(57)	(54)	23	(19)	(9)	6	(12)	(359)
Total operating and other expenses	697	252	949	82	173	69	37	106	205	47	187	1,855
Profit (loss) before tax	175	283	458	331	348	208	259	595	(71)	164	123	2,415
Provision for tax	60	97	157	113	119	71	89	204	51	47	28	879
Net income (loss) attributable to the Bank's shareholders	115	186	301	218	229	137	170	392	(122)	142	84	1,551

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

	For the nine months ended September 30, 2022											
	The Bank									Subsidi-aries in Israel	Foreign subsidi-aries	Total
	Private Indivi-duals	Small busi-nesses	Banking - total	Mortgages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	745	895	1,640	3,793	1,147	986	1,153	234	9	92	384	9,438
Inter-segmental	1,332	168	1,500	(2,720)	255	(367)	(331)	1,698	(5)	3	(33)	-
Interest Income, Net	2,077	1,063	3,140	1,073	1,402	619	822	1,932	4	95	351	9,438
Noninterest income (expense)	1,152	381	1,533	43	452	197	290	(293)	747	305	88	3,362
Total income	3,229	1,444	4,673	1,116	1,854	816	1,112	1,639	751	400	439	12,800
Loan loss expenses (income)	88	62	150	46	70	32	(175)	89	(21)	(9)	3	185
Total operating and other expenses	2,008	762	2,770	277	539	205	108	303	521	147	236	5,106
Profit before taxes	1,133	620	1,753	793	1,245	579	1,179	1,247	251	262	200	7,509
Provision for tax (benefit)	387	212	599	271	426	198	403	426	(55)	77	53	2,398
Net income attributable to the Bank's shareholders	746	408	1,154	522	819	381	776	1,040	306	248	137	5,383
Balances as at September 30, 2022												
Loans to the public, net	32,374	26,680	59,054	118,101	60,793	53,557	52,283	26,561	5,875	934	5,865	383,023
Deposits by the public	196,325	53,262	249,587	-	94,365	36,207	13,531	153,001	4	-	11	546,706

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

	For the nine months ended September 30, 2021											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	797	800	1,597	2,561	1,030	784	794	222	7	79	719	7,793
Inter-segmental	597	55	652	(1,560)	(15)	(252)	(113)	1,300	(3)	2	(11)	-
Interest Income, Net	1,394	855	2,249	1,001	1,015	532	681	1,522	4	81	708	7,793
Noninterest Income	1,055	335	1,390	14	338	165	239	780	276	756	188	4,146
Total income	2,449	1,190	3,639	1,015	1,353	697	920	2,302	280	837	896	11,939
Loan loss expenses (income)	(54)	(215)	(269)	(85)	(101)	(209)	(103)	36	(9)	10	1	(729)
Total operating and other expenses	2,078	732	2,810	239	544	206	102	313	633	149	556	5,552
Profit (loss) before tax	425	673	1,098	861	910	700	921	1,953	(344)	678	339	7,116
Provision for tax	145	230	375	294	311	239	315	668	132	171	77	2,582
Net income (loss) attributable to the Bank's shareholders	280	443	723	567	599	461	606	1,288	(476)	559	231	4,558

Balances as at September 30, 2021												
Loans to the public, net	29,774	24,916	54,690	100,906	49,011	39,376	40,391	12,070	5,034	992	23,054	325,524
Deposits by the public	185,382	50,405	235,787	-	84,986	31,619	12,771	111,054	3	-	24,656	500,876

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

	For the year ended December 31, 2021											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	1,108	1,075	2,183	3,251	1,387	1,017	1,072	357	10	106	963	10,346
Inter-segmental	776	84	860	(1,893)	(20)	(312)	(137)	1,520	(2)	-	(16)	-
Interest Income, Net	1,884	1,159	3,043	1,358	1,367	705	935	1,877	8	106	947	10,346
Noninterest Income	1,439	460	1,899	18	468	241	326	1,009	333	969[(a)]	248	5,511
Total income	3,323	1,619	4,942	1,376	1,835	946	1,261	2,886	341	1,075	1,195	15,857
Loan loss expenses (income)	(33)	(263)	(296)	(137)	(119)	(240)	(39)	31	(21)	13	(4)	(812)
Total operating and other expenses	2,770	982	3,752	322	731	277	134	420	825	206	761	7,428
Profit (loss) before tax	586	900	1,486	1,191	1,223	909	1,166	2,435	(463)	856	438	9,241
Provision for tax	200	308	508	407	418	311	399	833	81	216	102	3,275
Net income (loss) attributable to the Bank's shareholders	386	592	978	784	805	598	767	1,605	(544)	738	297	6,028

Balances as at December 31, 2021												
Loans to the public, net	30,335	25,745	56,080	104,525	51,408	41,417	43,665	15,749	5,532	1,006	23,497	342,879
Deposits by the public	185,452	51,329	236,781	-	86,466	33,621	13,395	142,050	3	-	24,953	537,269

(a) Includes the revenues of Leumi Partners Ltd. for realized and unrealized gain totaling NIS 518 million from the shares of ironSource and Retailors.

Regulatory Operating Segments

For a description of the main operating segments, please see the section entitled "Regulatory Operating Segments" in the financial statements as at December 31, 2021.

Summary of activities by regulatory operating segment

	For the three months ended September 30, 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest Income, Net	389	688	71	745	394	653	115	288	7	64	3,414
Noninterest income (expense)	13	243	35	220	82	167	46	22	36	(9)	855
Total income	402	931	106	965	476	820	161	310	43	55	4,269
Loan loss expenses (income)	47	70	-	(24)	(11)	27	(1)	(25)	-	16	99
Total operating and other expenses	101	575	24	433	106	133	94	62	122	21	1,671
Profit (loss) before tax	254	286	82	556	381	660	68	273	(79)	18	2,499
Provision for tax	85	94	28	187	131	224	24	75	53	7	908
Net income (loss) attributable to the Bank's shareholders	169	192	54	369	250	436	44	389	(132)	11	1,782

	For the three months ended September 30, 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest Income, Net	286	341	12	457	192	399	12	745	(2)	229	2,671
Noninterest Income	13	240	40	197	78	141	43	302	119	67	1,240
Total income	299	581	52	654	270	540	55	1,047	117	296	3,911
Loan loss expenses (income)	(63)	(49)	-	(125)	(54)	(42)	6	(19)	-	(13)	(359)
Total operating and other expenses	82	646	22	376	115	107	60	92	170	185	1,855
Profit (loss) before tax	280	(16)	30	403	209	475	(11)	974	(53)	124	2,415
Provision for tax (benefit)	104	(3)	11	151	78	178	(4)	366	(31)	29	879
Net income (loss) attributable to the Bank's shareholders	176	(13)	19	252	131	297	(7)	634	(22)	84	1,551

Summary of activities by regulatory operating segment (cont.)

	For the nine months ended September 30, 2022										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest Income, Net	993	1,503	116	1,786	875	1,642	175	1,985	12	351	9,438
Noninterest Income	38	719	116	665	268	485	144	806	33	88	3,362
Total income	1.031	2,222	232	2,451	1,143	2,127	319	2,791	45	439	12,800
Loan loss expenses (income)	54	85	-	61	2	(56)	-	36	-	3	185
Total operating and other expenses	279	1,713	72	1,224	330	366	196	267	423	236	5,106
Profit (loss) before tax	698	424	160	1,166	811	1,817	123	2,488	(378)	200	7,509
Provision for tax (benefit)	236	145	54	399	279	619	42	832	(261)	53	2,398
Net income attributable to the Bank's shareholders	462	279	106	767	532	1,198	81	1,938	(117)	137	5,383
Balance as at September 30, 2022											
Loans to the public, gross	116,715	30,659	445[(a)]	65,485	39,796	126,863	2,048	-	-	5,908	387,919
Deposits by the public	-	126,426	28,043	96,391	68,000	93,107	134,728	-	-	11	546,706

	For the nine months ended September 30, 2021										
	Activity in Israel									Foreign ope-rations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-busi-nesses	Mid-sized busi-nesses	Corpo-rations	Institu-tional entities	Financial manage-ment	Other		
	In NIS million										
Interest Income, Net	828	1,022	33	1,330	568	1,160	37	2,110	(3)	708	7,793
Noninterest Income	42	715	125	600	234	421	134	1,454	234	187	4,146
Total income	870	1,737	158	1,930	802	1,581	171	3,564	231	895	11,939
Loan loss expenses (income)	(91)	(57)	-	(233)	(117)	(227)	5	(10)	-	1	(729)
Total operating and other expenses	238	1,897	72	1,168	344	320	175	266	518	554	5,552
Profit (loss) before tax	723	(103)	86	995	575	1,488	(9)	3,308	(287)	340	7,116
Provision for tax (benefit)	263	(36)	31	367	212	546	(4)	1,203	(78)	78	2,582
Net income (loss) attributable to the Bank's shareholders	460	(67)	55	628	363	942	(5)	2,160	(209)	231	4,558
Balance as at September 30, 2021											
Loans to the public, gross	99,970	27,178	406[(a)]	55,653	32,468	88,397	2,714	-	-	23,423	330,209
Deposits by the public	-	121,770	26,017	84,371	60,150	82,539	101,373	-	-	24,656	500,876

(a) Including outstanding housing loans as at September 30, 2022 in the amount of NIS 180 million, and as at September 30, 2021 totaling NIS 158 million.

Summary of activities by regulatory operating segment (cont.)

	For the year ended December 31, 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other		
	In NIS million										
Interest Income, Net	1,126	1,371	40	1,794	780	1,610	54	2,626	(2)	947	10,346
Noninterest Income	55	950	169	826	324	593	181	1,909	256	248	5,511
Total income	1,181	2,321	209	2,620	1,104	2,203	235	4,535	254	1,195	15,857
Loan loss expenses (income)	(141)	(44)	-	(240)	(143)	(201)	3	(42)	-	(4)	(812)
Total operating and other expenses	318	2,477	95	1,555	458	445	233	406	680	761	7,428
Profit (loss) before tax	1,004	(112)	114	1,305	789	1,959	(1)	4,171	(426)	438	9,241
Provision for tax (benefit)	351	(38)	40	462	280	689	-	1,495	(106)	102	3,275
Net income (loss) attributable to the Bank's shareholders	653	(74)	74	843	509	1,270	(1)	2,777	(320)	297	6,028
Balance as at December 31, 2021											
Loans to the public, gross	103,429	27,884	429[(a)]	57,527	34,534	93,927	5,824	-	-	23,837	347,391
Deposits by the public	-	120,483	25,965	86,888	60,874	90,223	127,883	-	-	24,953	537,269

(a) Including outstanding housing loans as at December 31, 2021 in the amount of NIS 181 million.

Main changes in the operating results of the regulatory segments

Households segment

Net income attributable to shareholders in respect of the households segment in the nine months ended September 30, 2022 totaled NIS 741 million, compared to NIS 393 million in the corresponding period last year. The increase in profit stems mainly from an increase in interest income and a decrease in operating expenses, which were offset by an increase in the collective loan loss expense.

Net interest income in the nine months ended September 30, 2022 totaled NIS 2,496 million, compared to NIS 1,850 million in the corresponding period last year. In the nine months of 2022, the increase in income was due to the increase in interest rates. Income from housing loans was also affected by the increase in activity, which was partially offset by a decrease in the credit spreads for housing loans.

Net interest income in the third quarter of 2022 totaled NIS 1,077 million, compared to NIS 627 million in the corresponding quarter last year. Most of the increase stems from an increase in the deposit spreads due to the increase in interest rates.

Noninterest income in the nine months ended September 30, 2022 totaled NIS 757 million, similarly to the corresponding period last year.

Noninterest income, net in the third quarter of 2022 totaled NIS 256 million, similarly to the corresponding quarter last year.

In the nine months ended September 30, 2022, loan loss expenses were recorded in the amount of NIS 139 million, compared to income of NIS 148 million in the corresponding period last year.

In the third quarter of 2022, loan loss expenses were recorded in the amount of NIS 117 million, compared to income of NIS 112 million in the corresponding quarter last year. The increase is due, among other things, to an increase in the balance of the performing and the troubled debts as well as due to the worsening of macroeconomic forecasts.

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

For additional information on the subject of Current Expected Credit Losses (CECL) and additional provisions of the Banking Supervision Department, please see Note 1.B.1.

Operating and other expenses in the nine months ended September 30, 2022 totaled NIS 1,992 million, compared to NIS 2,135 million in the corresponding period last year mainly due to a decrease in depreciation and other expenses.

Operating and other expenses in the third quarter of 2022 reached NIS 676 million, compared with the corresponding quarter last year, which amounted to NIS 728 million, arising mostly from a decrease in the depreciation and other expenses.

Outstanding loans to the public as of September 30, 2022 totaled NIS 147.4 billion compared to NIS 131.3 billion as at the end of 2021. Most of the increase stems from growth in the housing loan portfolio.

Balance of deposits by the public as of September 30, 2022 totaled NIS 126.4 billion compared to NIS 120.5 billion at the end of 2021.

Retail banking segment

Net income attributable to shareholders in respect of the retail banking segment in the nine months ended September 30, 2022 totaled NIS 106 million, compared to NIS 55 million in the corresponding period last year.

Net interest income in the nine months ended September 30, 2022 totaled NIS 116 million, compared to NIS 33 million in the corresponding period last year, as a results of an increase in interest rates.

Net interest income in the third quarter of 2022 totaled NIS 71 million, compared to NIS 12 million in the corresponding quarter last year. Most of the increase stems from an increase in interest rates.

Noninterest income in the nine months ended September 30, 2022 totaled NIS 116 million, similar to the NIS 125 million in the corresponding period last year.

Noninterest income in the third quarter of 2022 totaled NIS 35 million, compared to NIS 40 million in the corresponding quarter last year.

Micro- and small-business segment

Net income attributable to shareholders in respect of the micro- and small business segment in the nine months of 2022 totaled NIS 767 million, compared to NIS 628 million in the corresponding period last year. The increase in profit results mainly from an increase in interest income which was offset by an increase in the collective loan loss expense.

Net interest income in the nine months ended September 30, 2022 totaled NIS 1,786 million, compared to NIS 1,330 million in the corresponding period last year. Most of the increase stems from an increase in interest rates and from a moderate increase in credit.

Net interest income in the third quarter of 2022 totaled NIS 745 million, compared to NIS 457 million in the corresponding quarter last year. Most of the increase stems from an increase in interest rates.

Noninterest income in the nine months ended September 30, 2022 totaled NIS 665 million, compared to NIS 600 million in the corresponding period last year. In the nine months of 2022, there was an increase in conversion gain commissions and in account management fees.

Noninterest income in the third quarter of 2022 totaled NIS 220 million, compared to NIS 197 million in the corresponding quarter last year.

In the nine months ended September 30, 2022, loan loss expenses were recorded in the amount of NIS 61 million, compared to income of NIS 233 million in the corresponding period last year.In the third quarter of 2022, net loan loss income was recorded in the amount of NIS 24 million, compared to income of NIS 125 million in the corresponding period last year.

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

For additional information on the subject of Current Expected Credit Losses (CECL) and additional provisions of the Banking Supervision Department, please see Note 1.B.1.

Outstanding loans to the public as of September 30, 2022 totaled NIS 65.5 billion compared to NIS 57.5 billion as at the end of 2021.

Balance of deposits by the public as of September 30, 2022 totaled NIS 96.4 billion compared to NIS 86.9 billion at the end of 2021.

Mid-market business segment

Net income attributable to shareholders in respect of the mid-market segment in the nine months ended September 30, 2022 totaled NIS 532 million, compared to NIS 363 million in the corresponding period last year. The increase in profit stems mainly from an increase in net interest income which was offset by an increase in the collective loan loss expense.

Net interest income in the nine months ended September 30, 2022 totaled NIS 875 million, compared to NIS 568 million in the corresponding period last year. Most of the increase stems from an increase in credit and increase in interest rates.

Net interest income in the third quarter of 2022 totaled NIS 394 million, compared to NIS 192 million in the corresponding quarter last year. Most of the increase stems from an increase in credit and increase in interest rates.

Noninterest income in the nine months ended September 30, 2022 totaled NIS 268 million, similar to the NIS 234 million in the corresponding period last year.

Noninterest income in the third quarter of 2022 totaled NIS 82 million, similarly to the corresponding quarter last year.

In the nine months ended September 30, 2022, loan loss expenses were recorded in the amount of NIS 2 million, compared to income of NIS 117 million in the corresponding period last year. Most of the change stems from the collective provision.

In the third quarter of 2022, NIS 11 million in loan loss income was recorded, compared to an income of NIS 54 million in the corresponding quarter last year. Most of the change stems from the collective provision.

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

For additional information on the subject of Current Expected Credit Losses (CECL) and additional provisions of the Banking Supervision Department, please see Note 1.B.1.

Outstanding loans to the public as of September 30, 2022 totaled NIS 39.8 billion compared to NIS 34.5 billion as at the end of 2021.

Balance of deposits by the public as of September 30, 2022 totaled NIS 68.0 billion compared to NIS 60.9 billion at the end of 2021.

Corporate segment

Net income attributable to shareholders in respect of the corporations segment in the nine months ended September 30, 2022 totaled NIS 1,198 million, compared to NIS 942 million in the corresponding period last year. The source of the increase is the increase in the volume of activity, which was partially offset by the erosion of spreads, mostly in the construction and real estate industries, and by an increase in the collective loan loss provision expenses.

Net interest income in the nine months ended September 30, 2022 totaled NIS 1,642 million, compared to NIS 1,160 million in the corresponding period last year. Most of the increase is due to a rise in the volume of activity in the real estate sector and in business and commercial credit and the increase in interest rates. Net interest income in the third quarter of 2022 totaled NIS 653 million, compared to NIS 399 million in the corresponding quarter last year. Most of the increase stems from higher credit volumes, which was partially offset by an erosion of credit spreads.

Noninterest income in the nine months ended September 30, 2022 totaled NIS 485 million, similar to the NIS 421 million in the corresponding period last year. In the reporting period, there was an increase in commissions from financing transactions and conversion gain commissions.

Net noninterest income in the third quarter of 2022 totaled NIS 167 million, compared to NIS 141 million in the corresponding quarter last year.

In the nine months ended September 30, 2022, a loan loss income was recorded in the amount of NIS 56 million, compared to income of NIS 227 million in the corresponding period last yearIn the third quarter of 2022, net loan loss expenses were recorded in the amount of NIS 27 million, compared to income of NIS 42 million in the corresponding quarter last year.

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

For additional information on the subject of Current Expected Credit Losses (CECL) and additional provisions of the Banking Supervision Department, please see Note 1.B.1.

Operating and other expenses in the nine months ended September 30, 2022 totaled NIS 366 million, compared to NIS 320 million in the corresponding period last year mainly due to an increase in salary expenses.

Operating and other expenses in the third quarter of 2022 totaled NIS 133 million, compared with the corresponding quarter last year, which amounted to NIS 107 million, arising mostly from an increase in salary expenses.

Outstanding loans to the public as of September 30, 2022 totaled NIS 126.9 billion compared to NIS 94.0 billion as at the end of 2021.

Balance of deposits by the public as of September 30, 2022 totaled NIS 93.1 billion compared to NIS 90.2 billion at the end of 2021.

Financial management segment

Net income of the financial management segment attributable to the Bank's shareholders in the nine months ended September 30, 2022 totaled NIS 1,938 million compared to NIS 2,160 million in the corresponding period last year.

Finance income in the nine months ended September 30 2022 totaled NIS 1,985 million, compared to NIS 2,210 million in the corresponding period last year.

The decrease in financing profit stems mainly from losses as a result of declines in markets, offset by income from linkage differences in view of the increase in the CPI and sale of Bank Leumi USA.

Net interest income in the third quarter of 2022 totaled NIS 288 million, compared to NIS 745 million in the corresponding quarter last year. The reduction is mainly due to losses resulting from the decline in the markets.

Major Investee Companies

As of the report's publication date, the Leumi Group is mainly active in Israel, through the Bank and subsidiaries which serve as financial services companies. In addition, the Group invests in non-financial corporations which do not engage in banking. For information regarding the merger of the subsidiary Bank Leumi USA with Valley on April 1, 2022, and for information regarding a restructuring in Bank Leumi UK (BLUK), please see details later in this section, under "Consolidated Companies Outside Israel".

The Bank's total investments in investees (including in capital notes), as of September 30 2022, was NIS 13.4 billion, compared with NIS 11.7 billion as of December 31 2021, with the investee companies contributing NIS 548 million to the Group's net income in the first nine months of 2022, compared with NIS 777 million in the corresponding period last year.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 8,148 million as of September 30, 2022, compared with NIS 7,998 million as at December 31, 2021. The contribution of the consolidated companies in Israel to the Group's net income in the first nine months of 2022 was NIS 248 million, compared with NIS 559 million in the corresponding period last year.

Leumi Partners Ltd.

On July 19, 2020, the Bank of Israel informed the Bank that regarding the group limit on non-financial investments, the Bank should follow the risk appetite to be set for that purpose, subject to assessment and challenging procedures to be executed by the lines of defense, including the Internal Audit Division and subject to meeting the non-financial investment limit, in accordance with Section 23A to the Banking Licensing Law.

For more information, please see the section entitled "Major Investee Companies" in the financial statements as at December 31, 2021.

Sale of ironSource shares

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

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

The pre-tax loss recorded by the Bank in the first nine months of 2022 in respect of the ironSource shares amounted to approx. NIS 53 million, most of which was recorded in the first half of 2022.

Consolidated Companies Outside Israel

The Bank's total investments (including in capital notes) in its foreign offices as of September 30, 2022 was NIS 1,675 million, compared with NIS 3,625 million as at December 31, 2021.

In the first nine months of 2022, the foreign offices' contribution to the Group's shekel net income was NIS 81 million, compared with an NIS 215 million profit in the corresponding period last year.

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

Bank Leumi USA and the merger transaction with Valley National Bancorp

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

On April 1, 2022, the merger was completed.

Valley is a banking holding company, which holds Valley National Bank (hereinafter - "Valley Bank"). Valley Bank was founded in 1927.

Following the completion of the transaction and execution of the merger procedures, BLC was merged into Valley and BLUSA was merged into Valley Bank (hereinafter - the "Merger Agreement").

The proceeds of the transaction will be paid to the Bank in Valley shares (90 percent of the proceeds) and the rest - in cash. Once the transaction has been completed, the Bank holds 14.2 percent of Valley's share capital and is not the largest shareholder, but as of the publication date, it is the controlling shareholder in Valley.

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

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

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

Following are the investment data for Valley as of April 1, 2022

	In NIS million
Value of Valley shares received	3,047
Share in equity that confers the right to receive profits	1,947
Recognized goodwill	1,046

The market value of the Valley shares held by the Bank as of September 30, 2022 amounts to NIS 2,750 million.

For more information, please see the immediate report dated September 23, 2021 (Ref. No. 2021-01-080569), March 6, 2022 (Ref. No. 2022-01-026329), and April 3, 2022 (Ref. No. 2022-01-041695).

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

Bank Leumi UK (BLUK)

On March 8, 2022, the Bank's board of Directors approved the recommendation of BLUK's board to implement a measure which includes returning BLUK's regulatory license, such that after the measure will have been completed, BLUK will be a credit provision company. To this end, BLUK will be merged into LABL (hereinafter – the "Merged Company"). The Merged Company will provide credit primarily in the fields of real estate, hotels and ABL, to customers in the UK and Europe, including Israeli customers active in these geographies.

The implementation of the move is contingent on several conditions, including – a final decision by BLUK's board of directors and LABL's board of directors, receiving a permit from the Bank of Israel, receiving the approval of the English regulator and meeting the requirements of English law to complete the move. As of the report publication date, some of the conditions precedent have been fulfilled, including receipt of the permits required for the move from the Bank of Israel and the transfer of most of BLUK's credit portfolio to LABL.

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

Risk Exposure and Management Thereof

The information in this chapter does not include all the information required in full annual financial statements, and this section should be read along with the detailed information provided in the Report of the Board of Directors and Management as at December 31, 2021 and the 2021 Risk Management Report.

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

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

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

Risk factor severity

In the third quarter, the severity level of the liquidity risk was raised from "low" to "low-moderate" on the back of changes in the macro environment and the increase in raising financing in Israel and around the world.

Credit Risks

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

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

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

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

As part of its credit risk management, the Bank monitors the quality of its credit portfolio, including adequacy of its loan loss provision to cover losses embodied in the credit portfolio; the credit portfolio concentration level and activity by main products, such as: credit granted to the construction and real estate sector; housing loans; credit granted to individuals; housing loans and leveraged credit; it also examines regularly - using various sensitivity scenarios - the effect of the interest rate on the credit portfolio risk.

As part of the credit risk management, on a regular basis, adjustments are made to the credit risk management and risk appetite, as necessary. There were no material changes in the corporate governance structure related to credit risk.

For more information, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2021.

Macroeconomic effects

The Bank's activity is affected, inter alia, by macroeconomic developments and the business environment. The Bank monitors - on a regular basis, across all business lines - risk focus areas and also regularly examines the effect of the interest rate on portfolio credit risk, including through various sensitivity scenarios.

The military conflict between Russia and Ukraine continues, affecting commodity prices and energy availability in Europe. As of now, the direct effect on Leumi's loan portfolio is immaterial, but its development should be followed, with emphasis on supply chain delays.

The tightening of financial conditions, along with the economic effects of the Russia-Ukraine war, have already resulted in a considerable reduction in economic growth forecasts for 2022-2023 by large international entities, such as the OECD.

The coronavirus crisis - exposure to risks resulting from morbidity surges occurring from time to time is still possible, but is substantially lower than in 2020-2021. In some of the sectors harmed by the crisis (with emphasis on hotels and aviation abroad), there is still a gap in the extent of their recovery compared to other economic sectors.

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

As of January 1, 2022, the Bank is applying, for the first time, new rules regarding Current Expected Credit Loss provisions (CECL). As a result of applying the new rules, the Bank updated and adjusted the loan loss provision methodology, as outlined in Note 1.B.1. to the financial Statements.

The loan loss expense in the third quarter of 2022 was approx. NIS 99 million, of which an income of NIS (134) million of the loan loss income was attributed to the specific provision and a NIS 233 million expense - to the collective provision. The collective expense in the reporting period was affected by an increase both a result of the continued growth in the credit portfolio and as a result of the worsening macroeconomic forecasts described above. A loan loss provision is an estimate based on significant judgment, which was exercised during the reporting period in a changing environment.

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

The loan loss provision methodology is comprised, inter alia, of past experience, a qualitative level - which includes a comprehensive framework for qualitative adjustments (Q factor) and macroeconomic forecasts, and naturally involves significant judgment.

Due to the uncertainty currently prevalent in the markets and the effects it may have on the condition of households and businesses in Israel, as described above, the provision may change in the future due to developments.

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

Changes in debt covenants as part of coping with the coronavirus crisis

The Bank has applied the coronavirus guidance of the Bank of Israel provided so far and adopted the unified outlines published by the Bank of Israel regarding changes in the loan terms, especially by way of loan deferment for private individuals and business customers; as of the date of the Report, this guidance has expired.

As at September 30, 2022:

Approximately 93 percent of all frozen outstanding mortgages have resumed regular payments and approximately 1.0 percent of the outstanding mortgages are still frozen.

The Bank is monitoring the credit risk of its customers, especially those who have deferred their loan payments, in order to identify on time any credit deterioration, including potential exposure to loss. This is done both as part of the monitoring and identification processes of customers in the Bank's ongoing tracking lists and as part of special-purpose monitoring to identify customers with a higher potential of incurring damage as a result of the crisis.

For more information and details regarding developments in the credit portfolio and the qualitative indicators characterizing the portfolio, please see below in this section as well as in the Risk Management Report as at December 31, 2021.

Outstanding debts in Israel, the covenants of which were amended as part of dealing with the coronavirus from March 1, 2020 to September 30, 2022, which were not classified as restructuring of troubled debt following the deferment

				More information about outstanding loans to the public for which deferment was granted					More information about deferred debts by deferment period[a]		Debts whose deferment term has ended, as of the reporting date	
	Deferred debts as of the reporting date				Non-troubled debts				Non-troubled debts with accrued deferment			
	Out-standing loans for which payments were deferred	No. of loans[b]	Amount of payments effec-tively deferred	Trou-bled debts	Debts without credit perfor-mance rating	Out-stand-ing perfor-mance-rated loans in arrears of 30 days or more	Non-delin-quent debts with credit perfor-mance rating	Total non-troubled debts	More than 3 months to 6 months	More than 6 months	Out-standing loans to the public	Of which: in arrears of 30 days or more
	In NIS million											
Housing loans as at September 30, 2022	**1,175**	**2,799**	**178**	**58**	**1,052**	**-**	**65**	**1,117**	**13**	**1,104**	**15,326**	**162**
Total as at June 30, 2022	1,903	4,285	271	89	1,460	1	353	1,814	70	1,604	24,376	227
Of which: for housing loans	1,660	3,724	215	58	1,455	1	146	1,602	56	1,454	15,422	163
Total as at March 31, 2022	2,560	4,582	385	390	1,563	-	607	2,170	75	1,952	25,421	238
Of which: for housing loans	1,768	3,879	225	63	1,558	-	147	1,705	48	1,558	15,937	171
Total as at December 31, 2021	3,131	5,934	436	390	1,961	3	777	2,741	174	2,324	27,003	483
Of which: for housing loans	2,177	4,679	256	51	1,953	-	173	2,126	70	1,953	16,306	410

(a) The deferment period is the cumulative period of deferments granted for a debt from the beginning of the coronavirus period and does not include deferment for which the borrower is eligible under any law.
(b) The number of loans is presented in units.

As of September 30, 2022, the table includes deferred outstanding debts for housing loans in Israel only. The deferred outstanding debt in other operating segments is immaterial.

State-backed loans (the Covid-19 Fund)

Against the background of the coronavirus outbreak, the Bank signed agreements with the state (which were revised from time to time) for extending state-backed loans as part of the "Coronavirus Funds", the purpose of which is to aid businesses (small, mid-sized and large), which encounter cash flow difficulties as a result of the crisis. The loan covenants were determined by the Ministry of Finance and were uniform for all borrowers.

Obtaining guarantees from the State has helped the Bank support the needs of its customers and positively contributed to the quality of the Bank's loan portfolio.
On April 30, 2022, the State decided to end the activity of the coronavirus fund (General Track and High-Risk Track). Applications submitted until April 30, 2022 (inclusive) were treated as usual. The treatment of debt arrangements and forfeitures will continue as usual in accordance with the provisions of the agreement.

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

Customer classification	**Recorded outstanding debt as at September 30, 2022**	Recorded outstanding debt as at December 31, 2021
	In NIS million	
Small- and micro-businesses	**2,875**	3,636
Mid-sized businesses	**898**	1,190
Corporations	**114**	307
Total	**3,887**	5,133

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

For more information on this topic, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2021.

Credit risk and non-performing assets

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

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy), including in respect of derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(d) For more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Credit risk and non-performing assets (cont.)

	September 30, 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[(a)]				
On-balance-sheet credit risk	223,476	96,855	25,131	345,462
Off-balance sheet credit risk[(d)]	104,853	3,211	12,539	120,603
Total credit risk in credit performance rating	328,329	100,066	37,670	466,065
Non-investment grade credit risk				
a. Non-troubled	2,451	2,657	1,612	6,720
b. Total troubled	6,063	701	610	7,374
Troubled performing[(b)(e)]	3,464	683	447	4,594
Troubled non-performing[(e)]	2,599	18	163	2,780
Total on-balance sheet credit risk	8,514	3,358	2,222	14,094
Off-balance sheet credit risk[(d)]	909	-	225	1,134
Total non-investment grade credit risk	9,423	3,358	2,447	15,228
Of which: Performing debts, in arrears of 90 days or more[(b)]	80	680	50	810
Total overall credit risk incl. of the public[(b)(c)(f)]	337,752	103,424	40,117	481,293
More information on non-performing assets				
a. Non-performing debts	2,600	18	163	2,781
b. Assets received for settled loans	3	-	-	3
Total non-performing assets of the public	2,603	18	163	2,784
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.84%

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.
(c) On- and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(e) Comparative results are presented in accordance with the new disclosure format; for more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(f) The comparative figures were not restated according to the new disclosure format of the definitions for on-balance sheet credit risk and off-balance sheet credit risk, which were revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy).

Credit risk and non-performing assets (cont.)

	December 31, 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	235,658	100,757	25,963	362,378
Off-balance sheet credit risk[d]	107,020	3,724	12,282	123,026
Total credit risk in credit performance rating	342,678	104,481	38,245	485,404
Non-investment grade credit risk				
a. Non-troubled	2,236	2,302	1,400	5,938
b. Total troubled	5,174	629	638	6,441
Troubled performing[b][e]	2,806	609	433	3,848
Troubled non-performing[e]	2,368	20	205	2,593
Total on-balance sheet credit risk	7,410	2,931	2,038	12,379
Off-balance sheet credit risk[d]	1,221	-	211	1,432
Total non-investment grade credit risk	8,631	2,931	2,249	13,811
Of which: Performing debts, in arrears of 90 days or more[b]	284	609	48	941
Total overall credit risk incl. of the public[b][c][f]	351,309	107,412	40,494	499,215

More information on non-performing assets				
a. Non-performing debts	2,368	20	205	2,593
b. Assets received for settled loans	9	-	-	9
Total non-performing assets of the public	2,377	20	205	2,602
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.75%

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.
(c) On- and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(e) Comparative results are presented in accordance with the new disclosure format; for more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(f) The comparative figures were not restated according to the new disclosure format of the definitions for on-balance sheet credit risk and off-balance sheet credit risk, which were revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy).

Change in Non-Performing Loans to the Public

Change in non-performing loans to the public, excluding BLUSA's figures[(a)1]

	For the nine months ended September 30, 2022		
	Commercial	Private individuals[(d)]	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	2,047	225	2,272
Effect of first-time application of rules for identification and classification of troubled debts[(b)]	21	583	604
Balance of non-performing debts as at January 1, 2022	2,068	808	2,876
Loans classified as non-performing debts during the period	461	555	1,016
Debts reclassified as performing	(141)	(336)	(477)
Written-off non-performing debts	(246)	(78)	(324)
Repaid non-performing debts	(357)	(231)	(588)
Outstanding balance of non-performing debts at the end of the period	1,785	718	2,503

	For the nine months ended September 30, 2021[(c)]		
	Commercial	Private individuals[(d)]	Total
	In NIS million		
Outstanding balance of non-performing debts at the beginning of the period	2,791	242	3,033
Loans classified as non-performing debts during the period	328	216	544
Debts reclassified as performing	(138)	(161)	(299)
Written-off non-performing debts	(180)	(57)	(237)
Repaid non-performing debts	(539)	(59)	(598)
Adjustments from translation of financial statements	(2)	-	(2)
Outstanding balance of non-performing debts at the end of the period	2,260	181	2,441

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

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

(c) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

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

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

	For the nine months ended September 30, 2022		
	Commercial	Private individuals[(d)]	Total
	In NIS million		
Outstanding balance of non-performing debts under restructuring at the beginning of the period	1,570	185	1,755
Effect of first-time application of rules for identification and classification of troubled debts[(b)]	1	94	95
Balance of non-performing debts under restructuring as at January 1, 2022	1,571	279	1,850
Restructuring of non-performing debts carried out during the period	182	233	415
Restructured debt reclassified as performing	(116)	(149)	(265)
Written-off non-performing debts under restructuring	(91)	(41)	(132)
Repaid non-performing debts under restructuring	(314)	(55)	(369)
Outstanding balance of non-performing debts under restructuring at the end of the period	1,232	267	1,499

	For the nine months ended September 30, 2021[(c)]		
	Commercial	Private individuals[(d)]	Total
	In NIS million		
Outstanding balance of non-performing debts under restructuring at the beginning of the period	1,709	187	1,896
Restructuring of non-performing debts carried out during the period	536	174	710
Restructured debt reclassified as performing	(109)	(128)	(237)
Written-off non-performing debts under restructuring	(69)	(33)	(102)
Repaid non-performing debts under restructuring	(432)	(53)	(485)
Outstanding balance of non-performing debts under restructuring at the end of the period	1,635	147	1,782

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

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

(c) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

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

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

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

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision, net of BLUSA results[e]

	September 30, 2022 [a]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of outstanding non-performing loans to the public[b] out of outstanding loans to the public	0.74	0.44	0.65	0.65
Percentage of non-performing loans to the public[b] or in arrears of 90 days or more out of outstanding loans to the public	0.81	0.44	0.88	0.70
Percentage of troubled loans to the public out of outstanding loans to the public	1.94	0.50	2.23	1.53
Percentage of non-investment grade credit risk out of outstanding loans to the public	2.36	1.70	6.73	2.50
Analysis of loan loss expenses for the reporting period[a]				
Percentage of loan loss expenses out of the average outstanding balance of loans to the public	-	0.06	0.38	0.06[c]
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.02)	0.02	0.33	0.02
Analysis of the loan loss provision in respect of loans to the public				
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.58	0.31	2.43	1.26
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	212.44	70.00	373.74	195.61
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public[b] or in arrears of 90 days or more	195.06	70.00	277.15	179.27
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[a][d]	(78.98)	19.39	7.50	70.57

(a) Annualized.
(b) For more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(c) Including loan loss expenses for loans to the public, banks, governments and bonds.
(d) In NIS million.
(e) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.

In the first nine months ended September 30, 2022, some of the above indicators improved.

The Bank continues to closely and meticulously follow the developments in the state of the economy, and their possible implications for credit risks.

For further information and details regarding the macroeconomic effects, see under “Macroeconomic effects” earlier in this section.In addition, as from January 1, 2022, the Bank applies the Banking Supervision Department’s directives for loan loss expenses (CECL) as well as additional specific directives regarding housing loans and additional revised directives of the same date on troubled debt classification.
The comparative results represent the previous methodology of recording the provision for CECL; however, some are presented according to the new disclosure format of the Banking Supervision Department on identification and classification of performing and non-performing troubled debt (in lieu of impaired debts).

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision, net of BLUSA results[c] (cont.)

	September 30, 2021 [b]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing loans to the public out of outstanding loans to the public	1.22	0.02	0.60	0.78
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	1.26	0.70	0.79	1.04
Percentage of troubled loans to the public out of outstanding loans to the public	2.88	0.70	2.25	2.13
Percentage of non-investment grade credit risk out of outstanding loans to the public	3.76	3.35	8.19	4.01
Analysis of income for loan losses for the reporting period[a]				
Percentage of loan loss income for the public out of the average outstanding balance of loans to the public	(0.46)	(0.13)	(0.29)	(0.34)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.14)	-	0.07	(0.07)
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	1.87	0.54	2.59	1.51
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	153.01	-[d]	431.29	192.67
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public or in arrears of 90 days or more	147.78	77.65	328.50	144.62
Percentage of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[b][e]	(14.57)	135.50	35.15	(22.05)

(a) Annualized.
(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(c) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 16.A.
(d) Rate of more than 1,000 percent.
(e) In NIS million.

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision, net of BLUSA results[b] (cont.)

	December 31, 2021[a]			
	Commercial	Housing	Private individuals - other	Total
	In %			
Analysis of quality of loans to the public				
Percentage of non-performing loans to the public out of outstanding loans to the public	1.03	0.02	0.73	0.69
Percentage of non-performing loans to the public or in arrears of 90 days or more out of outstanding loans to the public	1.17	0.61	0.90	0.97
Percentage of troubled loans to the public out of outstanding loans to the public	2.22	0.61	2.28	1.72
Percentage of non-investment grade credit risk out of outstanding loans to the public	2.98	2.83	7.27	3.30
Analysis of income for loan losses for the reporting period				
Percentage of loan loss income for the public out of the average outstanding balance of loans to the public	(0.37)	(0.15)	(0.17)	(0.28)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	(0.09)	-[d]	0.07	(0.05)
Analysis of the loan loss provision in respect of loans to the public				
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	1.69	0.47	2.54	1.38
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	163.26	+[c]	346.83	200.00
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public or in arrears of 90 days or more	143.80	78.06	281.03	141.73
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[e]	(20.25)	122.75	35.55	(32.23)

(a) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

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

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

(d) Rate of less than 0.01 percent.

(e) In NIS million.

Total Credit Risk to the Public by Economic Sector

	September 30, 2022						
					Loan losses(c)(h)		
	Total credit risk(a)(j)	Of which: Credit performance rating(e)	Of which: Troubled credit risk(d)	Of which: Non-performing credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - Public-commercial							
Industry	35,269	34,309	839	90	112	(24)	(474)
Construction and real estate - construction(f)	98,671	98,029	457	106	51	(9)	(876)
Construction and real estate - real estate activity	44,500	44,284	186	113	(188)	(114)	(886)
Commerce	39,206	38,609	571	126	81	12	(488)
Financial services	47,041	46,963	78	65	61	(14)	(216)
Other sectors	57,405	55,546	1,473	671	(60)	14	(1,103)
Commercial - total	322,092	317,740	3,604	1,171	57	(135)	(4,043)
Private individuals - housing loans	121,938	119,951	581	520(g)	54	13	(365)
Private individuals - Other	44,170	42,005	706	197	85	74	(760)
Total loans to the public - activity in Israel	488,200	479,696	4,891	1,888	196	(48)	(5,168)
Banks and governments in Israel	36,680	36,680	-	-	2	-	(10)
Total activity in Israel	524,880	516,376	4,891	1,888	198	(48)	(5,178)
For borrower activity outside Israel							
Total, public - activity outside Israel	56,301	53,806	1,944	816	(30)(i)	140(i)	(277)
Foreign banks and governments	40,629	40,628	1	1	17	-	(29)
Total activity outside Israel	96,930	94,434	1,945	817	(13)	140	(306)
Total activity in and outside Israel	621,810	610,810	6,836	2,705	185	92	(5,484)

(a) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy), including in respect of derivatives.including 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 386,412, 75,250, 1,345, 37,962 and 120,841 million, respectively.

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

(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under “other liabilities”).

(d) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.

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

(f) Including housing loans extended to certain purchasing groups currently in the process of construction.

(g) For more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

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

(i) Regarding the results without Bank Leumi USA, loan loss income from total foreign operations - public amounted to NIS 44 million and net charge-offs amounted to NIS 100 million.

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

	September 30, 2021						
					Loan losses(c)		
	Total credit risk(a)(e)	Of which: Credit performance rating(e)	Of which: Troubled credit risk(d)	Of which: Non-performing credit risk(g)	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - Public-commercial							
Industry	27,442	26,791	545	183	(1)	(11)	(447)
Construction and real estate - construction(f)	73,742	73,254	346	83	98	(25)	(604)
Construction and real estate - real estate activity	38,933	38,215	252	143	(14)	(57)	(439)
Commerce	31,547	30,892	565	141	(132)	5	(340)
Financial services	42,154	42,146	8	4	(19)	(8)	(221)
Other sectors	50,223	48,214	1,709	790	(495)	(127)	(905)
Commercial - total	264,041	259,512	3,425	1,344	(563)	(223)	(2,956)
Private individuals - housing loans	103,328	99,982	701	18	(91)	4	(540)
Private individuals - Other	39,726	37,284	624	162	(57)	14	(719)
Total loans to the public - activity in Israel	407,095	396,778	4,750	1,524	(711)	(205)	(4,215)
Banks and governments in Israel	36,215	36,215	-	-	-	-	(1)
Total activity in Israel	443,310	432,993	4,750	1,524	(711)	(205)	(4,216)
For borrower activity outside Israel							
Total, public - activity outside Israel	74,198	69,287	3,127	1,437	(18)	84	(891)
Foreign banks and governments	60,526	60,525	1	1	-	-	(2)
Total activity outside Israel	134,724	129,812	3,128	1,438	(18)	84	(893)
Total activity in and outside Israel	578,034	562,805	7,878	2,962	(729)	(121)	(5,109)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,(b) bonds, securities borrowed or purchased under reverse repurchase agreements, assets for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 346,820, 76,840, 6,565, 13,772 and 134,037 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under “other liabilities”).
(d) On-balance sheet credit risk and off-balance-sheet credit risk that is performing, substandard or special mention.
(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(f) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(h) The comparative figures were not restated according to the new disclosure format of the definitions for on-balance sheet credit risk and off-balance sheet credit risk, which were revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy).

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

	December 31, 2021						
					Loan losses[c]		
	Total credit risk[a][e]	Of which: Credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk[g]	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - Public-commercial							
Industry	27,273	26,697	496	130	(1)	17	(417)
Construction and real estate - construction[f]	78,706	78,157	349	79	170	(28)	(682)
Construction and real estate - real estate activity	40,707	40,028	260	152	(2)	(66)	(468)
Commerce	32,951	32,496	394	126	(166)	14	(297)
Financial services	44,925	44,889	33	11	29	(8)	(268)
Other sectors	51,911	50,151	1,579	732	(597)	(137)	(814)
Commercial - total	276,473	272,418	3,111	1,230	(567)	(208)	(2,946)
Private individuals - housing loans	107,323	104,392	629	20	(141)	5	(489)
Private individuals - Other	40,133	37,890	653	204	(44)	20	(727)
Total loans to the public - activity in Israel	423,929	414,700	4,393	1,454	(752)	(183)	(4,162)
Banks and governments in Israel	34,854	34,854	-	-	-	-	(1)
Total activity in Israel	458,783	449,554	4,393	1,454	(752)	(183)	(4,163)
For borrower activity outside Israel							
Total, public - activity outside Israel	75,286	70,704	2,944	1,310	(60)	93	(819)
Foreign banks and governments	64,267	64,267	-	-	-	-	(2)
Total activity outside Israel	139,553	134,971	2,944	1,310	(60)	93	(821)
Total activity in and outside Israel	598,336	584,525	7,337	2,764	(812)	(90)	(4,984)

(a) On- and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 364,653, 82,568, 2,447, 13,811 and 134,857 million, respectively.
(b) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under "other liabilities").
(d) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.
(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(f) Including housing loans extended to certain purchasing groups currently in the process of construction.
(g) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.
(h) The comparative figures were not restated according to the new disclosure format of the definitions for on-balance sheet credit risk and off-balance sheet credit risk, which were revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy).

Risks to the construction and real estate industries

Activity and risk boundaries in the construction and real estate industry

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

Credit granted to the real estate sector is in line with the Bank's risk appetite, in accordance with macroeconomic projections, strict underwriting, a stringent financing and supervision method, property collateral and adequate pricing. As a result, and in an effort to continue being a dominant player in the industry, the Bank strives to make optimal and effective use of the internal and regulatory restrictions in this domain.

In the third quarter of 2022, the growth trend continued in terms of construction and real estate activity volumes, resulting in higher demand for business credit from the banking system and non-banking financing entities.

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

During the past months, demand for housing subsided, on the back of a macroeconomic environment characterized by rapidly rising inflation and interest rates as well as expected decline in growth. On the other hand, it is expected that the continued shortage of apartments relative to the supply will continue to drive demand in the mid- to long-term. The Bank is reviewing the effects of the rise in interest rates and slowdown in demand for housing in the past months on companies' liquidity. It is currently believed that the effect will be immaterial.

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

In recent years, growth in the real estate credit portfolio at Leumi was accompanied by a certain increase in LTV on the back of the growing competition in the market. Most of the increase in the LTV was in the financing of residential land and projects in high-demand areas.

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

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

On May 3, 2022, a final circular was published on the subject, expanding the reporting for the construction and real estate sector, effective from September 30, 2022. - The Bank will apply the requirements of the circular.

For details regarding the effect of the revision to Directive 203 on capital allocation in respect of financing land at an LTV ratio of over 80 percent, see under Regulatory and other changes in measuring the capital requirements, under Capital and Capital Adequacy in this report.

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

For more information on activity and risk boundaries in the construction and real estate industry, please see the Section "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2021.

Macroeconomic effects

In the residential construction industry, the relatively stable demand stems from the population growth rate and the supporting macroeconomic environment (strong recovery from the coronavirus crisis, low interest rate environment), which have resulted in a significant rise in home buying transactions in the past two years.
In the past year, the number of finished apartments continued to be lower than the demand.

However, in the past months, there began a decline in demand for housing purchases, on the back of a macroeconomic environment which is growing less supportive of demand for real estate properties as a result of a rapid rise in inflation and interest rates and expectations for lower growth rates. The weakening demand, in addition to the marked increase in housing starts recorded in the past year, may halt the rise in housing prices in the coming year and may even cause a moderate decline therein.

In the commerce domain, since the beginning of 2022, there has been a slowdown in the activity of the commercial sectors, in the context of the increase in Israelis' travel abroad and in view of the diminishing effect of the "pent-up demand" once the coronavirus restrictions have been lifted. Looking forward, these factors, along with additional factors (the damage from inflation and the rising interest on the public's purchasing power, the entry of a wide supply of commercial space, continued expansion in the share of online commerce) may lead to a slowdown in the commercial centers' activity in the coming year. Most of the slowdown is expected in large shopping centers, while neighborhood shopping centers may fare better.

In the office space domain, during the first half of 2022, the industry continued to reel from the coronavirus crisis, such that in most office building areas of Tel Aviv, occupancy rates and rent recovered their pre-crisis levels, and in Tel Aviv - even substantially exceeded them. On the other hand, office space in Petach Tikva and Bnei Brak featured lower occupancy rates than prior to the coronavirus crisis, due to strong supply pressures. It is expected that the supply of new office space will continue to grow substantially (especially in the Tel Aviv suburbs), while the economy continues to slow down; these factors are expected to put pressure on continued rise in prices and occupancy rates in the coming year.

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

For more information and details regarding the effect of the coronavirus crisis, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2021.

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

	September 30		December 31[b]	Change compared to December 31, 2021	
	2022	2021	2021		
	In NIS million			In NIS million	In %
On-balance-sheet credit risk[b]	**97,148**	85,054	90,905	6,243	6.9%
Guarantees for apartment buyers[a]	**9,481**	7,060	7,669	1,812	23.6%
Other off-balance-sheet credit risk[a][b]	**45,404**	36,862	37,872	7,532	19.9%
Total overall credit risk	**152,033**	128,976	136,446	15,587	11.4%

(a) In credit risk terms.
(b) Regarding the comparative results net of Bank Leumi USA, the balance sheet credit risk as of September 30, 2021 and as of December 31, 2021 amounted to NIS 76,928 million and NIS 82,289 million, respectively. In addition, the off-balance sheet credit risk as of September 30, 2021 and as of December 31, 2021 amounted to NIS 35,599 million and NIS 36,637 million, respectively.

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

	September 30, 2022			
	Total credit risk[a]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[b]				
Up to 45%	1,803		13,695	15,498
Over 45% and up to 65%	2,884		12,667	15,551
Over 65% and up to 80%	19,255		10,182	29,437
Over 80%	4,104		3,419	7,523
Absorption capacity[c]				
Absorption capacity up to 30		1,992		1,992
Absorption capacity from 30 to 40		4,747		4,747
Absorption capacity from 40 to 75		9,635		9,635
Absorption capacity of 75 or more		8,763		8,763
Project starts		6,783		6,783

(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 - the ratio between the balance overall credit risk as at the reporting date and the value of the real estate collateral securing the credit risk as at 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.

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

	September 30	December 31
	2022	2021
	Total credit risk[(a)]	
	In NIS million	
Housing	**61,239**	51,195
Office space	**19,145**	17,249
Industry	**6,375**	4,691
Commerce and services	**22,567**	22,590
Total overall credit risk secured by real estate collateral in Israel	**109,326**	95,725

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

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

	September 30	December 31	
	2022	2021	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**150,714**	134,002	12.5
Non-investment grade credit risk			
Non-troubled	**455**	1,165	(60.9)
Troubled performing[(a)]	**479**	740	(35.3)
Non-performing[(a)]	**385**	539	(28.6)
Total overall non-investment grade credit risk	**1,319**	2,444	(46.0)
Total	**152,033**	136,446	11.4

(a) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

Borrower Groups[1]

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

As of September 30, 2022, the Bank meets the restrictions prescribed by the directive.

For more information about borrower groups, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2021.

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

Exposure to Foreign Countries

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

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

	September 30, 2021		
	Exposure[(a)(b)(c)(h)]		
	On-balance-sheet	Off balance-sheet[(d)]	Total
	In NIS million		
USA	28,777	7,624	36,401
UK	22,149	12,985	35,134
France	1,446	2,434	3,880
Switzerland	2,622	1,724	4,346
Germany	3,774	1,389	5,163
Other	27,411	3,179	30,590
Total exposure to foreign countries	86,179	29,335	115,514
Of which: total exposure to GIPS countries[(e)]	973	259	1,232
Of which: total exposure to LDC countries[(f)]	1,083	917	2,000
Of which: total exposure to countries with liquidity issues[(g)]	176	17	193

Please see comments below.

Exposure to Foreign Countries (cont.)

	December 31, 2021		
	Exposure[(a)(b)(c)(h)]		
	On-balance-sheet	Off balance-sheet[(d)]	Total
	In NIS million		
USA	36,853	8,329	45,182
UK	19,793	10,971	30,764
France	1,887	2,355	4,242
Switzerland	2,455	2,303	4,758
Germany	3,262	1,501	4,763
Other	23,773	4,637	28,410
Total exposure to foreign countries	88,023	30,096	118,119
Of which: total exposure to GIPS countries[(e)]	608	300	908
Of which: total exposure to LDC countries[(f)]	1,331	1,161	2,492
Of which: total exposure to countries with liquidity issues[(g)]	208	50	258

(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 17 countries (as at September 30, 2021 - 11 countries; as at December 31, 2021 - 14 countries). The measurement does not include exposures to investment-grade countries, unless they were individually identified as having liquidity issues which may have a material effect on their solvency.
(h) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative figures were not restated.

Credit Exposure to Foreign Financial Institutions

Credit exposure to foreign financial institutions relates to banks, investment banks, brokers/dealers, insurers and institutional entities.

The Bank closely monitors the position of banks worldwide and frequently analyzes their financial robustness. The Bank maintains a shortlist of high-quality banks to which it has collective credit exposures.

The geopolitical events, as well as the measures taken by central banks across the world, may impact the financial position of financial institutions with which the Bank cooperates. The Bank monitors the financial position of the foreign financial institutions, as part of the management of its exposure to foreign financial institutions and is adjusting its exposure thereto in accordance with the changes in the risk environment.

Credit exposure to foreign financial institutions[(a)]

	As at September, 30, 2022[(e)]		
	On-balance-sheet credit risk[(b)(f)]	Current off-balance-sheet credit risk[(c)]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[(d)]			
AA- toAAA	**27,158**	**1,123**	**28,281**
A- to A+	**5,612**	**1,172**	**6,784**
BBB- to BBB+	**241**	**245**	**486**
B- to BB+	**30**	**20**	**50**
Lower than: B-	**10**	**-**	**10**
No credit rating	**70**	**-**	**70**
Total current credit exposure to foreign financial institutions	**33,121**	**2,560**	**35,681**

	As at September 30, 2021[(e)]		
	On-balance-sheet credit risk[(b)(f)]	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	30,715	799	31,514
A- to A+	5,793	947	6,740
BBB- to BBB+	192	174	366
B- to BB+	47	14	61
Lower than: B-	-	-	-
No credit rating	98	-	98
Total current credit exposure to foreign financial institutions	36,845	1,934	38,779

	As at December 31, 2021[(e)]		
	On-balance-sheet credit risk[(b)(f)]	Current off-balance-sheet credit risk[(c)]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[(d)]			
AA- to AAA	25,761	792	26,553
A- to A+	5,701	1,128	6,829
BBB- to BBB+	168	166	334
B- to BB+	15	18	33
Lower than: B-	-	-	-
No credit rating	94	-	94
Total current credit exposure to foreign financial institutions	31,739	2,104	33,843

(a) Foreign financial institutions include the following: banks, investment banks, brokers/dealers, insurers and institutional entities, as well as entities under their control.

(b) Deposits with banks, loans to the public, securities borrowed or purchased under reverse repurchase agreements, other on-balance sheet credit risk in respect of derivatives, and investments in bonds, including bonds of banks rated "subordinated" total NIS 603 million as of September 30, 2022 (as of September 30, 2021 - NIS 627 million and on December 31, 2021 - NIS 597 million).

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

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

(e) As of September 30, 2022, September 30, 2021 and December 31, 2021, there is no troubled credit risk vis a vis foreign financial institutions.

(f) On-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative figures were not restated.

Comments:

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

Housing Loan Portfolio Risks

Credit risk developments

Economic developments in Israel in recent years (a low interest environment, the affordable housing program, and an increase in housing prices) have led to a significant increase in housing loan provision, both for housing and investment purposes.

Despite the rising interest and inflation trend, the level of demand for mortgages remains high, in the third quarter of 2022 as well.

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

In the first nine months of 2022, new housing loan performance in Israel increased compared with the corresponding half last year.

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

	For the nine months ended September 30		Rate of change
	2022	2021	
	In NIS million		In %
By the Bank	**22,824**	19,339	18.0
By the government of Israel	**99**	114	(13.2)
Total new loans	**22,923**	19,453	17.8
Old recycled loans, from the Bank's funds	**1,776**	1,280	38.8
Total performance	**24,699**	20,733	19.1

The average loan extended by the Bank in the reporting period was NIS 992 thousand, compared to NIS 897 thousand in 2021 and NIS 781 thousand in 2020.

Regulatory changes:

- On August 31, 2022, the amendment of Proper Conduct of Banking Business Directive 451 entered into effect. The purpose of the directive is to increase information transparency to customers and improve the competitive environment in the mortgage sector. On pre-approval, a banking corporation is required to provide customers with three uniform tracks and an additional "suggested track" - a track that is recommended to the customer.
  Loans such as: all-purpose loans secured by residential properties if the loan is not intended to purchase real estate rights, and for housing loans that are not secured by residential properties (such as home-improvement loans), provided the loan period is less than 10 years were excluded from the requirement to present uniform tracks.
- Customers can access an online tool - a calculator - to enable them to run loan scenarios for various amounts and periods.
- Customers are notified in writing whether or not their application has been approved up to 5 working days from the date on which the loan application was submitted. In unusual cases, where loans are predefined in a bank's credit policy, preapproval will be provided within 7 working days, and customers will be informed about the delay and reasons thereto.
- According to the directive, customers are provided with information about their accounts using an online application. When customers do not consume information online, representatives are required to provide them with written information.
- Uniform rules have been set to calculate the "overall expected interest" in the banking system.
- On August 22, 2022, an amendment to the Banking Law (Customer Service) was published, which set a ceiling for the portfolio opening fee for a housing loan, in the amount of NIS 360.
- On October 6, 2022, Proper Conduct of Banking Business Directive 329B, Selling Housing Loans and Collaboration in Providing Housing Loans was published The directive became effective upon its publication.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS million	In %
December 31, 2020	89,594	7.0
December 31, 2021	103,109	15.1
September 30, 2022	**116,530**	**13.0**

As aforementioned, in 2020 and 2021, there was an increase in the extent of housing loans, inter alia, due to the rallying of the real estate market as a result of the maturing of affordable housing projects and partial recovery of investments. The increase continued in the first nine months of 2022.

As part of its monitoring of risk centers in the housing loans portfolio, the Bank also monitors characteristics of the portfolio and new credit, including the new credit's breakdown by loan-to-value ratios (loan-to-value ratio (LTV) is the ratio of total credit approved for the borrower - even if it has not yet been actually extended either in full or in part - out of the value of the mortgaged property during the approval of the credit facility) and the repayment ratio (the repayment ratio is defined as the ratio between the available monthly income and monthly repayment).

Development of the outstanding housing loans portfolio based on linkage bases and as a percentage of the Bank's outstanding loans portfolio

	Non-linked segment				CPI-linked segment				Foreign currency segment		
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		
	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Outstanding balance in NIS millions	Percentage of the loans portfolio	Total loans portfolio, in NIS millions
December 31, 2020	18,904	21.2	36,380	40.6	14,077	15.7	19,658	21.9	575	0.6	89,594
December 31, 2021	23,325	22.6	42,655	41.4	15,203	14.7	21,440	20.8	486	0.5	103,109
September 30, 2022	**28,081**	**24.1**	**48,931**	**42.0**	**15,747**	**13.5**	**23,280**	**20.0**	**491**	**0.4**	**116,530**

Development of new housing loans by interest track, in Israel

The following table outlines the development of the new credit performance by variable and fixed interest tracks (a variable-interest loan's interest rate may change over the loan period):

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
	Rate of performance							
	In %							
Fixed - linked	**9.1**	8.6	9.2	11.0	12.4	16.0	16.2	16.7
Variable every 5 years or more - linked	**5.9**	9.3	12.4	14.1	14.8	15.5	16.9	18.5
Variable up to 5 years - linked	**8.9**	6.6	4.5	3.0	1.2	0.4	0.1	-
Fixed - non-linked	**30.8**	32.4	32.4	30.3	27.3	26.5	28.8	29.5
Variable every 5 years or more - non-linked	**0.6**	1.0	1.3	1.3	1.5	1.6	1.7	3.1
Variable up to 5 years - non-linked	**44.6**	42.0	40.0	40.1	42.6	39.9	36.3	32.2
Variable - Foreign currency	**0.1**	0.1	0.2	0.2	0.2	0.1	-	-

The percentage of new variable-interest housing loans granted by the Bank in the first nine months of 2022 was 59.2 percent, compared to 57.9 percent during 2021. As of January 17, 2021, according to the limit on variable interest loans, the ratio between the portion of the loan in variable interest and the total loan amount shall not exceed 66.66 percent.

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

	Recorded outstanding debt	Amount in arrears or non-performing	Percentage of recorded outstanding debt
	In NIS million		In %
December 31, 2020	90,228	720	0.80
December 31, 2021	103,599	609	0.59
September 30, 2022	**116,895**	**520**	**0.44**

(a) For more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

As of September 30, 2022, the outstanding loan loss provision, which includes the collective provision for housing loans (hereinafter - the "collective provision"), is NIS 365 million, constituting 0.31 percent of the housing loans' outstanding balance, compared with NIS 489 million as at December 31, 2021, which constitutes 0.47 percent of the outstanding housing loan balance.

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

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

	2022	2021					2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Annual average
LTV ratio	In %[a]							
Over 60 and up to 70, inclusive	**22.4**	22.7	23.2	21.7	21.8	22.4	20.7	19.7
Over 70 and up to 75, inclusive	**25.6**	25.8	25.4	23.2	24.3	23.6	21.5	19.1
Over 75	**0.3**	0.2	0.2	0.1	0.1	0.1	0.2	0.2

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

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

The average LTV of the outstanding loan portfolio as at September 30, 2022 stands at 48.4 percent, compared with 47 percent in 2021.

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

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.

The percentage of loans granted in the first nine months of 2022 with a repayment ratio of less than 2.5 at the loan approval date was 0.31 percent of total number of new loans compared with 0.29 percent in 2021.

The calculation is in accordance with the Bank of Israel's Reporting Directive No. 876.

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

In the first nine months of 2022, the percentage of new housing loans in which the loan terms under the loan agreements are longer than 25 years, stood at an average of 48 percent of the total new loans, compared with an average of 39.5 percent in 2021.

For more information, please see the section entitled "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2021.

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

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

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

The Bank extended and boosted the ongoing monitoring of its entire consumer credit portfolio, while adhering to strict underwriting, there is ongoing monitoring at the individual borrower and aggregate level, based, inter alia, on an internal set of indicators.

For further information and details regarding the macroeconomic effects, see under "Macroeconomic effects" earlier in this section.

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

	Balance of credit risk
	In NIS million
December 31, 2020	43,108
December 31, 2021	40,121
September 30, 2022	**44,157**

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

	September 30, 2022		December 31, 2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**5,575**	**18.4**	4,785	17.3
Over one year to 3 years	**5,251**	**17.3**	5,253	19.0
Over 3 years to 5 years	**7,930**	**26.1**	7,983	28.9
Over 5 years to 7 years	**6,519**	**21.5**	5,396	19.5
Over 7 years	**2,525**	**8.3**	2,023	7.3
No repayment term[(a)]	**2,568**	**8.4**	2,219	8.0
Total	**30,368**	**100.0**	27,659	100.0

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

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

Credit risk amount in NIS thousands		**September 30, 2022**		December 31, 2021	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	**6,704**	**15.2**	6,122	15.2
25	50	**6,192**	**14.0**	5,957	14.8
50	75	**5,265**	**11.9**	5,078	12.7
75	100	**4,225**	**9.6**	4,058	10.1
100	150	**6,683**	**15.1**	6,337	15.8
150	200	**5,065**	**11.5**	4,469	11.2
200	300	**5,603**	**12.7**	4,482	11.2
Over 300		**4,420**	**10.0**	3,618	9.0
Total overall credit risk		**44,157**	**100.0**	40,121	100.0

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

	September 30, 2022		December 31, 2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	**6,921**	**15.7**	5,782	14.4
Car purchase loans (secured)	**1,455**	**3.3**	1,305	3.3
Other loans	**21,992**	**49.8**	20,572	51.3
Total on-balance sheet credit risk	**30,368**	**68.8**	27,659	69.0
Unutilized current account credit facilities	**7,202**	**16.3**	6,948	17.3
Unutilized credit card facilities	**6,227**	**14.1**	5,265	13.1
Other off-balance-sheet credit risk	**360**	**0.8**	249	0.6
Total off-balance-sheet credit risk	**13,789**	**31.2**	12,462	31.0
Total overall credit risk	**44,157**	**100.0**	40,121	100.0

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

	September 30, 2022				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	**28,743**	**33**	**121**	**28,897**	**95.2**
Fixed interest loans	**1,420**	**12**	**39**	**1,471**	**4.8**
Total on-balance sheet credit risk	**30,163**	**45**	**160**	**30,368**	**100.0**

	December 31, 2021				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	26,245	37	64	26,346	95.3
Fixed interest loans	1,282	16	15	1,313	4.7
Total on-balance-sheet credit risk	27,527	53	79	27,659	100.0

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

	September 30 2022	December 31 2021
	In NIS million	
Deposits by the public	**102,825**	96,857
Securities portfolios	**52,273**	58,478
Total financial asset portfolio	**155,098**	155,335
Total indebtedness to customers with financial asset portfolios	**32,422**	30,493

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

	September 30, 2022		December 31, 2021	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**2,877**	**9.5**	2,586	9.4
Of which: loan accounts[(b)]	**1,838**	**6.1**	1,732	6.3
Less than NIS 10 thousand	**6,773**	**22.3**	6,891	24.9
More than NIS 10 thousand and less than NIS 20 thousand	**10,278**	**33.8**	9,628	34.8
NIS 20 thousand or more	**10,440**	**34.4**	8,554	30.9
Total	**30,368**	**100.0**	27,659	100.0

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

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

As aforesaid, the Bank's credit policy towards private individuals is based on a borrower's repayment capacity in relation to their income. As a result, over 90 percent of the balance-sheet credit is from fixed-income earners.

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

	September 30	December 31
	2022	2021
	In NIS million	
Non-troubled credit	**29,689**	27,022
Troubled performing loans[(a)]	**482**	433
Troubled non-performing loans[(a)]	**197**	204
Total on-balance sheet credit risk	**30,368**	27,659
Percentage of troubled credit risk out of balance sheet credit risk for private individuals	**2.2%**	2.3%
Charge-offs, net (for the period ended)	**74**	20
Balance of loan loss provision	**741**	716

(a) For more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2; comparative results are presented in accordance with the new disclosure format.

For more information, including regarding troubled debt and loan loss expenses, please see Note 6, Note 13, and the section entitled Risk Exposure, Credit Risk, under the Total Credit Risk to the Public by Economic Sector. And in the Credit Risks section in the Report of the Board of Directors and Management as at December 31, 2021.

For more information about this segment, please see under "Credit Risks" in the Report of the Board of Directors and Management as at December 31, 2021.

The Bank's Exposure to Leveraged Loans

According to Proper Conduct of Banking Business Directive No. 311, the Bank's credit policy should also address leveraged financing. The Bank's credit policy for this segment is subject to unique principles, including with respect to financial criteria, credit authorizations, etc.

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

Outstanding aggregated credit granted to leveraged borrowers

	September 30						December 31		
	2022			2021			2021		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
Economic sector	In NIS million								
Mining and quarrying	**269**	**-**	**269**	-	-	-	-	-	-
Commerce	**263**	**11**	**274**	-	-	-	-	-	-
Transportation and storage	**951**	**617**	**1,568**	798	37	835	765	37	802
Hotels, hospitality and food services*	**948**	**68**	**1,016**	594	22	616	557	122	679
Construction and real estate*	**160**	**284**	**444**	189	260	449	107	380	487
Financial services and insurance services	**-**	**-**	**-**	250	101	351	244	101	345
Water supply, sewage services, waste and garbage treatment and purification services	**259**	**-**	**259**	270	-	270	265	-	265
Provision of power, gas, steam and air conditioning	**-**	**311**	**311**	1	290	291	2	299	301
Total	**2,850**	**1,291**	**4,141**	2,102	710	2,812	1,940	939	2,879

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

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

* Of which NIS 5 million in credit for which a specific provision was recorded as at September 30, 2022.

** Of which NIS 6 million in credit for which a specific provision was recorded as at September 30, 2022.

Market Risks

Market risk is defined as the risk of loss arising from a change in the value of assets and liabilities due to changes in market prices, interest rates, exchange rates, inflation rate and stock prices. Market risk exposure is reflected in the financial performance, in the fair value of the assets and liabilities, in shareholders' equity and in cash flows.

The Bank complies with the Banking Supervision Department's directives regarding management of the Group's market risks, including Proper Conduct of Banking Business Directive No. 333, "Interest Rate Risk Management", and No. 339, "Market Risk Management". To implement these directives, the Bank established basic principles and control mechanisms for these risks, including defining the purviews of management and the Board of Directors, the means of control and tools for measuring risk and the means of control as well as oversight of these risks, while implementing corporate governance which includes three lines of defense.

During the reporting period, there were no significant changes in the corporate governance structure, policies and market risk management. We shall note that the Bank of Israel has approved to alter the measuring method, for regulatory capital purposes, of pension liabilities and assets designed to hedge these liabilities, as outlined below.

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

The increase in inflation rates and inflation forecasts has resulted in central banks launching sharp interest rate increases in order to slow down price increase rates, even at the cost of a significant slowdown; during the third quarter, the increase in the interest curves continued, reflecting, among other things, the future forecast for the central banks' interest rates.

Alongside the interest rate increases, and in view of concerns of a global recession, the prices of financial assets have also continued to decline in the third quarter of 2022. Thus, the price drops in the leading stock indices continued and the marketable credit margins remained relatively high.

The increases recorded, for the third consecutive quarter, in the NIS and USD bond yields had a negative effect on the capital reserve, and on the other hand, it led to a sharp decrease in the value of the actuarial liabilities. The increase in the rate of inflation contributed to the Bank's interest income, as outlined above.

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

Market Risk Management Policy

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

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

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

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

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

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

Exposure to market risks arising from the employee pension liabilities

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

Manner of measuring the pension liabilities for regulatory capital purposes

On September 5, 2022, the Bank's Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to alter the manner of measuring the pension liabilities for the purpose of regulatory capital. For details regarding the affect of the transition to the new method, see Note 9B.

For quantitative information regarding market risks, please see section entitled Market Risks in the Risk Management Report as at September 30, 2022.

For an analysis of the changes in other comprehensive income, please see the section entitled "Material Developments in Income, Expenses and Other Comprehensive Income" in the Report of the Board of Directors and Management.

Interest Rate Risk

Interest rate risk is the risk of gains or capital arising from interest rate fluctuations and stems from several sources, as follows: repricing risk (timing differences in terms to maturity and repricing dates of assets, off-balance-sheet liabilities and positions); yield curve risk (unexpected fluctuations in the yield curve); basis risk (less than perfect correlation between interest rate changes in various financial markets or in various instruments with similar repricing characteristics); and optionality risk (change in the timing or scope of cash flows from a financial instrument due to changes in market interest rates).

The Bank manages the interest rate risk and its effect on profitability, equity, assets and liabilities, under various assumptions of interest rate changes, including severe interest rate stress scenarios based on historic scenarios and hypothetical simulations. The Bank also uses a model which estimates the change in the expected finance income as a result of changes in the interest rate and future interest rate spread as well as the sensitivity of regulatory capital, which includes the effects on capital and capital reserve of a sudden change in the interest rate. These indicators are restricted by various hierarchical levels.

In effect, the interest rate risk is measured and managed on the basis of various behavioral assumptions regarding repayment dates of the assets and liabilities. According to past experience, the Bank treats some of the current account balances as a long-term liability. In addition, assumptions about early repayments of mortgages are based on a statistical model that attempts to forecast early repayment based on interest rates. Such estimates are of great significance in managing interest rate risks, inter alia, due to the marked increase in these balances in recent years. Due to the sharp interest rate hikes recorded in 2022, these models are continually monitored and the need for revising them is assessed periodically.

The tools for managing the exposures in the banking portfolio are: the price policy; the management of the Bank's own bonds portfolio; the issue of debt instruments; off-balance sheet transactions, and more. In addition, the exposures management relies, inter alia, on forecasts and work assumptions regarding the expected developments in the money and capital markets in Israel and abroad.

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

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

For more information, please see the section entitled Interest Rate Risk, please see the Risk Management Report as at December 31, 2021.

Discontinuation of LIBOR

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the dollar LIBOR, which will be discontinued in June of 2023.

On October 3, 2021, the Banking Supervision Department published the Proper Conduct of Banking Business Directive No. 250A, LIBOR transition. The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure proper preparation, while addressing the potential risks embodied in the transition. In addition, the directive addresses aspects of fairness and disclosure required vis-a-vis customers. The directive covers both current agreements and new agreements.

When selecting the new interest base rates and adopting the alternative calculation methods, the Bank took into account the recommendations of the committees and work groups for the various currencies, including the International Swaps and Derivatives Association (ISDA) and fairness considerations. The Bank updated the relevant customers regarding the expected change, and posted it on its website. As of January 2022, the Bank is transitioning to the new base rates for each of the relevant currencies, and continues its preparations, inter alia, for the discontinuation of the USD LIBOR.

For more information, please see Note 1.Y. in the financial statements as at December 31, 2021.

Following is a breakdown of outstanding balances of contracts at the Group level, as of September 30, 2022, which are affected by the LIBOR interest, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR*:

	September 30, 2022
	In NIS million
Loans	3,982
Securities	3,253
Derivatives (gross) - par value	77,058

* LIBOR transactions in USD - after June 2023.

Quantitative information about interest rate risk - sensitivity analysis

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

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

	September 30, 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[a]	28,900	(1,799)	27,101
Of which: banking portfolio	28,441	(2,201)	26,240

	December 31, 2021		
	NIS	Foreign currency	Total
	In NIS million		
Adjusted net fair value[a]	28,797	(815)	27,982
Of which: banking portfolio	27,762	(992)	26,770

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

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

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

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

	September 30, 2021		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	218	(198)	20
Of which: banking portfolio	251	(179)	72
Simultaneous decrease of 1 percent	(553)	(56)	(609)
Of which: banking portfolio	(604)	(24)	(628)
Non-simultaneous changes			
Steepening[(b)]	(110)	(126)	(236)
Flattening[(c)]	8	(88)	(80)
Short-term interest rate increase	177	(145)	32
Short-term interest rate decrease	(191)	150	(41)

	December 31, 2021		
	NIS	Foreign currency	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	233	19	252
Of which: banking portfolio	331	(17)	314
Simultaneous decrease of 1 percent	(1,186)	(136)	(1,322)
Of which: banking portfolio	(1,290)	(131)	(1,421)
Non-simultaneous changes			
Steepening[(b)]	247	11	258
Flattening[(c)]	(259)	(175)	(434)
Short-term interest rate increase	26	(199)	(173)
Short-term interest rate decrease	(2)	211	209

(a) Net fair value of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability, which takes into account the relating plan assets and attribution of demand deposits to periods.
(b) Steepening - a short-term decrease in the interest rate and long-term increase in the interest rate.
(c) Flattening - increase in interest rate in the short-term and decrease in the long-term.

* After netting effects.

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

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

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

	September 30, 2021		
	Interest income	Non-interest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	977	186	1,163
Of which: banking portfolio	977	237	1,214
Simultaneous decrease of 1 percent	(1,453)	(218)	(1,671)
Of which: banking portfolio	(1,453)	(237)	(1,690)

	December 31, 2021		
	Interest income	Noninterest finance income	Total*
	In NIS million		
Simultaneous changes			
Simultaneous increase of 1 percent	1,092	191	1,283
Of which: banking portfolio	1,092	254	1,346
Simultaneous decrease of 1 percent	(1,464)	(154)	(1,618)
Of which: banking portfolio	(1,465)	(253)	(1,718)

* After netting effects.

Foreign exchange rate risk

During the third quarter of 2022, the effect of the change in foreign currency rates on the net income was immaterial since the Bank does not have substantial Forex exposures.

Liquidity Risk

Liquidity risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss. The Leumi Group's liquidity risk management policy is part and parcel of its strategic business management and is adapted to the requirements of Proper Conduct of Banking Business Directive No. 342, Liquidity Risk Management, and the requirements of Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, and the requirements of Proper Conduct of Banking Business Directive No. 222, Net Stable Funding Ratio, which adopt the recommendations of the Basel III Committee, with adjustments for the Israeli economy.

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

Leumi monitors its liquidity position using indicators capable of providing early warning of changes in the liquidity position, inter alia, by using a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel's directives and accepted international standards.

On October 31, 2022, the Banking Supervision Department published final versions of the amended Proper Conduct of Banking Business Directive No. 221 (Liquidity Coverage Ratio - LCR) and No. 222 (Net Stable Funding Ratio - NSFR). In addition, the Banking Supervision Department published revisions to FAQ files for these directives, as follows: On May 25, 2022 – to Directive No. 222 (Net Stable Funding Ratio – NSFR) and on October 31 - to Directive No. 221 (Liquidity Coverage Ratio - LCR). The date of application of the changes to the measurement of liquidity ratios LCR and NSFR is from January 1, 2023. In addition to the above, on November 2, 2022, an update was published for the Proper Conduct of Banking Business Directive (221) regarding the liquidity coverage ratio and for the question and answer regarding the recognition of operational deposits in relation to the liquidity coverage. The Bank is preparing to apply the changes derived from these directives on the required date.

During the third quarter of 2022, there was an increase in the average liquidity coverage ratio compared to the second quarter of 2022, mostly due to the issuance of share capital and subordinated bonds and higher deposit taking than the increase in credit granting.

Liquidity coverage ratio

	For the three months ended		
	September 30		December 31
	2022	2021	2021
	In %		
a. Consolidated data			
Liquidity coverage ratio	**127**	131	124
Minimum liquidity coverage ratio required by the Banking Supervision Department[(a)]	**100**	100	100
b. Banking corporation's data			
Liquidity coverage ratio	**124**	130	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100	100

Note: Based on an average of daily observations.

(a) The Bank is examining the methodology of calculating the liquidity ratio; the Bank believes that applying a new methodology, if any, will leave the Bank with a higher liquidity ratio that the regulatory requirements. Due to the aforesaid, and in coordination with the Banking Supervision Department, the Bank set, at this stage, an internal liquidity coverage ratio of 115 percent that exceeds the minimum 100 percent liquidity coverage ratio required by the Banking Supervision Department.

For more information, please see the section entitled Liquidity Risk in the Risk Management Report as at December 31, 2021 and Note 9.B.

Net stable funding ratio

	As at September 30	As at December 31
	2022	2021
	In %	
a. Consolidated data		
Net stable funding ratio	**126**	131
Net stable funding ratio set by the Banking Supervision Department	**100**	100
b. Banking corporation's data		
Net stable funding ratio	**125**	131
Net stable funding ratio set by the Banking Supervision Department	**100**	100

Net stable funding ratio is intended to improve the resilience of the liquidity risk profile of banking corporations in the long term by requiring them to maintain stable funding profiles according to their asset composition and off-balance-sheet activities. The ratio prevents banking corporations from over-reliance on short-term wholesale financing. The measurement is made both on the consolidated and separate levels each quarter; the requirement is to meet a 100 percent ratio.

Operational Risks

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

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

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

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

Main operational risk areas:

Information security and cyber risk

The increase in cyber attacks on financial organizations in Israel and around the world, as well as on entities in their supply chains continues. The characteristics of the attacks are varied and include ransomware attacks, phishing and social engineering attempts. The exposure to the probability of a cyber event materializing increases as a result of a wider use of digital channels.

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

During the third quarter of 2022, no cyber incidents were discovered which affected the Bank's financial statements.

Technological risk

Leumi attributes great importance to ensuring that the technological infrastructure servicing its customers and employees will enable business and operational availability and continuity, and invests considerable resources to that end. The Bank implements a new product policy, which outlines the risk management processes involved in introducing new products, including new technological initiatives and innovation.

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

The human resource risk

The changes in the business and banking environment have had a bank-wide effect of the human capital domain as well, inter alia due to the need to adjust the work force and boost managerial skills in a changing world, including managing telecommuting and employee engagement. Leumi uses various means to handle risk, including: improving hiring capabilities, expanding hiring channels, knowledge conservation, as well as retention of employees with technological skills or unique business knowledge.

For more information about operational risk and main risk areas, please see the "Operational Risks" section in the Report of the Board of Directors and Management as at December 31, 2021.

Environmental Risk

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

Environmental risks arise from the Bank's exposure to activities which may potentially cause environmental damage or be effected therefrom, such as: greenhouse gas emissions, waste creation, air or water pollution, soil contamination, compromised biodiversity, deforestation and extreme weather events.
Environmental and climate-related risks are usually divided into two:

- Physical risks - arise from exposure to potential harm due to the scope and frequency of climate change, such as heat waves, floods, and rise in sea level. The materialization of this risk has a direct effect, inter alia, on the Bank's own activity and its business continuity capabilities, as well as on the activity of its customers and their investments.
- Transition risks - arise from the potential effect of changes and adjustments made in addressing climate-related risks and the efforts to mitigate them: such as policy changes, transitioning to low-carbon economy, adoption of environmentally-friendly technologies, technological changes, changes in market preferences, in the business environment, etc.

The Bank is exposed to these risks both directly and indirectly. Thus, environmental risks may have a financial and non-financial impact on the Bank, such as credit risk, market risk, operational risk, compliance risk, legal risk, regulatory risk, reputational risk, and liquidity risk.

As a significant actor in the financial market, and especially in banking, and as a leading, dominant group in the Israeli economy, Leumi recognizes its responsibility and commitment to creating a material impact on the environment, society and corporate governance (ESG):

In this context, Leumi features in several initiatives and ratings in the field of sustainability and corporate responsibility, including the Maala rating - Platinum Plus, MSCI, GOOD4FTSE, GRI, and CDP. In addition, during the third quarter, Leumi was rated among the 10 leading companies in the ESG100 Entropy index, which includes the 100 publicly traded companies with the highest ESG ratings in Israel out of those listed on the TA-125 index.

On November 7, 2022, the Banking Supervision Department published a draft revision to the Reporting to the Public Directives, Environmental, Social and Governance – ESG. The draft extends the disclosure requirements on managing climate risks; in the Reporting to the Public Directives, examples were added for recommended qualitative and quantitative disclosures in respect to managing the environmental risks and opportunities for banking corporations, including climate risks.
The directive applies beginning on the 2022 ESG Reports.

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

For more information, please see the section entitled "Environmental risk" in the Report of the Board of Directors and Management as at December 31, 2021 and the annual Risk Management Report as at December 31, 2021.

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

Other Risks

Regulatory Risk

Regarding regulatory risk, please see the section entitled “Risk Review” in the Report of the Board of Directors and Management as of December 31, 2021.

Compliance Risk

Regarding compliance risk, please see the section entitled “Risk Review” in the Report of the Board of Directors and Management as of December 31, 2021.

In addition, due to the Russia-Ukraine war, numerous countries and global organizations have imposed substantial economic sanctions on individuals, entities, sectors and geographic areas. Leumi applies the sanctions according to its policy.

For information regarding a monetary sanction imposed by the Banking Supervision Department, see Note 10.C.

Legal Risk

Regarding legal risk, please see the section entitled Risk Review in the Report of the Board of Directors and Management as of December 31, 2021.

Macroeconomic Risk

Macroeconomic risk is the risk to the Group's income and capital arising from macroeconomic conditions, including a low interest rate environment, global political power relations and their impact on international trade.
The current risks are impacted by the measures taken to address inflation. Central banks are rapidly tightening the monetary expansion, while raising interest rates and taking various quantitative reduction measures. These developments have adversely affected the financial markets’ stability. In addition, inflation is reducing the public’s purchasing power and adversely affecting economic activity. These developments, along with the economic effects of the war in Ukraine, have hurt consumers’ trust and businesses’ trust in many part of the world, resulting in a slowdown in global economic growth rates.

The tightening of financial conditions and growing rate of inflation, along with the economic effects of the Russia-Ukraine war, have resulted in a considerable reduction in economic growth forecasts for 2022-2023 by large international entities, such as the OECD and IMF. The ramifications of the crisis for the global economy and domestic activity, as well as for the Bank’s business, may be substantial. This constitutes possible severe harm to business activity of sensitive industries such as private consumption and some export industries, as well as indirect impacts on a wide range of industries in the fields of commerce, services and non-residential real estate.

The continuation of the Ukraine-Russia crisis and the possibility of the development of additional geo-political crises add to the potential for volatile global economic processes. Besides the effects of the war in Ukraine, the monetary reduction risks, and the risk of the coronavirus recurring, there are risks stemming from the effects of climate change.

The Bank is assessing its ability to withstand adverse macroeconomic developments using systemic stress scenarios, using uniform stress scenarios following a request by the Banking Supervision Department. In addition, ongoing monitoring and follow up of market developments are conducted in order to prepare in advance and adapt the activity, as needed.

For more information regarding reputational risk, strategic risk, model risk and conduct risk, please see under “Other Risks” in the Report of the Board of Directors and Management dated December 31, 2021.

Critical Accounting Policies and Estimates

Overview

The financial statements are prepared in accordance with the generally accepted accounting principles and the directives and instructions of the Banking Supervision Department regarding the preparation of annual and quarterly financial statements of a banking corporation as detailed in Note 1 to the Financial Statements as of December 31, 2021, with the exception of the subject of Current Expected Credit Losses (CECL) and additional related directives on the subject published by the Banking Supervision Department, which are implemented by the Bank starting January 1, 2022 and are extensively detailed below.

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles and directives of the Banking Supervision Department requires Management to use estimates and assessments which affect the reported amounts of assets and liabilities as well as income and expense amounts.

The actual results of these estimates may differ from the estimates and/or assessments. In most cases, the estimates and assessments are based on economic forecasts, assessments regarding various markets and past experience, while exercising discretion. Management believes the estimates and assessments to be reasonable at the time of signing the financial statements.

For additional information, please see the section entitled Critical Accounting Policies and Estimates in the financial statements as at December 31, 2021.

Collective Loan Loss Provision and Classification of Troubled Debts

As of January 1, 2022, the Bank is implementing the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL) ASC 326, Financial Instruments - Credit Losses. The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses. The purpose of the new rules is to improve the quality of reporting on a banking corporation's financial position by early recording of the loan loss provisions so as to in order to support a swifter response by banks to a deterioration in borrowers' credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The rules are based on existing methods and processes.

As a result of applying the new rules, the Bank updated and adjusted the loan loss provision methodology; according to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank's estimates are based on past losses after adjustment due to credit characteristics, adjustment for current economic conditions and reasonable future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, current economic and expected conditions, etc. The Bank's estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time.

The Bank has set procedures to maintain a loan loss provision adequate for covering the current expected credit losses arising from its loan portfolio, including off-balance sheet credit risk.

As a rule, the estimate of a current expected credit losses is calculated over the contractual period of the financial asset, taking into account early repayment estimates according to quantitative methods formulated by the Bank, and taking into account expected restructuring of troubled debt with the borrower, as applicable. A provision calculated on a collective basis for loans is based, as a rule, on the recorded outstanding debt, net of interest accrued as at the reporting date.

The measurement of the loan loss provision is based on segmenting the Bank's credit portfolio into groups sharing similar risk characteristics (a process called "segmentation"). Following is a summary of the Bank's approach to segmentation relating to portfolios, economic sectors and business functions: The Bank segments the loans to the public to four main portfolios, each of which is divided into sub-groups: (1) Business-commercial credit in the Corporate Division; (2) Commercial credit, which mainly reflects credit to small businesses, in the Banking Division; (3) Non-housing loans to private individuals; and (4) Housing loans. In general, commercial credit is segmented into economic sectors, while credit to private individuals is segmented into main business lines. As for housing loans, the measurement is based on characteristics at the individual loan level. In the next stage, the Bank distinguishes between non-troubled and troubled credit.

The loan loss provision is comprised both from a quantitative level and a qualitative level, as follows: past losses, loss given default, a comprehensive framework for qualitative adjustments (Q-factor) and one-year macroeconomic forecasts.

The provision to cover the current expected credit losses in the loan portfolio is estimated through one of the two tracks: a collective provision and an individual provision. For information, please see Note 1.B.1.

Collective provision

1. In non-housing segments, the provision is usually estimated using the loss-rate method. This process is initially based on average past losses in the portfolio, represented by net charge-offs as from 2011 and until the quarter preceding the reporting date. Past losses are adjusted later in the process, using a series of risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, concentration of the credit portfolio, risk ratings, the Bank's credit provision policy and procedures, and additional terms and conditions. The process is intended to adjust the historic information so as to reflect the level at which the current term conditions and reasonable supportable forecasts may be different than the terms and conditions prevalent during the period in which the historic information was assessed. In the next stage, the Bank incorporates reasonable and well-substantiated forecasts for one year, followed by one year for historical data, adjusting for current conditions, on a linear basis. At the end of the process, the provision for estimates is adjusted for expected recoveries in respect of charged off debts. Changes in these estimates are recognized as incurred against the loan loss provision.

   The provision for off-balance sheet credit is recognized for obligations that may not be unconditionally terminated by the Bank, and is based on the segmentation described above, taking into account the Bank's estimates regarding the reasonableness of utilizing the various off-balance sheet items (i.e., credit conversion coefficients). These estimates are based both on past experience of the Bank - which indicates utilization rates - and on subjective judgment. The provision is presented in the balance sheet under "Other liabilities".

   This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding current expected credit losses.

2. In the housing loans segment, the Bank measures the current expected credit losses based on the probability of default and loss given default. The process also begins with historic information, which is adjusted for current conditions and reasonable substantiable forecasts or a period of one year. Following this period, the Bank reverts to three years of historic information adjusted for current conditions on a linear basis. The provision for off-balance sheet credit is recognized based on the Bank's estimates relating to the probability of utilizing the binding credit facilities. Changes in the loan loss provision for housing loans, including for housing loans classified as non-performing, are presented as loan loss expense for debts examined on a collective basis.

Classification of troubled debts and specific provision

The Bank assesses the loan portfolio on an ongoing basis and in accordance with procedures in order to identify, as soon as possible, borrowers whose risk level and exposure increased and who require special supervision and close monitoring by management. This is either due to risk characteristics or as a result of economic/market conditions that might have an adverse effect on the borrowers, aiming to improve their condition. As to corporate customers, judgment is exercised by corporate department's employees dealing with the borrower in order to assess the extent of the problem, which is then assessed by the Credit Risk Management units of the Risk Management Division with the aim of making an objective assessment, to the extent possible, of the identified problems in order to determine the borrower's risk rating.

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

Non-performing debts, excluding housing loans, are debts which the Bank believes do not share the risk characteristics of performing debts and therefore estimates the provision for them on a specific basis.

As part of its credit risk management activities, the Bank applies measures to identify troubled debts across each business line (in accordance with its unique characteristics) as early as possible. In the Corporate Division, the assessment is based, inter alia, on criteria which constitute red flags for troubled debts. Accordingly, if needed, the risk rating is updated and the debt is defined as sensitive. The Retail Banking Division identifies sensitive customers mainly in an automated manner, based on criteria predefined for this type of customers.

Customers identified as sensitive are reassessed each quarter, prior to the publication of the financial statements.

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

According to revised Proper Conduct of Banking Business directives, the Risk Management Division is responsible for setting appropriate classifications and allowances for credit losses. In addition to the discussions held by business divisions’ managements and by representatives of the Risk Management Division, the Bank’s Provisions Committee, headed by the President and CEO, holds quarterly discussions as to the aggregate amount of the provisions required for that quarter and the classification of specific provisions (in excess for a stipulated threshold amount).

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

Impairment of securities in the available-for-sale portfolio

The Bank estimates the current expected credit losses for bonds in the available-for-sale portfolio at each reporting date when the fair value of the security is lower than its depreciated cost. In any such case, the Bank examines whether there is an intention to sell the security or whether the Bank believes that it is more likely than not that it will be required to sell the security before recovering its carrying amount. If the answer is positive - the entire difference between the carrying amount and the fair value is recognized in profit and loss. If the answer is negative, the Bank examines whether the fair value impairment arises from loan losses or other factors, and if the Bank believes that the impairment arises from loan losses - it is recognized through the loan loss provision, while any other impairment is recognized against other comprehensive income. A loan loss exists when the Bank does not expect to receive principal and interest inflows that are sufficient to recover the entire amortized cost of the security. The loan loss provision is limited to the amount by which it exceeds the amortized cost of the security over its fair value. The provision amount is revised upwards or downwards according to changes in assessments in subsequent periods.

When testing for loan losses, the Bank reviews various inputs, assessments and information items.

According to the new rules, the Bank does not take into account - for this purpose - the length of time in which the fair value of the security was lower than its cost.

In cases where the Bank decided to conduct a quantitative test, the test will be conducted using the PD LGD method. In the context of this test, a comparison will be made between the discounted cash flows, fair value and amortized cost. If the expected cash flows are lower than the amortized cost, the difference will be recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, a provision will be recognized up to the fair value amount.

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

Liabilities for Employee Benefits

As at September 30, 2022, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 770 million, compared to a negative post-tax reserve of NIS 3,478 million as at December 31, 2021.

The outstanding liability for employee benefits as at September 30, 2022, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority’s approach") is NIS 23 thousand more than the actual outstanding liability.

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

For additional information, please see the section entitled Critical Accounting Policies and Estimates in the financial statements as at December 31, 2021.

Controls and Procedures Regarding Financial Statements Disclosures

The Banking Supervision Department's directives impose the requirements of Sections 302 and 404 of the SOX Act on banking corporations. The SEC and the Public Company Accounting Oversight Board have established provisions with regard to the abovementioned sections, on management's responsibility for instating and maintaining disclosure controls and procedures and for exercising internal control over financial reporting and the opinion of the independent auditors on the audit of internal control over financial reporting.

The Banking Supervision Department's directives require the following:

- Banking corporations shall apply Sections 302 and 404 and the SEC directives issued thereunder.
- Adequate internal control requires an auditing system that follows a predefined, recognized framework. The 2013 COSO (Committee of Sponsoring Organizations of the Treadway Commission) meets these requirements and can be used to evaluate the internal controls.

The Bank regularly applies the directive to the Leumi Group.

During 2022, the Bank validates and updates material control processes and conducts effective evaluations of its entire system of internal control over financial reporting.

Evaluation of disclosure controls and procedures

The Bank's management, with the cooperation of the President and Chief Executive Officer and Head of the Finance Division and Chief Accountant, have evaluated the effectiveness of the Bank's disclosure controls and procedures as at the end of the reporting period. Based on this evaluation, the Bank's President and Chief Executive Officer and the Head of the Finance Division and the Chief Accountant have concluded that, as at the end of the reporting period, the Bank's disclosure controls and procedures are effective for the purpose of recording, processing, summarizing and reporting the information the Bank is required to disclose in its financial statements pursuant to the Banking Supervision Department's Reporting to the Public Directives and as at the date prescribed by the Directives.

Internal control changes

In the quarter ended September 30, 2022, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

The Board of Directors

From January to September 2022, Leumi's Board of Directors held 19 plenum meetings and its committees held 28 meetings.

At a Board meeting held on November 28 2022, the Board resolved to approve and publish the Group's condensed consolidated unaudited financial statements as at September 30, 2022 and for the period then ended.

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

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

November 28, 2022

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi le-Israel B.M. (hereinafter - the "Bank") for the quarter ended September 30, 2022 (hereinafter - the "Report").

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

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

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

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

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

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

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

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

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

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

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

November 28, 2022

Hanan Friedman
President and Chief
Executive
Officer

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the quarterly report of Bank Leumi le-Israel B.M. (hereinafter - the "Bank") for the quarter ended September 30, 2022 (hereinafter - the "Report").
2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Financial Statements fairly represent, in all material respects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Financial Statements.
4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives, Report of the Board of Directors). In addition:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;
   B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;
   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our assessment; and
   D. The Financial Statements discloses any change in the Bank's internal control over financial reporting which occurred during the quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and
5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' Audit Committee, based on our most recent assessment of the internal control over financial reporting, the following:
   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank's ability to record, process, calculate and report financial information; and
   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

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

November 28, 2022

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

Deloitte. KPMG

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

Introduction

We have reviewed the accompanying financial information of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter: the "Bank"), which includes the condensed consolidated interim balance sheet as at September 30, 2022 and the condensed consolidated interim income statement, comprehensive income statement, statement of changes in equity and cash flow statement for the nine-month and three-month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim financial reporting and in accordance with the Banking Supervision Department's directives and guidelines. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

Review scope

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

Conclusion

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

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

Somekh Chaikin
KPMG Somekh Chaikin, an Israeli partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

Joint Independent Auditors

November 28, 2022

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

	Note	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
		2022	2021	**2022**	2021	2021
		Unaudited				Audited
	Note	In NIS million				
Interest income	2	**4,978**	3,033	**12,365**	8,871	11,672
Interest expenses	2	**1,564**	362	**2,927**	1,078	1,326
Interest income, net	2	**3,414**	2,671	**9,438**	7,793	10,346
Loan loss expenses (income)	6, 13	**99**	(359)	**185**	(729)	(812)
Interest income, net after loan loss expenses (income)		**3,315**	3,030	**9,253**	8,522	11,158
Noninterest income						
Noninterest finance income (expenses)	3A	**(56)**	276	**646**	1,344	1,714
Fees and commissions		**872**	846	**2,674**	2,567	3,506
Other income		**39**	118	**42**	235	291
Total noninterest income		**855**	1,240	**3,362**	4,146	5,511
Operating and other expenses						
Salaries and related expenses		**998**	1,079	**2,964**	3,212	4,242
Buildings and equipment - maintenance and depreciation		**323**	369	**1,002**	1,133	1,535
Other Expenses		**350**	407	**1,140**	1,207	1,651
Total operating and other expenses		**1,671**	1,855	**5,106**	5,552	7,428
Net income before taxes		**2,499**	2,415	**7,509**	7,116	9,241
Provision for profit tax		**908**	879	**2,398**	2,582	3,275
Profit after taxes		**1,591**	1,536	**5,111**	4,534	5,966
The Bank's share in profits of associates, after tax		**191**	26	**282**	55	101
Net income						
Before attribution to non-controlling interests		**1,782**	1,562	**5,393**	4,589	6,067
Attributable to non-controlling interests		**-**	11	**10**	31	39
Attributable to the Bank's shareholders		**1,782**	1,551	**5,383**	4,558	6,028
Basic and diluted earnings per share (in NIS)						
Diluted basic earnings attributable to the Bank's shareholders	3B	**1.15**	1.07	**3.62**	3.14	4.15

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

Dr. Samer Haj Yehia
Chairman of the Board of Directors

Hanan Friedman
President and Chief Executive Officer

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

Date of approval of the financial statements: November 28, 2022

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

Condensed Consolidated Statement of Comprehensive Income

For the period ended September 30, 2022

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Net income before attribution to non-controlling interests	**1,782**	1,562	**5,393**	4,589	6,067
Less net income attributable to non-controlling interests	**-**	11	**10**	31	39
Net income attributable to the Bank's shareholders	**1,782**	1,551	**5,383**	4,558	6,028
Other comprehensive income (loss), before taxes					
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(1,155)**	(49)	**(4,363)**	(541)	(438)
Adjustments from translation of financial statements, net[(a)] after hedging effect[(b)]	**-**	(6)	**436**	5	(24)
Net losses for cash flow hedges	**-**	(7)	**(3)**	(28)	(40)
Adjustments of liabilities for employee benefits[(c)]	**523**	99	**4,096**	848	392
The Bank's share in other comprehensive income (loss) of associates	**(17)**	(2)	**(13)**	(10)	(11)
Other comprehensive income (loss), before taxes	**(649)**	35	**153**	274	(121)
Related tax effect	**249**	(21)	**45**	(91)	4
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(400)**	14	**198**	183	(117)
Less other comprehensive income (loss) attributable to non-controlling interests	**-**	(4)	**96**	(12)	(32)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**(400)**	18	**102**	195	(85)
Comprehensive income before attribution to non-controlling interests	**1,382**	1,576	**5,591**	4,772	5,950
Less comprehensive income attributable to non-controlling interests	**-**	7	**106**	19	7
Comprehensive income attributable to the Bank's shareholders	**1,382**	1,569	**5,485**	4,753	5,943

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

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

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

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

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Balance Sheet
As at September 30, 2022

	Note	September 30		December 31
		2022	2021	2021
		Unaudited		Audited
		In NIS million		
Assets				
Cash and deposits with banks		**183,625**	171,645	197,402
Securities:				
Held-to-maturity bonds		**14,528**	8,221	8,031
Available-for-sale bonds		**57,500**	66,837	71,430
Equity securities not held for trading		**4,414**	4,714	4,344
Held-for-trading securities		**3,230**	1,808	3,122
Total securities[(a)(b)]	5	**79,672**	81,580	86,927
Securities borrowed or purchased under reverse repurchase agreements		**1,345**	6,565	2,447
Loans to the public	6, 13	**387,919**	330,209	347,391
Loan loss provision	6, 13	**(4,896)**	(4,685)	(4,512)
Loans to the public, net		**383,023**	325,524	342,879
Loans to governments		**1,272**	873	940
Investments in associates		**4,867**	1,117	1,113
Buildings and equipment		**2,698**	2,699	2,720
Goodwill		**-**	15	14
Assets in respect of derivatives	11	**41,359**	13,871	14,027
Other assets[(a)]		**6,256**	8,023	7,985
Total assets		**704,117**	611,912	656,454
Liabilities and equity				
Deposits by the public	7	**546,706**	500,876	537,269
Deposits by banks		**25,427**	23,161	25,370
Deposits by governments		**275**	179	300
Securities loaned or sold under repurchase agreements		**5,632**	882	2,282
Bonds, promissory notes and subordinated bonds		**27,613**	13,189	15,428
Liabilities for derivatives	11	**37,308**	14,154	15,551
Other liabilities[(a)(c)]		**13,107**	17,232	18,202
Total liabilities		**656,068**	569,673	614,402
Shareholders' equity	9	**48,044**	41,787	41,610
Non-controlling interests		**5**	452	442
Total equity		**48,049**	42,239	42,052
Total liabilities and equity		**704,117**	611,912	656,454

(a) For more information regarding amounts measured at fair value, please see Note 15A.
(b) Of which: securities totaling NIS 14,659 million (September 30, 2021 - NIS 16,152 million, December 31, 2021 - NIS 21,206 million) pledged to lenders.
(c) Of which: A provision for loan losses for off-balance-sheet credit instruments, NIS 545 million (as at September 30, 2021 - NIS 421 million; as at December 31, 2021 - NIS 469 million).

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

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

Condensed Statement of Changes in Equity

For the period ended September 30, 2022

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

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

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

(b) Including NIS 4,696 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (September 30, 2021 - NIS 5,257 million, of which NIS 1.650 million for share buyback). The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business directives.

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

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[(b)]	Total	Non-controlling interests	Total equity
7,278	(2,615)	36,185	40,848	444	41,292
-	-	1,551	1,551	11	1,562
-	18	-	18	(4)	14
-	-	(630)	(630)	-	(630)
-	-	-	-	1	1
7,278	(2,597)	37,106	41,787	452	42,239

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

	For the nine-months ended September 30, 2022 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions[a]
	In NIS million		
Balance as at December 31, 2021 (audited)	7,041	184	53
Cumulative effect for first-time application of US GAAP[c]	-	-	-
Net income for the period	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Dividend paid	-	-	-
Issuance of shares	91	2,645	-
Employee benefit for stock-based compensation transactions	-	-	1
Sale of equity of a consolidated company to non-controlling interests	-	-	-
Balance as at September 30, 2022	7,132	2,829	54

	For the nine-months ended September 30, 2021 (unaudited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions[a]
	In NIS million		
Balance as at December 31, 2020 (audited)	7,041	184	53
Net income for the period	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at September 30, 2021	7,041	184	53

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

(b) Including NIS 4,696 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (September 30, 2021 - NIS 5,257 million, of which NIS 1.650 million for share buyback). The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business directives.

(c) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.1.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
7,278	(2,877)	37,209	41,610	442	42,052
-	-	(479)	(479)	(4)	(483)
-	-	5,383	5,383	10	5,393
-	(343)	-	(343)	(21)	(364)
-	-	(1,309)	(1,309)	-	(1,309)
2,736	-	-	2,736	-	2,736
1	-	-	1	1	2
-	445	-	445	(423)	22
10,015	(2,775)	40,804	48,044	5	48,049

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
7,278	(2,792)	33,178	37,664	431	38,095
-	-	4,558	4,558	31	4,589
-	195	-	195	(12)	183
-	-	(630)	(630)	-	(630)
-	-	-	-	2	2
7,278	(2,597)	37,106	41,787	452	42,239

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

	For the year ended December 31, 2021 (audited)		
		Capital reserves	
	Share capital	From premiums	From benefit due to stock-based compensation- and other transactions[a]
	In NIS million		
Balance as at December 31, 2020	7,041	184	53
Net income	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at December 31, 2021	7,041	184	53

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,656 million that is non-distributable, of which NIS 1,650 million in respect of share buyback. The remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[(b)]	Total	Non-controlling interests	Total equity
7,278	(2,792)	33,178	37,664	431	38,095
-	-	6,028	6,028	39	6,067
-	(85)	-	(85)	(32)	(117)
-	-	(1,997)	(1,997)	-	(1,997)
-	-	-	-	4	4
7,278	(2,877)	37,209	41,610	442	42,052

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows
For the period ended September 30, 2022

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Cash flows from operating activities					
Net income for the period	**1,782**	1,562	**5,393**	4,589	6,067
Adjustments:					
Group's share in undistributed losses (income) of associates[(a)]	**(149)**	42	**(205)**	51	114
Depreciation of buildings and equipment (including impairment)	**138**	172	**437**	517	694
Loan loss expenses (income)	**99**	(359)	**185**	(729)	(812)
Gains on sale of loan portfolios	**-**	-	**(15)**	-	-
Net losses (gains) on sale of available-for-sale bonds	**75**	(63)	**131**	(180)	(231)
Realized and unrealized losses, net from fair value adjustments of held-for-trading securities	**56**	15	**156**	23	19
Gain on sale of investees' equity	**-**	-	**(830)**	-	-
Gains on disposal of buildings and equipment - net	**(29)**	(57)	**(29)**	(108)	(119)
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	**(30)**	(104)	**(191)**	(732)	(881)
Provision for impairment of available-for-sale bonds	**5**	-	**32**	-	-
Provision for impairment of equity securities not held-for-trading	**2**	1	**2**	1	66
Expenses for stock-based compensation transactions	**1**	-	**1**	-	-
Deferred taxes - net	**(156)**	157	**(352)**	475	422
Severance pay and pension – increase in excess of provision over fund	**11**	68	**242**	138	225
Excess of interest received over interest accrued during the period for available-for-sale bonds and held-to-maturity bonds over interest	**(21)**	164	**108**	417	379
Accrual differences and rate in respect of bonds and subordinated bonds	**102**	(10)	**741**	(18)	(41)
Effect of exchange rate differentials on cash and cash equivalent balances	**594**	309	**(742)**	87	557
Other, net	**9**	7	**2**	9	(4)
Net change in current assets:					
Assets in respect of derivatives	**(14,392)**	(2,655)	**(27,417)**	1,384	1,224
Held-for-trading securities	**(608)**	837	**(265)**	2,202	892
Other assets	**(63)**	156	**(626)**	245	442
Net change in current liabilities:					
Liabilities for derivatives	**13,664**	2,647	**22,753**	(2,909)	(1,516)
Other liabilities	**561**	(3,976)	**1,275**	(2,672)	(2,299)
Net cash provided to operating activities	**1,651**	(1,087)	**786**	2,790	5,198

(a) Net of dividend received.

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows (cont.)
For the period ended September 30, 2022

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Cash flows from investing activities					
Net change in deposits with banks with original maturities of more than three months	**(3,521)**	(650)	**(5,925)**	409	292
Net change in loans to the public[(a)]	**(18,122)**	(10,004)	**(59,665)**	(29,320)	(47,480)
Net change in loans to the Israeli Government	**42**	72	**(332)**	(241)	(308)
Net change in securities borrowed or purchased under reverse repurchase agreements	**661**	(844)	**1,097**	(3,546)	572
Purchase of held-to-maturity bonds	**(569)**	(176)	**(8,557)**	(1,695)	(1,510)
Proceeds from redemption of held-to-maturity bonds	**76**	293	**357**	1,099	1,130
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(18,509)**	(26,660)	**(94,779)**	(78,444)	(106,548)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**22,279**	25,471	**83,433**	69,194	86,553
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**3,327**	9,873	**16,794**	17,972	24,626
Purchase of associates' equity	**(239)**	(311)	**(265)**	(387)	(442)
Cash derecognized from disposal of investments in a deconsolidated subsidiary (Appendix B)	**-**	-	**(904)**	-	-
Proceeds from disposal of investment in associates	**-**	-	**158**	-	-
Proceeds from sale of loan portfolios	**-**	-	**437**	-	217
Purchase of buildings and equipment	**(176)**	(157)	**(532)**	(360)	(543)
Proceeds from disposal of buildings and equipment	**48**	104	**49**	185	179
Central severance pay fund	**29**	-	**54**	2	(9)
Net cash for investing activities	**(14,674)**	(2,989)	**(68,580)**	(25,132)	(43,271)
Cash flow from financing activities					
Net change in deposits by banks with original maturities of more than three months	**1,726**	1,023	**(28)**	8,016	10,232
Net change in deposits by the public	**13,969**	14,039	**31,198**	53,821	91,073
Net change in deposits by the government	**(57)**	(40)	**(25)**	(29)	92
Net change in securities loaned or sold under repurchase agreements	**2,770**	68	**3,345**	273	1,673
Proceeds from issue of bonds and subordinated bonds	**3,765**	-	**11,435**	-	2,262
Redemption of bonds and subordinated bonds	**-**	-	**(59)**	(3,096)	(3,096)
Dividend paid to shareholders	**(399)**	(630)	**(1,309)**	(630)	(1,997)
Issuance of shares	**-**	-	**2,736**	-	-
Net cash from financing activities	**21,774**	14,460	**47,293**	58,355	100,239
(Decrease) increase in cash and cash equivalents	**8,751**	10,384	**(20,501)**	36,013	62,166
Balance of cash and cash equivalents as at the beginning of the period	**166,309**	158,467	**194,225**	132,616	132,616
Effect of exchange rate fluctuations on cash and cash equivalent balances	**(594)**	(309)	**742**	(87)	(557)
Balance of cash and cash equivalents as at end of period	**174,466**	168,542	**174,466**	168,542	194,225

(a) Including operating activities from invoice factoring.

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

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Condensed Consolidated Statement of Cash Flows (cont.)
For the period ended September 30, 2022

Interest and taxes paid and/or received and dividends received

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Interest received	**4,236**	2,824	**10,137**	8,180	10,806
Interest paid	**(930)**	(334)	**(1,640)**	(1,153)	(1,414)
Dividends received	**61**	74	**103**	124	243
Income tax paid	**(344)**	(783)	**(1,745)**	(2,403)	(3,043)
Income tax received	**-**	1	**199**	86	88

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

For the nine months ended September 30, 2022 and September 30, 2021 and for the year ended December 31, 2021

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

On April 1, 2022, the merger was completed and, part of the consideration - NIS 3,047 million in Valley shares - was received.

For more information, please see Note 16.A.

On March 1, 2021, a NIS 750 million balance was reclassified from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

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

	For the nine months ended September 30, 2022
	Unaudited
	In NIS millions
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 on disposal of previously-consolidated subsidiaries	3,353
Less non-cash proceeds from disposal of investments in previously-consolidated investees	3,047
Cash proceeds	306
Less derecognized cash	1,210
Inflows from disposal of investments in previously consolidated subsidiaries	(904)

(a) For more information, please see Note 16.A.
(b) Including goodwill totaling NIS 14 million.
(c) Profit after elimination of capital reserves and taxes totaling NIS 752 million.

List of Notes

Note 1 - Significant Accounting Policies

A. Basis of Financial Reporting

1. Reporting principles

The condensed consolidated interim financial statements as of September 30, 2022 have been prepared in accordance with Israeli GAAP on interim financial reporting and the directives and guidelines of the Banking Supervision Department.

The accounting principles applied to the preparation of the interim financial statements are consistent with those applied to the audited Annual Financial Statements as at December 31, 2021, except as outlined in Section B below. These interim financial statements do not include all information required to be included in the full annual financial statements and should be read in conjunction with the Annual Financial Statements as at December 31, 2021 and their accompanying notes (hereinafter - the "Financial Statements").

The condensed consolidated interim financial statements were approved by the Bank's Board of Directors on November 28, 2022.

2. Use of estimates

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

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

With the exception of what is detailed under item b. below, the policy applied by the Bank in using assessments and estimates is consistent with that used in the annual financial statements as at December 31, 2021. The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were adjusted and for any future affected period.

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

As of the reporting periods commencing on January 1, 2022, the Bank applies the following accounting standards and directives:

1. First-time application of new rules of loan loss provisions (CECL) and additional provisions published by the Banking Supervision Department

Overview

The directives of the Banking Supervision Department have adopted US GAAP on current expected credit losses (CECL) ASC 326, "Financial Instruments - Credit Losses". The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses.

For more information regarding the accounting policy on loan losses for the periods prior to January 1, 2022, please see Note 1 to the Bank's financial statements as at December 31, 2021.

Note 1 - Significant Accounting Policies (cont.)

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

1. First-time application of new rules of loan loss provisions (CECL) and additional provisions published by the Banking Supervision Department (cont.)

The purpose of the new rules is to improve the quality of reporting on a banking corporation’s financial position by early recording of the loan loss provisions so as to in order to support a swifter response by banks to a deterioration in borrowers’ credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The rules are based on existing methods and processes.

The main changes arising from the application of the new rules are as follows:

- The loan loss provision is calculated according to the expected loss over the life of a loan rather than the estimated loss that has been incurred but not yet identified.
- The measurement of the loan loss provision is based on segmenting the Bank’s credit portfolio into groups sharing similar risk characteristics.
- When estimating the loan loss provision, use is made of forward-looking information which reflects reasonable forecasts regarding future economic events.
- The new rules for calculating the loan loss provision apply to loans, including housing loans, held-to-maturity bonds and certain off-balance sheet credit exposures.
- There was a change in the conditions for, and manner of, recording impairments of available-for-sale bonds.
- Revision of the classification and charge-off rules applicable to housing loans: classification of housing loans in arrears of 90 days or more as non-performing loans, consideration of the need to classify housing debts as debt under restructuring of troubled debt, and a requirement to made a charge-off no later than the date on which the debt became a debt in arrears of 180 days or more for housing loans secured by a residential property. In the amount of the part of the recorded outstanding debt over the value of the security.
- The credit portfolio will be broken down into performing and non-performing credit, such that the current definitions of impaired debts and impaired credit risk will be replaced by definitions of non-performing debts and non-performing credit risk, respectively.
- Disclosure of the effect of the loan granting date on the credit quality of the loan portfolio was expanded.

The Bank’s preparations for the application of the new rules included, inter alia, mapping of the requirements, defining a methodology to calculate the loan loss provision estimates, segmentation of the credit portfolio into groups sharing similar risk characteristics., estimating various components in the estimation process, parallel runs, assessing reasonableness, approving the methodologies and estimates, implementing the disclosure provisions and adjusting the framework of the financial reporting controls.

It should be clarified that the new rules do not alter the credit risk embodied in the Bank’s credit portfolio.

Additional directives regarding debt classification

In January 2021, the Banking Supervision Department published a FAQ regarding implementation of new rules on current expected credit losses, which included clarifications regarding classification of debts as debt under restructuring and the rules for reinstating them to the performing track. Specifically, it was clarified that classification of a debt as restructured does not automatically require the debt to be classified as troubled, and that such a debt can be classified as a performing or non-performing debt as at the change date.

Note 1 - Significant Accounting Policies (cont.)

Impact of the new rules on capital adequacy

In December 2020, the Banking Supervision Department published a circular entitled "Regulatory Capital - Effect of Applying Accounting Principles to Expected Loan Losses". The circular sets transitional provisions for first-time adoption of new rules on current expected credit losses in order to mitigate the unexpected effects of the implementation of the rules on regulatory capital.

Additional directives specific to housing loans

In February 2021, the Banking Supervision Department published a circular entitled "Expected Loan Losses from Financial Instruments", which reversed, among other things, the requirement to calculate a minimum collective provision of 0.35 percent for housing loans as well as the requirement to calculate a minimum provision according to the extent of arrears method; it also added the requirement to deduct from CET1, amounts for housing loans classified as non-performing loans over time.

Description of the effect of first-time application

As a result of applying the new rules, the Bank revised and adjusted its loan loss provision methodology, its classification policy, and the presentation format of troubled debt under restructuring, the presentation format of non-performing credit (i.e., impaired debt), the write-off policy of housing loans and disclosure requirements relating to the loan loss provision.

The Bank is applying these rules as of January 1, 2022, by recording the cumulative effect arising from their implementation in retained earnings, net of deferred taxes, on first-time application.

This effect reflects, inter alia, the composition of the credit portfolio of the Bank, as well as the Bank's preparations for the current state of the economy and the expected economic conditions.

Effect in respect of first-time application of the new accounting rules on CECL on the main line items

	December 31, 2021	Effect of the application of CECL[(a)]	**January 1, 2022**
	Audited	Unaudited	
	In NIS million		
1. Balance Sheet			
Loans to the public, gross	347,391	(43)[(b)]	**347,348**
Total increase (decrease) of loan loss provision:	4,512	625	**5,137**
Of which: Loan loss provision - commercial portfolio	3,312	784	**4,096**
Of which: Loan loss provision - housing loans	489	(166)	**323**
Of which: Loan loss provision - private individuals, other	711	7	**718**
Loans to the public, net	342,879	(668)	**342,211**
2. Shareholders' equity			
Retained earnings, before tax	-	(725)	**-**
Tax effect	-	246	**-**
Retained earnings, after tax	37,209	(479)	**36,730**

(a) Due to non-materiality, effects due to other liabilities, credit to banks, governments and bonds, as well as the effect on the Bank's capital ratios were not included in the table.

(b) Regarding housing loans: first-time recording of 180-day write-offs and interest rate write-offs, due to first-time classification of loans in arrears of 90 days and more as non-performing loans.

Note 1 - Significant Accounting Policies (cont.)

According to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank's estimates are based on past losses after adjustment due to changes in credit characteristics, adjustment for current economic conditions and future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, state of the economy, etc. The Bank's estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time.

In addition, the Bank adopted - as at the first-time application date - certain easements sanctioned by the transitional provisions, including spreading the effect of first-time application relating to its effect on Common Equity Tier 1 capital over 3 years, according to the transitional provisions.

In addition, the application of the new rules led to an immaterial deduction from the Common Equity Tier 1 capital on first-time application, due to the requirement to deduct from Common Equity Tier 1 capital amounts in respect of housing loans classified over time as non-performing loans, as detailed above. The amount is not subject to the easements provided under the transitional provisions.

The application of the new rules, as aforesaid, did not materially affect the Bank's capital ratios (CET1 and total capital) as at the transition date. For additional details regarding effects on the capital ratios for September 30, 2022, see Note 9.B.D.

2. Update of accounting policy applied following first-time application of the new rules on non-performing debts, credit risk and current expected credit losses

The accounting framework

The Bank applies the Banking Supervision Department's guidelines on measurement and disclosure of non-performing debts, credit risk, and loan loss provision, the positions of the US banking supervisory authorities and the Securities and Exchange Commission, as adopted by the Banking Supervision Department's Reporting to the Public Directives. According to these guidelines, inter alia, a banking corporation shall apply US GAAP for Banks for measuring loan losses arising from financial instruments as outlined in ASC 326, "Financial instruments - Credit Losses".

These guidelines are applied to all outstanding receivables, such as deposits with banks, bonds, securities borrowed or purchased under reverse repurchase agreements, loans to the public, and loans to the Israeli Government.

Provision for CECL: measurement

The Bank has set procedures to maintain a loan loss provision able to cover current expected credit losses arising from its loan portfolio, including off-balance sheet credit risk.

As a rule, the estimate of a current expected credit losses provision is calculated over the contractual period of the financial asset, taking into account early repayment estimates according to quantitative methods formulated by the Bank, and taking into account expected restructuring of troubled debt with the borrower, as applicable. A provision calculated on a collective basis for loans is based, as a rule, on the recorded outstanding debt, net of interest accrued as at the reporting date.

The measurement of the loan loss provision is based on segmenting the Bank's credit portfolio into groups sharing similar risk characteristics (a process called "segmentation"). Following is a summary of the Bank's approach to segmentation relating to portfolios, economic sectors and business functions: The Bank segments the loans to the public to four main portfolios, each of which is divided into sub-groups: (1) Business-commercial credit in the Corporate Division; (2) Commercial credit, which mainly reflects credit to small businesses, in the Banking Division; (3) Non-housing loans to private individuals; and (4) Housing loans. In general, commercial credit is segmented into economic sectors, while credit to private individuals is segmented into main business lines. As for housing loans, the measurement is based on characteristics at the individual loan level. In the next stage, the Bank distinguishes between non-troubled and troubled credit.

The loan loss provision is comprised both from a quantitative level and a qualitative level, as follows: past losses, loss given default, a comprehensive framework for qualitative adjustments (Q-factor) and one-year macroeconomic forecasts.

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

Specific loan loss provision

Non-performing debts, excluding housing loans, are debts which the Bank believes do not share the risk characteristics of performing debts and therefore estimates the provision for them on a specific basis.

With regards to commercial debt, the outstanding contractual balance of which (without deducting: charge-offs not involving legal waiver, deferred interest, loan loss provisions and collateral) is NIS 1 million or more, the provision is measured based on the present value of the expected cash flow discounted by the original effective interest rate of the debt, or when the debt is a collateral-dependent debt or when an asset is expected to be foreclosed, according to the fair value of the collateral that was pledged to secure that loan (net of costs to sell).

Collective loan loss provision

1. In non-housing segments, the provision is usually estimated using the loss-rate method. This process is initially based on average past losses in the portfolio, represented by net charge-offs as from 2011 and until the quarter preceding the reporting date. Past losses are adjusted later in the process, using a series of risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, concentration of the credit portfolio, risk ratings, the Bank's credit provision policy and procedures, and additional terms and conditions. The process is intended to adjust the historic information so as to reflect the level at which the current term conditions and reasonable supportable forecasts may be different than the terms and conditions prevalent during the period in which the historic information was assessed. In the next stage, the Bank incorporates reasonable and well-substantiated forecasts for one year, followed by one year for historical data, adjusting for current conditions, on a linear basis. At the end of the process, the provision for estimates is adjusted for expected recoveries in respect of charged off debts. Changes in these estimates are recognized as incurred against the loan loss provision.

   The provision for off-balance sheet credit is recognized for obligations that may not be unconditionally terminated by the Bank, and is based on the segmentation described above, taking into account the Bank's estimates regarding the reasonableness of utilizing the various off-balance sheet items (i.e., credit conversion coefficients). These estimates are based both on past experience of the Bank - which indicates utilization rates - and on subjective judgment. The provision is presented in the balance sheet under "Other liabilities".

   This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding current expected credit losses.

Note 1 - Significant Accounting Policies (cont.)

2. In the housing loans segment, the Bank measures the current expected credit losses based on the probability of default and loss given default. The process also begins with historic information, which is adjusted for current conditions and reasonable substantiable forecasts or a period of one year. Following this period, the Bank reverts to three years of historic information adjusted for current conditions on a linear basis. The provision for off-balance sheet credit is recognized based on the Bank's estimates relating to the probability of utilizing the binding credit facilities. Changes in the loan loss provision for housing loans, including for housing loans classified as non-performing, are presented as loan loss expense for debts examined on a collective basis.

Held-to-maturity securities and additional exposures

The current expected credit losses provision for the held-to-maturity bonds portfolio is based on the probability of default and loss given default methods. The Bank does not recognize a loan loss provision for certain government bonds and credit agencies for which the Bank believes the probability of non-payment is zero.

In addition, the Bank's exposure for securities loaned or sold under reverse repurchase agreements relates to agreements which include provisions for retention of collateral by the counterparty. In this context, the Bank determines that the expectation of non-payment based on amortized cost of these exposures is zero if the entity which transferred the financial assets to the Bank continuously replenishes the collateral amount in response to fair value changes. The Bank ensures, on a regular basis, that the entity complies with the provision to retain a collateral and reasonably expects the borrower to continue to renew the collateral as needed. The application of the new rules did not materially affect the loan loss provision for held-to-maturity bonds.

Liability adequacy testing of the entire provision and finalizing its quantification process

The process of liability adequacy testing is entwined in the process of developing various components in estimating the loan loss provision, such as adjustments of historic information from past periods for current conditions, assessing the risk of various economic sectors, economic forecasts for reasonable and substantiable periods, assessment of the recovery amounts expected for debts under financial difficulties, estimates of expected recoveries from previous charge-offs, and estimate of early repayment in respect of the contractual period of the credit provided.

However, the Bank is examining the overall adequacy of the loan loss provision based on management's judgment, taking into account the risks embodied in the credit portfolio, in order to ensure that the provision estimates over the entire reporting period adequately represent the best expectations and estimates of management. To this end, management reviews a wide range of data - both factors specific to the borrower and factors relevant to the entire operating environment. In this context, management examines the loss estimates against managerial and financial information at its disposal. In addition, as part of quantifying the provision, the Bank sometimes calculates scenarios which represent circumstances that management believes are within a reasonable range, and to which management attributes weights for the purpose of obtaining the best estimate.

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 intention to sell the security or whether the Bank believes that it is more likely than not that it will be required to sell the security before recovering its carrying amount. If the answer is positive - the entire difference between the book value and the fair value is recognized in profit and loss. If the answer is negative, the Bank examines whether the fair value impairment arises from loan losses or other factors, and if the Bank believes that the impairment arises from loan losses - it is recognized through the loan loss provision, while any other impairment is recognized against other comprehensive income. A loan loss exists when the Bank does not expect to receive principal and interest inflows that are sufficient to recover the entire amortized cost of the security. The loan loss provision is limited to the amount by which it exceeds the amortized cost of the security over its fair value. The provision amount is revised upwards or downwards according to changes in assessments in subsequent periods.

When testing for loan losses, the Bank reviews various inputs, assessments and information items. The main criteria for determining whether the impairment stems from the existence of a credit loss pertain both to factors specific to the issuer and to other factors, as follows:

- Credit rating downgrade
- Adverse legal or regulatory event (such as imposition of a regulatory restriction on the issuer, the issuer is unable to obtain a significant patent or meet its requirements)
- Unpaid interest or principal payments or default
- Deterioration in the issuer’s or analysts’ expectations regarding the future functioning of the issuer
- Increase in the credit spreads at the rating group level
- Adverse legal or regulatory changes affecting the issuer’s industry
- Significant deterioration in the market environment which may affect the value of the collateral (such as a decline in prices of real estate properties)
- A significant deterioration in economic conditions
- Disruptions in the business model as a result of technological changes or new competitors in the industry

According to the new rules, the Bank does not take into account - for this purpose - the length of time in which the fair value of the security was lower than its cost.

In cases where the Bank decided to conduct a quantitative test, the test will be conducted using the PD LGD method. In the context of this test, a comparison will be made between the discounted cash flows, fair value and amortized cost. If the expected cash flows are lower than the amortized cost, the difference will be recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, a provision will be recognized up to the fair value amount.

If the Bank expects that the bond shall not be collectible, the loan loss provision amount will be recognized as a charge-off.

Identification and classification of troubled debts

The Bank has set procedures for identifying troubled loans and for classifying debts as non-performing. According to these procedures, the Bank classified the outstanding on-balance-sheet troubled debts and the off-balance-sheet items as follows: special mention, substandard or non-performing. Non-performing debts were classified and presented in periods preceding January 1, 2022 as part of impaired debts.

Note 1 - Significant Accounting Policies (cont.)

Since July 1, 2017, the Bank applies the Banking Supervision Department's revised "Frequently Asked Questions and Examples of Implementation of Reporting to the Public Directives on Impaired Debts, Credit Risk, and Loan Loss Provision". The revision focuses on establishing debt classifications based on the debtor's repayment capacity, i.e.: The expected strength of the primary repayment source, notwithstanding the support of secondary and tertiary repayment sources, such as collateral and guarantors. Primary repayment source – a sustainable source of cash which must be under the borrower's control, must be reserved, explicitly or implicitly, to cover the debt obligation. For a source of repayment to be considered primary, the Bank must show that the borrower is highly likely to generate, within a reasonable period of time, an adequate cash flow from a continuing business operation, which shall be used to repay all of the required installments in full and according to the repayment schedule set in the agreement.

Past due debts are considered delinquent if their principal or interest were not paid after becoming due. As of January 1, 2022, after applying the new rules on loan losses, housing loans are managed according to the number of calendar days in arrears, while in previous periods, the extent of arrears of housing loans was determined using the extent of arrears method, in according with Proper Conduct of Banking Business Directive No. 314.

To classify and treat troubled debt (including charge-off), the Bank distinguishes, in accordance with the Reporting to the Public Directives, between:

1. Commercial credit for debt whose contractual balance (without deducting: charge-offs not involving a legal waiver, unrecognized interest, loan loss provisions and collateral) is at least NIS 1 million or more, except for certain exclusions:
   Such credit is mainly classified based on the repayment capacity of the debtor, as described above, while distinguishing between potential weaknesses and existing or well-defined weaknesses. A debt is classified as non-performing when it is expected that the Bank will not be able to back all the amounts it due, based on the contractual terms and conditions of the debt agreement, based on up-to-date information and events, such as: The debt's extent of arrears; the borrower's financial position and solvency; an assessment of the primary repayment source for the debt; status of the collateral; the guarantors' financial position, etc. A debt shall be classified as non-performing whenever the principal or interest has been in arrears of 90 days or more, unless it is both well secured and in the process of collection. A well-secured debt is one that is secured by a collateral by placing a lien on a tangible or personal asset, including securities, the realization value of which is sufficient to repay the debt (including accrued interest) or collateral of a party with proven financial responsibility. A debt is "under collection processes" if its collection is properly conducted through a legal proceeding, under the proper circumstances, collection efforts that are non-legal but which are expected to bring about, in the near future, the repayment of the debt or its return to a performing status.
   Off-balance sheet loans are classified depending on the probability of realizing the contingent liability and if the debts that may be recognized as a result of the realization of the contingent liability meet the criteria for classification into the adequate category.

2. Credit to private individuals, housing loans, and commercial credit in respect of debt the outstanding contractual balance of which (as defined above) is lower than NIS 1 million, except for certain exclusions: Such credit is classified based on the extent of arrears and according to certain negative symptoms that are defined and automatically activated. Housing loans are classified as non-performing debt when the principal or interest thereof are in arrears of 90 days or more.

Note 1 - Significant Accounting Policies (cont.)

Restructured troubled debts

A troubled debt which underwent formal restructuring is considered a debt for which, for economic or legal reasons related to the debtor's financial difficulties, the Bank had granted a concession by changing the terms and conditions of the debt to alleviate the burden of the debtor's near-term cash payments or by accepting other assets in satisfaction of the debt. In order to determine whether a debt restructuring carried out by the Bank constitutes restructuring of a troubled debt, the Bank carries out a qualitative assessment of the debt restructuring's terms and conditions and circumstances with the aim of determining whether (1) the borrower has financial difficulties and (2) the Bank granted a concession to the borrower as part of the debt restructuring.

In order to determine whether the debtor has financial difficulties, the Bank assesses whether there are indications that the borrower has difficulties as of restructuring date or whether it is reasonably probable that the borrower will have financial difficulties were it not for the restructuring.

Among other things, the Bank assesses whether one or more of the following circumstances are met:

- As at the restructuring date, the borrower is in financial difficulties;
- With regards to debts which are not in arrears as of restructuring date, the Bank assesses whether - under the customer's current repayment capacity - it is probable that the customer will default in the foreseeable future and will fail to meet the original contractual terms and conditions of the debt;
- The debtor has declared bankruptcy, is under receivership, or there are significant doubts as to the borrower's continued existence as a going concern;
- If the terms and conditions of the debt are not changed, the borrower will be unable to raise debt from other sources at the market interest rate applicable to borrowers who have not defaulted.

The borrower was granted a concession even if - as part of the restructuring - the contractual interest rate was increased, provided that one or more of the following criteria are met:

- As a result of the restructuring, the Bank is not expected to collect all outstanding amounts (including interest accrued) according to contractual terms and conditions;
- The up-to-date fair value of the collateral for collateral-dependent debts does not cover the outstanding contractual debt and indicates that it will be impossible to collect all amounts due;
- The borrower is unable to raise debt at prevailing market interest rate for a debt with terms, conditions and characteristics, such as those of the debt extended as part of the restructuring.

The Bank does not classify a debt as a restructured troubled debt if - as part of the restructuring - the borrower was granted an immaterial payments deferral, given the frequency of payments, contractual term to maturity and expected average duration of the original debt. In this regard, if several restructurings were carried out that involve changing the debt's terms and conditions, the Bank takes into account the cumulative effect of the previous restructurings when determining if the payments deferral is immaterial.

In accordance with the Bank of Israel's guidance, when a debt that was not considered non-performing previously is restructured and it is determined to be compliant with the definition of a troubled debt under restructuring, with no partial charge-off, it is usually inadequate to decrease the loan loss provision estimate at the restructuring date as a result of changing the impairment measurement method.

Note 1 - Significant Accounting Policies (cont.)

As a rule, a restructured troubled debt will be classified as such until it is fully repaid, excluding housing loans. However, the debt was restructured (without forgiving the principal) and subsequently the banking corporation and the debtor entered into another restructuring agreement (a process called "subsequent restructuring"), provided that on the date of the subsequent restructuring, the borrower is no longer experiencing financial difficulties and, under the terms and conditions of the subsequent restructuring agreement, the banking corporation granted no concession to the borrower; in this case, the subsequent restructured debt will no longer be classified as restructuring of troubled debt. This section applies to restructuring carried out or renewed as of December 31, 2016.

A troubled debt under restructuring the terms and conditions of which have been changed may be classified as performing or non-performing at the change date. As a rule, a troubled debt which has formally undergone restructuring of terms and conditions so as to give rise to reasonable assurance that the debt will be repaid (principal and interest income) and perform according to its new terms and conditions, it need not be classified as non-performing debt, provided that the restructuring and any charge-off made to the debt are supported by an up-to-date and well-documented credit assessment of the debtor's financial status and the repayment capacity under the new terms and conditions. The assessment includes a review of ongoing historic repayment performance of the debtor for a period of at least 6 months. Accordingly, a debt the terms and conditions of which have been changed under restructuring of troubled debt, and which was adequately classified as performing debt prior to the restructuring, can continue to accrue interest provided that subsequent the restructuring: (1) The collection of the principal and interest in accordance with the new rules is reasonably assured, based on an up-to-date and well-substantiated analysis; (2) The debtor has a reasonable history of ongoing repayment performance for a reasonable period prior to the change of the terms and conditions that does not exclusively rely on interest payments; and (3) the restructuring improves the collection odds of the loan, according to a reasonable repayment schedule.

Classification of a debt as restructured troubled debt does not automatically require the debt to be classified as troubled. However, at the date on which the terms and conditions were changed, the required classification should be reassessed. All the relevant parties, including the extent of the debtor's financial difficulties, should be taken into account when conducting the risk assessment. Classifying a debt as non-troubled or troubled shall be conducted in accordance with the Bank's procedures.

As of January 1, 2022, the rules described above also apply to housing loans, with the necessary adjustments. As a rule, rescheduling or recycling of a defaulted housing loan shall be defined as troubled debt under restructuring. The same applies to restructuring which includes rescheduling late charges. The Bank applied also these directives to restructurings conducted prior to January 1, 2022 that have yet to be repaid. In addition, with the entry in force of these directives, the Bank updated the classification of the opening balance, for the reporting period, of debts classified as troubled debt under restructuring and adjusted to the new rules, such that debts which, as at December 31, 2021, were classified as performing under restructuring were reclassified - according to the new rules - as non-troubled or troubled debt and accordingly, the current expected credit losses provision in their respect was classified according to the above rules.

Reinstatement of non-performing debt as performing debt

Non-performing debt is reclassified as performing debt if one of the following is met:

- Principal or interest are no longer past due and unpaid and the Bank expects full repayment of the outstanding principal and interest pursuant to the terms and conditions of the contract (including charge-offs or amounts that have been provided for).
- The debt is both well secured and in the process of collection.

Note 1 - Significant Accounting Policies (cont.)

In addition, in order to reinstate a non-performing loan as performing - following restructuring of troubled debt - an up-to-date and well-documented credit analysis of the debtor's financial position and the repayment odds under the updated terms and conditions should be made. The analysis takes into account the debtor's history of ongoing repayment performance for a reasonable period prior to debt's reinstatement as performing, but may taken into account payments made during a reasonable period prior to the restructuring, if the payments are in line with the updated terms and conditions. A period of ongoing repayment performance is usually at least 6 months as of the assessment date. Reclassification of a non-performing debt shall entail classifying the debt as non-troubled or troubled in accordance with the Bank's procedures.

Accordingly, as of January 1, 2022, debts amounting to NIS 317 million of the impaired debts were classified to performing debts under one of the following categories: substandard, special mention and non-troubled, for which a NIS 150 million provision was reclassified from a specific provision to the collective provision (the loan loss income recorded on January 1, 2022 in respect of debts classified as non-troubled is in an immaterial amount).

Revenue recognition

As at the date of the debt's classification as non-performing, the Bank no longer accrues interest income therefrom. Furthermore, when the debt is classified as non-performing debt, the Bank cancels all interest income which has been accrued but not yet collected which had been recognized as income in profit and loss. The debt is classified as non-performing as long as its "non-performing" classification has not been canceled.. As for performing debts examined and provided for on a collective basis, excluding housing loans, that are in arrears of 90 days or more, the Bank continues to accrue interest income.

Charge-off

The Bank performs charge-offs in the following cases:

- Any debt or part thereof which is assessed on a specific basis and is considered uncollectible and has a low value such that maintaining it as an asset is unjustifiable or a debt which the Bank has attempted to collect over a considerable period of time (normally for more than two years).
- In the case of a collateral-dependent debt, any portion of such debt in excess of the value of the collateral which is identified as uncollectible shall be written off immediately against the loan loss provision.
- Troubled debts which are tested on a collective basis (i.e., non-housing loans for private individuals and commercial credit for a debt the contractual outstanding balance of which, as defined above, is less than NIS 1 million, except for certain exclusions) and their extent of arrears is 150 days or more, except in case of debts under restructuring, for which the need for immediate write-off is examined. In addition, troubled debts under restructuring which were tested collectively and failed, are written off when in arrears of 60 days or more under the restructuring terms and conditions and are classified as non-performing. As for housing loans, an up-to-date assessment of the value of the collateral should be made no later than the date in which the debts are in arrears of 180 days or more, and charge off the portion of the recorded outstanding balance that exceeds the collateral's value (less costs to sell).

It should be clarified that charge-offs do not involve a legal concession and reduce the reported outstanding debt for accounting purposes only, while establishing a new cost basis for the debt in the Bank's books of accounts.

Disclosure requirements

The Bank applies the disclosure requirements to the credit quality of debts and to the loan loss provision set forth by ASC 310, "Receivables", and ASC 326, "Financial instruments - Credit Losses", with the required adjustments and as adopted by the Reporting to the Public Directives. The Bank adjusted the disclosure format to the new rules, and reclassified comparative results as needed.

Note 1 - Significant Accounting Policies (cont.)

3. Revision of Reporting to the Public Directives regarding manner of calculating and presenting the return on equity

On August 3, 2021, the Banking Supervision Department published a revision of the disclosure requirements as part of the Reporting to the Public Directives on net stable funding ratio (NSFR) and presentation of return on equity.

Under the circular, the presentation method of the rate of return on equity as well as of income and expense calculated on a quarterly basis were revised to annualized terms, according to the practice in US banks, such that the translation of the quarterly ratios will be made by way of a linear calculation, in lieu of exponentiation, as was the case under the previous presentation method. According to the requirement in the circular, the Bank reclassified the comparative results relating to previous quarterly periods presented in the 2022 reports in line with the presentation method prescribed.

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

1. Discontinuation of the LIBOR rates

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the dollar LIBOR, which will be discontinued in June of 2023.

On October 3, 2021, the Banking Supervision Department published the new Proper Conduct of Banking Business Directive No. 250A, Transition from LIBOR. The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure adequate preparations and taking into account the potential risks involved in the transition. The directive takes into account the required fairness and disclosure aspects vis-a-vis customers. The directive covers both current agreements and new agreements.

When selecting the new interest base rates and adopting the alternative calculation methods, the Bank took into account the recommendations of the committees and work groups for the various currencies, including the International Swaps and Derivatives Association (ISDA) and fairness considerations. The Bank updated the relevant customers regarding the expected change, and posted it on its website. As of January 2022, the Bank transitioned to the new base rates for each of the relevant currencies, and continues its preparations, inter alia, for the discontinuation of the USD LIBOR.

For more information, please see Note 1.Y. In the financial statements as at December 31, 2021.

Following is a breakdown of outstanding balances of contracts at the Group level, as of September 30, 2022, which are affected by the LIBOR, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR*:

	September 30, 2022
	In NIS million
Loans	3,982
Securities	3,253
Derivatives (gross) - nominal value	77,058

* LIBOR transactions in USD that will continue after June 2023.

Note 1 - Significant Accounting Policies (cont.)

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

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

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

The provisions of the ASU will be applicable to publicly-traded entities in the US as of the annual and interim periods commencing after December 15, 2022 or on early adoption, if the entity opted for early adoption of the standard.

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

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

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

The provisions of ASU 2016-13 will be applicable to entities which have adopted it as of the annual and interim periods commencing after December 15, 2022.

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

On June 29, 2022, the US Financial Accounting Standards Board (hereinafter - the "FASB") published ASU 2022-03 regarding the fair value measurement of equity securities that are restricted for trading (hereinafter - the "ASU").
The ASU clarifies that contractual restriction of trading in a capital security constitutes a specific restriction for the entity and is not part of the security's accounting unit of measure and therefore will not be taken into account in the fair value measurement. In addition, the ASU emphasizes that it is not possible to recognize and measure the contractual restriction on trading separately.

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

The provisions of the ASU will be applicable to publicly-traded entities in the US as of the annual and interim periods commencing after December 15, 2023 or on early adoption, if the entity opted for early adoption of the ASU. Entities that are not investment entities, upon the first-time application, are required to apply this ASU prospectively. Adjustments resulting from the application will be recognized in the income statement and disclosure will be provided regarding their amount on the date of application.

Note 2 - Interest Income and Expenses

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	Unaudited			
	In NIS million			
a. Interest income[a]				
From loans to the public	**3,988**	2,742	**10,539**	7,994
From loans to the Governments	**12**	8	**33**	20
From deposits with the Bank of Israel and from cash	**507**	33	**686**	87
From deposits with banks	**48**	12	**91**	44
From securities borrowed or purchased under reverse repurchase agreements	**8**	1	**13**	4
From bonds[b]	**415**	237	**1,003**	722
Total interest income	**4,978**	3,033	**12,365**	8,871
b. Interest expenses				
For deposits by the public	**(1,259)**	(229)	**(2,070)**	(682)
For deposits by the government	**(1)**	(1)	**(2)**	(2)
For deposits by banks	**(11)**	(1)	**(15)**	(3)
For deposits by the Bank of Israel	**(3)**	(2)	**(8)**	(7)
For securities loaned or sold under repurchase agreements	**(16)**	-	**(27)**	(1)
For bonds, promissory notes and subordinated bonds	**(274)**	(129)	**(805)**	(383)
Total interest expenses	**(1,564)**	(362)	**(2,927)**	(1,078)
Total interest income, net	**3,414**	2,671	**9,438**	7,793
c. Details of the net effect of derivative hedges on interest income and expenses[c]				
Interest expenses	**5**	(17)	**(26)**	(41)
Interest income	**1**	-	**1**	-
d. Details on interest income from bonds, on accrual basis				
Held-to-maturity	**77**	42	**178**	124
Available-for-sale	**327**	190	**779**	575
Held-for-trading	**11**	5	**46**	23
Total included in interest income	**415**	237	**1,003**	722

(a) Including the effect of hedge relationships.
(b) Including interest in respect of mortgage-backed bonds (MBS) in the amount of NIS 55 million and NIS 168 million for the three- and nine-month periods ended September 30, 2022 (NIS 63 million and NIS 174 million for the three- and nine-month periods ended September 30, 2021).
(c) Additional information about the effect of hedging derivatives on subsection a.

Note 3A - Noninterest Finance Income

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
	Unaudited			
	In NIS million			
a. Noninterest finance income for non-trading activities				
A.1. From derivative activities[(a)]				
Net income (expenses) in respect of ALM derivatives[(b)]	1,253	(206)	7,698	303
Total from derivatives activity	1,253	(206)	7,698	303
A.2. From investment in bonds				
Gains on sale of available-for-sale bonds[(g)]	5	64	39	201
Losses on sale of available-for-sale bonds[(g)]	(80)	(1)	(170)	(21)
Provision for impairment of available-for-sale bonds	(5)	-	(32)	-
Total from investment in bonds	(80)	63	(163)	180
A.3. Exchange rate differentials, net	(1,329)	254	(7,826)	(44)
A.4. Gains (losses) on investment in equity securities				
Gains on sale of equity securities not held for trading	39	149	184	448
Provision for impairment for equity securities not held for trading	(2)	(1)	(2)	(1)
Losses on sale of equity securities not held-for-trading	(51)	(7)	(89)	(27)
Dividend from not held-for-trading equity securities	6	5	26	17
Unrealized gains (losses), net from not held-for-trading equity securities[(h)]	42	(38)	96	311
Gain on sale of investees' equity	-	-	830	-
Total from investment in equity securities	34	108	1,045	748
A.5. Gains on sold loans, net	-	-	15	-
Total noninterest finance income (expenses) for equity securities not held-for-trading	(122)	219	769	1,187
b. Noninterest finance income (expenses) for trading activities				
Income in respect of held-for-trading derivatives, net	122	71	33	179
Realized and unrealized losses from fair value adjustments of held-for-trading bonds, net[(c)(f)]	(55)	(15)	(157)	(23)
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading equity securities, net[(d)(f)]	(1)	-	1	-
Dividend from held-for-trading equity securities	-	1	-	1
Total from trading activities[(e)]	66	57	(123)	157
Details of noninterest finance income from trading activities, by risk exposure				
Interest rate exposure	(70)	(17)	(337)	30
Foreign exchange exposure	120	53	168	83
Equity exposure	16	20	45	38
Exposure to commodities and other contracts	-	1	1	6
Total	66	57	(123)	157
Total noninterest finance income (expenses)	(56)	276	646	1,344

Please see comments below.

Note 3A - Noninterest Finance Income (cont.)

(a) Excluding the effect of hedge ratios.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedging purposes.
(c) Of which the losses in the amount of NIS 73 million and NIS 127 million for the three- and nine-month periods ended September 30, 2022 in respect of held-for-trading bonds held as of the balance sheet date (losses of NIS 6 million and NIS 2 million, respectively, for the three- and nine-month periods ended September 30, 2021).
(d) There were no gains or losses in respect of held-for-trading shares still held as of the balance sheet date in the three months ended on September 30, 2022. Losses in the amount of NIS 1 million, in respect of held-for-trading equity securities that are still held as of the balance sheet date in the nine-month period ended September 30, 2022 (there were no gains or losses in respect of held-for-trading shares still held as of the balance sheet date in the three-month period ended on September 30, 202). Gains of NIS 1 million associated with held-for-trading equity securities held as at the balance sheet date for the nine-month period ended September 30, 2021).
(e) Interest income from investments in held-for-trading bonds, please see Note 2.
(f) Including exchange rate differentials from trading activities.
(g) Reclassified from accumulated other comprehensive income.
(h) Including gains and losses from fair value measurement of equity securities for which there is available fair value as well as upward or downward adjustments of equity securities for which there is no available fair value.

Note 3B - Earnings per Ordinary Share

A. Basic Earnings Per Share

The Bank's net income per share is calculated by dividing the gain attributed to the Bank's ordinary shareholders by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	Unaudited			
Basic earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**1,782**	1,551	**5,383**	4,558
Weighted average of the number of shares (in thousands of shares)				
Balance as at beginning of period[(a)]	**1,543,805**	1,452,896	**1,452,896**	1,452,896
Weighted effect of the issuance of shares	**-**	-	**32,967**	-
Weighted average of number of shares	**1,543,805**	1,452,896	**1,485,863**	1,452,896
Basic earnings per share (in NIS)	**1.15**	1.07	**3.62**	3.14

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

B. Diluted Earnings Per Share

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	Unaudited			
Diluted earnings				
Net income attributable to the Bank's shareholders (in NIS million)	**1,782**	1,551	**5,383**	4,558
Weighted average of the number of shares (in thousands of shares)				
Weighted average of the number of ordinary shares used to calculate basic earnings per share	**1,543,805**	1,452,896	**1,485,863**	1,452,896
Weighted effect of the issuance of options to employees[(a)]	**-**	-	**-**	-
Weighted average of the number of shares, fully diluted	**1,543,805**	1,452,896	**1,485,863**	1,452,896
Diluted earnings per share (in NIS)	**1.15**	1.07	**3.62**	3.14

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

C. Share Capital

As of September 30, 2022, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,543,805,097 ordinary shares of NIS 1 p.v. each. (As of September 30, 2021, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each).

Note 4 - Accumulated Other Comprehensive Income (Loss)

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended September 30, 2022 and 2021 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's shareholders
	In NIS million							
Balance as at June 30, 2021	839	(275)	12	(23)	(3,240)	(2,687)	(72)	(2,615)
Net change during the period	(33)	(13)	(4)	(2)	66	14	(4)	18
Balance as at September 30, 2021	806	(288)	8	(25)	(3,174)	(2,673)	(76)	(2,597)
Balance as at June 30, 2022	(1,240)	-	(2)	(25)	(1,108)	(2,375)	-	(2,375)
Net change during the period	**(760)**	**-**	**-**	**22**	**338**	**(400)**	**-**	**(400)**
Balance as at September 30, 2022	**(2,000)**	**-**	**(2)**	**(3)**	**(770)**	**(2,775)**	**-**	**(2,775)**

2. Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30, 2022 and 2021 (unaudited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjustments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's shareholders
	In NIS million							
Balance as at December 31, 2020 (audited)	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the period	(357)	7	(18)	(9)	560	183	(12)	195
Balance as at September 30, 2021	806	(288)	8	(25)	(3,174)	(2,673)	(76)	(2,597)
Balance as at December 31, 2021 (audited)	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the period	**(3,055)**	**30**	**(43)**	**23**	**2,681**	**(364)**	**(21)**	**(343)**
Sale of equity in subsidiaries to non-controlling interests	**181**	**313**	**41**	**-**	**27**	**562**	**117**	**445**
Balance as at September 30, 2022	**(2,000)**	**-**	**(2)**	**(3)**	**(770)**	**(2,775)**	**-**	**(2,775)**

Please see comments below.

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

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

3. Changes in accumulated other comprehensive income (loss) for the year ended December 31, 2021 (audited)

	Other comprehensive income (loss) before attribution to non-controlling interests							
	Adjustments in respect of presentation of available-for-sale bonds at fair value	Net translation adjust-ments,[a] after hedging effect[b]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income (loss) of investees, equity-accounted	Adjustments in respect of employee benefits[c]	Total	Other compre-hensive income (loss) attributable to non-controlling interests	Other compre-hensive income (loss) attributable to the Bank's shareholders
	In NIS million							
Balance as at December 31, 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the year	(289)	(48)	(26)	(10)	256	(117)	(32)	(85)
Balance as at December 31, 2021	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)

(a) Adjustments from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(b) Net gains (losses) for hedging a net investment in foreign currency.
(c) Adjustments for employee benefits are net of adjustments for plan assets.

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

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

	For the three months ended September 30 (unaudited)					
	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of presentation of available-for-sale bonds at fair value:						
Net unrealized gains (loss) from fair value adjustments	(1,235)	423	(812)	14	(6)	8
(Losses) gains in respect of available-for-sale bonds reclassified to the income statement[(a)]	80	(28)	52	(63)	22	(41)
Net change during the period	(1,155)	395	(760)	(49)	16	(33)
Translation adjustments:[(b)]						
Adjustments from translation of financial statements	-	-	-	(26)	-	(26)
Hedges[(c)]	-	-	-	20	(7)	13
Net change during the period	-	-	-	(6)	(7)	(13)
Cash flow hedges						
Net losses for cash flow hedges	-	-	-	(7)	3	(4)
Net change during the period	-	-	-	(7)	3	(4)
Investee companies accounted for using the equity method						
The Bank's share in other comprehensive income (loss) of investees, equity-accounted	19	26	45	(2)	-	(2)
Hedges[(c)]	(36)	13	(23)	-	-	-
Net change during the period	(17)	39	22	(2)	-	(2)
Employee benefits:[(d)]						
Net actuarial gain (loss)	480	(170)	310	(23)	9	(14)
Net losses reclassified to the income statement[(e)]	43	(15)	28	122	(42)	80
Net change during the period	523	(185)	338	99	(33)	66
Total net change during the period	(649)	249	(400)	35	(21)	14
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	-	-	-	(4)	-	(4)
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	(649)	249	(400)	39	(21)	18

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

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

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

	For the nine months ended September 30 (unaudited)					
	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS million					
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:						
Adjustments in respect of presentation of available-for-sale bonds at fair value:						
Unrealized losses, net, from fair value adjustments	(4,802)	1,640	(3,162)	(361)	122	(239)
Net losses (gains) in respect of available-for-sale bonds reclassified to the income statement[(a)]	163	(56)	107	(180)	62	(118)
Sale of equity in subsidiaries to non-controlling interests	276	(95)	181	-	-	-
Net change during the period	(4,363)	1,489	(2,874)	(541)	184	(357)
Translation adjustments:[(b)]						
Adjustments from translation of financial statements	59	-	59	11	-	11
Hedges[(c)]	(44)	15	(29)	(6)	2	(4)
Sale of equity in subsidiaries to non-controlling interests - Hedging effect	421	(108)	313	-	-	-
Net change during the period	436	(93)	343	5	2	7
Cash flow hedges						
Net losses for cash flow hedges	(65)	22	(43)	(28)	10	(18)
Sale of equity in subsidiaries to non-controlling interests	62	(21)	41	-	-	-
Net change during the period	(3)	1	(2)	(28)	10	(18)
Investee companies accounted for using the equity method						
The Bank's share in other comprehensive income (loss) of investees, equity-accounted	269	(61)	208	(10)	1	(9)
Hedges[(c)]	(282)	97	(185)	-	-	-
Net change during the period	(13)	36	23	(10)	1	(9)
Employee benefits:[(d)]						
Net actuarial gain	3,818	(1,295)	2,523	474	(160)	314
Net losses reclassified to the income statement[(e)]	240	(82)	158	374	(128)	246
Sale of equity in subsidiaries to non-controlling interests	38	(11)	27	-	-	-
Net change during the period	4,096	(1,388)	2,708	848	(288)	560
Total net change during the period	153	45	198	274	(91)	183
Less changes in other comprehensive income (loss) components attributable to non-controlling interests						
Total change during the period, net	101	(5)	96	(19)	7	(12)
Changes in other comprehensive income attributable to the Bank's shareholders						
Total change during the period, net	52	50	102	293	(98)	195

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

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

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

	For the year ended December 31, 2021 (audited)		
	Before tax	Tax effect	After tax
	In NIS million		
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:			
Adjustments in respect of presentation of available-for-sale bonds at fair value:			
Unrealized losses, net, from fair value adjustments	(207)	70	(137)
Net gains in respect of available-for-sale bonds reclassified to the income statement[(a)]	(231)	79	(152)
Net change during the year	(438)	149	(289)
Translation adjustments:[(b)]			
Adjustments from translation of financial statements	(95)	-	(95)
Hedges[(c)]	71	(24)	47
Net change during the year	(24)	(24)	(48)
Net losses for cash flow hedges	(40)	14	(26)
The Bank's share in other comprehensive loss of associates, equity-accounted	(11)	1	(10)
Employee benefits:[(d)]			
Net actuarial loss	(101)	33	(68)
Net losses reclassified to the income statement[(e)]	493	(169)	324
Net change during the year	392	(136)	256
Total change during the year, net	(121)	4	(117)
Less changes in other comprehensive income (loss) components attributable to non-controlling interests			
Total change during the year, net	(40)	8	(32)
Changes in other comprehensive loss attributable to the Bank's shareholders			
Total change during the year, net	(81)	(4)	(85)

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

Note 5 - Securities

	As at September 30, 2022 (unaudited)					
	Balance sheet value	Amortized cost	Balance of loan loss provision[(g)]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million					
1. Held-to-maturity bonds:						
Of the Israeli Government	9,560	9,560	-	1	(658)	8,903
Of foreign financial institutions	1,322	1,322	1	-	(63)	1,260
Asset-backed (ABS) or mortgage-backed (MBS)	3,324	3,324	1	-	(459)	2,866
Of other foreign entities	322	322	1	-	(22)	301
Total held-to-maturity bonds[(e)]	14,528	14,528	3	1	(1,202)	13,330

	As at September 30, 2022 (unaudited)					
				Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Balance of loan loss provision[(g)]	Gains	Losses	Fair value[(a)]
	In NIS million					
2. Available-for-sale bonds:						
Of the Israeli Government	21,080	22,748	-	133	(1,801)	21,080
Of foreign governments	13,540	13,890	-	-	(350)	13,540
Of Israeli financial institutions	48	50	-	1	(3)	48
Of foreign financial institutions	10,068	10,540	22	2	(496)	10,068
Asset-backed (ABS) or mortgage-backed (MBS)	7,193	7,859	-	2	(668)	7,193
Of other Israeli entities	659	699	-	10	(50)	659
Of other foreign entities	4,912	5,579	1	-	(668)	4,912
Total available-for-sale bonds[(e)]	57,500	61,365	23	148[(c)]	(4,036)[(c)]	57,500

Please see comments below.

Note 5 - Securities (cont.)

	As at September 30, 2022 (unaudited)					
	Balance sheet value	Cost	Balance of loan loss provision(g)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value(a)
	In NIS million					
3. Investment in not held-for-trading equity securities and mutual funds:						
Equity securities and mutual funds	4,414	4,197	-	338	(121)	4,414
Of which: equity securities and mutual funds for which there is no available fair value(b)	2,246	2,246				2,246
Total not held for-trading equity securities and mutual funds	4,414	4,197	-	338(d)	(121)(d)	4,414
Total not held-for-trading securities	76,442	80,090	26	487	(5,359)	75,244

	As at September 30, 2022 (unaudited)					
	Balance sheet value	Amortized cost (in equity securities - cost)	Balance of loan loss provision(g)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value(a)
	In NIS million					
4. Held-for-trading securities: bonds -						
Of the Israeli Government	2,298	2,325	-	13	(40)	2,298
Of foreign governments	-	-	-	-	-	-
Of Israeli financial institutions	491	539	-	-	(48)	491
Of foreign financial institutions	50	61	-	-	(11)	50
Asset-backed (ABS) or mortgage-backed (MBS)	37	40	-	-	(3)	37
Of other Israeli entities	259	286	-	-	(27)	259
Of other foreign entities	84	93	-	-	(9)	84
Total bonds	3,219	3,344	-	13	(138)	3,219
Equity securities and mutual funds	11	12	-	-	(1)	11
Total held-for-trading securities	3,230	3,356	-	13(d)	(139)(d)	3,230
Total securities	79,672	83,446	26	500	(5,498)	78,474

Please see comments below.

Note 5 - Securities (cont.)

	As at September 30, 2021 (unaudited)				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
1. Held-to-maturity bonds:					
Of the Israeli Government	4,062	4,062	365	(6)	4,421
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed (MBS)	2,409	2,409	25	(34)	2,400
Of other foreign entities	1,750	1,750	60	(50)	1,760
Total held-to-maturity bonds[(e)]	8,221	8,221	450	(90)	8,581

	As at September 30, 2021 (unaudited)				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[(a)]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	26,493	25,611	908	(26)	26,493
Of foreign governments	17,876	17,894	51	(69)	17,876
Of Israeli financial institutions	54	49	5	-	54
Of foreign financial institutions	8,831	8,652	184	(5)	8,831
Asset-backed (ABS) or mortgage-backed (MBS)	7,925	7,930	52	(57)	7,925
Of other Israeli entities	373	354	19	-	373
Of other foreign entities	5,285	5,108	207	(30)	5,285
Total available-for-sale bonds[(e)]	66,837	65,598	1,426[(c)]	187[(c)]	66,837

Please see comments below.

Note 5 - Securities (cont.)

	As at September 30, 2021 (unaudited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
3. Investment in not held-for-trading equity securities and mutual funds:					
Equity securities and mutual funds	4,714	4,209	555	(50)	4,714
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,759	1,759			1,759
Total not held for-trading equity securities and mutual funds	4,714	4,209	555[(d)]	(50)[(d)]	4,714
Total not held-for-trading securities	79,772	78,028	2,431	(327)	80,132

	As at September 30, 2021 (unaudited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	1,453	1,459	1	(7)	1,453
Of foreign governments	-	-	-	-	-
Of Israeli financial institutions	52	50	2	-	52
Of foreign financial institutions	29	28	1	-	29
Asset-backed (ABS) or mortgage-backed (MBS)	51	54	-	(3)	51
Of other Israeli entities	136	133	3	-	136
Of other foreign entities	61	58	3	-	61
Total bonds	1,782	1,782	10	(10)	1,782
Equity securities and mutual funds	26	25	1	-	26
Total held-for-trading securities	1,808	1,807	11[(d)]	(10)[(d)]	1,808
Total securities	81,580	79,835	2,442	(337)	81,940

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31, 2021 (audited)[f]				
	Balance sheet value	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS million				
1. Held-to-maturity bonds:					
Of the Israeli Government	4,023	4,023	389	(2)	4,410
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed (MBS)	2,315	2,315	14	(38)	2,291
Of other foreign entities	1,693	1,693	63	(60)	1,696
Total held-to-maturity bonds[e]	8,031	8,031	466	(100)	8,397

	As at December 31, 2021 (audited)[f]				
			Accumulated other comprehensive income (loss)		
	Balance sheet value	Amortized cost	Gains	Losses	Fair value[a]
	In NIS million				
2. Available-for-sale bonds:					
Of the Israeli Government	23,666	22,482	1,198	(14)	23,666
Of foreign governments	26,512	26,559	32	(79)	26,512
Of Israeli financial institutions	54	48	6	-	54
Of foreign financial institutions	8,302	8,192	123	(13)	8,302
Asset-backed (ABS) or mortgage-backed (MBS)	7,175	7,234	27	(86)	7,175
Of other Israeli entities	585	561	24	-	585
Of other foreign entities	5,136	5,017	158	(39)	5,136
Total available-for-sale bonds[e]	71,430	70,093	1,568[c]	(231)[c]	71,430

Note 5 - Securities (cont.)

	As at December 31, 2021 (audited)				
	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
3. Investment in not held-for-trading equity securities and mutual funds:					
Equity securities and mutual funds	4,344	4,058	377	(91)	4,344
Of which: equity securities and mutual funds for which there is no available fair value[(b)]	1,743	1,743			1,743
Total not held for-trading equity securities and mutual funds	4,344	4,058	377[(d)]	(91)[(d)]	4,344
Total not held-for-trading securities	83,805	82,182	2,411	(422)	84,171

Please see comments below.

Note 5 - Securities (cont.)

	As at December 31, 2021 (audited)				
	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[(a)]
	In NIS million				
4. Held-for-trading securities: bonds -					
Of the Israeli Government	2,591	2,589	4	(2)	2,591
Of foreign governments	-	-	-	-	-
Of Israeli financial institutions	288	284	4	-	288
Of foreign financial institutions	27	27	-	-	27
Asset-backed (ABS) or mortgage-backed (MBS)	42	44	-	(2)	42
Of other Israeli entities	106	103	3	-	106
Of other foreign entities	53	51	2	-	53
Total bonds	3,107	3,098	13	(4)	3,107
Equity securities and mutual funds	15	16	-	(1)	15
Total held-for-trading securities	3,122	3,114	13[(d)]	(5)[(d)]	3,122
Total securities	86,927	85,296	2,424	(427)	87,293

Comments:

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

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

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

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

(e) An amount of NIS 13.4 billion out of total foreign currency securities are rated SSA (Super-nationals, Sovereign and Agencies) (September 30, 2021 - NIS 9.8 billion, December 31, 2021 - NIS 9.1 billion).

(f) On March 1, 2021, the subsidiary in the US classified a NIS 750 million (USD 225 million) balance from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

(g) Balance of loan loss provision - for additional information, please see Note 1.B.1.

General comments:

Loaned securities in the amount of NIS 223 million (as of September 30, 2021 - NIS 120 million; as of December 31, 2021 - NIS 25 million) are presented under the loans to the public item.

Securities that were pledged totaled NIS 14,659 million (as of September 30, 2021 - NIS 16,152 million; as of December 31, 2021 - NIS 21,206 million).

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

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

Note 5 - Securities (cont.)

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

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

	September 30, 2021 (unaudited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	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	213	4	-	-	4	28	2	-	-	2
Mortgage-backed (MBS)	1,309	29	-	-	29	55	5	-	-	5
Of foreign financial institutions	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	1,021	50	-	-	50	-	-	-	-	-
Total held-to-maturity bonds	2,543	83	-	-	83	83	7	-	-	7

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

Note 5 - Securities (cont.)

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

	December 31, 2021 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses from fair value adjustments					Unrealized losses from fair value adjustments			
	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of the Israeli Government	156	-[f]	-	-	-	31	2	-	-	2
Mortgage-backed (MBS)	1,724	32	-	-	32	65	6	-	-	6
Of foreign financial institutions	-	-	-	-	-	-	-	-	-	-
Of other foreign entities	926	60	-	-	60	-	-	-	-	-
Total held-to-maturity bonds	2,806	92	-	-	92	96	8	-	-	8

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Losses of less than NIS 1 million.

Note 5 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position

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

	September 30, 2021 (unaudited)									
	Less than 12 months[(a)]					12 months or more[(b)]				
		Unrealized losses[(f)]					Unrealized losses[(f)]			
	Fair value	0-20%[(c)]	20%-40%[(d)]	Over 40%[(e)]	Total	Fair value	0-20%[(c)]	20%-40%[(d)]	Over 40%[(e)]	Total
	In NIS million									
Bonds										
Of governments and financial institutions	10,925	82	-	-	82	475	18	-	-	18
Asset-backed (ABS) or mortgage-backed (MBS)	3,079	40	-	-	40	874	17	-	-	17
Of others	1,238	22	-	-	22	140	8	-	-	8
Total available-for-sale bonds	15,242	144	-	-	144	1,489	43	-	-	43

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

Note 5 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position (cont.)

	December 31, 2021 (audited)									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS million									
Bonds										
Of governments and financial institutions	17,067	105	-	-	105	26	1	-	-	1
Asset-backed (ABS) or mortgage-backed (MBS)	3,485	55	-	-	55	1,040	31	-	-	31
Of others	1,698	29	-	-	29	195	10	-	-	10
Total available-for-sale bonds	22,250	189	-	-	189	1,261	42	-	-	42

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

Note 5 - Securities (cont.)

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

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

	September 30, 2021 (unaudited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	2,027	(20)	28	(2)	2,055	(22)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	645	(19)	179	(7)	824	(26)
Asset-backed bonds (ABS)	407	(1)	667	(8)	1,074	(9)
Total	3,079	(40)	874	(17)	3,953	(57)

	December 31, 2021 (audited)					
	Up to 12 months		More than 12 months		Total	
	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]
	In NIS million					
Mortgage-backed bonds (MBS)	2,486	(35)	34	(2)	2,520	(37)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBS)	609	(19)	373	(16)	982	(35)
Asset-backed bonds (ABS)	390	(1)	633	(13)	1,023	(14)
Total	3,485	(55)	1,040	(31)	4,525	(86)

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

Note 5 - Securities (cont.)

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

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

	September 30, 2021 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,332	25	(28)	2,329
Of which: GNMA-backed securities	1,328	14	(18)	1,324
Securities issued by FNMA or FHLMC	1,004	11	(10)	1,005
Other mortgage-backed bonds (including CMOs and stripped MBS)	77	-	(6)	71
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	77	-	(6)	71
Total mortgage-backed bonds (MBS)	2,409	25	(34)	2,400
Asset-backed bonds (ABS)	-	-	-	-
Of which: Loans to other than private individuals - CLO-type bonds	-	-	-	-
Total mortgage-backed held-to-maturity bonds	2,409	25	(34)	2,400

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

Note 5 - Securities (cont.)

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

	December 31, 2021 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through held-to-maturity bonds	2,274	14	(34)	2,254
Of which: GNMA-backed securities	1,343	8	(19)	1,332
Securities issued by FNMA or FHLMC	931	6	(15)	922
Other mortgage-backed bonds (including CMOs and stripped MBS)	41	-	(4)	37
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	41	-	(4)	37
Total mortgage-backed bonds (MBS)	2,315	14	(38)	2,291
Asset-backed bonds (ABS)	-	-	-	-
Of which: Loans to other than private individuals - CLO-type bonds	-	-	-	-
Total mortgage-backed held-to-maturity bonds	2,315	14	(38)	2,291

Note 5 - Securities (cont.)

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

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

	September 30, 2021 (unaudited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,425	19	(22)	3,422
Of which: GNMA-backed securities	1,393	4	(10)	1,387
Securities issued by FNMA or FHLMC	2,032	15	(12)	2,035
Other mortgage-backed bonds (including CMOs and stripped MBS)	2,088	22	(26)	2,084
Of which: Securities issued or guaranteed by FHLMC, FNMA, or GNMA	1,699	15	(26)	1,688
Total mortgage-backed bonds (MBS)	5,513	41	(48)	5,506
Asset-backed bonds (ABS)	2,417	11	(9)	2,419
Of which: Loans to other than private individuals - CLO-type bonds	1,786	9	(2)	1,793
Loans to non-individuals - SBA-guaranteed securities	276	-	(7)	269
Total available-for-sale mortgage-backed and asset-backed bonds	7,930	52	(57)	7,925

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

Note 5 - Securities (cont.)

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

	December 31, 2021 (audited)			
		Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value
	In NIS million			
Mortgage-backed bonds (MBS)				
Pass-through bonds	3,093	8	(37)	3,064
Of which: GNMA-backed securities	1,458	2	(19)	1,441
Securities issued by FNMA or FHLMC	1,635	6	(18)	1,623
Other mortgage-backed bonds (including CMOs and stripped MBS)	2,033	12	(35)	2,010
Of which: Securities issued or guaranteed by FHLMC, FNMA, or GNMA	1,683	10	(33)	1,660
Total mortgage-backed bonds (MBS)	5,126	20	(72)	5,074
Asset-backed bonds (ABS)	2,108	7	(14)	2,101
Of which: Loans to other than private individuals - CLO-type bonds	1,757	6	(2)	1,761
Loans to non-individuals - SBA-guaranteed securities	250	-	(12)	238
Total available-for-sale mortgage-backed and asset-backed bonds	7,234	27	(86)	7,175

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

Note 5 - Securities (cont.)

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

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

	September 30, 2021 (unaudited)			
	Amortized cost	Unrealized gains from fair value adjustments[(a)]	Unrealized losses from fair value adjustments[(a)]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	2	-	-	2
Of which: Securities issued by FNMA or FHLMC	2	-	-	2
Other mortgage-backed securities (including CMO and Stripped MBS)	26	-	(2)	24
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	28	-	(2)	26
Total asset-backed securities (ABS)	26	-	(1)	25
Total mortgage-backed and asset-backed held-for-trading securities	54	-	(3)	51

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

Note 5 - Securities (cont.)

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

	December 31, 2021 (audited)			
	Amortized cost	Unrealized gains from fair value adjustments[(a)]	Unrealized losses from fair value adjustments[(a)]	Fair value
	In NIS million			
Mortgage-backed securities (MBS)				
Pass-through securities	2	-	-	2
Of which: Securities issued by FNMA or FHLMC	2	-	-	2
Other mortgage-backed securities (including CMO and Stripped MBS)	25	-	(1)	24
Of which: Securities issued or guaranteed by FNMA, FHLMC, or GNMA	-	-	-	-
Total mortgage-backed securities (MBS)	27	-	(1)	26
Total asset-backed securities (ABS)	17	-	(1)	16
Total mortgage-backed and asset-backed held-for-trading securities	44	-	(2)	42

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

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

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

	September 30, 2022 (unaudited)					
	Loans to the public				Banks, governments and bonds	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Recorded outstanding debt:						
Examined on a specific basis	215,729	-	422	216,151	90,799	306,950
Examined on a collective basis	24,854	116,915	29,999	171,768	34	171,802
Total[1]	**240,583**	**116,915**	**30,421**	**387,919**	**90,833**	**478,752**
[1]Of which:						
Non-performing debts	1,785	520	198	2,503	1	2,504
Debts in arrears of 90 days or more	159	-	69	228	-	228
Other troubled debts	2,724	61	413	3,198	-	3,198
Total troubled debts	**4,668**	**581**	**680**	**5,929**	**1**	**5,930**
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,223	-	148	3,371	43	3,414
Examined on a collective basis	569	364	592	1,525	-	1,525
Total loan loss provision[2]	3,792	364	740	4,896	43	4,939
[2]Of which:						
For non-performing debts	324	69	144	537	1	538
For other troubled debts	533	8	222	763	-	763

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

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

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

	September 30, 2021 (unaudited)[b]					
	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	160,504	-	876	161,380	90,589	251,969
Examined on a collective basis	42,145	100,213	26,471	168,829	1,079	169,908
Total[1]	202,649	100,213	27,347	330,209	91,668	421,877
[1]Of which:						
Non-performing debts	2,599	18	163	2,780	-[(c)]	2,780
Debts in arrears of 90 days or more	80	680	50	810	-	810
Other troubled debts	3,384	3	397	3,784	1	3,785
Total troubled debts	6,063	701	610	7,374	1	7,375
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	2,750	-	283	3,033	3	3,036
Examined on a collective basis	691	541	420	1,652	-	1,652
Total loan loss provision[2]	3,441	541	703	4,685	3	4,688
[2]Of which:						
For non-performing debts	734	4	137	875	-[(c)]	875
For other troubled debts	585	135	211	931	-	931

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

(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

(c) Balances of less than NIS 1 million.

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

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

	December 31, 2021 (audited)[(b)]					
	Loans to the public				Banks, governments and bonds	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS million					
Recorded outstanding debt:						
Examined on a specific basis	172,551	-	914	173,465	95,015	268,480
Examined on a collective basis	43,157	103,688	27,081	173,926	1,708	175,634
Total[1]	215,708	103,688	27,995	347,391	96,723	444,114
[1]Of which:						
Non-performing debts	2,368	20	205	2,593	-[(c)]	2,593
Debts in arrears of 90 days or more	284	609	48	941	-	941
Other troubled debts	2,522	-	385	2,907	-	2,907
Total troubled debts	5,174	629	638	6,441	-	6,441
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	2,641	-	295	2,936	3	2,939
Examined on a collective basis	671	489	416	1,576	-	1,576
Total loan loss provision[2, 3]	3,312	489	711	4,512	3	4,515
[2]Of which:						
For non-performing debts	657	5	155	817	-[(c)]	817
For other troubled debts	477	123	199	799	-	799

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

(b) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts). Please see Note 1.B.2.

(c) Balances of less than NIS 1 million.

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

B. Change in Balance of Loan Loss Provision

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

	For the three months ended September 30, 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,097	605	777	5,479	2	5,481
Loan loss expenses (income)	(248)	(63)	(49)	(360)	1	(359)
Charge-offs	(94)	(1)	(65)	(160)	-	(160)
Collection of debts written off in previous years	94	-	56	150	-	150
Net charge-offs	-	(1)	(9)	(10)	-	(10)
Adjustments from translation of financial statements	(3)	-	-	(3)	-	(3)
Outstanding loan loss provision as at the end of the reporting period[1]	3,846	541	719	5,106	3	5,109
[1]Of which: in respect of off-balance-sheet credit instruments	405	-	16	421	-	421

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

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

	For the nine-months ended September 30, 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and held-to-maturity bonds	
	Commercial	Housing	Private - other	Total - public	---	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application[(a)]	804	(165)	22	661	26	687
Balance as at January 1, 2022	4,569	324	749	5,642	29	5,671
Loan loss expenses	22	54	85	161	24	185
Charge-offs	(402)	(13)	(264)	(679)	-	(679)
Collection of debts written off in previous years	397	-	190	587	-	587
Net charge-offs	(5)	(13)	(74)	(92)	-	(92)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances of the subsidiary in the United States that was sold[(b)]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,315	365	760	5,440	44	5,484
[1]Of which: in respect of off-balance-sheet credit instruments	523	1	20	544	1	545

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

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

	For the nine-months ended September 30, 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,284	636	792	5,712	3	5,715
Loan loss income	(581)	(90)	(58)	(729)	-	(729)
Charge-offs	(344)	(5)	(207)	(556)	-	(556)
Collection of debts written off in previous years	485	-	192	677	-	677
Net charge-offs	141	(5)	(15)	121	-	121
Adjustments from translation of financial statements	2	-	-	2	-	2
Outstanding loan loss provision as at the end of the reporting period[1]	3,846	541	719	5,106	3	5,109
[1]Of which: in respect of off-balance-sheet credit instruments	405	-	16	421	-	421

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.2.

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

Note 7 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
In Israel			
Demand deposits			
Noninterest bearing deposits	**168,481**	145,012	161,327
Interest-bearing deposits	**178,401**	185,082	210,393
Total demand deposits	**346,882**	330,094	371,720
Fixed deposits	**199,813**	146,126	140,596
Total deposits in Israel[1]	**546,695**	476,220	512,316
Outside Israel			
Demand deposits			
Noninterest bearing deposits	**-**	14,247	14,737
Interest-bearing deposits	**11**	6,928	6,677
Total demand deposits	**11**	21,175	21,414
Fixed deposits	**-(a)**	3,481	3,539
Total deposits outside Israel	**11**	24,656	24,953
Total deposits by the public	**546,706**	500,876	537,269
[1]Of which:			
Deposits by private individuals	**154,469**	147,481	146,235
Deposits by institutional entities	**134,728**	101,373	127,883
Deposits by corporations and others	**257,498**	227,366	238,198

B. Deposits by the Public, by Amount

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Maximum deposit in NIS million	In NIS million		
Up to 1	**120,782**	119,601	120,656
Over 1 and up to 10	**112,894**	110,875	111,186
Over 10 and up to 100	**86,990**	84,148	86,924
Over 100 and up to 500	**66,380**	62,642	65,715
Over 500	**159,660**	123,610	152,788
Total	**546,706**	500,876	537,269

(a) Balances of less than NIS 1 million.

Note 8 - Employee Benefits

A. Issuance of the option warrants

On August 16, 2022, the Bank published an outline for a securities offering to officers (other than directors or the President and CEO) and employees of the Bank group totaling up to 5,000,000 registered option warrants, that are not listed for trading on the Tel Aviv Stock Exchange Ltd.; the option warrants are exercisable into up to 5,000,000 ordinary shares of NIS 1 par value each of the Bank, according to the Bank's 2022 option plan (hereinafter - the "Outline"). On September 4, 2022, 2,460,399 option warrants, that are not listed for trading, were allocated, free of charge - according to the Outline - to 108 employees of the Bank and of the Bank's subsidiaries, of which 13 are senior officers at the Bank (other than directors or the President and CEO), including options out of the said amount, which shall be allocated and shall expire or for which the right of the offeree shall be revoked and shall not be exercised into shares and shall be returned to the option pool, all as detailed in the Outline.

At the vesting date of the option warrants, offerees shall be entitled to exercisable shares in an amount to be determined according to the benefit value component only. For this purpose, the "benefit value component" is the difference between the closing price of an ordinary share of the Bank on the TASE on exercise date and the exercise price.

The option warrants shall vest in three equal annual tranches (each tranche shall be $33^{1}/_{3}\%$ of the amount of option warrants allocated to each offeree) as of the allocation date, as follows:

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

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

The option warrants are offered to the offerees free of charge, as part of their employment terms and conditions with the Bank. The exercise price of the option warrants effectively allocated will be NIS 34.3, according to the closing price in NIS of the Bank's stock on the TASE on the trading day that preceded the Board of Directors' approval for the option warrants' allocation.

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

The fair value estimate of the option warrants as of their vesting date, performed by an external appraiser according to the binomial model, was NIS 15.5 million.

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

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

1. Employee benefits

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Retirement benefits - Pension and severance pay			
Liability amount	**16,441**	20,429	21,261
Fair value of plan assets	**8,813**	9,522	9,803
Excess liability over plan assets	**7,628**	10,907	11,458
Accrued jubilee vacation leave			
Liability amount	**20**	34	30
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in “other liabilities”)	**20**	34	30
Other benefits			
Liability amount	**481**	637	637
Fair value of plan assets	**-**	-	-
Excess liability over plan assets	**481**	637	637
Total			
Excess liability included in “other liabilities”[1]	**8,146**	11,588	12,150
[1]Of which: for employee benefits abroad	**-**	57	28
Excess assets included in “Other Assets”[2]	**17**	10	25
[2]Of which: for employee benefits abroad	**1**	10	12

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

2. Defined benefit plan

A. Obligation and funding status

1. Change in the obligation in respect of expected benefit

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Obligation in respect of expected benefit as at the beginning of the period	**17,212**	20,353	**21,261**	20,491	20,491
Service cost	**32**	46	**113**	144	189
Interest cost	**184**	146	**515**	424	572
Contributions by planholders	**7**	8	**21**	24	32
Actuarial loss (gain)	**(581)**	110	**(4,239)**	(35)	829
Changes in foreign exchange rates	**(11)**	(12)	**(7)**	(2)	(12)
Paid benefits	**(402)**	(222)	**(1,136)**	(617)	(840)
Other	**-**	-	**69**	-	-
Less balances of the subsidiary in the United States that was sold[(a)]	**-**	-	**(156)**	-	-
Obligation in respect of expected benefit as at the end of the reporting period	**16,441**	20,429	**16,441**	20,429	21,261
Obligation in respect of cumulative benefit as at the end of the reporting period	**15,815**	19,014	**15,815**	19,014	19,617

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

The actuarial gain during the reporting period arises mainly from an increase in the discount rate.

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

A. Obligation and funding status (cont.)

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Fair value of plan assets as at the beginning of the period	**9,067**	9,453	**9,803**	8,945	8,945
Actual return on plan assets[(a)]	**(22)**	190	**(213)**	739	1,150
Plan contributions by the Bank	**16**	20	**52**	185	201
Contributions by planholders	**7**	8	**21**	24	32
Changes in foreign exchange rates	**(11)**	(14)	**(3)**	(4)	(23)
Paid benefits	**(244)**	(135)	**(746)**	(367)	(502)
Other	**-**	-	**69**	-	-
Less balances of the subsidiary in the United States that was sold[(b)]	**-**	-	**(170)**	-	-
Fair value of plan assets as at the end of the reporting period	**8,813**	9,522	**8,813**	9,522	9,803
Funding status - net liability recognized at the end of the reporting period	**7,628**	10,907	**7,628**	10,907	11,458

(a) Including the effect of the transition to a paying fund in respect of the retirees. See Note 23.D to the financial statements as at December 31, 2021.

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

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

A. Obligation and funding status (cont.)

3. Amounts recognized in the consolidated balance sheet

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Amounts recognized in the "Other assets" item	**17**	10	25
Amounts recognized in the "Other liabilities" item	**7,645**	10,917	11,483
Net liability recognized at the end of the reporting period	**7,628**	10,907	11,458

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

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Net actuarial loss	**1,165**	4,725	5,168
Closing balance of accumulated other comprehensive income	**1,165**	4,725	5,168

B. Expenditure for the period

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Service cost	**32**	46	**113**	144	189
Interest cost	**184**	146	**515**	424	572
Expected return on plan assets	**(98)**	(104)	**(305)**	(304)	(414)
Amortization of unrealized amounts - net actuarial loss	**42**	119	**236**	368	489
Total benefit cost, net	**160**	207	**559**	632	836
Total expense for defined contribution pension plan	**49**	45	**147**	137	185
Total expenses included in profit and loss	**209**	252	**706**	769	1,021

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

2. Defined benefit plan (cont.)

B. Expenditure for the period (cont.)

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

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Net actuarial loss (gain) for the period	**(461)**	24	**(3,721)**	(470)	93
Amortization of unrealized amounts - net actuarial loss	**(42)**	(119)	**(236)**	(368)	(489)
Changes in foreign exchange rates	**-**	(2)	**-**	(1)	-
Less balances of the subsidiary in the United States that was sold[(a)]	**-**	-	**(46)**	-	-
Total recognized in other comprehensive income	**(503)**	(97)	**(4,003)**	(839)	(396)
Total benefit cost, net	**160**	207	**559**	632	836
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(343)**	110	**(3,444)**	(207)	440

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

3. Assumptions[(a)]

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

1. The main assumptions used for calculating the benefit obligation

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Discount rate	**2.20**	0.80	0.55
Rate of increase in the CPI	**2.47**	2.10	2.59
Departure rate[(b)]	**0.1-7**	0.1-3.7	0.1-7
Rate of compensation increase	**0-6.3**	0-6.3	0-6.3

(a) The assumptions are only in respect of the Bank's data.
(b) For employees who started working at the Bank before January 1 1999 and were awarded permanent employee status as of the date of signing the special collective bargaining agreement in 2000.

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

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

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

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

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Discount rate	**1.20**	0.96	0.92
Expected long-term return on plan assets	**4.50**	4.50	4.50
Rate of compensation increase	**0-6.3**	0-6.3	0-6.3

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

	Increase by one percentage point			Decrease by one percentage point		
	As at September 30		As at December 31	As at September 30		As at December 31
	2022	2021	2021	**2022**	2021	2021
	Unaudited		Audited	Unaudited		Audited
	In NIS million					
Discount rate	**(2,037)**	(2,753)	(2,829)	**2,493**	3,418	3,507
Rate of increase in the CPI	**(335)**	(588)	(592)	**374**	660	665
Departure rate	**212**	311	256	**(231)**	(305)	(283)
Rate of compensation increase	**365**	646	650	**(328)**	(577)	(580)

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

The employee benefits liability amount is affected by several key variables, which include market variables (discount rates of the liabilities for various periods) and actuarial variables, with some of the actuarial variables being associated with employee behavior. There may be a correlation between changes in market variables and changes in the behavioral actuarial variables. For example, in case of a sharp interest rate hike in the Israeli economy, government bond yields may rise (lowering the pension liability amounts and causing the number of employees opting for the pension fund track to decrease (a decision which will also decrease the Bank's pension liability amounts).

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

4. Plan assets

A. Composition of the fair value of plan assets

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Cash and deposits with banks	**10**	248	295
Shares	**1,214**	1,755	1,736
Government bonds	**196**	419	501
Corporate bonds	**617**	941	964
Other[(a)]	**6,776**	6,159	6,307
Total	**8,813**	9,522	9,803

(a) Including the effect of the transition to a paying fund in respect of the retirees. See Note 23.D to the financial statements as at December 31, 2021.

B. Fair value of plan assets by type of asset and allocation target for 2022

	Allocation target	Percentage of plan assets		
	As at December 31	As at September 30		As at December 31
	2022	**2022**	2021	2021
	Unaudited			Audited
	In %			
Cash and deposits with banks	**3**	**-**	3	3
Shares	**18**	**14**	18	18
Government bonds	**5**	**2**	4	5
Corporate bonds	**10**	**7**	10	10
Other	**64**	**77**	65	64
Total	**100**	**100**	100	100

Note 8 - Employee Benefits (cont.)

B. Composition of Benefits (cont.)

5. Cash flows

A. Contributions

	Forecast[a]	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	**2022**	2021	**2022**	2021	2021
	Unaudited					Audited
	In NIS million					
Contributions	**206**	**23**	28	**73**	209	233

(a) The estimated contributions that the Bank expects to be made to the defined benefit plan by the end of 2022.

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

Year	In NIS million
2022	193
2023	811
2024	784
2025	848
2026	854
2027-2031	5,052
2032 and onwards	14,000
Total	22,542

(a) In discounted values.

Note 9A - Equity

Changes in the Bank's Equity

Issuance of shares

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

Allocation of option warrants

For details regarding the issuance of option warrants not listed for trading to 108 employees of the Bank and/or of the Bank's subsidiaries, please see Note 8.A.

Treasury shares of the Bank

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

Circular on Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order) - Proper Conduct of Banking Business Directive No. 250

On March 31, 2020 the Bank of Israel published a circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order) (Directive No. 250) (hereinafter - the "Temporary Order"). In accordance with the temporary order, a banking corporation whose total consolidated on-balance sheet assets equal or exceed 24 percent of the banking system's total on-balance-sheet assets is required to maintain a Common Equity Tier 1 capital ratio to risk-weighted assets that shall not fall below 9 percent and a ratio of total capital to risk-weighted assets that shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular). The directive is applicable to Leumi.

On the back of the ongoing development of the coronavirus event and its implications on the Israeli and global economies, the Banking Supervision Department decided to prolong, from time to time, the validity of the temporary order. On December 27, 2021, the Banking Supervision Department published a circular according to which, as of January 1, 2022, the temporary order will expire, except for specific provisions with a later expiry date; on January 18, 2022, the Banking Supervision Department published another circular, according to which the temporary order would not be revoked, but rather revised.

According to the directive, the capital targets easement shall be in effect until December 31, 2023, while the banking corporation's capital ratios shall be no less than the capital ratios on December 31, 2021, or the minimum capital ratios applicable to the corporation prior to the temporary order, whichever the lower. As of December 31, 2021, the CET1 capital ratio of Leumi is 11.50 percent and the total capital ratio is 14.21 percent; therefore, as of January 1, 2022, Leumi is subject to the minimum capital targets in effect prior to the temporary order - i.e. the CET1 capital ratio shall not fall below 10 percent, and the total capital ratio shall not fall below 13.5 percent. It was also determined in the circular that for a period until June 30, 2022, a reduction of up to 0.3 percent in the capital ratios shall not be deemed as deviating from the required capital ratios, subject to stringent and conservative capital planning and to reporting to the Banking Supervision Department.

As part of the Temporary Order, it was decided that the additional capital requirement of 1 percent of the outstanding housing loans, stipulated in Section 14A, will not be applicable to housing loans extended during the crisis period - from March 19, 2020 to September 30, 2021. To Proper Conduct of Banking Business Directive No. 329, Limitations on Issuing Housing loans. In accordance with the circular published by the Banking Supervision Department on September 30, 2021, as of October 1, 2021, the easement remains in effect only in respect to the capital requirement for housing loans not intended for the purchase real estate properties (all-purpose loans). Accordingly, the additional capital requirement for housing loans, as of September 30, 2022, is 0.21 percent in terms of CET1 ratio.

Accordingly, the minimum capital requirements applicable to the Bank as of September 30, 2022 are 10.21 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

Note 9A - Equity (cont.)

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

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.

As part of the implementation of this policy, and until the Board of Directors' decision of April 16, 2020 to put an end to the dividend distribution and to the Bank's share buyback plan, against the backdrop of the coronavirus crisis, the Bank used to distribute a dividend of up to 40 percent of the quarterly net income and to regularly carry out a share buyback plan.

In the Banking Supervision Department circular dated December 27, 2021, limitations on distribution of dividends were revoked and banking corporations were instructed to exercise due caution when examining their business model, as well as take into account the remaining uncertainty in the markets, due, among other things, to new virus mutations.

On November 28, 2022, the Board of Directors approved a dividend distribution totaling NIS 356 million, which represents approx. 20 percent of the net income for the third quarter of 2022. The dividend approved amounted is 23.08 agorot per share of NIS 1 par value. The Board of Directors has set December 11, 2022 as the record date for the dividend payment and December 19, 2022 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS million
August 12, 2021	September 2, 2021	43.36	630
November 15, 2021	December 12, 2021	94.11	1,367
March 9, 2022	April 6, 2022	40.48	588
May 23, 2022	June 15, 2022	22.14	322
August 15, 2022	September 6, 2022	25.82	399

Shelf Prospectus, Bond Issue and Commercial Securities

On May 27, 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus is in effect for two years from its publication date.

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

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

On March 27, 2022, the Bank issued a total of NIS 1.336 billion p.v. in Series 184 Bonds as well as NIS 697 million p.v. in commercial securities (CS Series 1).

Note 9A - Equity (cont.)

The principal of Series 184 Bonds is repayable in ten equal semiannual payments, from November 5, 2025 to May 5, 2030. The principal is not linked and carries an annual interest of 2.76 percent, which will be paid twice a year on May 5 and November 5 of each of the years 2022 to 2030, in respect of the six-month period ended on the day preceding the payment date, except for the first interest payment, which shall be made on November 5, 2022 for the period beginning on the first trading day following the tender date for the bonds, until November 4, 2022. The rate of the payable interest at the first interest payment date shall be 1.68625 percent. The principal of the Series 1 Commercial Securities and interest in respect thereof shall be payable in one lump sum on March 23, 2023; it is not linked, and carries interest at a rate of 0.25 percent over the Bank of Israel's interest rate.

The Series 184 Bonds and Commercial Securities (Series 1 CS) are not recognized for regulatory capital purposes.

On March 27, 2022, the Bank issued a total of NIS 632 million p.v. in Series 405 Subordinated Bonds for NIS 654.7 million. The Series 405 Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.5 percent payable on March 27 of each year. The Subordinated Bonds are repayable in one lump sum on March 27, 2033, with the issuer having an early repayment option in March 2028. At that date, if the Bank does not exercise its early redemption option, the bond's nominal interest rate shall be revised according to the difference between the benchmark interest rate at the issue date and the benchmark interest rate at the interest revision date, as defined by the shelf offering report.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 405 Subordinated Bonds shall be converted into ordinary shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 16.66 per share, subject to adjustments), the highest of the two.

On September 12, 2022, the Bank issued a total of NIS 772 million p.v. in subordinated bonds by way of an expansion of Series 405 for a consideration of approx. NIS 757 million.

These subordinated bonds Series 405 are eligible for inclusion in Tier 2 capital as of the issue date.

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

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

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

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

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

On September 12, 2022, the Bank issued a total of approx. NIS 1,306 million p.v. in commercial securities (Series 3 CS). The principal of the Series 3 Commercial Securities and interest in respect thereof shall be payable in one lump sum on September 10, 2023; it is not linked, and carries interest at a rate of 0.3 percent over the Bank of Israel's interest rate.

The Commercial Securities (Series 3 CS) are not recognized for regulatory capital purposes.

On November 15, 2022, the Bank reported it was considering issuing a new series of subordinated bonds of the Bank and listing them on the TASE. Theses subordinated bonds, if issued, will be included in the Bank's capital. As of the report date, the issuance has yet to be made.

Note 9B - Capital Adequacy, Leverage and Liquidity

Overview

In May 2013, the Banking Supervision Department amended Proper Conduct of Banking Business Directives Nos. 201-211 on capital measurement and adequacy, in order to adapt them to the Basel III rules.

It should be noted that Basel III rules introduce significant changes in the calculation of regulatory capital requirements, inter alia, in relation to the following:

1. Regulatory capital components
2. Capital deductions and regulatory capital adjustments
3. Treatment of exposures to financial corporations
4. Treatment of exposures to credit risk for impaired debts
5. Capital allocation for CVA risk

The abovementioned amendments became effective on January 1, 2014, and implementation is gradual pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299, Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions.

According to the transitional provisions, the regulatory adjustments and deductions from capital, as well as minority interests - which do not qualify as regulatory capital - were gradually deducted from the capital at a rate of 20 percent per year, from January 1, 2014 to January 1, 2018. Capital instruments that no longer qualify as regulatory capital were recognized up to a maximum of 80 percent on January 1, 2014 and in each subsequent year, the maximum was lowered by an additional 10 percent, until January 1, 2022. As of 2022, the maximum instrument amount qualifying as regulatory capital is 0 percent.

Volatile Capital Components

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the liability being measured in accordance with market interest rates, which are at historical lows, and also due to the considerable volatility such measurement has brought to the Bank's regulatory capital.

In this context, on July 12, 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the discount rate to be used for calculating the liability for employee benefits for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the discount rate is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30, 2016 to the Annual Financial Statements as at December 31, 2020. On January 13, 2020, the Bank of Israel approved the extension of the validation of the approval for the Annual Financial Statements as at December 31, 2024 (inclusive). The new method significantly moderates the volatility resulting from changes in the discount rate.

On November 15, 2016, the Bank's Board of Directors decided, based on the recommendation of the Audit Committee, to calculate the liabilities for employee pensions according to the fixed spread of internationally AA-rated bonds.

For regulatory capital purposes, the pension liability amounts to NIS 16,210 million and the Common Equity Tier 1 capital - to NIS 47,245 million, compared with a book value of NIS 16,755 million for the pension liability and Common Equity Tier 1 capital of NIS 47,226 million.

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

- Change in total risk-weighted assets – risk-weighted assets amounted to NIS 414.1 billion as at September 30, 2022. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio and total capital ratio by 0.03 percent.
- Change in Common Equity Tier 1 - as of September 30, 2022, Common Equity Tier 1 totals NIS 47.2 billion. A decrease of NIS 100 million in the Common Equity Tier 1 capital will reduce the CET1 capital ratio and total capital ratio by approx. 0.02 percent.

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

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
a. Data			
Capital for capital ratio calculation purposes			
CET1 capital, after regulatory capital deductions and adjustments[(b)(d)]	**47,245**	42,946	43,117
Tier 2 capital, after deductions	**11,906**	10,292	10,148
Total capital	**59,151**	53,238	53,265
Balance of risk-weighted assets			
Credit risk[(b)(d)(e)(f)]	**381,466**	335,495	346,602
Market risks	**7,532**	5,111	5,592
Operational risk	**25,095**	22,393	22,582
Total balance of risk-weighted assets	**414,093**	362,999	374,776
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk-weighted assets	**11.41%**	11.83%	11.50%
Ratio of total capital to risk-weighted assets	**14.28%**	14.67%	14.21%
Minimum CET 1 capital ratio set by the Banking Supervision Department[(a)]	**10.21%**	9.18%	9.19%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**13.50%**	12.50%	12.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
Ratio of CET1 capital to risk-weighted assets		14.00%	13.40%
Ratio of total capital to risk-weighted assets		15.13%	14.43%
Minimum CET1 capital ratio set by the local authorities[(c)]		7.00%	7.00%
Minimum total capital ratio set by the local authorities[(c)]		10.50%	10.50%

Please see comments below

(a) The minimum Tier 1 capital ratio required and the minimum total capital ratio required from March 31, 2020 are 10 percent and 13.5 percent, respectively. On March 31, 2020, the Banking Supervision Department published a temporary order intended to address the coronavirus crisis, according to which the minimum Common Equity Tier 1 capital and minimum total capital ratio required are 9 percent and 12.5 percent respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. Data regarding minimum total capital ratio required by the Banking Supervision Department for previous periods have been restated due to clarifications by the Banking Supervision Department that the additional capital requirement for housing loans will be added to the Common Equity Tier 1 capital. For more information about the temporary order for addressing the coronavirus crisis, please see Note 9A above. As of January 1, 2022, the minimum capital requirements applicable to the Bank are 10 percent for Common Equity Tier 1 capital ratio (including capital requirements for outstanding housing loans) and 13.50 percent for total capital ratio.

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

(c) The minimum Common Equity Tier 1 capital ratio and minimum total capital ratio required under local regulation are 4.5 percent and 8 percent, respectively. These ratios are compounded by a capital conservation buffer of 2.5 percent.

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

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

(f) Credit risk was calculated after implementing the circular revising Proper Conduct of Banking Business Directives 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk". Under the circular, the credit provided for the sale of land for development and construction purposes at a rate of over 80 percent of the value of the purchased property (LTV), was risk-weighted at 150 percent. This excludes loans to purchase agricultural or forested land with no planning or rezoning prospects or loans for the purchase of land for the self-use of the borrower, who is not classified in the construction and real estate sector according to the sectoral classification in Section 7 of the Banking Supervision Reporting Directive 831 - "Total Credit Risk by Economic Sector". The revisions of the circular are in effect as of June 30, 2022, as clarified by the Banking Supervision Department clarified that the change will be implemented starting from the third quarter of 2022, over four quarters, so that in the quarter ending on June 30, 2023, the capital requirement will be fully reflected. Further to the abovementioned circular, on August 24, the Bank of Israel issued a draft revision to the FAQ on capital adequacy requirements under the standard approach and the internal credit risk model approach; in this context, it is noted that the Bank responded to a revision published by the Banking Supervision Department on several topics and clarifications which may affect the manner in which the circular is applied and the revisions included in the FAQ as well as the manner of calculating the added risk required as a result. If the revisions in the FAQ are applied verbatim, the Common Equity Tier 1 capital ratio is expected to decrease by 0.20 percent. This decrease will, as aforesaid, be spread across four quarters.

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

C. Capital Components for Calculation of Capital Ratios

	September 30	December 31	
	2022	2021	2021
	Unaudited	Audited	
	In NIS million		
1. CET1 capital			
Shareholders' equity	**48,044**	41,787	41,610
Differences between equity attributable to the Bank's shareholders and Common Equity Tier 1 capital - non-controlling interests	**-**	289	300
Adjustments in respect of the transition from the accounting curve to the regulatory curve[(a)]	**40**	943	1,304
Total CET1 capital before regulatory adjustments and deductions	**48,084**	43,019	43,214
Regulatory adjustments and deductions:			
Goodwill	**(1,220)**	(179)	(178)
Regulatory adjustments and other deductions - CET1 capital	**(38)**	(18)	(23)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for CECL - CET1 capital	**(1,258)**	(197)	(201)
Total adjustments for the efficiency plan	**59**	124	104
Total adjustments for current expected credit losses[(b)]	**360**	-	-
Total CET1 capital, after regulatory adjustments and deductions	**47,245**	42,946	43,117
2. Tier 2 capital			
Tier 2 capital: Instruments before deductions	**7,571**	6,250	6,153
Tier 2 capital: Provisions for loan losses, before deductions	**4,335**	4,042	3,995
Total Tier 2 capital before deductions	**11,906**	10,292	10,148
Deductions:			
Total deductions - Tier 2 capital	**-**	-	-
Total Tier 2 capital	**11,906**	10,292	10,148
Total capital	**59,151**	53,238	53,265

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

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

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

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

D. Effect of the Adjustments on the CET1 Capital Ratio

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
Ratio of capital to risk-weighted assets			
Ratio of CET1 capital to risk components, before the effect of adjustments for the efficiency plan and prior to the effects of adjustments for expected loan losses	**11.25%**	11.79%	11.47%
Adjustments in respect of the efficiency plan[(a)(b)]	**0.02%**	0.04%	0.03%
Adjustments for current expected credit losses[(c)]	**0.10%**	-	-
Adjustments for high-risk loans for land purchase	**0.04%**	-	-
Ratio of CET1 capital to risk-weighted assets	**11.41%**	11.83%	11.50%

(a) Including the effect of adopting US GAAP regarding employee benefits.
(b) Adjustments for the efficiency plans in accordance with the provision of the Banking Supervision Department are charged over a 5-year period, on a straight-line basis, in respect of capital adequacy calculations.
(c) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For additional information, please see Note 1.B.1.

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

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

The leverage ratio is expressed as a percentage, and is defined as the ratio between capital measurement and exposure measurement. As defined in Proper Conduct of Banking Business Directive No. 202, Tier 1 capital is used for calculating the leverage ratio, taking into account the transitional provisions. A Bank's total exposure is the sum of its on-balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and to off-balance-sheet items. As a rule, the measurement is consistent with the accounting values, and no risk-weighting is applied. In addition, unless specifically permitted to do so under the Directive, the Bank may not use physical or financial collaterals, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive No. 202) are deducted from the exposure measurement. Pursuant to the Directive, the Bank calculates the exposure to derivatives according to 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 consolidated total on-balance sheet assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 6 percent. Thus, the Bank is required to have a minimum leverage ratio of 6 percent.

On November 15, 2020, the Bank of Israel published a circular outlining further amendments to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). The circular sets adjusts Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio", such that a banking corporation whose total consolidated on-balance sheet assets is 24 percent or more than the on-balance sheet total assets of the banking system, shall comply with a leverage ratio of no less than 5.5 percent; according to the above, the minimum leverage ratio the Bank is required to meet is 5.5 percent. For more information about the temporary order for addressing the coronavirus crisis, please see Note 9.A. Above.

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

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

As for the easing of the leveraging requirements, the easement shall be in effect until December 31, 2023, provided that the leverage ratio of a banking corporation does not fall below the leverage ratio as of June 30, 2022 or the minimum leverage ratio applicable to the banking corporation prior to the temporary order, whichever the lower. On May 15, 2022, a circular amending the temporary order was published, according to which the easement shall be extended until June 30, 2024, with the leverage ratio not falling below the leverage ratio as of December 31, 2023 or the minimum leverage ratio applicable to the banking corporation prior to the temporary order, whichever the lower.

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
a. Consolidated data[(a)(b)]			
Tier 1 capital	**47,245**	42,946	43,117
Total exposures[(c)]	**744,777**	666,818	711,125
Leverage ratio			
Leverage ratio	**6.34%**	6.44%	6.06%
Minimum total leverage ratio set by the Banking Supervision Department	**5.50%**	5.50%	5.50%
b. Major subsidiaries			
Bank Leumi USA (BLUSA)			
		10.94%	11.66%
Minimum total leverage ratio set by the Banking Supervision Department		5.00%	5.00%

(a) The data include adjustments in respect of the efficiency plan in accordance with the directives of the Banking Supervision Department. For more information regarding the adjustments for the efficiency plan, please see Section D above.
In addition, calculating the leverage ratio, adjustments from the application of the new measurement method for certain actuarial liabilities were taken into account. For additional details regarding the effect of the transition to the new method, see Section C above.
(b) The data include adjustments in respect of CECL, in accordance with the directives of the Banking Supervision Department.
(c) Total exposures were calculated after implementing the revisions to Proper Conduct of Banking Business Directive 218, "Leverage Ratio", following the revision of Directives 203 and 203A, "Measurement and Capital Adequacy - the Standardized Approach - Credit Risk". Comparative figures were not restated.

F. Liquidity Coverage Ratio Pursuant to the Directives Issued by the Banking Supervision Department

On September 28, 2014, a circular was published adding Proper Conduct of Banking Business Directive No. 221, "Liquidity Coverage Ratio", which applies the recommendations of the Basel Committee regarding liquidity coverage ratio to the banking system in Israel. The liquidity coverage ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a banking corporation has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon. The Directive prescribes the manner of calculating the liquidity coverage ratio, including the characteristics and operational requirements for an "inventory of high-quality liquid assets" (the numerator) and sufficient buffers for them; it also prescribes the net cash outflow expected under the stress scenario defined in the Directive for 30 calendar days (the denominator).

The stress scenario set forth in the directive includes a shock scenario combining a corporation-specific shock and a systemic shock; in this context, standard withdrawal and deposit rates were defined for outflows and inflows, respectively, according to the various balance categories.

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

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.

F. Liquidity Coverage Ratio Pursuant to the Directives Issued by the Banking Supervision Department (cont.)

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
	In %		
a. Consolidated data			
Liquidity coverage ratio	**127**	131	124
Minimum liquidity coverage ratio set by the Banking Supervision Department[(a)]	**100**	100	100
b. The Bank's data			
Liquidity coverage ratio	**124**	130	122
Minimum liquidity coverage ratio set by the Banking Supervision Department	**100**	100	100

Comment: Bank Leumi USA is not subject to the liquidity coverage ratio.

(a) Currently, the Bank is reassessing its liquidity ratio calculation methodology; it believes that if a new methodology is applied, it will leave the Bank with a significantly higher liquidity ratio than the regulatory requirements. Thus, and in coordination with the Banking Supervision Department, the Bank has set an internal liquidity coverage ratio of 115 percent, in excess of the minimum liquidity coverage ratio set by the Banking Supervision Department.

G. Stable funding ratio in accordance with the directives of the Banking Supervision Department

As of the financial statements dated December 31, 2021, the Bank is reporting the Net Stable Funding Ratio (NSFR) Directive No. 222, which is based on a publication of the Basel Committee. The NSFR is aimed at improving the resilience of banking corporations' liquidity risk profile in the long term, by requiring them to maintain a stable financing profile according to the composition of their assets and their off-balance-sheet activities. The ratio prevents banking corporations from over-reliance on short-term wholesale financing. The measurement is made both on the consolidated and separate levels each quarter; the requirement is to meet a 100 percent ratio.

	September 30	December 31
	2022	2021
	Unaudited	Audited
	In %	
a. Consolidated data		
Net stable funding ratio	**126**	131
Minimum net stable funding ratio set by the Banking Supervision Department	**100**	100

Note 10 - Contingent Liabilities and Special Commitments

A. Contingent liabilities and other special commitments

	September 30	December 31	
	2022	2021	2021
	Unaudited	Audited	
	In NIS million		
Commitments to purchase securities	**1,149**	590	686
Commitments to invest in, and purchase of, buildings and equipment	**116**	58	23

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
	In NIS million				
Credit sale activity					
Book value of sold loans	**-**	-	**422**	-	217
Cash proceeds	**-**	-	**437**	-	217
Total net income on sale of loans	**-**	-	**15**	-	-

B. Legal Claims

During the regular course of business, legal claims have been filed against the Bank and certain consolidated companies, including class actions certification motions. Note 26 to the Bank's Annual Financial Statements as at December 31, 2021 included information regarding all pending material legal claims as of the publication date of the Annual Financial Statements. The following note contains information regarding material legal claims filed during the reporting period and close to its publication date, if any, as well as changes that occurred in respect of material lawsuits filed in previous reporting periods; the note does not contain information regarding legal claims reported in Note 26 to the Bank's Annual Financial Statements as at December 31, 2021 in which no change has occurred.

In the opinions of the management of the Bank and the managements of the consolidated companies - which are based on legal opinions regarding the expected results of such claims, including class action certification motions - the financial statements reflect adequate provisions, where needed, to cover any damages resulting from such claims.

In the opinion of the management of the Bank and the managements of the consolidated companies, the total additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, amounts to NIS 373 million.

1. Following are the changes in material claims reported in Note 26 to the Annual Financial Statements of the Bank as at December 31, 2021:

   1.1. On September 16, 2018, a motion for class certification was filed against the Bank. The applicant claims that when the Bank reimburses its customers for unlawful charges (for example, by mistake), it refunds them at face value - the same amount it has charged them - without taking into account the Bank's gains as a result of holding the funds or paying interest and linkage differentials. The applicant claims he has incurred a damage of NIS 0.51, and is unable to estimate the total class damage amount. On February 23, 2022, the applicant filed a motion to withdraw from the claim; as a result, the class action lawsuit was deleted and the personal claim of the applicant was rejected.

1.2. On September 6, 2021, a class certification motion was filed with the District Court (Central Region) against five banks, including the Bank, stating that the plaintiffs suffered damage due to the fact that the banks present fees and commissions for certain transactions in foreign currency rather than in shekels, and charge these fees and commissions in shekels with a higher exchange rate than the representative exchange rates. The applicants did not name a group damage amount. On May 9, 2022, the court approved the withdrawal motion filed by the plaintiffs and imposed on them the defendants' legal fees; the legal proceeding was thus concluded.

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

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

1.5. On February 11, 2016, a motion for class certification was filed against the Bank and four other banks, claiming that the banks grant benefits to students, however they restrict the students' age. The total amount of the claim was assessed by the plaintiff at NIS 219 million. On September 26, 2019, the District Court dismissed the motion for certification of class certification. On November 4, 2019, the applicant appealed the decision of the District Court to the Supreme Court and on October 20, 2022, the Supreme Court dismissed to appeal, thus concluding the legal proceeding.

1.6. On May 6, 2018, a motion to approve a class certification was filed 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. On November 10 2022, a decision was handed down by the Central District Court, approving the motion for class certification.

1.7. In mid-2020, a claim was filed 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. Prior to filing the claim, measures were taken by the lenders against the borrowers, after the lenders claimed breach of the financing agreement. Recently, the lenders filed an amended claim, in which the original claim amount was revised to USD 165 million (against all defendants).

2. Also pending against the Bank is a legal procedure for a material amount, which – according to the Bank's management, which is based on a legal opinion as to the odds of the procedure – it is impossible to estimate the odds at this stage; for this reason, no provision was made in respect thereof.

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

2.1. On September 2, 2022, an additional legal proceeding was filed with the New York, US, court, in connection with the Project that is the subject matter of the claim outlined in Section 1.7 above. The proceeding was filed by the mezzanine lender in the Project, against the senior lenders which financed the Project, including the Bank. The claim amount in this proceeding is NIS 170 million.

3. As at the publication date of the financial statements, there are no pending material legal claims against the Bank's subsidiaries.

C. Contingent Liabilities and Other Commitments

On November 27, 2022, the Bank was informed by supervisor of credit data sharing in the Bank of Israel of a monetary sanction imposed on the Bank totaling NIS 796,000 due to failure by Pepper to report on time to the Bank of Israel's Credit Register regarding checks withdrawn by Pepper customers, which were rejected to to lack of sufficient funds. The monetary sanction amount was reduced by 70 percent of the original amount by the supervisor of credit data sharing, under reduction grounds provided by law.

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

A. Volume of Consolidated Activity

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

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

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

A. Volume of Consolidated Activity (cont.)

	September 30, 2021 (unaudited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	3,383	16,837	20,220
Written options	1,292	3,000	4,292
Purchased options	-	1,032	1,032
Swaps[(a)]	17,135	198,648	215,783
Total[(b)]	21,810	219,517	241,327
Of which: Hedging derivatives[(c)]	6,461	-	6,461
b) Foreign currency contracts			
Futures and forwards[(d)]	58,898	230,101	288,999
Written options	1,091	37,648	38,739
Purchased options	1,091	31,462	32,553
Swaps[(a)]	161	19,951	20,112
Total	61,241	319,162	380,403
c) Stock contracts			
Futures and forwards	361	141,351	141,712
Written options	692	138,064	138,756
Purchased options[(e)]	569	138,195	138,764
Other	7	-	7
Swaps	113	111,905	112,018
Total	1,742	529,515	531,257
d) Commodities and other contracts			
Futures and forwards	-	248	248
Written options	-	282	282
Purchased options	-	281	281
Swaps	-	9,236	9,236
Total	-	10,047	10,047
Total nominal amount	84,793	1,078,241	1,163,034

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 111,050 million.
(b) Of which: NIS-CPI swaps totaling NIS 14,755 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 29,496 million.
(e) Of which: a total of NIS 137,868 million is traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

	December 31, 2021 (audited)		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	5,775	19,214	24,989
Written options	1,244	1,906	3,150
Purchased options	-	1,523	1,523
Swaps[(a)]	24,131	208,781	232,912
Total[(b)]	31,150	231,424	262,574
Of which: Hedging derivatives[(c)]	6,422	-	6,422
b) Foreign currency contracts			
Futures and forwards[(d)]	62,183	239,898	302,081
Written options	1,160	29,797	30,957
Purchased options	1,160	26,927	28,087
Swaps[(a)]	156	18,295	18,451
Total	64,659	314,917	379,576
c) Stock contracts			
Futures and forwards	299	195,851	196,150
Written options	1,099	22,234	23,333
Purchased options[(e)]	983	22,343	23,326
Other	7	-	7
Swaps	572	101,155	101,727
Total	2,960	341,583	344,543
d) Commodities and other contracts			
Futures and forwards	-	420	420
Written options	-	261	261
Purchased options	-	260	260
Swaps	-	15,826	15,826
Total	-	16,767	16,767
Total nominal amount	98,769	904,691	1,003,460

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 117,740 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,102 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 11,156 million.
(e) Of which: a total of NIS 22,166 million is traded on the Tel Aviv Stock Exchange.

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

A. Volume of Consolidated Activity (cont.)

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

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

	September 30, 2021 (unaudited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	323	3,375	3,698	321	3,604	3,925
Of which: Hedging derivatives	189	-	189	201	-	201
b) Foreign currency contracts	179	3,173	3,352	39	3,387	3,426
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	18	6,303	6,321	37	6,290	6,327
d) Commodities and other contracts	-	502	502	-	493	493
Total assets/liabilities in respect of derivatives, gross[(a)]	520	13,353	13,873	397	13,774	14,171
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	520	13,353	13,873	397	13,774	14,171
Of which: Not subject to a master netting- or similar arrangements	46	311	357	9	386	395

(a) Of which: NIS 2 million in gross fair value of assets in respect of embedded derivatives, NIS 17 million in gross fair value of liabilities in respect of embedded derivatives.

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

A. Volume of Consolidated Activity (cont.)

	December 31, 2021 (audited)					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS million					
(2) Gross fair value of derivatives						
a) Interest rate contracts	239	2,874	3,113	310	3,033	3,343
Of which: Hedging derivatives	148	-	148	174	-	174
b) Foreign currency contracts	117	4,641	4,758	122	5,944	6,066
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	46	5,766	5,812	70	5,745	5,815
d) Commodities and other contracts	-	348	348	-	337	337
Total assets/liabilities in respect of derivatives, gross[(a)]	402	13,629	14,031	502	15,059	15,561
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	402	13,629	14,031	502	15,059	15,561
Of which: Not subject to a master netting- or similar arrangements	10	303	313	14	449	463

(a) Of which: NIS 4 million in gross fair value of assets in respect of embedded derivatives, NIS 10 million in gross fair value of liabilities in respect of embedded derivatives.

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

B. Accounting Hedges

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

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

	For the three months ended September 30, 2021		For the nine months ended September 30, 2021	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Unaudited			
	In NIS million			
a. Derivatives used for cash flow hedges[(b)]				
Interest rate contracts[(c)]	(7)	-	(28)	-

	For the year ended December 31, 2021	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to the income statement[(a)]
	Audited	
	In NIS million	
a. Derivatives used for cash flow hedges[(b)]		
Interest rate contracts[(c)]	(40)	(1)

(a) Profit (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expenses) line item or in the noninterest finance income (expense) line item according to the line item in which the effect of the hedged item is presented.
(b) Represents amounts included in the hedge effectiveness assessment.
(c) The Bank designates certain derivatives as hedging instruments of cash flows - derivatives hedging an exposure to changes in cash flows from given loans. The effect of hedges is expected to lower the exposure to the given loans.

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

B. Accounting Hedges (cont.)

2. Effect of fair value hedge accounting on profit (loss)

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

	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
	Unaudited	
	In NIS million	
Total interest income (expenses) recognized in the income statement	(17)	(41)
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts[(a)]		
Hedged items	(51)	(294)
Hedging derivatives	34	253
b. Gain (loss) on cash flow hedges		
Interest rate contracts		
Profit and loss reclassified to Accumulated other comprehensive income (loss)	-	-

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

B. Accounting Hedges (cont.)

2. Effect of fair value hedge accounting on profit (loss) (cont.)

	For the year ended December 31, 2021
	Audited
	In NIS million
Total interest income (expenses) recognized in the income statement	(60)
Effect of fair value hedges:	
a. Gain (loss) from fair value hedges	
Interest rate contracts[(a)]	
Hedged items	(293)
Hedging derivatives	232
b. Gain (loss) on cash flow hedges	
Interest rate contracts	
Profit and loss reclassified to Accumulated other comprehensive income (loss)	1

(a) The Bank designates certain derivatives as hedging instruments of fair value, derivatives hedging exposure to interest rate received for bonds.

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

B. Accounting Hedges (cont.)

3. Items hedged by fair value hedges

	As at September 30, 2022 (unaudited)		
	Book value	Fair value adjustments which increased (decreased) the book value	
	of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	**4,793**	**(986)**	**1**
Subordinated bonds	**(1,707)**	**68**	**-**

	As at September 30, 2021 (unaudited)		
	Book value	Fair value adjustments which increased (decreased) the book value	
	of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,341	88	14
Subordinated bonds	-	-	-

	For the year ended December 31, 2021 (audited)		
	Book value	Fair value adjustments which increased (decreased) the book value	
	of the hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS million		
Securities - debt instruments classified as available-for-sale securities	5,023	63	13
Subordinated bonds	-	-	-

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

B. Accounting Hedges (cont.)

4. The effect of hedging a net investment in a foreign operation on accumulated other comprehensive income (loss) and on the income statement

	For the three months ended September 30, 2022		For the nine months ended September 30, 2022	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[a]	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[a]
	Unaudited			
	In NIS million			
Deposits serving as investment hedges, net				
Foreign currency deposits	**(36)**	**-**	**(326)**	**-**

	For the three months ended September 30, 2021		For the nine months ended September 30, 2021	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[a]	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[a]
	Unaudited			
	In NIS million			
Deposits serving as investment hedges, net				
Foreign currency deposits	20	-	(6)	-

	For the year ended December 31, 2021	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from Accumulated other comprehensive income (loss)[a]
	Audited	
	In NIS million	
Deposits serving as investment hedges, net		
Foreign currency deposits	71	-

(a) Income (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expenses) line item or in the noninterest finance income (expense) line item.

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

B. Accounting Hedges (cont.)

5. Effect of derivatives not designated as hedging instruments on the income statement

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

	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Unaudited	
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	(39)	97
Foreign exchange contracts	(122)	257
Stock contracts	25	122
Commodity- and other contracts	1	6
Total	(135)	482

	For the year ended December 31, 2021
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	Audited
	In NIS million
Derivatives not designated as hedging instruments	
Interest rate contracts	143
Foreign exchange contracts	(1,623)
Stock contracts	162
Commodity- and other contracts	15
Total	(1,303)

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

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

C. Credit Risk for Derivatives by Contract Counterparty

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

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

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

	September 30, 2021 (unaudited)[i]					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Other	Total
	In NIS million					
Balance sheet balance of assets in respect of derivatives[a][b]	217	4,952	3,481	101	5,122	13,873
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	3,450	3,122	13	2,150	8,735
Credit risk mitigation in respect of cash collateral received	-	1,333	340	87	1,578	3,338
Net amount of assets in respect of derivatives	217	169	19	1	1,394	1,800
Off-balance sheet credit risk for derivatives[d][e]	462	10,307	6,659	97	13,243	30,768
Mitigation of off-balance sheet credit risk	-	5,759	3,779	8	4,575	14,121
Net off-balance sheet credit risk for derivatives	462	4,548	2,880	89	8,668	16,647
Total credit risk for derivatives	679	4,717	2,899	90	10,062	18,447
Balance sheet balance of liabilities in respect of derivatives[a][c]	174	4,340	4,656	13	4,988	14,171
Gross amounts not netted on the balance sheet:						
Financial instruments	-	3,450	3,122	13	2,150	8,735
Pledged cash collateral	-	571	1,064	-	1,645	3,280
Net amount of liabilities in respect of derivatives	174	319	470	-	1,193	2,156

Please see comments below.

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

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

	December 31 2021 (audited)[i]					
	Stock exchanges	Banks	Dealers/brokers	Governments and central banks	Other	Total
	In NIS million					
Balance sheet balance of assets in respect of derivatives[a][b]	315	6,133	4,181	220	3,182	14,031
Gross amounts not netted on the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	2,566	2,816	2	1,933	7,317
Credit risk mitigation in respect of cash collateral received	-	3,410	1,139	216	182	4,947
Net amount of assets in respect of derivatives	315	157	226	2	1,067	1,767
Off-balance sheet credit risk for derivatives[d][e]	563	8,190	6,824	105	11,443	27,125
Mitigation of off-balance sheet credit risk	-	1,845	2,307	-	6,168	10,320
Net off-balance sheet credit risk for derivatives	563	6,345	4,517	105	5,275	16,805
Total credit risk for derivatives	878	6,502	4,743	107	6,342	18,572
Balance sheet balance of liabilities in respect of derivatives[a][c]	222	3,108	3,575	2	8,654	15,561
Gross amounts not netted on the balance sheet:						
Financial instruments	-	2,566	2,816	2	1,933	7,317
Pledged cash collateral	-	415	755	-	4,862	6,032
Net amount of liabilities in respect of derivatives	222	127	4	-	1,859	2,212

(a) The Bank did not apply netting agreements.
(b) Of which on-balance-sheet total assets in respect of standalone derivatives totaling NIS 41,359 million (September 30, 2021 - 13,871 million, December 31, 2021 - NIS 14,027 million).
(c) Of which on-balance-sheet total liabilities in respect of standalone derivatives totaling NIS 37,308 million (September 30, 2021 - 14,154 million, December 31, 2021 - NIS 15,551 million).
(d) Off-balance sheet credit risk for derivatives (including derivatives with negative fair value) before credit risk mitigation, as calculated for the purpose of limitations on borrower indebtedness.
(e) The difference, if positive, between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower credit limitations, before credit risk mitigation, and the book balance of assets for the borrower's derivatives).
(f) On-balance-sheet balance of assets for derivatives after offsetting fair value and collateral amounts that meet the offsetting guidance, in accordance the circular regarding offsetting assets and liabilities.
(g) The difference, if negative, between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower credit limitations, after credit risk mitigation, and the net book balance of assets for the derivatives.
(h) The difference, if positive, between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower credit limitations, before credit risk mitigation, and the on-balance sheet credit risk for the borrower's derivatives.
(i) On balance-sheet credit risk and off-balance-sheet credit risk, as revised in the Reporting to the Public Directives, in a circular dated July 24, 2022, following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative figures were not restated.

Comments:
1. No credit losses were recognized in respect of derivatives in the nine-month periods ended September 30, 2022, September 30, 2021 and the year ended December 31, 2021.
2. The effect of the counterparty credit risk and the effect of deferred gains at the transaction execution date on the valuation of assets for derivatives as of September 30, 2022, September 30, 2021 and December 31, 2021 was NIS 214 million, NIS 145 million and NIS 174 million, respectively.
The effect of the non-performance risk on the valuation of assets for derivatives as of September 30, 2022, September 30, 2021 and December 31, 2021 was NIS 30 million, NIS 18 million and NIS 35 million, respectively.

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

D. Breakdown of Settlement Dates - Par Value: Balances

	September 30, 2022 (unaudited)				
	Up to three months	Over three months and up to one year	More than one year and up to five years	Over five years	Total
	In NIS million				
Interest rate contracts:					
NIS-CPI	2,316	4,294	6,079	2,759	15,448
Other	71,952	119,835	180,365	73,893	446,045
Foreign exchange contracts	237,277	117,042	23,959	7,237	385,515
Stock contracts	275,799	81,225	4,971	-	361,995
Commodity- and other contracts	2,026	373	11,143	-	13,542
Total	589,370	322,769	226,517	83,889	1,222,545
Total as at September 30, 2021 (unaudited)	676,909	264,717	144,184	77,224	1,163,034
Total as at December 31, 2021 (audited)	524,005	245,298	161,763	72,394	1,003,460

Note 12A - Regulatory Operating Segments

Overview

Operating segments are reported according to the format and classifications prescribed by the Reporting to the Public Directives of the Banking Supervision Department, as detailed in Note 29A to the Financial statements as at December 31, 2021.

Information on regulatory operating segments - consolidated

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

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 18.1 billion to customers whose business activity is classified to business segments.

							Foreign operations[a]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
718	388	1,059	16	989	-	4,902	76	4,978
156	167	338	421	277	-	1,561	3	1,564
562	221	721	(405)	712	-	3,341	73	3,414
183	173	(68)	520	(424)	7	9	(9)	-
745	394	653	115	288	7	3,350	64	3,414
220	82	167	46	22	36	864	(9)	855
965	476	820	161	310	43	4,214	55	4,269
(24)	(11)	27	(1)	(25)	-	83	16	99
433	106	133	94	57	128	1,650	21	1,671
-	-	-	-	5	(6)	-	-	-
433	106	133	94	62	122	1,650	21	1,671
556	381	660	68	273	(79)	2,481	18	2,499
187	131	224	24	75	53	901	7	908
369	250	436	44	198	(132)	1,580	11	1,591
-	-	-	-	191	-	191	-	191
369	250	436	44	389	(132)	1,771	11	1,782
-	-	-	-	-	-	-	-	-
369	250	436	44	389	(132)	1,771	11	1,782
62,633	38,983	116,888	4,972	289,974	3,476	659,781	6,691	666,472
-	-	-	-	1,085	-	1,085	-	1,085
63,841	39,477	117,821	4,982	-	-	370,113	6,058	376,171
65,485	39,796	126,863	2,048	-	-	382,011	5,908	387,919
401	223	1,131	2	-	-	2,474	29	2,503
33	-	-	-	-	-	102	126	228
95,993	66,059	91,787	130,145	69,496	10,433	616,756	1,863	618,619
95,845	65,960	90,179	129,624	-	-	534,312	416	534,728
96,391	68,000	93,107	134,728	-	-	546,695	11	546,706
60,869	41,669	143,269	275	32,342	17,870	391,440	7,729	399,169
56,968	42,512	157,579	8,517	31,183	15,811	407,017	7,076	414,093
74,875	32,704	141,370	941,138	37,546	-	1,336,522	-	1,336,522
496	236	551	7	1,873	7	3,896	92	3,988
249	158	102	107	(2,293)	-	(1,255)	(4)	(1,259)
-	-	-	1	708	-	709	(24)	685
745	394	653	115	288	7	3,350	64	3,414

Note 12A - Regulatory Operating Segments (cont.)
Information on Regulatory Operating Segments - Consolidated (cont.)

	For the three months ended September 30, 2021 (unaudited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	1,223	908	12	2
Interest expense from external	25	-	-	(1)
Interest income, net:				
From external	1,198	908	12	3
Inter-segmental	(571)	(622)	(1)	9
Total interest income, net	627	286	11	12
Total noninterest income	253	13	66	40
Total income	880	299	77	52
Loan loss expenses (income)	(112)	(63)	(1)	-
Operating and other expenses:				
For external	723	82	59	22
Inter-segmental	5	-	-	-
Total operating and other expenses	728	82	59	22
Profit (loss) before taxes	264	280	19	30
Provision for income taxes (benefit)	101	104	7	11
Profit (loss) after taxes	163	176	12	19
The Bank's share in associates' profits	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	163	176	12	19
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	163	176	12	19
Average balance of assets[(b)]	123,848	97,492	3,643	392
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	124,742	97,771	3,683	387
Outstanding loans to the public as at the end of the reporting period	127,148	99,970	3,650	406
Outstanding non-performing debts[(f)]	180	18	1	-
Outstanding debts in arrears of over 90 days	730	680	-	-
Average outstanding liabilities[(b)]	122,446	16	3	25,711
Of which: Average balance of deposits by the public[(b)]	122,388	-	-	25,709
Balance of deposits by the public as at the end of the reporting period	121,770	-	-	26,017
Average balance of risk-weighted assets[(b)(c)]	82,121	59,443	3,305	696
Balance of risk-weighted assets as at the end of the reporting period[(c)]	84,138	61,575	3,442	694
Average balance of assets under management[(b)(d)]	63,786	-	-	51,260
Breakdown of interest income, net:				
Margin from credit granting activities	572	286	11	2
Margin from deposit taking activities	55	-	-	10
Other	-	-	-	-
Total interest income, net	627	286	11	12

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 15.9 billion to customers whose business activity is classified to business segments.
(f) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.B.2.

							Foreign operations[a]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
503	233	556	5	259	-	2,781	252	3,033
68	37	41	66	119	-	355	7	362
435	196	515	(61)	140	-	2,426	245	2,671
22	(4)	(116)	73	605	(2)	16	(16)	-
457	192	399	12	745	(2)	2,442	229	2,671
197	78	141	43	302	119	1,173	67	1,240
654	270	540	55	1,047	117	3,615	296	3,911
(125)	(54)	(42)	6	(19)	-	(346)	(13)	(359)
376	115	107	56	102	170	1,671	184	1,855
-	-	-	4	(10)	-	(1)	1	-
376	115	107	60	92	170	1,670	185	1,855
403	209	475	(11)	974	(53)	2,291	124	2,415
151	78	178	(4)	366	(31)	850	29	879
252	131	297	(7)	608	(22)	1,441	95	1,536
-	-	-	-	26	-	26	-	26
252	131	297	(7)	634	(22)	1,467	95	1,562
-	-	-	-	-	-	-	11	11
252	131	297	(7)	634	(22)	1,467	84	1,551
54,528	31,666	83,969	4,561	263,273	9,717	571,954	33,465	605,419
-	-	-	-	845	-	845	-	845
55,194	32,007	84,985	4,560	-	-	301,875	23,021	324,896
55,653	32,468	88,397	2,714	-	-	306,786	23,423	330,209
390	363	1,395	1	-	-	2,329	451	2,780
69	10	-	-	-	-	809	1	810
84,088	58,651	82,796	97,599	50,671	13,993	535,955	27,892	563,847
83,993	58,567	80,247	97,037	-	-	467,941	26,508	494,449
84,371	60,150	82,539	101,373	-	-	476,220	24,656	500,876
51,949	34,866	102,617	923	30,332	17,762	321,266	29,370	350,636
53,081	35,742	108,783	1,143	32,178	17,124	332,883	30,116	362,999
78,900	29,231	101,880	956,692	48,066	-	1,329,815	18,383	1,348,198
434	183	390	4	940	(2)	2,523	219	2,742
23	9	9	8	(335)	-	(221)	(8)	(229)
-	-	-	-	140	-	140	18	158
457	192	399	12	745	(2)	2,442	229	2,671

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

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

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 18.1 billion to customers whose business activity is classified to business segments.

							Foreign operations[(a)]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,812	902	2,508	28	1,794	-	11,964	401	12,365
244	249	537	641	817	-	2,909	18	2,927
1,568	653	1,971	(613)	977	-	9,055	383	9,438
218	222	(329)	788	1,008	12	32	(32)	-
1,786	875	1,642	175	1,985	12	9,087	351	9,438
665	268	485	144	806	33	3,274	88	3,362
2,451	1,143	2,127	319	2,791	45	12,361	439	12,800
61	2	(56)	-	36	-	182	3	185
1,224	330	366	193	257	438	4,870	236	5,106
-	-	-	3	10	(15)	-	-	-
1,224	330	366	196	267	423	4,870	236	5,106
1,166	811	1,817	123	2,488	(378)	7,309	200	7,509
399	279	619	42	832	(261)	2,345	53	2,398
767	532	1,198	81	1,656	(117)	4,964	147	5,111
-	-	-	-	282	-	282	-	282
767	532	1,198	81	1,938	(117)	5,246	147	5,393
-	-	-	-	-	-	-	10	10
767	532	1,198	81	1,938	(117)	5,246	137	5,383
60,270	36,929	109,751	3,993	286,583	6,780	642,154	15,547	657,701
-	-	-	-	1,108	-	1,108	-	1,108
61,125	37,299	110,704	3,999	-	-	351,826	12,200	364,026
65,485	39,796	126,863	2,048	-	-	382,011	5,908	387,919
401	223	1,131	2	-	-	2,474	29	2,503
33	-	-	-	-	-	102	126	228
92,530	64,076	90,204	126,549	68,419	11,947	603,571	9,897	613,468
92,413	63,991	87,585	126,010	-	-	519,737	9,463	529,200
96,391	68,000	93,107	134,728	-	-	546,695	11	546,706
57,172	40,052	128,396	986	31,351	17,440	366,547	23,027	389,574
56,968	42,512	157,579	8,517	31,183	15,811	407,017	7,076	414,093
78,069	32,828	130,220	1,003,133	51,944	-	1,408,913	6,232	1,415,145
1,415	644	1,485	17	4,639	12	10,152	387	10,539
371	231	157	157	(3,640)	-	(2,052)	(18)	(2,070)
-	-	-	1	986	-	987	(18)	969
1,786	875	1,642	175	1,985	12	9,087	351	9,438

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the nine-months ended September 30, 2021 (unaudited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	3,518	2,576	38	6
Interest expense from external	177	-	-	39
Interest income, net:				
From external	3,341	2,576	38	(33)
Inter-segmental	(1,491)	(1,748)	(1)	66
Total interest income, net	1,850	828	37	33
Total noninterest income	757	42	185	125
Total income	2,607	870	222	158
Loan loss expenses (income)	(148)	(91)	(6)	-
Operating and other expenses:				
For external	2,118	238	164	72
Inter-segmental	17	-	-	-
Total operating and other expenses	2,135	238	164	72
Profit (loss) before taxes	620	723	64	86
Provision for income taxes (benefit)	227	263	24	31
Profit (loss) after taxes	393	460	40	55
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	393	460	40	55
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	393	460	40	55
Average balance of assets[(b)]	119,457	93,539	3,558	368
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	120,296	93,848	3,598	361
Outstanding loans to the public as at the end of the reporting period	127,148	99,970	3,650	406
Outstanding non-performing debts[(f)]	180	18	1	-
Outstanding debts in arrears of over 90 days	730	680	-	-
Average outstanding liabilities[(b)]	122,327	16	5	25,718
Of which: Average balance of deposits by the public[(b)]	122,265	-	-	25,716
Balance of deposits by the public as at the end of the reporting period	121,770	-	-	26,017
Average balance of risk-weighted assets[(b)(c)]	80,333	57,752	3,535	702
Balance of risk-weighted assets as at the end of the reporting period[(c)]	84,138	61,575	3,442	694
Average balance of assets under management[(b)(d)]	63,366	-	-	49,016
Breakdown of interest income, net:				
Spread from granting loans to the public	1,680	828	37	5
Margin from deposit taking from the public	170	-	-	28
Other	-	-	-	-
Total interest income, net	1,850	828	37	33

(a) The classification is based on the office's location.
(b) Average balance calculations will be based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 15.9 billion to customers whose business activity is classified to business segments.
(f) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

							Foreign operations[(a)]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,468	684	1,649	11	788	-	8,124	747	8,871
86	63	144	181	360	-	1,050	28	1,078
1,382	621	1,505	(170)	428	-	7,074	719	7,793
(52)	(53)	(345)	207	1,682	(3)	11	(11)	-
1,330	568	1,160	37	2,110	(3)	7,085	708	7,793
600	234	421	134	1,454	234	3,959	187	4,146
1,930	802	1,581	171	3,564	231	11,044	895	11,939
(233)	(117)	(227)	5	(10)	-	(730)	1	(729)
1,168	344	320	166	292	518	4,998	554	5,552
-	-	-	9	(26)	-	-	-	-
1,168	344	320	175	266	518	4,998	554	5,552
995	575	1,488	(9)	3,308	(287)	6,776	340	7,116
367	212	546	(4)	1,203	(78)	2,504	78	2,582
628	363	942	(5)	2,105	(209)	4,272	262	4,534
-	-	-	-	55	-	55	-	55
628	363	942	(5)	2,160	(209)	4,327	262	4,589
-	-	-	-	-	-	-	31	31
628	363	942	(5)	2,160	(209)	4,327	231	4,558
53,024	30,744	79,665	4,726	248,563	10,846	547,393	32,312	579,705
-	-	-	-	796	-	796	-	796
53,673	31,083	80,782	4,727	-	-	290,922	22,820	313,742
55,653	32,468	88,397	2,714	-	-	306,786	23,423	330,209
390	363	1,395	1	-	-	2,329	451	2,780
69	10	-	-	-	-	809	1	810
81,538	54,039	76,806	88,605	50,055	14,079	513,167	26,587	539,754
81,443	53,957	73,493	88,047	-	-	444,921	25,162	470,083
84,371	60,150	82,539	101,373	-	-	476,220	24,656	500,876
50,959	33,913	98,801	831	29,255	18,147	312,941	29,127	342,068
53,081	35,742	108,783	1,143	32,178	17,124	332,883	30,116	362,999
76,250	27,859	92,046	914,525	45,560	-	1,268,622	17,445	1,286,067
1,261	541	1,135	13	2,705	(3)	7,337	657	7,994
69	27	25	24	(996)	-	(653)	(29)	(682)
-	-	-	-	401	-	401	80	481
1,330	568	1,160	37	2,110	(3)	7,085	708	7,793

Note 12A - Regulatory Operating Segments (cont.)

Information on Regulatory Operating Segments - Consolidated (cont.)

	For the year ended December 31, 2021 (audited)			
	Activity in Israel[(a)]			
	Households[(e)]			
	Total	Of which: housing loans	Of which: credit cards	Private banking
	In NIS million			
Interest income from external	4,542	3,285	50	7
Interest expense from external	226	-	-	62
Interest income, net:				
From external	4,316	3,285	50	(55)
Inter-segmental	(1,819)	(2,159)	(1)	95
Total interest income, net	2,497	1,126	49	40
Total noninterest income	1,005	55	243	169
Total income	3,502	1,181	292	209
Loan loss expenses (income)	(185)	(141)	(2)	-
Operating and other expenses:				
For external	2,795	318	216	95
Inter-segmental	-	-	-	-
Total operating and other expenses	2,795	318	216	95
Profit (loss) before taxes	892	1,004	78	114
Provision for income taxes (benefit)	313	351	28	40
Profit (loss) after taxes	579	653	50	74
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	579	653	50	74
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	579	653	50	74
Average balance of assets[(b)]	121,559	95,435	3,532	384
Of which: Investments in associates[(b)]	-	-	-	-
Average outstanding balance of loans to the public[(b)]	122,401	95,741	3,571	377
Outstanding loans to the public as at the end of the reporting period	131,313	103,429	3,983	429
Outstanding non-performing debts[(f)]	224	20	2	-
Outstanding debts in arrears of over 90 days	657	609	-	-
Average outstanding liabilities[(b)]	122,028	17	5	25,698
Of which: Average balance of deposits by the public[(b)]	121,968	-	-	25,696
Balance of deposits by the public as at the end of the reporting period	120,483	-	-	25,965
Average balance of risk-weighted assets[(b)(c)]	81,285	58,708	3,512	701
Balance of risk-weighted assets as at the end of the reporting period[(c)]	86,779	63,487	3,437	710
Average balance of assets under management[(b)(d)]	66,598	3,070	-	50,077
Breakdown of interest income, net:				
Spread from granting loans to the public	2,267	1,126	49	5
Margin from deposit taking from the public	230	-	-	35
Other	-	-	-	-
Total interest income, net	2,497	1,126	49	40

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 16.4 billion to customers whose business activity is classified to business segments.
(g) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

							Foreign operations[a]	
Small- and micro-businesses	Mid-sized businesses	Corporations	Institutional entities	Financial management	Other segment	Total activity in Israel	Total activity outside Israel	Total
1,962	920	2,206	19	1,017	-	10,673	999	11,672
85	71	184	221	440	-	1,289	37	1,326
1,877	849	2,022	(202)	577	-	9,384	962	10,346
(83)	(69)	(412)	256	2,049	(2)	15	(15)	-
1,794	780	1,610	54	2,626	(2)	9,399	947	10,346
826	324	593	181	1,909	256	5,263	248	5,511
2,620	1,104	2,203	235	4,535	254	14,662	1,195	15,857
(240)	(143)	(201)	3	(42)	-	(808)	(4)	(812)
1,555	458	445	232	395	692	6,667	761	7,428
-	-	-	1	11	(12)	-	-	-
1,555	458	445	233	406	680	6,667	761	7,428
1,305	789	1,959	(1)	4,171	(426)	8,803	438	9,241
462	280	689	-	1,495	(106)	3,173	102	3,275
843	509	1,270	(1)	2,676	(320)	5,630	336	5,966
-	-	-	-	101	-	101	-	101
843	509	1,270	(1)	2,777	(320)	5,731	336	6,067
-	-	-	-	-	-	-	39	39
843	509	1,270	(1)	2,777	(320)	5,731	297	6,028
53,702	31,356	82,652	4,627	254,205	8,314	556,799	32,368	589,167
-	-	-	-	794	-	794	-	794
54,311	31,680	83,743	4,634	-	-	297,146	22,942	320,088
57,527	34,534	93,927	5,824	-	-	323,554	23,837	347,391
419	399	1,148	2	-	-	2,192	401	2,593
70	7	3	-	-	-	737	204	941
82,423	55,562	78,271	93,592	50,565	14,081	522,220	26,405	548,625
82,329	55,480	75,279	93,030	-	-	453,782	25,078	478,860
86,888	60,874	90,223	127,883	-	-	512,316	24,953	537,269
51,505	34,396	101,581	909	29,661	17,892	317,930	29,375	347,305
54,029	37,628	114,097	1,050	33,183	16,778	344,254	30,522	374,776
78,350	28,887	104,078	934,492	47,450	4	1,309,936	17,748	1,327,684
1,701	743	1,577	18	3,349	(1)	9,659	878	10,537
93	37	33	35	(1,272)	1	(808)	(39)	(847)
-	-	-	1	549	(2)	548	108	656
1,794	780	1,610	54	2,626	(2)	9,399	947	10,346

Note 12B - Operating Segments - Management Approach

Overview

Operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.
The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

Information regarding operating segments - management approach was included in Note 29B to the Annual Financial Statements as at December 31, 2021.

Set forth below are the condensed results of operations according to management approach

	For the three months ended September 30, 2022 (unaudited)											
	The Bank									Subsidi-aries in Israel	Foreign subsidi-aries	Total
	Private individ-uals	Small businesses	Retail banking - total	Mort-gages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	220	336	556	1,304	386	357	469	237	2	31	72	3,414
Inter-segmental	718	96	814	(918)	188	(133)	(182)	239	(2)	2	(8)	-
Interest income, net	938	432	1,370	386	574	224	287	476	-	33	64	3,414
Noninterest income (expenses)	404	136	540	25	156	74	96	(127)	19	81	(9)	855
Total income	1,342	568	1,910	411	730	298	383	349	19	114	55	4,269
Loan loss expenses (income)	65	47	112	48	(56)	65	(88)	17	(11)	(4)	16	99
Total operating and other expenses	702	253	955	100	191	69	37	99	148	51	21	1,671
Profit (loss) before tax	575	268	843	263	595	164	434	233	(118)	67	18	2,499
Provision for profit tax	196	92	288	90	204	56	148	80	22	13	7	908
Net income (loss) attributable to the Bank's shareholders	379	176	555	173	391	108	286	339	(140)	59	11	1,782

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

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

	For the three months ended September 30, 2021 (unaudited)											
	The Bank									Subsidi-aries in Israel	Foreign subsidi-aries	Total
	Private individ-uals	Small busi-nesses	Retail banking - total	Mort-gages	Com-mercial	Corpo-rate	Real estate	Capital markets	Other and adjust-ments			
	In NIS million											
Interest income, net:												
From external	277	271	548	897	355	243	277	74	-	31	246	2,671
Inter-segmental	199	22	221	(548)	(2)	(72)	(41)	457	(2)	1	(14)	-
Interest income, net	476	293	769	349	353	171	236	531	(2)	32	232	2,671
Noninterest income	349	112	461	4	111	52	83	151	127	185	66	1,240
Total income	825	405	1,230	353	464	223	319	682	125	217	298	3,911
Loan loss expenses (income)	(47)	(130)	(177)	(60)	(57)	(54)	23	(19)	(9)	6	(12)	(359)
Total operating and other expenses	697	252	949	82	173	69	37	106	205	47	187	1,855
Profit (loss) before tax	175	283	458	331	348	208	259	595	(71)	164	123	2,415
Provision for profit tax	60	97	157	113	119	71	89	204	51	47	28	879
Net income (loss) attributable to the Bank's shareholders	115	186	301	218	229	137	170	392	(122)	142	84	1,551

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

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

	For the nine-months ended September 30, 2022 (unaudited)											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private individuals	Small businesses	Retail banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	745	895	1,640	3,793	1,147	986	1,153	234	9	92	384	9,438
Inter-segmental	1,332	168	1,500	(2,720)	255	(367)	(331)	1,698	(5)	3	(33)	-
Interest income, net	2,077	1,063	3,140	1,173	1,402	619	822	1,932	4	95	351	9,438
Noninterest income (expenses)	1,152	381	1,533	43	452	197	290	(293)	747	305	88	3,362
Total income	3,229	1,444	4,673	1,116	1,854	816	1,112	1,639	751	400	439	12,800
Loan loss expenses (income)	88	62	150	46	70	32	(175)	89	(21)	(9)	3	185
Total operating and other expenses	2,008	762	2,770	277	539	205	108	303	521	147	236	5,106
Profit before taxes	1,133	620	1,753	793	1,245	579	1,179	1,247	251	262	200	7,509
Provision (benefit) for taxes	387	212	599	271	426	198	403	426	(55)	77	53	2,398
Net income attributable to the Bank's shareholders	746	408	1,154	522	819	381	776	1,040	306	248	137	5,383

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

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

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

	For the nine-months ended September 30, 2021 (unaudited)											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Retail banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	797	800	1,597	2,561	1,030	784	794	222	7	79	719	7,793
Inter-segmental	597	55	652	(1,560)	(15)	(252)	(113)	1,300	(3)	2	(11)	-
Interest income, net	1,394	855	2,249	1,001	1,015	532	681	1,522	4	81	708	7,793
Noninterest income	1,055	335	1,390	14	338	165	239	780	276	756	188	4,146
Total income	2,449	1,190	3,639	1,015	1,353	697	920	2,302	280	837	896	11,939
Loan loss expenses (income)	(54)	(215)	(269)	(85)	(101)	(209)	(103)	36	(9)	10	1	(729)
Total operating and other expenses	2,078	732	2,810	239	544	206	102	313	633	149	556	5,552
Profit (loss) before tax	425	673	1,098	861	910	700	921	1,953	(344)	678	339	7,116
Provision for profit tax	145	230	375	294	311	239	315	668	132	171	77	2,582
Net income (loss) attributable to the Bank's shareholders	280	443	723	567	599	461	606	1,288	(476)	559	231	4,558
Balances as at September 30, 2021												
Loans to the public, net	29,774	24,916	54,690	100,906	49,011	39,376	40,391	12,070	5,034	992	23,054	325,524
Deposits by the public	185,382	50,405	235,787	-	84,986	31,619	12,771	111,054	3	-	24,656	500,876

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

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

	For the year ended December 31, 2021 (audited)											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Retail banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	1,108	1,075	2,183	3,251	1,387	1,017	1,072	357	10	106	963	10,346
Inter-segmental	776	84	860	(1,893)	(20)	(312)	(137)	1,520	(2)	-	(16)	-
Interest income, net	1,884	1,159	3,043	1,358	1,367	705	935	1,877	8	106	947	10,346
Noninterest income	1,439	460	1,899	18	468	241	326	1,009	333	969[(a)]	248	5,511
Total income	3,323	1,619	4,942	1,376	1,835	946	1,261	2,886	341	1,075	1,195	15,857
Loan loss expenses (income)	(33)	(263)	(296)	(137)	(119)	(240)	(39)	31	(21)	13	(4)	(812)
Total operating and other expenses	2,770	982	3,752	322	731	277	134	420	825	206	761	7,428
Profit (loss) before tax	586	900	1,486	1,191	1,223	909	1,166	2,435	(463)	856	438	9,241
Provision for profit tax	200	308	508	407	418	311	399	833	81	216	102	3,275
Net income (loss) attributable to the Bank's shareholders	386	592	978	784	805	598	767	1,605	(544)	738	297	6,028

Balances as at December 31, 2021												
Loans to the public, net	30,335	25,745	56,080	104,525	51,408	41,417	43,665	15,749	5,532	1,006	23,497	342,879
Deposits by the public	185,452	51,329	236,781	-	86,466	33,621	13,395	142,050	3	-	24,953	537,269

(a) Includes the revenues of Leumi Partners Ltd. for realized and unrealized gain totaling NIS 518 million from the shares of ironSource and Retailors.

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

A. Debts[(a)] and Off-Balance-Sheet Credit Instruments

1. Change in outstanding loan loss provision

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

	For the three months ended September 30, 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,097	605	777	5,479	2	5,481
Loan loss expenses (income)	(248)	(63)	(49)	(360)	1	(359)
Charge-offs	(94)	(1)	(65)	(160)	-	(160)
Collection of debts written off in previous years	94	-	56	150	-	150
Net charge-offs	-	(1)	(9)	(10)	-	(10)
Adjustments from translation of financial statements	(3)	-	-	(3)	-	(3)
Outstanding loan loss provision as at the end of the reporting period[1]	3,846	541	719	5,106	3	5,109
[1]Of which: in respect of off-balance-sheet credit instruments	405	-	16	421	-	421

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

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

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

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

	For the nine-months ended September 30, 2022 (unaudited)					
	Loan loss provision					
	Loans to the public				Banks, governments and held-to-maturity bonds	
	Commercial	Housing	Private - other	Total - public	---	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	3,765	489	727	4,981	3	4,984
Adjustment to the opening balance due to the effect of first-time application[b]	804	(165)	22	661	26	687
Balance as at January 1, 2022	4,569	324	749	5,642	29	5,671
Loan loss expenses	22	54	85	161	24	185
Charge-offs	(402)	(13)	(264)	(679)	-	(679)
Collection of debts written off in previous years	397	-	190	587	-	587
Net charge-offs	(5)	(13)	(74)	(92)	-	(92)
Adjustments from translation of financial statements	5	-	-	5	-	5
Less balances of the subsidiary in the United States that was sold[c]	(276)	-	-	(276)	(9)	(285)
Outstanding loan loss provision as at the end of the reporting period[1]	4,315	365	760	5,440	44	5,484
[1]Of which: in respect of off-balance-sheet credit instruments	523	1	20	544	1	545

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

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

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

	For the nine-months ended September 30, 2021 (unaudited)					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS million					
Balance of loan loss provision as at the beginning of the reporting period	4,284	636	792	5,712	3	5,715
Loan loss income	(581)	(90)	(58)	(729)	-	(729)
Charge-offs	(344)	(5)	(207)	(556)	-	(556)
Collection of debts written off in previous years	485	-	192	677	-	677
Net charge-offs	141	(5)	(15)	121	-	121
Adjustments from translation of financial statements	2	-	-	2	-	2
Outstanding loan loss provision as at the end of the reporting period[1]	3,846	541	719	5,106	3	5,109
[1]Of which: in respect of off-balance-sheet credit instruments	405	-	16	421	-	421

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

(b) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.B.1.

(c) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley.

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

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

2. Additional information on calculating the loan loss provision for debts,[(a)] held-to-maturity bonds and available-for-sale bonds

	September 30, 2022 (unaudited)					
	Loans to the public				Banks, governments and held-to-maturity bonds	
	Commercial	Housing	Private - other	Total - public	---	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	215,729	-	422	216,151	90,799	306,950
Examined on a collective basis	24,854	116,915	29,999	171,768	34	171,802
Total debts[(a)]	240,583	116,915	30,421	387,919	90,833	478,752
Outstanding loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	3,223	-	148	3,371	43	3,414
Examined on a collective basis	569	364	592	1,525	-	1,525
Total loan loss provision	3,792	364	740	4,896	43	4,939

	September 30, 2021 (unaudited)					
	Loans to the public				Banks, governments and held-to-maturity bonds	
	Commercial	Housing	Private - other	Total - public	---	Total
	In NIS million					
Recorded outstanding debt:[(a)]						
Examined on a specific basis	160,504	-	876	161,380	90,589	251,969
Examined on a collective basis	42,145	100,213	26,471	168,829	1,079	169,908
Total debts[(a)]	202,649	100,213	27,347	330,209	91,668	421,877
Outstanding loan loss provision in respect of debts:[(a)]						
Examined on a specific basis	2,750	-	283	3,033	3	3,036
Examined on a collective basis	691	541	420	1,652	-	1,652
Total loan loss provision	3,441	541	703	4,685	3	4,688

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding securities borrowed or purchased under reverse repurchase agreements.
(b) For more information, please see Note 16.A.

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

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

2. Additional information on calculating the loan loss provision for debts,[a] held-to-maturity bonds and available-for-sale bonds (cont.)

	December 31, 2021 (audited)					
	Loans to the public				Banks, governments and held-to-maturity bonds	
	Commercial	Housing	Private - other	Total - public	---	Total
	In NIS million					
Recorded outstanding debt:[a]						
Examined on a specific basis	172,551	-	914	173,465	95,015	268,480
Examined on a collective basis	43,157	103,688	27,081	173,926	1,708	175,634
Total debts[a]	215,708	103,688	27,995	347,391	96,723	444,114
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	2,641	-	295	2,936	3	2,939
Examined on a collective basis	671	489	416	1,576	-	1,576
Total loan loss provision	3,312	489	711	4,512	3	4,515

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

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

B. Loans to the public

1. Credit quality and arrears

	September 30, 2022 (unaudited)					
		Troubled[(a)]			Accruing debts - additional information	
	Performing	Accruing	Non-accruing	Total	In arrears of 90 days or more[(b)]	In arrears of 30 days and up to 89 days[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	51,706	123	81	51,910	7	108
Construction & real estate - real estate activities	38,287	65	97	38,449	1	-
Financial services	30,575	12	65	30,652	-	8
Commercial - Other	91,418	1,614	801	93,833	25	125
Commercial - total	**211,986**	**1,814**	**1,044**	**214,844**	**33**	**241**
Private individuals - housing loans	116,314	61	520	116,895	-	393
Private individuals - other	29,689	482	197	30,368	69	155
Total loans to the public - activity in Israel	**357,989**	**2,357**	**1,761**	**362,107**	**102**	**789**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	6,249	-	129	6,378	-	40
Commercial - Other	17,680	1,069	612	19,361	126	248
Commercial - total	**23,929**	**1,069**	**741**	**25,739**	**126**	**288**
Private individuals	72	-	1	73	-	-
Total, public - foreign operations	**24,001**	**1,069**	**742**	**25,812**	**126**	**288**
Total loans to the public	**381,990**	**3,426**	**2,503**	**387,919**	**228**	**1,077**

(a) Non-performing loans to the public, substandard or special mention.
(b) Classified as troubled, performing debts.
(c) Performing. Debts in arrears of 30 and up to 89 days, totaling NIS 194 million, were classified as troubled debts.

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

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	September 30, 2021 (unaudited)[d]					
		Troubled[a]			Accruing debts - additional information	
	Performing	Accruing	Non-accruing	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	37,264	113	69	37,446	7	37
Construction & real estate - real estate activities	33,317	94	135	33,546	32	73
Financial services	17,652	6	2	17,660	1	5
Commercial - Other	75,955	1,592	1,052	78,599	39	122
Commercial - total	164,188	1,805	1,258	167,251	79	237
Private individuals - housing loans	99,415	683	18	100,116	680	574
Private individuals - other	26,392	447	162	27,001	50	166
Total loans to the public - activity in Israel	289,995	2,935	1,438	294,368	809	977
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	12,828	579	299	13,706	-	15
Commercial - Other	19,570	1,080	1,042	21,692	1	335
Commercial - total	32,398	1,659	1,341	35,398	1	350
Private individuals	442	-	1	443	-	-
Total, public - foreign operations	32,840	1,659	1,342	35,841	1	350
Total loans to the public	322,835	4,594	2,780	330,209	810	1,327

(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 465 million, were classified as troubled debt.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

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

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	December 31, 2021 (audited)[(d)]					
		Troubled[(a)]			Accruing debts - additional information	
	Performing	Accruing	Non-accruing	Total	In arrears of 90 days or more[(b)]	In arrears of 30 days and up to 89 days[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	41,063	98	64	41,225	6	58
Construction & real estate - real estate activities	34,622	96	138	34,856	36	35
Financial services	23,515	17	2	23,534	2	16
Commercial - Other	78,204	1,382	937	80,523	36	109
Commercial - total	177,404	1,593	1,141	180,138	80	218
Private individuals - housing loans	102,969	609	20	103,598	609	555
Private individuals - other	27,022	433	204	27,659	48	137
Total loans to the public - activity in Israel	307,395	2,635	1,365	311,395	737	910
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	13,872	333	269	14,474	7	178
Commercial - Other	19,258	880	958	21,096	197	338
Commercial - total	33,130	1,213	1,227	35,570	204	516
Private individuals	425	-	1	426	-	-
Total, public - foreign operations	33,555	1,213	1,228	35,996	204	516
Total loans to the public	340,950	3,848	2,593	347,391	941	1,426

(a) Non-performing loans to the public, substandard or special mention.
(b) Classified as troubled, performing debts.
(c) Performing. Debts in arrears of 30 and up to 89 days, totaling NIS 575 million, were classified as troubled debt.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

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

B. Loans to the public (cont.)

1.1 Credit quality by credit granting year

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

(a) As a rule, in cases where fixed credit was provided in lieu of repayment of existing credit, the year of credit provision was revised according to the new credit provision date.

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

B. Loans to the public (cont.)

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

	September 30, 2022 (unaudited)[d]					
	Outstanding [b] non-performing debts for which there is a provision	Outstanding provision	Outstanding [b] non-performing debts for which there is a provision	Total outstanding balance[b] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	113	37	65	178	1,001	-
Commercial - Other	597	174	269	866	2,680	3
Commercial - total	**710**	**211**	**334**	**1,044**	**3,681**	**3**
Private individuals - housing loans	520	69	-	520	782	-
Private individuals - other	179	144	18	197	456	-
Total loans to the public - activity in Israel	**1,409**	**424**	**352**	**1,761**	**4,919**	**3**
Borrower activity outside Israel						
Total, public - foreign operations	**740**	**113**	**2**	**742**	**935**	**2**
Total - public[1]	**2,149**	**537**	**354**	**2,503**	**5,854**	**5**
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	1,563	430	293	1,856	4,129	
Measured on a specific basis according to fair value of collateral	48	5	53	101	943	
Measured on a collective basis	538	102	8	546	782	

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

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 368 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the nine months ended September 30, 2022 is NIS 2,638 million.

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

B. Loans to the public (cont.)

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

	September 30, 2021 (unaudited)[d]					
	Outstanding[b] non-performing debts for which there is a provision	Outstanding provision	Outstanding[b] non-performing debts for which there is no provision	Total outstanding balance[b] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[c]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	125	28	79	204	1,236	2
Commercial - Other	841	361	213	1,054	2,987	8
Commercial - total	966	389	292	1,258	4,223	10
Private individuals - housing loans	18	4	-	18	18	-
Private individuals - other	160	137	2	162	617	5
Total loans to the public - activity in Israel	1,144	530	294	1,438	4,858	15
Borrower activity outside Israel						
Total, public - foreign operations	1,285	345	57	1,342	1,429	4
Total - public[1]	2,429	875	351	2,780	6,287	19
[1]Of which:						
Measured according to the present value of cash flows	1,874	709	304	2,178	4,697	-
Measured according to fair value of collateral	537	162	47	584[a]	1,572	-
Measured on a collective basis	18	4	-	18	18	-

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts). Please see Note 1.B.2.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 336 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the nine months ended September 30, 2021 is NIS 2,913 million.

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

B. Credit quality (cont.)

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

	December 31, 2021 (audited)[(d)]					
	Outstanding[(b)] non-performing debts for which there is a provision	Outstanding provision	Outstanding[(b)] non-performing debts for which there is no provision	Total outstanding balance[(b)] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS million					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	130	36	72	202	1,224	3
Commercial - Other	736	289	203	939	2,871	9
Commercial - total	866	325	275	1,141	4,095	12
Private individuals - housing loans	20	5	-	20	20	-
Private individuals - other	202	155	2	204	666	7
Total loans to the public - activity in Israel	1,088	485	277	1,365	4,781	19
Borrower activity outside Israel						
Total, public - foreign operations	1,226	332	2	1,228	1,328	3
Total - public[1]	2,314	817	279	2,593	6,109	22
[1]Of which:						
Measured according to the present value of cash flows	1,792	656	240	2,032	4,536	-
Measured according to fair value of collateral	502	161	39	541	1,553	-
Measured on a collective basis	20	-	-	20	20	-

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 434 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the year ended December 31, 2021 is NIS 2,840 million.

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

B. Loans to the public (cont.)

2.B. Additional information on restructured troubled debt

	As at September 30, 2022				As at September 30, 2021			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	Unaudited							
	In NIS million							
Borrower activity in Israel								
Public - commercial								
Construction and real estate	**98**	**1**	**21**	**120**	193	3	26	222
Commercial - Other	**554**	**5**	**188**	**747**	719	10	186	915
Commercial - total	**652**	**6**	**209**	**867**	912	13	212	1,137
Private individuals - housing loans	**89**	**1**	**60**	**150**	-	-	-	-
Private individuals - other	**178**	**4**	**193**	**375**	147	11	171	329
Total loans to the public - activity in Israel	**919**	**11**	**462**	**1,392**	1,059	24	383	1,466
Borrower activity outside Israel								
Total public - foreign operations	**580**	**-**	**7**	**587**	896	-	-	896
Total - public	**1,499**	**11**	**469**	**1,979**	1,955	24	383	2,362

	December 31, 2021			
	Non-performing	Performing,[a] in arrears of 30 days to 89 days	Performing[a] non-delinquent	Total
	Audited			
	In NIS million			
Borrower activity in Israel				
Public - commercial				
Construction and real estate	124	2	25	151
Commercial - Other	723	6	158	887
Commercial - total	847	8	183	1,038
Private individuals - other	185	5	162	352
Total loans to the public - activity in Israel	1,032	13	345	1,390
Borrower activity outside Israel				
Total, public - foreign operations	881	-	-	881
Total - public	1,913	13	345	2,271

(a) Performing.

Comment: As of September 30, 2022, troubled debt which underwent restructuring in the amount of NIS 1,802 million (as of September 30, 2021 - NIS 2,362 million, as of December 31, 2021 - NIS 2,271 million).

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

B. Loans to the public (cont.)

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

1. Debt restructurings

	For the three months ended September 30 (unaudited)					
	2022			2021		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction and real estate	66	5	5	42	13	11
Commercial - Other	277	41	41	197	109	109
Commercial - total	343	46	46	239	122	120
Private individuals - housing loans	23	6	6	-	-	-
Private individuals - other	1,517	69	69	770	40	40
Total loans to the public - activity in Israel	1,883	121	121	1,009	162	160
Borrower activity outside Israel						
Total, public - foreign operations	-	-	-	-	-	-
Total - public	1,883	121	121	1,009	162	160

	For the nine months ended September 30 (unaudited)					
	2022			2021		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
		In NIS million			In NIS million	
Borrower activity in Israel						
Public - commercial						
Construction and real estate	205	26	25	148	47	45
Commercial - Other	905	142	140	762	472	470
Commercial - total	1,110	168	165	910	519	515
Private individuals - housing loans	105	33	33	-	-	-
Private individuals - other	4,444	201	200	3,059	167	166
Total loans to the public - activity in Israel	5,659	402	398	3,969	686	681
Borrower activity outside Israel						
Total, public - foreign operations	2	1	1	1	10	10
Total - public	5,661	403	399	3,970	696	691

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

B. Loans to the public (cont.)

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

2. Failed restructuring[(a)]

	For the three months ended September 30 (unaudited)			
	2022		2021	
	No. of contracts	Recorded outstanding debt	No. of contracts	Recorded outstanding debt
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction and real estate	**36**	**8**	23	6
Commercial - Other	**130**	**11**	126	14
Commercial - total	**166**	**19**	149	20
Private individuals - housing loans	**17**	**4**	-	-
Private individuals - other	**537**	**17**	450	13
Total loans to the public - activity in Israel	**720**	**40**	599	33
Borrower activity outside Israel				
Total public - foreign operations	**-**	**-**	-	-
Total - public	**720**	**40**	599	33

	For the nine months ended September 30 (unaudited)			
	2022		2021	
	No. of contracts	Recorded outstanding debt	No. of contracts	Recorded outstanding debt
		In NIS million		In NIS million
Borrower activity in Israel				
Public - commercial				
Construction and real estate	**112**	**19**	111	17
Commercial - Other	**445**	**39**	590	81
Commercial - total	**557**	**58**	701	98
Private individuals - housing loans	**40**	**8**	-	-
Private individuals - other	**1,702**	**51**	1,471	44
Total loans to the public - activity in Israel	**2,299**	**117**	2,172	142
Borrower activity outside Israel				
Total public - foreign operations	**-**	**-**	1	-[(b)]
Total - public	**2,299**	**117**	2,173	142

(a) Debts which were in arrears of at least thirty days during the reporting year, restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.
(b) Balances of less than NIS 1 million.

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

B. Loans to the public (cont.)

2.C. Additional information on non-performing delinquent credit

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

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

B. Loans to the public (cont.)

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV),[(a)] type of repayment and interest

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

		September 30, 2021 (unaudited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	62,576	1,564	39,418	1,597[(b)]
	More than 60%	37,631	748	23,902	1,615[(b)]
Secondary lien or unpledged		6	-	4	-
Total		100,213	2,312	63,324	3,212

		December 31, 2021 (audited)			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest loans	Total off-balance sheet credit risk
		In NIS million			
First pledge: LTV ratio	Up to 60%	64,176	1,500	40,492	1,815
	More than 60%	39,506	753	24,946	1,911
Secondary lien or unpledged		6	-	5	-
Total		103,688	2,253	65,443	3,726

(a) The ratio between the approved credit facility on the date granted and the value of the asset, as approved by the Bank when granting the credit facility.
The LTV ratio provides an additional indication of the Bank's risk assessment of a customer on granting a credit facility.
(b) Reclassified.

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

C. Off-Balance-Sheet Financial Instruments

	September 30				December 31	
	2022		2021		2021	
	Outstanding loan contracts[(a)]	Outstanding loan loss provision	Outstanding loan contracts[(a)]	Outstanding loan loss provision	Outstanding loan contracts[(a)]	Outstanding loan loss provision
	Unaudited				Audited	
	In NIS million					
Off-balance-sheet financial instruments						
Transactions in which the outstanding balance embodies credit risk:						
Documentary credit	**1,239**	**1**	1,733	4	1,640	3
Loan guarantees	**6,290**	**78**	5,683	68	6,048	83
Guarantees for apartment buyers	**34,796**	**14**	26,296	24	28,061	29
Guarantees and other commitments[(b)]	**23,212**	**79**	17,999	147	19,086	148
Unutilized credit card credit facilities	**9,083**	**19**	8,734	8	8,001	7
Unutilized current loan account facilities and other credit facilities in demand accounts	**13,624**	**41**	12,598	25	13,643	27
Irrevocable loan commitments approved but not yet granted	**48,042**	**257**	42,007	128	43,332	152
Commitments to issue guarantees	**23,249**	**56**	17,610	17	18,579	20
Unutilized credit facilities for derivatives activity	**2,543**	**-**	2,679	-	2,912	-
Approval in principle to maintain interest rate[(c)]	**4,483**	**-**	5,535	-	8,397	-

(a) The balance of the contracts or their nominal amounts as at the end of the period, before the effect of the loan loss provision.
(b) Including the Bank's liabilities for its share in the risk reserve of the TASE and the MAOF Clearing House in the amount of NIS 647 million (as of September 30, 2021 and as of December 31, 2021 in the amounts of NIS 488 million and NIS 498 million, respectively).
(c) Liabilities to extend credit to customers in the framework of "Authorization in principle and preserving the interest rate" to Proper Conduct of Banking Business Directive No. 451, "Procedures for Extending Housing Loans".

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

D. Guarantees by Repayment Date

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

	September 30, 2021 (unaudited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	3,964	1,083	154	482	5,683
Guarantees for apartment buyers	-	26,296	-	-	26,296
Guarantees and other commitments	10,448	5,187	1,589	775	17,999
Total guarantees	14,412	32,566	1,743	1,257	49,978

	December 31, 2021 (audited)				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS million				
Loan guarantees	3,504	1,848	174	522	6,048
Guarantees for apartment buyers	-	28,061	-	-	28,061
Guarantees and other commitments	9,918	6,197	1,544	1,427	19,086
Total guarantees	13,422	36,106	1,718	1,949	53,195

The following collateral information reflects collaterals the Bank has received specifically against guarantees:
If the balance of cash available to the Bank to cover for losses realized under these guarantees and indemnities totaled NIS 311 million (as at September 30 2021 - NIS 285 million, as at December 31 2021 - NIS 304 million). In addition, the balance of securities and other marketable assets held as collateral, totaled NIS 7 million (as of September 30, 2021 - NIS 10 million, December 31, 2021 - NIS 9 million).

Note 14 - Assets and Liabilities by Linkage Basis

	September 30, 2022 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	166,757	-	10,799	1,681	2,772	1,616	183,625
Securities	22,792	4,802	41,526	3,099	3,028	4,425	79,672
Securities borrowed or purchased under reverse repurchase agreements	1,236	-	109	-	-	-	1,345
Loans to the public, net[c]	290,127	52,749	25,512	4,596	6,887	3,152	383,023
Loans to governments	325	192	443	312	-	-	1,272
Investments in associates	-	-	-	-	-	4,867	4,867
Buildings and equipment	-	-	-	-	-	2,698	2,698
Assets in respect of derivatives	5,283	296	18,059	469	181	17,071	41,359
Goodwill	-	-	-	-	-	-	-
Other assets	5,329	5	28	3	49	842	6,256
Total assets	491,849	58,044	96,476	10,160	12,917	34,671	704,117
Liabilities							
Deposits by the public	380,921	11,161	135,499	10,327	4,028	4,770	546,706
Deposits by banks	21,282	-	3,270	806	69	-	25,427
Deposits by governments	167	-	100	8	-	-	275
Securities loaned or sold under repurchase agreements	1,324	-	3,825	-	483	-	5,632
Bonds, promissory notes and subordinated bonds	7,121	16,112	4,380	-	-	-	27,613
Liabilities for derivatives	7,564	613	11,765	154	125	17,087	37,308
Other liabilities	3,995	8,312	119	83	173	425	13,107
Total liabilities	422,374	36,198	158,958	11,378	4,878	22,282	656,068
Difference[d]	69,475	21,846	(62,482)	(1,218)	8,039	12,389	48,049
Effect of hedging derivatives:							
Derivatives (excluding options)	430	(430)	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(41,899)	(3,269)	53,141	714	(8,503)	(184)	-
In the money options, net (according to underlying asset)	(871)	-	899	(72)	2	42	-
Out of the money options, net (according to underlying asset)	(938)	-	918	(38)	(19)	77	-
Grand total	26,197	18,147	(7,524)	(614)	(481)	12,324	48,049
In the money options, net (discounted nominal value)	(1,094)	-	1,176	(109)	(39)	66	-
Out of the money options, net (discounted nominal value)	(3,669)	-	4,054	(209)	(192)	16	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,896 million.
(d) Shareholders' equity includes non-controlling interests.

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

	September 30, 2021 (unaudited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	157,586	-	8,249	784	3,178	1,848	171,645
Securities	20,927	4,854	43,635	2,877	4,547	4,740	81,580
Securities borrowed or purchased under reverse repurchase agreements	990	-	5,537	38	-	-	6,565
Loans to the public, net[c]	234,268	47,161	31,445	3,529	6,294	2,827	325,524
Loans to governments	2	193	492	186	-	-	873
Investments in associates	-	-	-	-	-	1,117	1,117
Buildings and equipment	-	-	-	-	-	2,699	2,699
Assets in respect of derivatives	2,931	144	3,956	83	113	6,644	13,871
Goodwill	-	-	-	-	-	15	15
Other assets	5,972	4	859	-	23	1,165	8,023
Total assets	422,676	52,356	94,173	7,497	14,155	21,055	611,912
Liabilities							
Deposits by the public	333,358	11,188	136,300	9,705	5,667	4,658	500,876
Deposits by banks	19,246	-	2,659	911	272	73	23,161
Deposits by governments	103	-	67	9	-	-	179
Securities loaned or sold under repurchase agreements	632	-	250	-	-	-	882
Bonds, promissory notes and subordinated bonds	2,859	7,895	2,435	-	-	-	13,189
Liabilities for derivatives	3,935	385	2,954	121	135	6,624	14,154
Other liabilities	4,222	11,816	666	23	118	387	17,232
Total liabilities	364,355	31,284	145,331	10,769	6,192	11,742	569,673
Difference[d]	58,321	21,072	(51,158)	(3,272)	7,963	9,313	42,239
Effect of hedging derivatives:							
Derivatives (excluding options)	-	-	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(40,048)	(4,063)	48,802	3,338	(8,408)	379	-
In the money options, net (according to underlying asset)	1,409	-	(1,059)	(187)	(135)	(28)	-
Out of the money options, net (according to underlying asset)	(1,598)	-	1,773	(64)	(77)	(34)	-
Grand total	18,084	17,009	(1,642)	(185)	(657)	9,630	42,239
In the money options, net (discounted nominal value)	1,912	-	(1,416)	(256)	(192)	(48)	-
Out of the money options, net (discounted nominal value)	2,098	-	(2,449)	622	(187)	(84)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,685 million.
(d) Shareholders' equity includes non-controlling interests.

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

	December 31, 2021 (audited)						
	NIS		Foreign currency[a]				
	Non-linked	CPI-linked	In US dollars	In EUR	Other	Non-monetary items[b]	Total
	In NIS million						
Assets							
Cash and deposits with banks	176,335	-	14,955	886	4,078	1,148	197,402
Securities	18,954	5,729	49,865	2,612	5,408	4,359	86,927
Securities borrowed or purchased under reverse repurchase agreements	1,599	-	832	16	-	-	2,447
Loans to the public, net[c]	247,894	48,052	35,832	2,863	6,458	1,780	342,879
Loans to governments	9	196	468	267	-	-	940
Investments in associates	-	-	-	-	-	1,113	1,113
Buildings and equipment	-	-	-	-	-	2,720	2,720
Assets in respect of derivatives	4,543	162	3,169	63	126	5,964	14,027
Goodwill	-	-	-	-	-	14	14
Other assets	6,107	5	787	13	30	1,043	7,985
Total assets	455,441	54,144	105,908	6,720	16,100	18,141	656,454
Liabilities							
Deposits by the public	360,890	10,650	147,260	9,843	5,690	2,936	537,269
Deposits by banks	18,327	-	5,556	1,376	106	5	25,370
Deposits by governments	223	-	69	8	-	-	300
Securities loaned or sold under repurchase agreements	1,024	-	1,258	-	-	-	2,282
Bonds, promissory notes and subordinated bonds	2,877	10,187	2,364	-	-	-	15,428
Liabilities for derivatives	6,363	456	2,449	92	241	5,950	15,551
Other liabilities	4,536	12,385	707	51	116	407	18,202
Total liabilities	394,240	33,678	159,663	11,370	6,153	9,298	614,402
Difference[d]	61,201	20,466	(53,755)	(4,650)	9,947	8,843	42,052
Effect of hedging derivatives:							
Derivatives (excluding options)	366[e]	(366)[e]	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(41,761)[e]	(3,824)[e]	51,145	4,988	(10,422)	(126)	-
In the money options, net (according to underlying asset)	790	-	(135)	(448)	(109)	(98)	-
Out of the money options, net (according to underlying asset)	(1,017)	-	1,410	(11)	(13)	(369)	-
Grand total	19,579	16,276	(1,335)	(121)	(597)	8,250	42,052
In the money options, net (discounted nominal value)	423	-	422	(517)	(172)	(156)	-
Out of the money options, net (discounted nominal value)	(104)	-	954	41	42	(933)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,512 million.
(d) Shareholders' equity includes non-controlling interests.
(e) Reclassified.

Note 15A - Balances and Fair Value Estimates of Financial Instruments

	September 30, 2022 (unaudited)				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	183,625	175,692	6,564	657	182,913
Securities[(b)]	79,672	38,504	33,970	6,000	78,474
Securities borrowed or purchased under reverse repurchase agreements	1,345	1,345	-	-	1,345
Loans to the public, net	383,023	23,658	-	352,241	375,899
Loans to governments	1,272	-	10	1,193	1,203
Assets in respect of derivatives	41,359	13,286	21,379	6,694	41,359
Other financial assets	384	32	-	352	384
Total financial assets	690,680[(c)]	252,517	61,923	367,137	681,577
Financial liabilities					
Deposits by the public	546,706	37,173	374,276	125,005	536,454
Deposits by banks	25,427	1,507	6,297	16,843	24,647
Deposits by governments	275	-	226	41	267
Securities loaned or sold under repurchase agreements	5,632	5,632	-	-	5,632
Bonds, promissory notes and subordinated bonds	27,613	25,827	-	668	26,495
Liabilities for derivatives	37,308	12,323	24,576	409	37,308
Other financial liabilities	2,734	423	1,124	1,187	2,734
Total financial liabilities	645,695[(c)]	82,885	406,499	144,153	633,537
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	349	-	-	349	349
In addition, liabilities in respect of employee benefits, net[(d)]	8,129	-	-	8,129	8,129

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 168,365 million and NIS 369,498 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

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

	September 30, 2021 (unaudited)				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	171,645	160,130	10,172	1,287	171,589
Securities[(b)]	81,580	40,502	36,151	5,287	81,940
Securities borrowed or purchased under reverse repurchase agreements	6,565	6,565	-	-	6,565
Loans to the public, net	325,524	10,495	-	315,549	326,044
Loans to governments	873	-	12	898	910
Assets in respect of derivatives	13,871	4,154	8,264	1,453	13,871
Other financial assets	875	15	-	860	875
Total financial assets	600,933[(c)]	221,861	54,599	325,334	601,794
Financial liabilities					
Deposits by the public	500,876	14,023	372,213	112,443	498,679
Deposits by banks	23,161	1,735	4,405	16,918	23,058
Deposits by governments	179	-	9	170	179
Securities loaned or sold under repurchase agreements	882	882	-	-	882
Bonds, promissory notes and subordinated bonds	13,189	13,344	-	816	14,160
Liabilities for derivatives	14,154	4,092	9,757	305	14,154
Other financial liabilities	2,568	439	840	1,289	2,568
Total financial liabilities	555,009[(c)]	34,515	387,224	131,941	553,680
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	300	-	-	300	300
In addition, liabilities in respect of employee benefits, net[(d)(e)]	11,578	-	-	11,578	11,578

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 141,362 million and NIS 346,897 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

(e) Restated.

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

	December 31, 2021 (audited)				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS million				
Financial assets					
Cash and deposits with banks	197,402	186,207	9,986	1,214	197,407
Securities[(b)]	86,927	47,337	34,343	5,613	87,293
Securities borrowed or purchased under reverse repurchase agreements	2,447	2,447	-	-	2,447
Loans to the public, net	342,879	14,526	-	328,614	343,140
Loans to governments	940	-	10	968	978
Assets in respect of derivatives	14,027	2,673	9,299	2,055	14,027
Other financial assets	822	25	-	797	822
Total financial assets	645,444[(c)]	253,215	53,638	339,261	646,114
Financial liabilities					
Deposits by the public	537,269	16,021	413,534	105,358	534,913
Deposits by banks	25,370	3,917	4,308	17,052	25,277
Deposits by governments	300	-	188	98	286
Securities loaned or sold under repurchase agreements	2,282	2,282	-	-	2,282
Bonds, promissory notes and subordinated notes	15,428	15,640	-	824	16,464
Liabilities for derivatives	15,551	2,672	12,498	381	15,551
Other financial liabilities	2,781	460	987	1,334	2,781
Total financial liabilities	598,981[(c)]	40,992	431,515	125,047	597,554
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	324	-	-	324	324
In addition, liabilities in respect of employee benefits, net[(d)]	12,125	-	-	12,125	12,125

(a) Level 1 - Fair value measurements using quoted prices in an active market.
Level 2 - Fair value measurements using other significant observable inputs.
Level 3 - Fair value measurements using significant unobservable inputs.

(b) For more information regarding the book balance and fair value of securities, please see Note 5.

(c) Of which: Assets and liabilities in the amount of NIS 157,223 million and NIS 389,669 million, respectively, the outstanding balance-sheet amount of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments with original maturities of up to three months for which the carrying amount is used as an approximation of the fair value). For more information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 15B to 15D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

Note 15B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	September 30, 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	16,748	4,310	22	21,080
Foreign governments' bonds	9,064	4,476	-	13,540
Bonds of Israeli financial institutions	48	-	-	48
Bonds of foreign financial institutions	-	10,068	-	10,068
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	3,484	3,709	7,193
Other Israeli bonds	482	177	-	659
Other foreign bonds	-	4,902	10	4,912
Total available-for-sale bonds	26,342	27,417	3,741	57,500
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,168	-	-	2,168
Held-for-trading securities:				
Government of Israel bonds	2,298	-	-	2,298
Bonds of Israeli financial institutions	491	-	-	491
Bonds of foreign financial institutions	-	50	-	50
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	24	13	37
Other Israeli bonds	259	-	-	259
Other foreign bonds	-	84	-	84
Equity securities and mutual funds	11	-	-	11
Total held-for-trading securities	3,059	158	13	3,230
Assets in respect of derivatives:				
NIS-CPI contracts	-	157	184	341
Interest rate contracts	886	8,906	96	9,888
Foreign exchange rate contracts	1	9,139	2,851	11,991
Stock contracts	11,659	3,147	3,560	18,366
Commodity- and other contracts	136	30	3	169
MAOF (Israeli financial instruments and futures) market activity	604	-	-	604
Total underlying assets for derivatives	13,286	21,379	6,694	41,359
Other:				
Credit and deposits in respect of loaned securities	13,267	-	-	13,267
Securities borrowed or purchased under reverse repurchase agreements	1,345	-	-	1,345
Other	30	-	-	30
Total - other	14,642	-	-	14,642
Total assets	59,497	48,954	10,448	118,899

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

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

	September 30, 2022 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	312	159	471
Interest rate contracts	823	8,900	-	9,723
Foreign exchange rate contracts	-	8,623	243	8,866
Stock contracts	10,758	6,712	7	17,477
Commodity- and other contracts	138	29	-	167
MAOF (Israeli financial instruments and futures) market activity	604	-	-	604
Total liabilities in respect of derivatives	12,323	24,576	409	37,308
Other:				
Deposits in respect of loaned securities	13,045	(13)	-	13,032
Securities loaned or sold under repurchase agreements	5,632	-	-	5,632
Other	423	-	-	423
Total - other	19,100	(13)	-	19,087
Total liabilities	31,423	24,563	409	56,395

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

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

	September 30, 2021 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	21,581	4,879	33	26,493
Foreign governments' bonds	11,431	6,445	-	17,876
Bonds of Israeli financial institutions	-	54	-	54
Bonds of foreign financial institutions	-	8,808	23	8,831
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	4,463	3,462	7,925
Other Israeli bonds	250	123	-	373
Other foreign bonds	-	5,282	3	5,285
Total available-for-sale bonds	33,262	30,054	3,521	66,837
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,955	-	-	2,955
Held-for-trading securities:				
Government of Israel bonds	1,453	-	-	1,453
Bonds of Israeli financial institutions	52	-	-	52
Bonds of foreign financial institutions	-	29	-	29
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	44	7	51
Other Israeli bonds	136	-	-	136
Other foreign bonds	-	61	-	61
Equity securities and mutual funds	26	-	-	26
Total held-for-trading securities	1,667	134	7	1,808
Assets in respect of derivatives:				
NIS-CPI contracts	-	99	166	265
Interest rate contracts	105	3,194	134	3,433
Foreign exchange rate contracts	1	2,784	465	3,250
Stock contracts	3,646	2,168	216	6,030
Commodity- and other contracts	11	19	472	502
MAOF (Israeli financial instruments and futures) market activity	391	-	-	391
Total underlying assets for derivatives	4,154	8,264	1,453	13,871
Other:				
Credit and deposits in respect of loaned securities	8,398	-	-	8,398
Securities borrowed or purchased under reverse repurchase agreements	6,565	-	-	6,565
Other	15	-	-	15
Total - other	14,978	-	-	14,978
Total assets	57,016	38,452	4,981	100,449

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

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

	September 30, 2021 (unaudited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	247	74	321
Interest rate contracts	36	3,565	-	3,601
Foreign exchange rate contracts	-	3,101	224	3,325
Stock contracts	3,658	2,360	7	6,025
Commodity- and other contracts	9	484	-	493
MAOF (Israeli financial instruments and futures) market activity	389	-	-	389
Total liabilities in respect of derivatives	4,092	9,757	305	14,154
Other:				
Deposits in respect of loaned securities	8,280	15	-	8,295
Securities loaned or sold under repurchase agreements	882	-	-	882
Other	439	-	-	439
Total - other	9,601	15	-	9,616
Total liabilities	13,693	9,772	305	23,770

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

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

	December 31, 2021 (audited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	18,888	4,747	31	23,666
Foreign governments' bonds	19,715	6,797	-	26,512
Bonds of Israeli financial institutions	54	-	-	54
Bonds of foreign financial institutions	-	8,270	32	8,302
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	3,382	3,793	7,175
Other Israeli bonds	418	167	-	585
Other foreign bonds	-	5,133	3	5,136
Total available-for-sale bonds	39,075	28,496	3,859	71,430
Not held for-trading equity securities and mutual funds:				
Not held for-trading equity securities and mutual funds	2,601	-	-	2,601
Held-for-trading securities:				
Government of Israel bonds	2,591	-	-	2,591
Bonds of Israeli financial institutions	288	-	-	288
Bonds of foreign financial institutions	-	27	-	27
Asset-backed (ABS) or mortgage-backed (MBS) bonds	-	31	11	42
Other Israeli bonds	106	-	-	106
Other foreign bonds	-	53	-	53
Equity securities and mutual funds	15	-	-	15
Total held-for-trading securities	3,000	111	11	3,122
Assets in respect of derivatives:				
NIS-CPI contracts	-	92	146	238
Interest rate contracts	42	2,707	124	2,873
Foreign exchange rate contracts	1	3,899	728	4,628
Stock contracts	2,077	2,523	803	5,403
Commodity- and other contracts	16	78	254	348
MAOF (Israeli financial instruments and futures) market activity	537	-	-	537
Total underlying assets for derivatives	2,673	9,299	2,055	14,027
Other:				
Credit and deposits in respect of loaned securities	8,203	-	-	8,203
Securities borrowed or purchased under reverse repurchase agreements	2,447	-	-	2,447
Other	25	-	-	25
Total - other	10,675	-	-	10,675
Total assets	58,024	37,906	5,925	101,855

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

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

	December 31, 2021 (audited)			
	Fair value measurements using			
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value
	In NIS million			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contracts	-	257	90	347
Interest rate contracts	52	2,942	-	2,994
Foreign exchange rate contracts	-	5,650	284	5,934
Stock contracts	2,074	3,321	7	5,402
Commodity- and other contracts	9	328	-	337
MAOF (Israeli financial instruments and futures) market activity	537	-	-	537
Total liabilities in respect of derivatives	2,672	12,498	381	15,551
Other:				
Deposits in respect of loaned securities	8,176	6	-	8,182
Securities loaned or sold under repurchase agreements	2,282	-	-	2,282
Other	460	-	-	460
Total - other	10,918	6	-	10,924
Total liabilities	13,590	12,504	381	26,475

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

B. Items Measured at Fair Value on a Non-Recurring Basis

	September 30, 2022 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	**101**	**101**	**145**
Total	-	-	**101**	**101**	**145**

	September 30, 2021 (unaudited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)[(a)]	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	584	584	136
Total	-	-	584	584	136

	December 31, 2021 (audited)				
	Fair value measurements using				
	Prices quoted on an active market (Level 1)	In other significant observable inputs (Level 2)	In significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS million				
Collateral-dependent non-performing credit	-	-	541	541	76
Total	-	-	541	541	76

(a) Presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

Note 15C - Changes in items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the three months ended September 30, 2022 (unaudited)										
	Fair value as at the beginning of the period	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30, 2022	Unrealized gain (losses) in respect of instruments held as at September 30, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	28	(2)	(4)	-	-	-	-	-	-	22	(4)
MBS/ABS	4,070	82	(59)	328	-	(128)	-	-	(584)	3,709	(58)
Other foreign entities	-	-	-	-	-	-	-	10	-	10	-
Total available-for-sale bonds	4,098	80	(63)	328	-	(128)	-	10	(584)	3,741	(62)
Held-for-trading bonds:											
MBS/ABS	14	-	-	-	-	-	-	(1)	-	13	-
Other foreign entities	4	-	-	-	-	-	-	(4)	-	-	-
Total held-for-trading bonds	18	-	-	-	-	-	-	(5)	-	13	-
Assets in respect of derivatives:											
NIS-CPI contracts	192	(11)	-	-	-	-	-	3	-	184	19
Interest rate contracts	15	98	-	-	-	(17)	-	-	-	96	91
Foreign exchange rate contracts	2,639	148	-	64	-	-	-	-	-	2,851	1,841
Stock contracts	3,364	196	-	-	-	-	-	-	-	3,560	594
Commodity- and other contracts	-	3	-	-	-	-	-	-	-	3	3
Total underlying assets for derivatives	6,210	434	-	64	-	(17)	-	3	-	6,694	2,548
Total assets	10,326	514	(63)	392	-	(145)	-	8	(584)	10,448	2,486
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	147	(14)	-	-	-	-	-	26	-	159	25
Foreign exchange rate contracts	279	(36)	-	-	-	-	-	-	-	243	(37)
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	433	(50)	-	-	-	-	-	26	-	409	(12)
Total liabilities	433	(50)	-	-	-	-	-	26	-	409	(12)

(a) Realized gains (losses), net, reported in the income statement under the “noninterest finance income” item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at September 30, 2022, amounted to NIS (62) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the three months ended September 30, 2021 (unaudited)										
	Fair value as at the beginning of the period	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from Level 3[(c)]	Fair value as at September 30, 2021	Unrealized gain (losses) in respect of instruments held as at September 30, 2021
	In NIS million										
Assets											
Available-for -sale securities:											
Israeli Government	36	(1)	(2)	-	-	-	-	-	-	33	(1)
Foreign financial institutions	-	-	-	-	-	-	-	23	-	23	-
MBS/ABS	2,464	(24)	(13)	373	-	(400)	-	583	479	3,462	(3)
Other foreign entities	-	-	-	-	-	-	-	-	3	3	-
Total available-for-sale bonds	2,500	(25)	(15)	373	-	(400)	-	606	482	3,521	(4)
Held-for-trading bonds:											
MBS/ABS	17	-	-	-	-	(6)	-	-	(4)	7	-
Total held-for-trading bonds	17	-	-	-	-	(6)	-	-	(4)	7	-
Assets in respect of derivatives:											
NIS-CPI contracts	139	17	-	-	-	-	-	10	-	166	(10)
Interest rate contracts	214	(80)	-	-	-	-	-	-	-	134	(79)
Foreign exchange rate contracts	448	(16)	-	33	-	-	-	-	-	465	118
Stock contracts	70	146	-	-	-	-	-	-	-	216	150
Commodity- and other contracts	299	173	-	-	-	-	-	-	-	472	173
Total underlying assets for derivatives	1,170	240	-	33	-	-	-	10	-	1,453	352
Total assets	3,687	215	(15)	406	-	(406)	-	616	478	4,981	348
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	60	(1)	-	-	-	-	-	15	-	74	19
Foreign exchange rate contracts	208	16	-	-	-	-	-	-	-	224	17
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	275	15	-	-	-	-	-	15	-	305	36
Total - other	2	(2)	-	-	-	-	-	-	-	-	-
Total liabilities	277	13	-	-	-	-	-	15	-	305	36

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at September 30, 2021, amounted to NIS (4) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the nine-months ended September 30, 2022 (unaudited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of the year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30, 2022	Unrealized gain (losses) in respect of instruments held as at September 30, 2022
	In NIS million										
Assets											
Available-for-sale bonds:											
Israeli Government	31	(1)	(8)	-	-	-	-	-	-	22	(6)
Foreign financial institutions	32	19	-	933	-	(984)	-	-	-	-	-
MBS/ABS	3,793	478	(221)	1,043	(19)	(424)	-	-	(941)	3,709	(253)
Other foreign entities	3	-	(1)	-	-	(3)	-	11	-	10	-
Total available-for-sale bonds	3,859	496	(230)	1,976	(19)	(1,411)	-	11	(941)	3,741	(259)
Held-for-trading bonds:											
MBS/ABS	11	1	-	-	(1)	-	-	2	-	13	-
Others - abroad	-	-	-	-	-	-	-	-	-	-	-
Total held-for-trading bonds	11	1	-	-	(1)	-	-	2	-	13	-
Assets in respect of derivatives:											
NIS-CPI contracts	146	24	-	-	-	-	-	14	-	184	65
Interest rate contracts	124	226	-	-	-	(254)	-	-	-	96	15
Foreign exchange rate contracts	728	696	-	1,427	-	-	-	-	-	2,851	2,789
Stock contracts	803	2,757	-	-	-	-	-	-	-	3,560	3,488
Commodity- and other contracts	254	(251)	-	-	-	-	-	-	-	3	3
Total underlying assets for derivatives	2,055	3,452	-	1,427	-	(254)	-	14	-	6,694	6,360
Total assets	5,925	3,949	(230)	3,403	(20)	(1,665)	-	27	(941)	10,448	6,101
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	90	(58)	-	-	-	-	-	127	-	159	21
Foreign exchange rate contracts	284	(41)	-	-	-	-	-	-	-	243	-
Stock contracts	7	-	-	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	381	(99)	-	-	-	-	-	127	-	409	21
Total liabilities	381	(99)	-	-	-	-	-	127	-	409	21

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains (losses) included in "Statement of Changes in Equity" under "Accumulated other comprehensive income (loss)". The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at September 30, 2022, amounted to NIS (259) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the nine-months ended September 30, 2021 (unaudited)										
	Fair value as at the beginning of year	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at September 30, 2021	Unrealized gain (losses) in respect of instruments held as at September 30, 2021
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	33	-	-	-	-	-	-	-	-	33	1
Foreign financial institutions	-	1	-	-	-	-	-	22	-	23	-
MBS/ABS	2,556	132	(12)	1,278	(33)	(1,042)	-	583	-	3,462	(7)
Other foreign entities	8	-	-	-	-	(3)	-	-	(2)	3	-
Total available-for-sale bonds	2,597	133	(12)	1,278	(33)	(1,045)	-	605	(2)	3,521	(6)
Held-for-trading bonds:											
MBS/ABS	22	1	-	-	-	(7)	-	-	(9)	7	-
Other foreign entities	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds	24	1	-	-	-	(7)	-	-	(11)	7	-
Assets in respect of derivatives:											
NIS-CPI contracts	148	7	-	-	-	-	-	11	-	166	(55)
Interest rate contracts	439	(96)	-	-	-	(209)	-	-	-	134	(490)
Foreign exchange rate contracts	1,158	(1,792)	-	1,099	-	-	-	-	-	465	106
Stock contracts	18	198	-	-	-	-	-	-	-	216	201
Commodity- and other contracts	4	468	-	-	-	-	-	-	-	472	471
Total underlying assets for derivatives	1,767	(1,215)	-	1,099	-	(209)	-	11	-	1,453	233
Total assets	4,388	(1,081)	(12)	2,377	(33)	(1,261)	-	616	(13)	4,981	227
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	63	(53)	-	-	-	-	-	64	-	74	7
Foreign exchange rate contracts	176	48	-	-	-	-	-	-	-	224	-
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	239	(5)	7	-	-	-	-	64	-	305	7
Total liabilities	239	(5)	7	-	-	-	-	64	-	305	7

(a) Realized gains (losses), net, reported in the income statement under the "noninterest finance income" item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at September 30, 2021, amounted to NIS (6) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15C - Changes in Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the year ended December 31, 2021 (audited)										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at December 31, 2021	Unrealized gains (losses) for instruments held as at December 31, 2021
	In NIS million										
Assets											
Available-for-sale securities:											
Israeli Government	33	(2)	-	-	-	-	-	-	-	31	2
Foreign financial institutions	-	1	-	-	-	-	-	31	-	32	-
MBS/ABS	2,556	119	(37)	1,539	(80)	(1,380)	-	1,076	-	3,793	(32)
Other foreign entities	8	-	-	-	-	(3)	-	-	(2)	3	-
Total available-for-sale bonds	2,597	118	(37)	1,539	(80)	(1,383)	-	1,107	(2)	3,859	(30)
Held-for-trading bonds:											
MBS/ABS	22	1	-	-	-	(8)	-	-	(4)	11	-
Other foreign entities	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds	24	1	-	-	-	(8)	-	-	(6)	11	-
Assets in respect of derivatives:											
NIS-CPI contracts	148	(13)	-	-	-	-	-	11	-	146	(6)
Interest rate contracts	439	(106)	-	-	-	(209)	-	-	-	124	(309)
Foreign exchange rate contracts	1,158	(1,590)	-	1,160	-	-	-	-	-	728	499
Stock contracts	18	785	-	-	-	-	-	-	-	803	789
Commodity- and other contracts	4	250	-	-	-	-	-	-	-	254	254
Total underlying assets for derivatives	1,767	(674)	-	1,160	-	(209)	-	11	-	2,055	1,227
Total assets	4,388	(555)	(37)	2,699	(80)	(1,600)	-	1,118	(8)	5,925	1,197
Liabilities											
Liabilities for derivatives:											
NIS-CPI contracts	63	(58)	-	-	-	-	-	85	-	90	18
Foreign exchange rate contracts	176	108	-	-	-	-	-	-	-	284	-
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	239	50	7	-	-	-	-	85	-	381	18
Total liabilities	239	50	7	-	-	-	-	85	-	381	18

(a) Realized gains (losses), net, reported in the income statement under the “noninterest finance income” item.

(b) Unrealized gains included in the statement of changes in equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) including in respect of available-for-sale bonds as at December 31, 2021, amounted to NIS (30) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when at the date of the financial statements the term to maturity was less than one year.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	September 30, 2022 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average(3)
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds(1)					
Government of Israel bonds	22	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed (ABS) or mortgage-backed (MBS) bonds	3,709	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Others - abroad	10	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities(1)					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	13	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives(2)					
NIS-CPI interest contracts	179	Discounted cash flows	Expected inflation	0.60%-3.10%	1.85%
	5	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Interest rate contracts	96	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Foreign exchange rate contracts	2,851	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Stock contracts	3,560	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Commodity contracts	3	Discounted cash flows	Counterparty risk	0.93%-100%(*)	1.77%
Liabilities					
Liabilities for derivatives(2)					
NIS-CPI interest contracts	159	Discounted cash flows	Expected inflation	0.60%-3.10%	1.85%
Foreign exchange rate contracts	243	Discounted cash flows	Expected inflation	0.60%-3.10%	1.85%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.93%-100%	1.77%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	101	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	September 30, 2021 (unaudited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale bonds[1]					
Government of Israel bonds	33	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	23	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	3,462	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Other foreign entities	3	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	7	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	140	Discounted cash flows	Expected inflation	0.30%-2.28%	1.29%
	26	Discounted cash flows	Counterparty risk	0.15%-100%[*]	1.28%
Interest rate contracts	134	Discounted cash flows	Counterparty risk	0.15%-100%[*]	1.28%
Foreign exchange rate contracts	465	Discounted cash flows	Counterparty risk	0.15%-100%[*]	1.28%
Stock contracts	216	Discounted cash flows	Counterparty risk	0.15%-100%[*]	1.28%
Commodity contracts	472	Discounted cash flows	Counterparty risk	0.15%-100%[*]	1.28%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	74	Discounted cash flows	Expected inflation	0.30%-2.28%	1.29%
Foreign exchange rate contracts	224	Discounted cash flows	Expected inflation	0.30%-2.28%	1.29%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.15%-100%	1.28%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	584[a]	Collateral's fair value			

* For a defaulted counterparty.

(a) Presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.B.2.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31, 2021 (audited)				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
	In NIS million				
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities[1]					
Government of Israel bonds	31	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	32	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed (ABS) or mortgage-backed (MBS) bonds	3,793	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Other foreign entities	3	Discounted cash flows	Spread	110-215 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed (ABS) or mortgage-backed (MBS) bonds	11	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	138	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
	8	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Interest rate contracts	124	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Foreign exchange rate contracts	728	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Stock contracts	803	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Commodity contracts	254	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	90	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
Foreign exchange rate contracts	284	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.15%-100%	0.97%
b. Items measured at fair value on a non-recurring basis					
Impaired loans whose collection is collateral-dependent	541	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 15D - Quantitative Information on Items Measured at Fair Value Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.
2. The following unobservable inputs were used to measure the derivatives' fair value: counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect the contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the CPI-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.
3. The average figure for the unobservable input "counterparty risk" reflects a weighted average. The weighted average was calculated based on the relative fair value of the exposures.

Note 16 - Miscellaneous Topics and Events subsequent to the Balance Sheet Date

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

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

On April 1, 2022, the merger was completed.

Valley is a banking holding company, which holds Valley National Bank (hereinafter - "Valley Bank"). Valley Bank was founded in 1927.

Following the completion of the transaction and execution of the merger procedures, BLC was merged into Valley and BLUSA was merged into Valley Bank (hereinafter - the "Merger Agreement").

The proceeds of the transaction will be paid to the Bank in Valley shares (90 percent of the proceeds) and the rest - in cash. Once the transaction has been completed, the Bank holds 14.2 percent of Valley's share capital and is not the largest shareholder, but as of the publication date, it is the largest shareholder in Valley.

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

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

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

Following are data for the investment in Valley as at April 1, 2022

	In NIS million
Value of Valley shares received	3,047
Share in equity conferring rights to receive profits	1,947
Recognized goodwill	1,046

The market value of the Valley shares held by the Bank as at September 30, 2022 is NIS 2,750 million.

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

	March 31, 2022 (unaudited)
	In NIS million
Cash and deposits with banks	**1,253**
Securities	**4,431**
Loans to the public, gross	**19,187**
Loan loss provision	**(272)**
Loans to the public, net	**18,915**
Buildings and equipment	**100**
Goodwill	**14**
Assets in respect of derivatives	**58**
Other assets	**1,125**
Total assets	**25,896**

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

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

	March 31, 2022 (unaudited)
	In NIS million
Deposits by the Public	22,536
Deposits by banks	88
Liabilities for derivatives	88
Other liabilities	593
Total liabilities	23,305

B. Bank Leumi UK (BLUK)

On March 8, 2022, the Bank's board of Directors approved the recommendation of BLUK's board to implement a measure which includes returning BLUK's regulatory license, such that after the measure will have been completed, BLUK will be a credit provision company. To this end, BLUK will be merged into LABL (hereinafter – the "Merged Company"). The Merged Company will provide credit primarily in the fields of real estate, hotels and ABL, to customers in the UK and Europe, including Israeli customers active in these geographies.

The implementation of the move is contingent on several conditions, including – a final decision by BLUK's board of directors and LABL's board of directors, receiving a permit from the Bank of Israel, receiving the approval of the English regulator and meeting the requirements of English law to complete the move. As of the reporting date, some of the conditions precedent have been met, including the receipt of the required permits for the move from the Bank of Israel and the transfer of most of the credit portfolio of BLUK to LABL.

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

C. Sale of Beit Mani

Following on that stated in the Bank's 2021 Annual Financial Statements regarding to offer to bid for the purchase of the property located at Yehuda Halevi Street in Tel Aviv ("Beit Mani"), on April 26, 2022, the bid submitted by Sela Capital Real Estate Ltd. won. On May 18, 2022, after the approval of the Bank's competent organs, the sale agreement was signed.

For the purchase of Beit Mani, NIS 623 million will be paid to the Bank, with the addition of VAT. The pre-tax capital gain for the Bank is expected to be NIS 524 million, which will be recorded in the Bank's financial statements on the date in which management and the staff units will relocate to Lod, which is expected to take place in the second half of 2023.

The said sale transaction is another step in the Bank's plan to relocate its staff units and management to Leumi's Service Campus in Lod.

D. Cooperation agreement with Paxos

The Bank signed a cooperation agreement with US-based Paxos Trust Company LLC which will allow the Bank - for the first time in Israel - to offer its customers to buy, hold and sell cryptographic currencies (hereinafter - "crypto").

Paxos is a pioneer in creating solutions for managing digital assets for leading companies around the world. The company, which was founded in 2012, holds licenses from US regulators and is a regulated company. The company has dozens of customers and strategic investors, such as PayPal, Bank of America and Revolut. Paxos has more than USD 20 billion under management and serves more than 400 million end-customers around the world.

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

D. The planned activity model has significant advantages for the customer. Thus, for example, customers will not be required to have Cooperation agreement with Paxos (cont.)

a private crypto wallet or to remember or manage the passwords for such a wallet, with all the risks involved therein. In addition, taxation aspects will be handled by the Bank, and the tax will be deducted on a regular basis.

Trading will be initially possible in Bitcoin and Etherium - the leading crypto currencies with the highest trading volumes worldwide.

On October 27, 2022, the Bank received the approval of the Bank of Israel to provide crypto-currency trading services. On November 3, 2022, an appeal was filed with the High Court of Justice to issue an order nisi against the governor of the Bank of Israel, the Bank of Israel and the Banking Supervision Department (hereinafter, jointly - the "Defendants"), in which the plaintiffs requested an order nisi instructing the Defendants to explain why they would not revoke the approval given to the Bank, claiming it was contrary to the provisions of the Banking Law (Licensing), 1981; in addition, they requested a temporary order instructing the Bank to refrain from launching its crypto-currency trading services to customers. The court instructed the Defendants to file a response to the appeal by December 5, 2022.

E. Computing and operating agreement with Bank Igud Ltd.

On November 23, 2022, the Bank and Bank Igud Ltd. agreed to extend their computing and operating agreement until March 31, 2023.

It was also agreed that the Bank would provide, after the agreement had terminated – from April 1, 2023 to December 31, 2029, data recovery services on Bank Igud's customers, in order to provide access to historic information about Bank Igud's customers after the completion of the merger between Bank Igud and Bank Mizrahi Tefahot Ltd.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
Corporate Governance, Additional Information and Appendices

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Changes in the Board of Directors

As of the report publication date, the Board of Directors includes eleven members, according to a temporary approval given by the Banking Supervision Department until February 1, 2023. As of February 1, 2023, the Board of Directors will appoint ten members, in accordance with the number of directors allowed in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter - "**Directive 301**"). During the third quarter of 2022, there were no changes in the composition of the Board of Directors.

On January 26, 2022, Mr. Yitzhak Edelman, CPA, who serves an External Director in accordance with the Companies Law, 1999 in the Bank since February 2, 2017, announced he would not be submitting, to the Committee for Appointment of Directors in Banking Corporations - appointed in accordance with Section 36A of the Banking Law (Licensing), 1981 (hereinafter - the "**Committee for the Appointment of Directors**") - an application to extend his candidacy as director in the Bank for a third term. CPA Yitzhak Edelman will complete his entire remaining term until February 1, 2023. For more information, please see the immediate report published by the Bank on January 27, 2022 (Ref. No. 2022-01-011986).

On April 26, 2022, the Bank received a notice from the Committee for the Appointment of Directors, which includes a list of candidates to serve as the Bank's directors for election at the Bank's 2022 annual general meeting. For more information, including the list of candidates, please see the immediate report published by the Bank on April 26, 2022 (Ref. No. 2022-01-051295).

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

On August 4, 2022, the annual extraordinary general meeting of the Bank took place, which approved the following resolutions:

1. To reappoint the auditing firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as the Bank's joint independent auditors for the period starting on the date of approval of the current annual general meeting through the end of the Bank's next annual general meeting and to authorize the Bank's Board of Directors to set their fees.
2. To appoint Mr. Zvi Nagan as a director with the status of External Director pursuant to the provisions of the Companies Law, 1999 for a 3-year period upon and subject to receipt of approval or non-objection of the Banking Supervision Department. Subsequently, on October 26, 2022, the Banking Supervision Department announced that the Banking Supervision Department has no objection to the appointment of Mr. Zvi Nagan as member of the Board in the Bank. His first tenure as member of the Board in the Bank began on October 27, 2022. For further information, see the immediate report regarding the appointment of a member of the Board (that is not a corporation) or an individual serving on the part of a corporation who is a director in a privately-held company, dated October 27, 2022 (Ref. No.: 2022-01-130363) and the immediate report on the Bank's senior officers dated October 27, 2022 (Ref. No.: 2022-01-130372).
3. To reappoint Ms. Esther Dominissini as a director with the status of "Other Director" for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department. Subsequently, on October 6, 2022, the Banking Supervision Department announced that the Banking Supervision Department has no objection to the appointment of Ms. Esther Dominissini as member of the Board in the Bank. Her third tenure as member of the Board of the Bank is scheduled to begin on January 17, 2023 (one day after the date on which her second tenure is due to end). For further information, see the immediate report on the Bank's senior officers dated October 27, 2022 (Ref. No.: 2022-01-130372).
4. To reappoint Ms. Irit Shlomi as a director with the status of "Other Director" for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department. Subsequently, as of September 19, 2022, the second tenure of Ms. Irit Shlomi as member of the Bank's Board began, after receiving the approval of the

Banking Supervision Department on September 5, 2022. For further information, see the immediate report on the Bank's senior officers dated September 19, 2022 (Ref. No.: 2022-01-118777).

5. To adopt the amendments to the Bank's Articles of Association, in accordance with the wording of the Articles attached as Appendix D to the Meeting Summons Report.
6. To approve the updated compensation policy of officers as detailed in Appendix E to the Meeting Summons Report.

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

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

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

The Internal Auditor

Information regarding the Group's internal auditing function, including the professional standards pursuant to which the Internal Audit Division operates, the annual and multi-year work plans and the considerations taken into account in formulating the work plans were included in the financial statements as at December 31, 2021.

The 2021 Internal Audit Report of the Leumi Group was submitted to the Audit Committee on March 14, 2022, discussed by the Committee on March 21, 2022, submitted to the Board of Directors on March 30, 2022 and discussed by the Board on April 6, 2022.

A bi-annual compilation of audit reports and records for the first half of 2022 was submitted to the Audit Committee on July 28 2022 and reported to the Committee on August 3 2022, submitted to the Board of Directors on August 29 2022 and reported to the Board of Directors on September 5 2022.

Control of the Bank

As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For up-to-date information on interested parties' holdings in the Bank as at September 30 2022, please see the immediate report entitled "Status of Holdings of Interested Parties and Senior Officers" dated October _ 2022 (Ref. No. 2022-01-124894). Please see also the immediate report on the list of holders of significant means of control in the Bank as at March 31, 2022, dated April 7, 2022 (Ref. No. 2022-01-045337).

Appointments and Departures

Appointments

CPA **Uri Yonissi,** Head of the Customer Relations Division and member of the Bank's management and First Executive Vice President, was appointed Head of the Mortgage Division as of January 1, 2022.

The Bank's Board of directors decided to appoint Mr. Pinchas Schatz as head of the compliance function and Chief Compliance Officer (subject to the approval of the Bank of Israel).

Departures

Adv. **Mor Fingerer**, Chief Legal Counsel, Head of the Legal Counsel Division, the Bank's secretary and member of the Bank's management, requested to be relieved of her duties.

Adv. **Hadar Vismunski Weinberg**, Secretary of the Bank and Group, resigned from the Bank on February 28, 2022.

Ms. **Sharon Daniel,** Chief Compliance Officer and Head of Compliance and Enforcement Department, requested to be relieved of her duties.

Corporate Structure

Mortgage Division

On January 1, 2022, the division was set up, and was charged with all of Bank Leumi's mortgages and housing loans activity.

Resolution of a labor dispute

On August 1, 2021, the Bank received a notice regarding a declared labor dispute, at the request of the Bank workers' union, by the New Federation of Workers - Histradrut Hamaof, under the Labor Dispute Settlement Law, 1957. After settling the matters set out in the notice, the Histradrut Hamaof announced, on February 24, 2022, that the dispute had been concluded.

Hybrid work plan

On August 15, 2021, the Bank instituted a hybrid work plan allowing employees to work remotely on day a week. On February 9, 2022, a memorandum of understanding was signed between management and the Workers' Union, in which the parties reached agreements in principle for a permanent plan wherein employees will be allowed to telecommute one day a week, as of February 13, 2022.

Issuance of option warrants

For more details regarding issuance of option warrants, see Note 8.A

Collective agreement on employee benefits

At the end of 2022, the collective agreement on employee pay and benefits will expire; the agreement was effective during 2019-2022. The Bank's management and employee representatives began negotiations on the matter.

Material Agreements

For details regarding material agreements of major investees, see Note 16 and under Major Investee Companies in the Report of the Board of Directors and Management.

For details regarding additional major agreements, see under Material Agreements in the Financial Statements dated December 31, 2021.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning and implications of the term - please see under Forward-Looking Information.

During the reporting period, several proposals for regulatory amendments and changes in various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. Some of the directives are at various stages of discussion and, consequently, it is impossible to assess whether or not they will be issued as binding provisions and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the effect of these provisions on the Group's overall activity, if any. The following section provides detailed information on newly enacted legislation, which came into effect during the reporting period and provisions expected to come into force which may have a significant effect on the Bank.

For a detailed description, please see the section entitled Legislation and Regulation of the Banking System in the Corporate Governance Report of 2021.

Directives Issued by the Banking Supervision Department

Amendment to Proper Conduct of Banking Business Directive No. 420, Sending Notices via Means of Communications

Following on the chapter entitled Legislation and Regulation Governing the Banking System, see the Corporate Governance Report for 2021; regarding the amendment to Proper Conduct of Banking Business Directive No. 420, Sending Notices via Means of Communications, on June 13, 2022 the Banking Supervision Department announced that the effective date of the amendment, which was scheduled for one year from publication date, i.e., June 6, 2021, will be postponed to January 1, 2023.

The Bank is preparing to implement the amendment.

Amendment to Proper Conduct of Banking Business Directive No. 451 - Housing loans procedures

On January 31, 2022, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 451. Among other things, under the amendment, banking corporations will be obliged to provide customers with pre-approval for loans using a uniform format, which will include three uniform tracks prescribed by the Bank of Israel, with the loan term selected by the customer. Each of the tracks will feature: the expected overall interest rate, the total expected payments across the entire mortgage term, and the highest expected monthly payment. In addition and regardless of the uniform baskets, banks will be able to offer customers customized mortgage tracks.

In addition, according to the amendment, banks will provide customers with an online calculator allowing for simulations of various mixes with different loan terms. In addition, the directive regulates the manner in which banking corporations are required to present information in their apps.

A maximum time frame was provided for pre-approval of mortgages to customers; the directive allows customers to submit an application and be pre-approved online and by phone.

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

The directive will come into force on August 31, 2022.

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

The work processes were updated accordingly.

Directives pertaining to the attribution of capital for derivative financial instruments

For more details, see under Capital and Capital Adequacy in the Report of the Board of Directors and Management.

The Banking Supervision Department's letter entitled Increase in Credit Risks for the Construction and Real Estate Industry

During October and December 2021, the Banking Supervision Department published a letter to banking corporations entitled Increase in Credit Risks for the Construction and Real Estate Industry; according to the letter, there was an increase in credit risks for the banking system in respect of the construction and real estate industry, which is expressed, inter alia, in the growing outstanding credit balances, risk characteristics and LTV in some banking corporations. Following on the above, in the letter published on March 20, 2022, the Banking Supervision Department clarifies that due to the continued trend of growing credit risk in respect of the construction and real estate industry, it was decided to take additional regulatory measures with the aim of enhancing risk management, transparency and regulatory consistency, as well as risk monitoring capabilities for credit portfolios. The additional measures will include, inter alia: (1) The directive for allocation of additional capital in respect of highly-leveraged land, as detailed below; (2) Banking Supervision Department's audit teams for credit in respect of the construction and real estate industry will be required to demonstrate and illustrate the analysis process, in order to support management of underwriting proceedings and classification of credit in banks; (3) Reporting to the Banking Supervision Department on the construction and real estate industry will be expanded.

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

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

Under the Amendment, which was published on April 10, 2022, the directives were amended and adjusted to legal requirements from the chairmen of boards of directors in banking corporations as a whole, and banking corporations without a controlling core in particular.

According to the amendment to Proper Conduct of Banking Business Directive No. 301A, the board must define the purview of the chairman of the board, such that it does not deviate from the roles and powers conferred upon the chairman of the board under law, so as to prevent the compromise of his/her independence; and in a banking corporation without a controlling core - to avoid giving rise to an affiliation between the chairman and the banking corporation. It was also determined that the Board of Directors may entrust the chairman of the board with any role that the board of directors is entitled to entrust any of its members to execute in connection with the board of directors' work. It was also determined that the board of directors may define the time the chairman of the board of directors may spend on executing his/her duties.

Proper Conduct of Banking Business Directive No. 301A now features a section outlining principles for determining the compensation for a chairman of the board in a banking corporation without a controlling core. It was determined that the compensation of the such a chairman shall be in accordance with the Compensation Regulations applicable to external directors, with certain adjustments outlined in the directive. It was determined, inter alia, that the annual compensation the chairman of the board will be entitled to shall not exceed the total average compensation of an expert director in a banking corporation, multiplied by the “applicable ratio”, which is based both on the differences between the characteristics of the role of the chairman of the board and those of other directors - reflected in the amount of time the chairman of the board needs to dedicate to fulfilling his/her duties and the responsibility of the chairman of the board, which is higher than that of other directors. The compensation committee should ensure that the compensation terms of the chairman of the board do not give rise to an affiliation in accordance with the ordinance nor compromise the independence of the chairman of the board.

The effective date of the amendment is on its publication date; however, for a chairman of the board already in office upon the amendment’s entry into force - the amendment shall apply upon updating any of his/her service terms or after 6 months will have elapsed from publication date, whichever the earlier.

For information regarding the results of the meeting held by the Bank on the topic on September 22, 2022, see the immediate report dated September 22, 2022 (Ref. No.: 2022-01-01120415).

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

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

Amendment of Proper Conduct of Banking Business Directive No. 368, Application of the Open Banking Standard in Israel

The directive was first published in February 2020. Open Banking requires the banks and credit card companies to share a customer’s banking information at his/her request, with authorized third-party providers and to allow making payments to his/her account through third parties (authorized for this purpose). The objective is that based on the said banking information, third-party suppliers will be able to offer customers new products, customized to their needs. According to the directive, the adoption of the Open Banking will encourage new players in the payments, information, marketing and intermediation domains to enter the market, offering customers better pricing and innovative products.

Since its publication, the directive was amended several times. On November 24, 2022, an additional draft revision was published for the directive, which discusses the following topics: Providing access to information on securities, additional provisions regarding SLA, how to use a save and use certificates, as well as clarifications regarding the need to obtain approval from the Banking Supervision Department to operate a a payments initiator.

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

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

According to the ordinance published on September 1, 2022, the following current account services are declared under supervision: (a) Transaction by a clerk; (b) Transaction in a direct channel; (c) Expanded track; (d) Expanded track plus. The supervision signifies, according to Section 9M of the Banking Law (Customer Service), 1981, that a banking corporation that wishes to raise the rate for these services compared to the existing prices as of the date of publication of the ordinance will be required to submit a reasoned request to the Banking Supervision Department. The Banking Supervision Department will be entitled to permit the rate increase, reject the request or ask for additional information.

The said ordinance is not expected to affect the Bank’s revenues from these fees and commissions.

Draft Directive regarding crypto-currency financial assets and draft amendment to Proper Conduct of Banking Business Directive No. 310 - Risk Management

The drafts were published on November 7, 2022 on the back of the increased activity in crypto-currency financial assets (hereinafter - “crypto”) in recent years. In the past year, even traditional financial entities are entering this space, including banks. Activities related to the crypto domain represent new risks - whether increased or specific - even in the domain of traditional risks, including those that may affect the ability to ensure a stable and reliable financial environment: prudential risks, risks relating to prohibition on money laundering and prohibition on financing terrorism, cyber risks, as well as risks related to customer protection; this is due, among other things, to the fact that crypto-related activities are yet to be fully known and understood, and there is relatively little experience in this field, due to its rapid development.

Due to the said risks, the Banking Supervision Department believes that a banking corporation should exercise the utmost caution in considering activity in the crypto domain. A banking corporation is required, among other things, to apply the provisions of Section 16 to Proper Conduct of Banking Business Directive No. 310, Risk Management, regarding a new product, to crypto-currency activity, including the following: (a) The Bank should ensure, prior to launching its activity in this domain, that the activity comes under the areas of activity permitted to the bank by law; (b) The bank should conduct a risk-management assessment, including regarding the consumer protections required for that activity; (c) The bank should inform, in writing, the Banking Supervision Department about it intention to deal in crypto-currency, stating the timeline for the activity; (d) The Banking Supervision Department is entitled to request that the banking corporation provide additional information. If needed, the Banking Supervision Department will provide the relevant feedback after obtaining all required information.

For further information regarding the Bank's cooperation agreement with US-based Paxos Trust Company LLC, which will allow the Bank to offer its customers to buy, hold and sell crypto-currencies, see Note 16.D.

Notice by the Banking Supervision Department regarding a reform in fees and commissions for households and small businesses

On November 6, 2022, the Banking Supervision Department announced it was planning a series of significant measures benefiting households and small businesses, in an effort to improve the method of collecting fees and commissions for current account transactions and allow more customer to enjoy reduced fees and commissions. According to the announcement, the main changes planned in the fees and commissions domain are as follows: (a) Revision of the method of charging current account fees - according to the new method, the bank shall calculate the least expensive payment formula per customer each month (whether the transaction is conducted by a teller or online) for the actual transactions performed during that month, and charge the customer accordingly; (b) Expanding the category of small businesses to which the lower rates shall apply by broadening the definition of "small business" from a business with up to NIS five million in turnover, to a business with up to NIS ten million in turnover. In addition, the default shall be changed such that all businesses will be defined as "small businesses" and the banking corporation shall be entitled to request an annual report if it reasonably believes that the business's turnover is higher than NIS 10 million.

Legislation

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

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

The effective date of the aforementioned amendment is two months from the date of its publication; the amendment will apply to housing loan applications submitted on or after the effective date.

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

Regulatory Developments Following the Coronavirus

The Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order) (Novel Coronavirus) (Stay of Proceedings for Formulation and Approval of Debt Settlement), 2021

The Law prescribes a dedicated track for handling debts of debtors (corporations and private individuals) hurt by the coronavirus crisis, which will allow debtors to reach debt settlement agreements as an alternative to full insolvency proceedings. The temporary settlement allows to stay legal proceedings and collections proceedings against a debtor. During the stay period, the debtor will retain control of his/her assets. At the same time, the proposed arrangement includes respective alternative protections to lenders.

On September 14, 2022, the Insolvency and Economic Rehabilitation Ordinance (Extension of the Period Pertinent to Filing a Stay of Proceedings to Formulate a Debt Settlement Agreement - the Novel Coronavirus), 2022 was published; the ordinance extends the said special provisions until March 17, 2023.

Bill for Execution Law (Amendment No. 70 and Temporary Order) (Novel Coronavirus), 2022

The bill seeks to extend, by an additional period, the temporary order provided under the Execution Law (Novel Coronavirus - Amendment No. 68 and Temporary Order), 2020 (hereinafter - the "Temporary Order"). The Temporary Order, which was enacted following the onset of the coronavirus, set various arrangements aimed at incentivizing debt repayment and recovery of economic activity, as well as helping people in financial straits to avoid deteriorating into a severe and enduring financial crisis. In this context, arrangements were established regarding authorizing court registrars to consolidate claims; extension of warning periods for executing judgments or filing objections to promissory notes and claims for a set amount; establishing a special payments arrangement; as well as establishing specific provisions regarding fees and attorney's fees for execution motions. Since most of these provisions expire on March 24, 2022, it is proposed by extend the Temporary Order by additional periods.

Amendment to Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis

On May 15, 2022, the Banking Supervision Department published an amendment to a directive, in which the Banking Supervision Department clarifies that, due to the continuation of the impacts of the coronavirus crisis on the assets of banking corporations - including support for the credit needs of the recovering economy and a high level of deposits with the Bank of Israel, a need arose to extend the expedient regarding leverage ratios.

Accordingly, it was determined that the expedient will be in effect until June 30, 2024, with the leverage ratio not falling below the lower of the rate as at December 31, 2023 or the leverage ratio applicable to the banking corporation prior to the temporary order; applying the expedient shall not serve as a barrier to dividend distribution, subject to capital planning that addresses returning to the required leverage ratio.

For additional information regarding the various regulation adjustments on the back of the coronavirus event and their effects, please see the section entitled Legislation and Regulation Governing the Banking System in the Corporate Governance Report for 2021.

Additional Topics

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

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

Credit Rating

Credit ratings and outlook for the State of Israel and the Bank as at November 28 2022:

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A1	Positive	P-1
	S&P	AA-	Stable	A-1+
	Fitch	A+	Stable	F1+
Bank Leumi: Foreign exchange	Moody's	A2	Stable	P-1
	S&P	A	Stable	A-1
	Fitch	A	Stable	F1+
Local rating (in Israel)	S&P Maalot	AAA	Stable	A-1+
	Midroog	Aaa	Stable	P-1

Following is the development of the Bank's credit rating and credit outlook from January 1 2022 to November 28 2022:

On January 12, 2022, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

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

On January 23, 2022, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On March 9, 2022, S&P Maalot rated the Bank A-1+ short-term.

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

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

On October 20 2022, credit rating agency Midroog reiterated the Bank's rating and rating outlook.

Appendix 1 - Income and Expenditure Rates [(a)] and Analysis of Changes in Interest Income and Expenses

Part A - Average Outstanding Balances and Interest Rates - Assets

	For the three months ended September 30					
	2022			2021		
	Average balance[(b)]	Interest income	% of income	Average balance[(b)]	Interest income	% of income [(j)]
	In NIS million		In %	In NIS million		In %
Interest-bearing assets						
Loans to the public [(c)]						
In Israel	360,724	3,913	4.34	292,871	2,521	3.44
Outside Israel	6,058	75	4.95	22,985	221	3.85
Total [(i)]	366,782	3,988	4.35	315,856	2,742	3.47
Loans to the governments						
In Israel	1,242	12	3.86	924	8	3.46
Outside Israel	-	-	-	-	-	-
Total	1,242	12	3.86	924	8	3.46
Deposits with banks						
In Israel	13,293	48	1.44	10,813	12	0.44
Outside Israel	146	-	-	186	-	-
Total	13,439	48	1.43	10,999	12	0.44
Deposits with central banks						
In Israel	131,907	506	1.53	127,250	32	0.10
Outside Israel	442	1	0.90	3,016	1	0.13
Total	132,349	507	1.53	130,266	33	0.10
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	2,158	8	1.48	6,354	1	0.06
Outside Israel	-	-	-	-	-	-
Total	2,158	8	1.48	6,354	1	0.06
Bonds - held-to-maturity and available -for-sale[(d)]						
In Israel	75,068	404	2.15	72,774	202	1.11
Outside Israel	-	-	-	6,117	30	1.96
Total	75,068	404	2.15	78,891	232	1.18
Bonds - Held-for-trading[(d)]						
In Israel	3,049	11	1.44	2,960	5	0.68
Outside Israel	-	-	-	-	-	-
Total	3,049	11	1.44	2,960	5	0.68
Total interest-bearing assets	594,087	4,978	3.35	546,250	3,033	2.22
Non-interest-bearing receivables for credit cards	6,201			5,899		
Other non-interest-bearing assets[(e)]	68,486			53,270		
Total assets	668,774	4,978		605,419	3,033	
Total interest-bearing assets attributed to foreign operations	6,646	76	4.57	32,304	252	3.12

See comments below.

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

	For the three months ended September 30					
	2022			2021		
	Average balance(b)	Interest expense	% of expense	Average balance(b)	Interest expense	% of expense(j)
	In NIS million		In %	In NIS million		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	**380,373**	**1,255**	**1.32**	324,683	222	0.27
Demand deposits	**200,701**	**379**	**0.76**	182,976	3	0.01
Fixed deposits	**179,672**	**876**	**1.95**	141,707	219	0.62
Outside Israel	**1,065**	**4**	**1.50**	12,019	7	0.23
Demand deposits	**12**	**-**	**-**	7,915	1	0.05
Fixed deposits	**1,053**	**4**	**1.52**	4,104	6	0.58
Total	**381,438**	**1,259**	**1.32**	336,702	229	0.27
Deposits by the Government						
In Israel	**238**	**1**	**1.68**	189	1	2.12
Outside Israel	**-**	**-**	**-**	7	-	-
Total	**238**	**1**	**1.68**	196	1	2.04
Deposits by central banks						
In Israel	**16,912**	**3**	**0.07**	16,637	2	0.05
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**16,912**	**3**	**0.07**	16,637	2	0.05
Deposits by banks						
In Israel	**6,573**	**11**	**0.67**	6,057	1	0.07
Outside Israel	**60**	**-**	**-**	204	-	-
Total	**6,633**	**11**	**0.66**	6,261	1	0.06
Securities loaned or sold under reverse repurchase agreements						
In Israel	**2,874**	**16**	**2.23**	500	-	-
Outside Israel	**-**	**-**	**-**	252	-	-
Total	**2,874**	**16**	**2.23**	752	-	-
Bonds						
In Israel	**19,945**	**274**	**5.50**	12,892	129	4.00
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**19,945**	**274**	**5.50**	12,892	129	4.00
Total interest-bearing liabilities	**428,040**	**1,564**	**1.46**	373,440	362	0.39
Non-interest-bearing deposits by the public	**153,290**			157,747		
Non-interest-bearing payables for credit cards	**1,730**			2,270		
Other non-interest-bearing liabilities(f)	**35,559**			30,390		
Total liabilities	**618,619**	**1,564**		563,847	362	
Total capital resources	**50,155**			41,572		
Total capital commitments and resources	**668,774**	**1,564**		605,419	362	
Interest rate spread		**3,414**	**1.89**		2,671	1.83
Net return(g) on interest-bearing assets						
In Israel	**587,441**	**3,342**	**2.28**	513,946	2,426	1.89
Outside Israel	**6,646**	**72**	**4.33**	32,304	245	3.03
Total	**594,087**	**3,414**	**2.30**	546,250	2,671	1.96
Total interest-bearing liabilities attributed to foreign operations	**1,125**	**4**	**1.42**	12,482	7	0.22

See comments below.

Part A - Average Outstanding Balances and Interest Rates - Assets

	For the nine months ended September 30					
			2022			2021
	Average balance[b]	Interest income	% of income	Average balance[b]	Interest income	% of income [j]
	In NIS million		In %	In NIS million		In %
Interest-bearing assets						
Loans to the public [c]						
In Israel	343,524	10,170	3.95	283,608	7,336	3.45
Outside Israel	12,188	369	4.04	22,843	658	3.84
Total [i]	355,712	10,539	3.95	306,451	7,994	3.48
Loans to the governments						
In Israel	1,147	33	3.84	827	20	3.22
Outside Israel	-	-	-	-	-	-
Total	1,147	33	3.84	827	20	3.22
Deposits with banks						
In Israel	15,090	91	0.80	11,113	44	0.53
Outside Israel	185	-	-	166	-	-
Total	15,275	91	0.79	11,279	44	0.52
Deposits with central banks						
In Israel	130,380	681	0.70	113,639	85	0.10
Outside Israel	1,297	5	0.51	2,155	2	0.12
Total	131,677	686	0.69	115,794	87	0.10
Securities borrowed or purchased under reverse repurchase agreements						
In Israel	2,566	13	0.68	5,043	4	0.11
Outside Israel	-	-	-	-	-	-
Total	2,566	13	0.68	5,043	4	0.11
Bonds - held-to-maturity and available -for-sale[d]						
In Israel	80,341	930	1.54	73,053	612	1.12
Outside Israel	1,477	27	2.44	5,574	87	2.08
Total	81,818	957	1.56	78,627	699	1.19
Bonds - Held-for-trading[d]						
In Israel	2,906	46	2.11	2,866	23	1.07
Outside Israel	-	-	-	-	-	-
Total	2,906	46	2.11	2,866	23	1.07
Total interest-bearing assets	591,101	12,365	2.79	520,887	8,871	2.27
Non-interest-bearing receivables for credit cards	6,032			5,466		
Other non-interest-bearing assets[e]	61,575			53,352		
Total assets	658,708	12,365		579,705	8,871	
Total interest-bearing assets attributed to foreign operations	15,147	401	3.53	30,738	747	3.24

See comments below.

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

	For the nine months ended September 30					
	2022			2021		
	Average balance[(b)]	Interest expense	% of expense	Average balance[(b)]	Interest expense	% of expense[(j)]
	In NIS million		In %	In NIS million		In %
Interest-bearing liabilities						
Deposits by the public						
In Israel	358,335	2,052	0.76	312,441	654	0.28
Demand deposits	202,194	478	0.32	178,424	11	0.01
Fixed deposits	156,141	1,574	1.34	134,017	643	0.64
Outside Israel	4,148	18	0.58	13,039	28	0.29
Demand deposits	2,392	2	0.11	8,871	6	0.09
Fixed deposits	1,756	16	1.21	4,168	22	0.70
Total	362,483	2,070	0.76	325,480	682	0.28
Deposits by the Government						
In Israel	292	2	0.91	198	2	1.35
Outside Israel	-	-	-	11	-	-
Total	292	2	0.91	209	2	1.28
Deposits by central banks						
In Israel	16,966	8	0.06	13,463	7	0.07
Outside Israel	-	-	-	-	-	-
Total	16,966	8	0.06	13,463	7	0.07
Deposits by banks						
In Israel	6,574	15	0.30	5,948	3	0.07
Outside Israel	50	-	-	154	-	-
Total	6,624	15	0.30	6,102	3	0.07
Securities loaned or sold under reverse repurchase agreements						
In Israel	2,890	27	1.25	554	1	0.24
Outside Israel	-	-	-	254	-	-
Total	2,890	27	1.25	808	1	0.17
Bonds						
In Israel	21,677	805	4.95	13,629	383	3.75
Outside Israel	-	-	-	-	-	-
Total	21,677	805	4.95	13,629	383	3.75
Total interest-bearing liabilities	410,932	2,927	0.95	359,691	1,078	0.40
Non-interest-bearing deposits by the public	166,717			144,603		
Non-interest-bearing payables for credit cards	1,687			2,761		
Other non-interest-bearing liabilities[(f)]	34,132			32,699		
Total liabilities	613,468	2,927		539,754	1,078	
Total capital resources	45,240			39,951		
Total capital commitments and resources	658,708	2,927		579,705	1,078	
Interest rate spread		9,438	1.84		7,793	1.87
Net return[(g)] on interest-bearing assets						
In Israel	575,954	9,055	2.10	490,149	7,074	1.92
Outside Israel	15,147	383	3.37	30,738	719	3.12
Total	591,101	9,438	2.13	520,887	7,793	1.99
Total interest-bearing liabilities attributed to foreign operations	4,198	18	0.57	13,458	28	0.28

See comments below.

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

	For the three months ended September 30					
	2022			2021		
	Average balance(b)	Interest income (expenses)	% of income (expense)	Average balance(b)	Interest income (expenses)	% of income (expense)(j)
	In NIS million		In %	In NIS million		In %
CPI-linked NIS						
Total interest-bearing assets	58,044	1,023	7.05	51,438	758	5.89
Total interest-bearing liabilities	23,965	(344)	(5.74)	17,575	(209)	(4.76)
Interest rate spread			1.31			1.13
Unlinked NIS						
Total interest-bearing assets	437,729	3,334	3.05	379,834	1,772	1.87
Total interest-bearing liabilities	324,370	(713)	(0.88)	279,643	(86)	(0.12)
Interest rate spread			2.17			1.75
Foreign currency						
Total interest-bearing assets	91,668	545	2.38	82,674	251	1.21
Total interest-bearing liabilities	78,580	(503)	(2.56)	63,740	(60)	(0.38)
Interest rate spread			(0.18)			0.83
Total activity in Israel						
Total interest-bearing assets	587,441	4,902	3.34	513,946	2,781	2.16
Total interest-bearing liabilities	426,915	(1,560)	(1.46)	360,958	(355)	(0.39)
Interest rate spread			1.88			1.77

See comments below.

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

	For the nine months ended September 30					
	2022			2021		
	Average balance(b)	Interest income (expenses)	% of income (expense)	Average balance(b)	Interest income (expenses)	% of income (expense)(j)
	In NIS million		In %	In NIS million		In %
CPI-linked NIS						
Total interest-bearing assets	**55,905**	**3,377**	**8.05**	50,220	2,209	5.86
Total interest-bearing liabilities	**22,712**	**(1,108)**	**(6.50)**	18,172	(599)	(4.40)
Interest rate spread			**1.55**			1.46
Unlinked NIS						
Total interest-bearing assets	**427,989**	**7,454**	**2.32**	359,949	5,130	1.90
Total interest-bearing liabilities	**312,272**	**(1,031)**	**(0.44)**	269,182	(266)	(0.13)
Interest rate spread			**1.88**			1.77
Foreign currency						
Total interest-bearing assets	**92,060**	**1,133**	**1.64**	79,980	785	1.31
Total interest-bearing liabilities	**71,750**	**(770)**	**(1.43)**	58,879	(185)	(0.42)
Interest rate spread			**0.21**			0.89
Total activity in Israel						
Total interest-bearing assets	**575,954**	**11,964**	**2.77**	490,149	8,124	2.21
Total interest-bearing liabilities	**406,734**	**(2,909)**	**(0.95)**	346,233	(1,050)	(0.40)
Interest rate spread			**1.82**			1.81

See comments below.

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

	2022 vs. 2021 For the three months ended September 30			2022 vs. 2021 For the nine months ended September 30		
	Increase (decrease) due to change[h]		Net change	Increase (decrease) due to change[h]		Net change
	Quantity	Price		Quantity	Price	
	In NIS million					
Interest-bearing assets						
Loans to the public						
In Israel	736	656	1,392	1,774	1,060	2,834
Outside Israel	(210)	64	(146)	(323)	34	(289)
Total	526	720	1,246	1,451	1,094	2,545
Other interest-bearing assets						
In Israel	25	704	729	200	806	1,006
Outside Israel	(15)	(15)	(30)	(53)	(4)	(57)
Total	10	689	699	147	802	949
Total interest income	536	1,409	1,945	1,598	1,896	3,494
Interest-bearing liabilities						
Deposits by the public						
In Israel	184	849	1,033	263	1,135	1,398
Outside Israel	(41)	38	(3)	(39)	29	(10)
Total	143	887	1,030	224	1,164	1,388
Other interest-bearing liabilities						
In Israel	67	105	172	259	202	461
Outside Israel	-	-	-	-	-	-
Total	67	105	172	259	202	461
Total interest expenses	210	992	1,202	483	1,366	1,849

Comments:

(a) The data in the above tables are stated after the effect of derivatives instruments hedging.

(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average on-balance sheet loan loss provisions; foreign subsidiaries - based on quarterly opening balances.

(c) Before deducting the average balance of loan loss provisions. Including non-accrual debts.

(d) The average balance of unrealized gains/losses from fair value adjustments of held-for-trading bonds were deducted from/added to the average outstanding held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholder's equity under Accumulated other comprehensive income, in the Adjustments in respect of presentation of available-for-sale securities at fair value item in respect of bonds transferred from the available-for-sale portfolio for the three- and nine-month periods ended September 30, 2022, in the amount of NIS (2,302) million and (1,007) million, respectively, and for the three- and nine-month periods ended September 30, 2021 - NIS 1,460 million and NIS 1,488 million, respectively.

(e) Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivative instruments and non-monetary liabilities.

(g) Net yield – net interest income divided by total interest-bearing assets.

(h) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions for the three-month and nine-month periods ended September 30, 2022 in the amount of NIS 99 million and NIS 352 million, respectively, were included in the interest income from loans to the public (fees and commissions for the three-month and nine-month periods ended September 30, 2021 in the amount of NIS 110 million and NIS 374 million, respectively).

(j) Annualized; as of January 1, 2022, the Bank applies the revised disclosure requirements of the Banking Supervision Department regarding presenting income and expense rates; under the revision, the presentation method of income and expense rates calculated on an annual basis was revised, according to the accepted method in US banks. Therefore, the translation of the quarterly and periodic ratios will be carried out using a linear calculation, instead of exponentiation, according to the previous presentation method. According to the circular's provisions, the Bank reclassified the comparative figures of the income and expense rates relating to the previous quarterly periods presented in this report. The effect of the application of the directive on the comparative results of income and expense rates is immaterial.

Glossary of Terms

Term	Definition
A	
Actuarial Calculation	Any calculation that reflects uncertainties, i.e., is risk-adjusted. For example, an Actuarial Calculation reflects past experience and management's estimates as to the expected retirement dates of a bank's employees and the expected retirement benefits which are allocated on a linear basis over the expected service period.
Active Market	A market in which transactions in an asset or liability exist at a sufficient frequency and volume to provide information about pricing on an ongoing basis.
Actuarial Gain/Loss	Mostly reflects adjustments in respect of actuarial estimates, as at the end of the year, of defined benefit pension plans and a deduction of amounts previously recorded in other comprehensive income.
Asset and Liability Management (ALM)	Management of the Bank's assets and liabilities with the aim of avoiding a mismatch between the two and, in the long-term, increasing the Bank's capital for the benefit of its shareholders.
Asset-Backed Securities (ABSs)	A security whose interest and principal payments are collateralized or pledged by a specific financial asset.
Auxiliary Corporation	A corporation which is not in itself a bank and whose activities are limited to the fields of activity permitted to the bank controlling it, except activities reserved exclusively for corporations defined as banks under law.
Average Duration (AD)	Average duration is measured in years and weights the periodic interest payments of the financial instrument over its life until final redemption.
B	
Balanced Score Card (BSC)	A performance metric used for measuring the performance of the Bank and its business lines on a number of quantitative and qualitative issues defined by Bank's management in its strategic plan.
Basel II/Basel III	Banks' risk management directives set by the Basel Committee on Banking Supervision (BCBS), which is the primary supervision and global standard setter for prudential regulation and supervision of banks. The BCBS's directives serve as the benchmark for leading standards designed to ensure the stability of financial institutions.
Basic Earnings per Share	Basic earnings per share will be calculated by dividing the profit or loss attributed to holders of the parent company's ordinary shares (the numerator) by the weighted average number of ordinary shares outstanding during the period (the denominator).
Basis Point (BP)	1/100th of 1 percent; BP is used as a common unit of measure for interest rates.

Basis Risks	Basis Risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases.
Benchmark Interest Rate	Interest determined on an external objective basis according to a pre-set formula, i.e., the bank plays no direct role in setting it.
Bid-Ask Spread	The difference between the offered purchase price and selling price. This is, in fact, the difference between the highest price a buyer is willing to pay for an asset and the lowest price in which a seller is willing to sell it.
Build Operate Transfer (BOT)	A model used to finance public projects whereby a public entity grants a concession to a private company to finance, plan, build and operate a public facility for a fixed period of time, at the end of which control of the facility is transferred to the government.
C	
Capital Adequacy Ratio	The ratio between the Bank's qualifying Regulatory Capital and its risk-weighted assets (the Bank's assets weighted to reflect credit, market and operational risks), calculated in accordance with the Bank of Israel's directives and to reflect the risk associated with exposures undertaken by the Bank during the course of its activities.
Collateralized Debt Obligation (CDO)	A bond backed by a portfolio of bonds and/or loans of various seniority levels and ratings.
Collateralized Loan Obligation (CLO)	A bond backed by a loans portfolio.
Collective Provision	A Collective Provision for Loan losses is applied to large groups of relatively small and homogeneous debts and to debts that were reviewed specifically and were found to be non-performing. The Collective Provision in respect of the off-balance sheet instruments is based on provision rates that were set for on-balance sheet loans, while taking into account the Bank's estimates regarding the probability of utilizing the various off-balance-sheet items..
Common Equity Tier 1 Capital	Going Concern Capital Common Equity Tier 1 (CET1) Capital includes the equity attributed to a bank's shareholders, with the addition of some of the non-controlling interests (minority interests) of consolidated subsidiaries less goodwill, other intangible assets and regulatory adjustments and additional deductions, pursuant to Proper Conduct of Banking Business Directive No. 202, "Measurement and Capital Adequacy – Regulatory Capital" and pursuant to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

Conduct Risk	Conduct Risk is the risk that any dealings with Bank's customers which are not fair, transparent and aimed to meet their needs will lead to losses due to legal damages, fines or reputational damage.
Committee Of Sponsoring Organizations of the Treadway Commission (COSO)	A structured internal controls model. The model is intended to assist businesses and other entities to assess, estimate and enhance their internal control functions.
Cost of Interest	The interest component allocated to a current year and classified into payroll expenses.
Cost of Service	All components of employee benefits costs allocated to a specific period.
Credit Default Swap (CDS)	A financial instrument that transfers the credit exposure between parties to a transaction to the issuing entity.
Credit Derivative	A contract that transfers the credit risk from a buyer to a seller. There are various forms of Credit Derivatives: Credit Default Swap (CDS), a note for partial cover of credit risk, Total Return Swap (TRS), etc..
Credit Valuation Adjustment (CVA)	The calculation of credit risk in derivatives reflects the expected loss to the bank in case the counterparty to the transaction will default.
Credit Risk	Credit risk is the Bank's risk of loss as a result of the possibility that a borrower or counterparty fails to meet its agreed commitments towards the bank.
Cross Border Activity	A term referring to various cross-border financing arrangements, such as cross border loans, letters of credit or bankers' acceptances.
Current Expected Credit Losses (CECL)	A model for expected credit losses.
Cyber Event	An event during which the Bank's IT and/or computer-embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to the bank) and such attack may result in the materialization of the cyber risk, including an attempted attack even if it did not result in actual damage.
D	
Defined Benefit Plan	Fixed and predetermined pension or insurance amounts which are paid to eligible employees, whether or not they depend on the investment results of the pension fund or insurer.

Delinquent Debt	The delinquency (arrears) status of a debt is determined according to its contractual repayment terms. The debt is in arrears if some or all of the debt amount has not been repaid within 30 days of its due date. For this purpose, a debt in a current account in excess of the authorized credit facility will be regarded as being in arrears if not repaid within 30 days, or if that account is not credited with sums sufficient to cover the debt under the credit facility within the period determined by the Bank's management.
Diluted Earnings Per Share	Dividing the profit or loss attributed to holders of the parent company by the weighted average number of ordinary shares outstanding, to assume conversion of all potentially dilutive ordinary shares.
Dodd Frank Wall Street Reform and Consumer Protection Act (DFA)	The DFA is a U.S. federal law which came into force on July 28 2019. The DFA sets in motion a comprehensive financial reform which has various implications for the Leumi Group, the principal of which is associated with transactions involving over-the-counter derivative swaps.
E	
Embedded Derivatives	Embedded Derivatives are derivative instruments which are embedded into other financial contracts and instruments or into commercial contracts for the purchase or sale of products and services (these contracts are known as host contracts). The accounting treatment is applied according to the economic substance of the items and transactions, rather than according to their legal form; therefore, embedded derivatives whose economic characteristics are not clearly and closely related to those of the host contract are bifurcated therefrom for the purpose of measurement in the Bank's books of accounts.
European Market Infrastructure Regulation (EMIR)	A regulation of the European Union which is intended to enhance the stability of over-the-counter markets in all EU countries.
Exposure at Default (EAD)	The expected amount of counterparty exposure in case of credit default.
F	
Fair Value	The amount for which an asset can be exchanged or a liability assumed in a transaction between knowledgeable, willing parties. This value is determined according to the fair value hierarchy set in accounting standards: • Level 1 – Value based on quoted market prices; • Level 2 – Estimated value based on observable inputs; • Level 3 – Estimated value determined by using valuation techniques that include unobservable inputs.

Fannie Mae (FNMA)	A U.S. government-sponsored enterprise which purchases and securitizes mortgages and sells them on the free market. (The company is not backed by the U.S. government).
Federal Deposit Insurance Corporation (FDIC)	An independent federal agency insuring deposits in U.S. banks; FDIC is one of the U.S.'s banking supervisory bodies.
Foreign Accounts Tax Compliance Act (FATCA)	A U.S. tax law intended to improve tax enforcement. Pursuant to FATCA, non-U.S. financial entities must disclose to the U.S. Internal Revenue Service information about accounts held by them for anyone who is required to report under FATCA, even if he/she is not a U.S. resident.
Forwards	Forwards are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Forwards are not standard contracts and are not traded on capital markets, but are drawn up specifically according to the parties' needs.
Freddie Mac (FHLMC)	FHLMC is a U.S. government-sponsored agency that purchases and securitizes mortgages and sells them to the public. (The company is not backed by the U.S. government).
Futures	Futures are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Futures are standard contracts traded on capital markets.
G	
Ginnie Mae (GNMA)	A federal mortgage company. The bonds issued by GNMA are backed by the Government National Mortgage Association.
I	
Indebtedness	The Bank's loan exposures to a borrower or group of borrowers, including loans under the bank's responsibility, the bank's investments in the borrower's securities, commitments of the bank to pay money on a customer's behalf (including guarantees and Documentary Credit) and transactions in over the counter (OTC) derivatives. Indebtedness is calculated according to the provisions of Proper Conduct of Banking Business Directive No. 313 of the Banking Supervision Department.
Interest Rate Risk	The risk of loss or impairment as a result of changes in interest rates across various currencies.

Internal Capital Adequacy Assessment Process (ICAAP)	The capital adequacy assessment process is aimed at calculating the capital required to support the various risks to which the Group is exposed in order to ensure that the Group's effective capital exceeds the capital requirements at any time.
Internal Rate of Return (IRR)	A measure used to estimate the profitability of potential investments. This metric is an indicator of the efficiency and quality of a specific investment in relation to the net present value, which is an indicator of the value and size of the investment. The Internal Rate of Return is the interest rate that discounts the expected cash flow from a financial instrument to its balance in the Bank's balance sheet.
L	
Leverage Ratio	Defined as the measured capital (the numerator) divided by the measured exposure (the denominator), with the ratio expressed as a percentage.
Linkage Base and Exchange Rate Exposure	The exposure to the basis risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases. The exposure to basis risks is measured as a percentage of the Group's exposed capital. At the Bank level, the exposed capital includes common equity and certain provisions, net of property, plant and equipment and investments in investees.
Liquidity Coverage Ratio	Liquidity Coverage Ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a bank has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon.
Liquidity Risk	Liquidity Risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss.
Loan-to-Value (LTV) Ratio	The ratio of a bank loan to the value of a purchased asset. LTV reflects one aspect of the loan risk; a higher LTV reflects a higher risk to the lending bank.
Loss Given Default (LGD)	This is the percentage out of a borrower's total Exposure at Default (EAD), which the Bank is expected to lose on default.
M	
Market Risks	Market Risk is defined as the risk of loss in balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (i.e., changes in: price levels in various markets; interest rate volatility; foreign exchange rates; inflation rates; share and commodity prices, as well as in other economic measures).

Mortgage-Backed Securities (MBS)	Bonds which are backed by financial assets, the principal and interest payments of which are based on a cash flow from repayment of loans collateralized by financial assets. The collateral assets may be pools of loans, including housing mortgages or other financial assets.
N	Impaired non-accruing loans.
Net Interest Margin (NIM)	Ratio between net interest income and the average balance of interest-bearing assets.
Net Stable Funding Ratio (NSFR)	The purpose of NSFR is to improve the long-term liquidity ratio profile of banking corporations by requiring them to maintain a stable funding ratio according to the composition of their assets and off-balance-sheet activities. The ratio limits banking corporations' over-relyance on wholesale short-term financing. Measurement - both for consolidated and separate reporting purposes - is made each quarter and the requirement is to comply with a 100 percent rate.
Non-Performing Credit	On-balance sheet credit that is assessed on a case by case basis and which - based on present circumstances and information - it is probable that the Bank will be unable to collect the full amounts payable (principal plus interest) under the contractual terms of the debt agreement. A debt which is assessed on a case by case basis shall be classified as non-performing whenever the principal or interest has been past due for a period of 90 consecutive days or more, unless it is both well secured and in the process of collection. Off-balance sheet credit is classified as non-performing if it is at least reasonably possible that the contingent liability in respect of the off-balance sheet item will materialize, and if the debts that may result from the materialization of the contingent liability should be classified into this category. Furthermore, a non-performing debt which is assessed on a specific basis and whose terms were changed due to restructuring of a troubled debt will also be considered as non-performing loans.
Non-Performing Loan (NPL)	Non-accrual impaired debt.
O	
OECD	An international organization whose members are developed countries that accept the principles of liberal democracy and free market. The organization is a platform for discussing policy, benchmarking, identifying solutions to difficulties and drawing up codes, guiding principles and shared standards for the implementation of domestic economic and social policies. Each member state can make a significant contribution to the organization’s policy and development of shared policies.

Off-Balance Sheet Exposures	These exposures arise from the Bank's undertakings to its borrowers that have not yet been realized/utilized by the borrowers as of the reporting date and therefore have not yet been recorded as a balance sheet asset or liability. Such exposures include, among other things: Unutilized undertakings to extend loans; • Unutilized credit facilities; • Undertakings pursuant to guarantee agreements; • Undertakings pursuant to an approval in principle where the Bank is committed to maintain the interest rate over a certain period, • and more.
On-call Credit	Loan granted for several days and repaid on call, in accordance with the conditions of the agreement between the Bank and the customer.
Operational Risk	Operational Risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events. This definition includes legal risk, but does not include strategic risk and reputational risk.
Option Contract/Option	There are two types of Option Contracts: an option to buy (call option) or an option to sell (put option). A call option is the right to buy a specified asset at an agreed price (strike price) up to (American-style option) or on (European-style option) a stipulated date. A put option is the right to sell a specified asset at an agreed price (strike price) up to (American-style option) or at (European-style option) a stipulated date.
P	
Performance Stock Units (PSU)	Performance Stock Unit awards are restricted shares and depend on the bank's future performance.
Pillar 1	The allocation of minimum capital against credit, market and operational risks, using a method that correlates the scope of exposure to the various risks and Regulatory Capital requirement. The Pillar 1 Directives set by BCBS were adopted as part of Proper Conduct of Banking Business Directives No. 201 to No. 209; these directives set a supervisory method for calculation of risk-weighted assets and calculation of the capital requirements in respect of such risk-weighted assets.

Private Individuals	Persons who are not corporations (whether registered or non-registered) and who are not engaged in business activity. According to the directives of the Bank of Israel, private persons are defined such that this category includes non-business loans to individuals who are classified into the private individuals sector according to uniform definitions of the Central Bureau of Statistics including households and private banking.
Probability of Default (PD)	A financial term describing the likelihood of borrower default within a given period of time from the date on which rating is issued. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations.
R	
Regulatory Capital	Capital used to calculate the Bank's capital adequacy ratio and other regulatory ratios (such as: leverage ratio, credit concentration and more). Accounting capital components and other qualifying Regulatory Capital instruments (such as subordinated notes that qualify as Regulatory Capital).
Repurchase Agreement or Reverse Repurchase Agreement	These repo agreements are agreements for the purchase or sale of securities in consideration for cash or securities; when entering into these agreements, the seller and the buyer agree to enter into a reverse transaction at a predetermined date and price.
Reputational Risk	The risk that the publication or public disclosure of a customer-related transaction or practice, as well as the Group's business results and events relating thereto will have an adverse effect on the public's trust in the Group or reduce its customer base or that the Group will incur high legal costs or that its revenues will decline.
Residual Risk	Residual Risk is the risk of loss remaining after all other specific risks have been factored in. For example: when a person purchases an asset, he is exposed to various risks. Many of these risks are not unique to the purchased asset, but rather reflect broader scenarios, such as increase or decrease in share prices, increase or decrease in interest rates or change in growth rate of a specific economy or industry. The exposure to this risk can be reduced by diversification.
Restricted Share Units (RSUs)	An ordinary share whose issuance terms restrict its tradability over a certain period or until the occurrence of a certain event where the period has not yet elapsed and/or the event has not yet occurred.
Restructuring of Troubled Debt	A debt, in respect of which the Bank, whether for economic or legal reasons related to financial difficulties of the borrower, grants the borrower a waiver by changing the terms of the debt, in order to enable the borrower to repay the cash payments in the short term or by accepting other assets as debt repayment.

Return on Equity	Net income less dividend for preferred shares which was not recorded as an expense in profit or loss and was declared in the reported period only, divided by the average common equity.
Rate of Return on Equity (ROE)	The ratio between a business's return (net income) and its common equity. This rate measures the Bank's ability to generate profit from its net assets and illustrates how efficiently the Bank operates to utilize further investments in order to increase its revenues. Return on Equity in banks is reflected in the following ratios: • Net income attributed to bank's shareholders net of dividend distributed in respect of preferred shares which was not recorded as an expense in profit or loss and was declared during the reporting period, divided by the average common equity; Net income attributed to bank's shareholders net of dividend distributed to preferred shares which was not recorded as an expense in the income statement and was declared during the reporting period, divided by the average common equity net of average balance of preferred shares that were included in common equity.
Return on Risk-Adjusted Capital (RORAC)	A Rate of Return measure used to compare returns on various investments taking into account the risk. Actual return is adjusted by measuring the asset's exposure to risk and curtails the return on higher-risk assets. The method's effectiveness depends on the accuracy of the risk associated with different assets and on the extent to which the "sanction" imposed on higher-risk assets does, indeed, reflect each investor's risk aversion. Risk assessment of new types of assets, such as financial derivatives, involves high levels of uncertainty due to the actual behavior of their prices.
Risk-Weighted Assets (RWA) or Risk Assets	Risk-Weighted Assets reflect balance sheet and off-balance sheet exposures arising from the Bank's activities and weighted by their level of credit, market and operational risk according to Proper Conduct of Banking Business Directives No. 203 to No. 209. Such Risk Assets are designed to reflect the weighted risk in respect of which the Bank is required to comply with the Regulatory Capital Requirement as part of the Capital Adequacy requirements.
S	
Securitization	A process whereby bank loans and credit are pooled to create a long-term loan through bonds.

Securitization Structures	Structures created in order to transfer cash flows from other instruments or assets to bondholders, for which a Special-Purpose Entity (SPE) is set up that pools the underlying cash flow-generating assets that are transferred by the originator and forwards the cash-flows to the bondholders according to a structure agreed upon with the bondholders in accordance with the seniority of the different series of bonds (tranches). Such assignment of rights creates a legal structure in which the assets of the transferring entity will not be accessible to creditors of the SPE and the creditors will not be exposed to the risks associated with other activities of the transferring entity. The sole function of the SPE is to receive the said cash flows and transfer them to the bondholders.
Small Business Administration (SBA)	A U.S. government agency that supports small businesses in the U.S.A.
Special Mention Loan	Loan under Special Supervision is credit for which there are potential weaknesses which should be monitored closely by the Bank's management. Off-balance sheet loan is classified as loan under special supervision if the materialization of the contingent liability in respect of the item is defined as "reasonably possible" and if the debts that may be recognized as a result of the materialization of the contingent liability meet the criteria for classification into this category.
Standby Letter of Credit (SBLC)	A Standby Letter of Credit is a bank guarantee in the format of a commercial letter of credit, whose main goal is to secure a payment. A Standby Letter of Credit is similar to a guarantee in the sense that it constitutes an undertaking by the Bank to pay the amount specified therein against a payment demand by the beneficiary, whereas in the case of a commercial letter of credit one is required to present various documents in order to secure the payment by the Bank in respect of the guarantee.
Specific Provision	A provision that is determined specifically for each debt, excluding housing loans (including any restructuring of troubled debt subject to specific assessment according to the Bank’s policy). The provision amount is estimated according to the projected cash flows which are discounted at the debt’s original effective interest rate or, when the debt is defined as a debt whose collection is contingent on collateral or when an asset is expected to be seized - according to the fair value of the collateral net of disposal costs and after appropriate cushions are utilized. In order to determine the appropriate provision, the Bank assesses the relevant borrowers on an ongoing basis and according to procedure.

Strategic Risk	A business risk that includes current and future adverse effects on capital, profits, reputation or standing as a result of erroneous business decisions, inappropriate implementation of the decisions or lack of response to industry-specific, economic, regulatory and technological changes.
Subordinated Notes	Bonds the interests in which are subordinate to the claims of all other creditors of the bank, excluding other bonds of the same type.
Substandard Loan	A loan which is insufficiently guaranteed by the current sound worth and repayment capacity of a borrower or a pledged collateral, if any. Balance sheet credit risk that has been classified in this manner should have a well-defined weakness or weaknesses, which jeopardize the repayment of the debt. Loan, in respect of which a collective loan loss provision is recorded, shall be classified as a Substandard Loan when it has been past due for 90 days or more.
Supervisory Review Process (SREP)	The processes intended to ensure that banks have adequate capital to support all the risks associated with their business and also to encourage banks to develop and use better risk management techniques in monitoring and managing their risks. As part of the process, the Banking Supervision Department assesses a bank's risk profile and its internal process for assessing the adequacy of the regulatory capital it maintains against the exposures. This process is designed to provide regulators with tools for independent assessment of the Bank's risk profile and risk management and to enable early intervention in order to prevent compromising the Bank's financial stability.
Swap	A series of forward contracts or a series of futures contracts for several stipulated periods in which two parties agree to exchange cash flows on a notional amount.
Syndication	A transaction in which several lenders share extending a loan to a single borrower, but each borrower extends a loan at a certain amount to a borrower and has the right to be repaid by that borrower. Often, groups of lenders finance such loans together, with the amount extended greater than any single lender is willing to lend.
Synthetic Collateralized Debt Obligation (SCDO)	An agreement backed by a portfolio of (derivative) collateralized debt securities of various seniority levels.
T	
The Economic Capital Model	The Bank uses the Economic Capital Model, which is based on the borrowers' rating, in order to assess the overall credit risk of the entire loan portfolio and portions thereof.

Tier 2 Capital	A tier of capital included in the calculation of qualifying regulatory capital. Tier 2 capital (also known as "gone concern capital") is a substandard component of the Bank's capital; it mainly comprises qualifying instruments previously issued by the Bank and included in Tier 2 capital pursuant to the transitional provisions for the implementation of Basel III Directives as well as the new qualifying capital instruments that constitute the Bank's Contingent Convertible (CoCo) capital instruments issued by the Bank and which will be converted into the Bank's shares if the Bank reaches the point of non-viability. In addition, this Tier 2 capital also includes items, such as: a collective loan loss provision before the relating tax effect up to a ceiling of 1.25 percent of total credit risk assets
Total Indebtedness	A customers' total debts to the bank.
Treasury Shares	Shares directly held by the company. These shares do not have equity or voting rights.
V	
Value at Risk (VaR)	A model for measuring the maximum potential loss as a result of market risks materialization in a set time period and given a predetermined statistical probability. This method requires the revaluation of all of the corporation's positions based on the fair value of the assets and liabilities. The model's objectives are to estimate the risks to which financial institutions are exposed, stemming from materialization of market risks in various activities.