Q3
2022

Bank Hapoalim

Condensed Quarterly Financial Statements as at September 30, 2022

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

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Report of the Board of Directors
and Board of Management

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1. General review, objectives, and strategy

At the meeting of the Board of Directors held on November 22, 2022, it was resolved to approve and publish the unaudited consolidated financial statements of Bank Hapoalim B.M. and its consolidated subsidiaries as at September 30, 2022.

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. Data referring to comparative figures regarding the allowance for credit losses and debt classifications were not restated, unless otherwise noted. For further details, see Note 1C to the Condensed Financial Statements.

1.1. Forward-looking information

Some of the information in these reports that does not refer to historical facts (even if it is based on processing of historical data) constitutes forward-looking information, as defined in the Securities Law, 1968. The actual results of the Bank may differ materially from those included in forward-looking information, including, among other factors, as a result of changes in capital markets in Israel and globally, macroeconomic changes, changes in geopolitical conditions, regulatory changes, accounting changes, changes in taxation rules, and other changes not under the Bank's control, which may lead to the failure of estimates to materialize and/or to changes in the Bank's business plans. Forward-looking information is marked by words or phrases such as "forecast," "plan," "objective," "risk estimate," "scenario," "stress scenario," "risk assessment," "correlation," "distribution," "we believe," "expect," "predict," "estimate," "intends," "plans," "aims," "may change," "should," "can," "will," or similar expressions. Such forward-looking expressions involve risk and uncertainty, because they are based on management's estimates regarding future events, which include changes in the following parameters, among others: economic conditions, public tastes, interest rates in Israel and overseas, inflation rates, new legislation and regulation in the area of banking and the capital market, exposure to financial risks, the financial stability of borrowers, the behavior of competitors, aspects related to the Bank's image, technological developments, manpower-related matters, and other areas that affect the activity of the Bank and the environment in which it operates, the materialization of which is uncertain by nature.

This information reflects the Bank's current viewpoint with regard to future events, which is based on estimates, and is therefore subject to risks and uncertainty, as well as to the possibility that expected events or developments may not materialize at all or may only partially materialize, or even that actual developments may be the opposite of expectations.

The information presented below is based, among other things, on information known to the Bank and based, among other things, on publications by various entities, such as the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, the Ministry of Construction and Housing, and other entities that publish data and estimates regarding the Israeli and global capital markets.

1.2. Condensed financial information

Diagram 1-1: Key data and indicators as at September 30, 2022, and for the nine months ended September 30, 2022

Equity	Profitability	Credit growth	Credit quality
11.10% Common equity Tier 1 capital ratio	**14.6%** Return on equity	**7.4%** Corporate and commercial credit	**0.78%** NPL*
45,068 NIS millions Shareholders' equity	**4,782 NIS millions** Net profit	**9.7%** Housing credit	**1.56%** Total coverage ratio**

* Credit to the public not accruing interest income as a percentage of the recorded balance of credit to the public.

** Total allowance for credit losses (including in respect of off-balance sheet balances) as a percentage of the recorded balance of credit to the public.

Table 1-1: Condensed financial information and principal performance indicators of the Bank Hapoalim Group over time

	For the three months ended		For the nine months ended		For the year ended
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021	December 31, 2021
Main performance indicators					
Return of net profit on equity attributed to shareholders of the Bank*(1)	**15.9%**	11.3%	**14.6%**	12.9%	11.8%
Return of net profit attributed to shareholders of the Bank on equity excluding extraordinary items*(1)(2)	**15.9%**	11.3%	**14.6%**	12.9%	11.9%
Return on average assets(1)	**1.10%**	0.82%	**1.00%**	0.93%	0.85%
Ratio of income(3) to average assets(1)	**2.93%**	2.47%	**2.64%**	2.53%	2.48%
Ratio of net interest income to average assets(1)	**2.24%**	1.74%	**1.99%**	1.72%	1.68%
Ratio of fees to average assets(1)	**0.61%**	0.57%	**0.58%**	0.58%	0.58%
Efficiency ratio – cost-income ratio	**41.5%**	54.9%	**46.7%**	54.8%	54.2%
Efficiency ratio – cost-income ratio excluding extraordinary items(2)	**41.5%**	54.9%	**46.7%**	54.8%	53.9%
Financing margin from regular activity(1)(4)	**2.58%**	1.85%	**2.24%**	1.83%	1.79%
Liquidity coverage ratio (LCR)	**126%**	127%	**126%**	127%	124%
Net stable financing ratio (NSFR)(5)	**127%**	-	**127%**	-	**136%

	As at		
	September 30, 2022	September 30, 2021	December 31, 2021
Ratio of common equity Tier 1 capital to risk components(6)	**11.10%**	11.18%	10.96%
Ratio of total capital to risk components(6)	**14.34%**	13.69%	14.22%
Leverage ratio(6)	**6.18%**	6.32%	6.03%

* Pursuant to the directives of the Banking Supervision Department, the method for the conversion of quarterly return into annualized terms was changed beginning in 2022, from exponential calculation to linear calculation. Comparative figures have been restated for adjustment to the calculation method in 2022.

** Restated.

(1) Calculated on an annualized basis.

(2) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers.

(3) Total income – net interest income and non-interest income.

(4) Financing profit from regular activity (see the section "Material developments in income, expenses, and other comprehensive income," below) divided by total financial assets after allowance for credit losses, net of non-interest bearing balances of debtors in respect of credit-card activity.

(5) The net stable financing ratio (NSFR) is published beginning with the financial statements as at December 31, 2021. For additional information, see the section "Liquidity and refinancing risk," below.

(6) Capital ratios and the leverage ratio as at September 30, 2022, take into account the transitional directives for implementation of the accounting standards concerning current expected credit losses. For additional information, see the section "Capital, capital adequacy, and leverage," below.

Table 1-1: Condensed financial information and principal performance indicators of the Bank Hapoalim Group over time (continued)

	For the three months ended		For the nine months ended		For the year ended December 31
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021	2021
Main credit quality indicators					
Total allowance for credit losses*,** as a percentage of credit to the public	**1.56%**	1.70%	**1.56%**	1.70%	1.65%
Allowance for credit losses in respect of credit to the public as a percentage of credit to the public**	**1.34%**	1.48%	**1.34%**	1.48%	1.43%
Credit to the public, non-accruing or past due by 90 days or more, as a percentage of credit to the public*,**	**0.80%**	1.24%	**0.80%**	1.24%	1.20%
Net charge-offs as a percentage of average credit to the public	**(0.03%)**	(0.21%)	**(0.03%)**	(0.10%)	(0.06%)
Provision (income) for credit losses in respect of credit to the public as a percentage of average credit to the public	**0.05%**	(0.30%)	**(0.18%)**	(0.58%)	(0.37%)
	NIS millions				
Main profit and loss data					
Net profit attributed to shareholders of the Bank	**1,785**	1,207	**4,782**	3,980	4,914
Net profit attributed to shareholders of the Bank excluding extraordinary items(1)	**1,785**	1,207	**4,782**	3,980	4,957
Net interest income	**3,636**	2,565	**9,539**	7,306	9,767
Net financing profit***	**3,751**	2,777	**9,783**	8,168	10,848
Non-interest income	**1,117**	1,079	**3,150**	3,452	4,625
Of which: fees	**984**	838	**2,776**	2,457	3,355
Total income	**4,753**	3,644	**12,689**	10,758	14,392
Provision (income) for credit losses	**45**	(252)	**(464)**	(1,407)	(1,220)
Operating and other expenses	**1,972**	1,999	**5,926**	5,898	7,803
Operating and other expenses excluding extraordinary items(1)	**1,972**	1,999	**5,926**	5,898	7,753
Of which: salaries and related expenses	**1,076**	1,153	**3,305**	3,414	4,333
Additional data					
Net profit (loss) per share attributed to shareholders of the Bank – basic (in NIS)	**1.34**	0.90	**3.58**	2.98	3.68
Total dividend per share (in NIS)(2)	**0.30**	0.46	**0.30**	0.46	1.11

* Including the allowance in respect of off-balance sheet balances.

** The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. For this purpose:

1) The allowance for credit losses in respect of credit to the public, as a percentage of credit to the public, as at January 1, 2022, after implementation of the CECL directive, is 1.51%.
2) The term "impaired" has been eliminated, and non-accruing credit is presented instead. Comparative figures for previous periods have not been restated. If comparative figures had been restated, for convenience (i.e. accruing debts previously classified as impaired debts would not be included in non-accruing debts under the new directives), credit to the public that is non-accruing or past due by 90 days or more as a percentage of credit to the public as at December 31, 2021, would be 1.13%.

*** Net financing profit includes net interest income and non-interest financing income (expenses).

(1) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers.

(2) According to the date of declaration.

Table 1-1: Condensed financial information and principal performance indicators of the Bank Hapoalim Group over time (continued)

	As at		
	September 30, 2022	September 30, 2021	December 31, 2021
	NIS millions		
Main balance sheet data			
Total assets	**658,336**	604,324	638,781
Of which: Cash and deposits with banks	**145,423**	175,765	189,283
Securities	**90,078**	70,383	71,105
Net credit to the public	**381,582**	335,297	352,623
Net problematic credit risk	**6,723**	8,464	7,926
Credit to the public not accruing interest income (NPL)*	**3,033**	2,799	2,897
Total liabilities	**613,267**	561,589	596,034
Of which: Deposits from the public	**527,699**	505,483	525,072
Deposits from banks	**9,779**	10,448	11,601
Bonds and subordinated notes	**26,263**	18,761	25,582
Shareholders' equity	**45,068**	42,717	42,735
Additional data			
Share price at end of period (in NIS)	**30.3**	28.5	32.1

* The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. Within this process, the term "impaired" has been eliminated, and non-accruing credit is presented instead. In addition, housing loans past due by 90 days or more are classified as non-accruing credit. For convenience, if the balance of credit to the public not accruing interest income (NPL) as at December 31, 2021, were restated, the balance would be NIS 3,955 million. For further details, see Note 1C to the Condensed Financial Statements.

1.3. Condensed description of the principal risks to which the Bank is exposed

The Bank performs comprehensive examinations to assess the risks to which it is exposed and estimates the materiality of such risks. Within the ICAAP (Internal Capital Adequacy Assessment Process), the Bank defined the following risks as material risks: credit risk, concentration risk, market risk, investment risk, operational risk (including IT risk and cyber risk), counterparty risk, interest-rate risk in the banking book, liquidity risk, reputational risk, strategic and competitive risk, regulatory risk, compliance risk, and model risk. Other risks to which the Bank is exposed are handled directly as part of the management of its business: legal risk, economic risk, and environmental risk (including climate risk).

For additional information, see the section "Top and emerging risks," below, the section "Review of risks," below, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2021, and as at September 30, 2022.

1.4. Objectives and business strategy

In late 2021, the Board of Management and Board of Directors of the Bank approved the objectives and business strategy for 2022-2024. The objectives approved constitute continuation of the implementation of the strategic plan outlined in 2020, with the necessary adjustments and updates, according to the performance of the Bank and the changes in the business environment. The objectives and business strategy were determined based on an examination of the impact of the spread of the coronavirus, changes in the global economy, changes in the business environment in Israel, regulatory processes, and the intensification of the competitive environment in which the Bank operates, in all areas of its activity.

The business strategy approved at the end of 2021 was formulated taking into consideration the key trends affecting the banking industry, including the intensifying competition in this sector and the entry of non-bank financial and technological players, the accelerating trend towards the consumption of financial services through direct channels (digital channels, call centers, and self-service stations), continued regulatory measures aimed at increasing competition in the banking system, continued significant investments in fintech companies, and the entry of significant technological players into activity with customers in the financial arena.

In addition to these changes, the business strategy was built while also taking into consideration possible future scenarios for the banking industry, as published by the Basel Committee on Banking in February 2018, which remain relevant today. The "distributed bank" scenario, in which financial services are distributed among banks and technological players, is likely to be materialize gradually, over a period of years, in the retail-banking sector (private customers and small businesses). This scenario may involve collaborations forming between players through various activity models.

According to the estimates of the Bank, in corporate and commercial banking, the value added that large technology companies can offer business clients is more minor, and the threat posed by tech giants in these customer segments is therefore more remote. Thus, the Bank estimates that there is a high probability that the "better bank" scenario will materialize in the corporate-banking sector. In this scenario, existing banks will undergo comprehensive modernization and digitization; they will use new technologies to improve their systems, renew customer interfaces, create added value, and offer advanced services. Some business models will change, but customer relationships and core activity will be maintained.

The Bank implements the directives of the Bank of Israel concerning compliance with capital targets; these directives were taken into consideration in the Bank's strategic planning.

The strategic plan was formulated during the course of 2021, as a reflection of the vision of the Bank – "Committed to growth through innovative and fair banking for our customers."

The business strategy of the Bank is based on several key axes:

1. **Growth in banking activity –** The bank will work to grow the volume of its activity with retail, commercial, and corporate banking customers, while continually improving its value offer for customers. The Bank will also work to improve service through processes aimed at strengthening service awareness, improving banker availability, expanding the digital offering of transactions and products, broadening the authority of bankers at the call centers, and expanding the range of channels for communication between the Bank and its customers. In the commercial and corporate arenas, the Bank will continue to work to maintain its leading position, with the aim of being the first choice for business clients. The Bank will also continue to improve work processes and shorten response times in serving customers' needs.
2. **Development of new banking –** The bank will promote the development of new distribution channels for banking services and products, with an emphasis on new digital distribution channels based on advanced data-analysis capabilities and an outstanding user experience. The Bank is also working to create new value offers for retail customers through collaborations with third parties.
3. **Building a growth-supporting organizational infrastructure –** The Bank will work to drive processes encouraging a customer-centric, growth-supporting organizational culture, enabling it to improve its delivery and time to market. The use of data and analytics will continue to grow in breadth and depth, in a process begun several years ago, with customer journeys supported by advanced data analysis. The Bank has also started implementation of a project for the modernization of its core systems, to create a more flexible and simpler banking infrastructure, improving the pace of implementation of new business processes and the time to market of newly developed products, providing a foundation for open API, and reducing future IT costs.

During the year, the Board of Directors of the Bank approved several organizational changes aimed at optimally focusing and realizing the advantages and assets of the Bank, streamlining and simplifying processes for the customers of the Bank, and enhancing growth capabilities and the maximization of value.

Accordingly, in January 2022, the Board of Directors of the Bank approved the creation of the Banking Services Division, which will oversee most of the operational systems of the Corporate Banking Division and Retail Banking Division of the Bank. The new division will work to improve service for customers of the Bank through more efficient internal work processes at the Bank and by striving for operational excellence.

In June 2022, the Board of Directors of the Bank approved merging the Innovation and Strategy Division with the other divisions of the Bank. Accordingly, corporate business development and the activity of Bit will report to and operate within the Financial Markets and International Banking Division. The Information and Analytics Unit and the Corporate Strategy Unit will report to and operate within the Finance Division. In addition, Accountancy was separated from the Finance Division and reports to the CEO of the Bank.

In addition, further to working with a leading international firm, the Bank is currently formulating an update of its strategic plan, which will guide its activity in the medium to long term. The plan is focused on a customer-centric approach, digitization, innovation, leading service, and operational excellence, and will establish strategic pillars for 2026 and the vectors for change needed to attain sustainable growth, with a focus on the core business of the Bank, optimal efficient resource utilization, and continual improvement in return on equity.

The strategic plan will include business and operational targets for retail banking, corporate banking, and the other areas of activity of the Bank. The plan will constitute a road map, which the Bank will act to realize; currently, the Bank is working on the final formulation of this plan and on composing the derived work plans, on the various levels, including the required resources. Approval of the strategic plan is subject to overall approval of the work plans at the end of 2022.

The Bank's approved strategy and work plans and the working assumptions on which they are based refer to the Bank's future activities; therefore, the information in this section with regard to the Bank's action plans and intentions is "forward-looking information."

The strategic plan sets ambitious goals for each of the Bank's activities, yet in any planning, especially in planning several years ahead, and all the more so during periods of changes and turmoil in the global economy and in the world financial system, a considerable degree of uncertainty must be taken into consideration. Various diverse factors may prevent the assumptions on which the strategic plan is based from materializing, or may prevent them from materializing in full, and may prevent the realization or full realization of future plans. Notable such factors are the business environment in Israel and globally, as well as macroeconomic conditions. Special importance should be accorded to the impacts of inflation, frequent changes in exchange rates, and the rising interest-rate environment, worldwide and in Israel; the condition of the global economy; the economic, political, and security situation in Israel and in the region; and regulatory changes and the consequent restrictions applicable to the Bank.

2. Explanation and analysis of results and business position

2.1. Trends, events, developments, and material changes

2.1.1. Economic and financial review

Developments in the global economy

Signs of a global economic slowdown have multiplied in recent months. Consumer confidence and purchasing manager indices have been trending down for some time, and private consumption is being tempered. The real-estate industry, which was booming over the last few years, is starting to cool following the steep increase in mortgage interest rates; a decrease in transactions has been evident in many countries, as well as the beginnings of a decrease in prices. The United States economy grew at an annualized rate of 2.6% in the third quarter, following contraction in the first two quarters; growth in the Eurozone in the third quarter of 2022 was low at 0.7% in the third quarter of 2022. In China, a high growth rate of 9.0% was recorded in the third quarter, following sharp contraction in the second quarter. The International Monetary Fund has lowered its global growth forecasts again, predicting low growth of 1.0% in the United States and 0.5% in the Eurozone in 2023.

Inflation in the developed countries, initially affected by supply-side factors, such as an increase in commodity prices and global supply-chain disruptions, has become lateral, with prices of services also beginning to rise. Annualized inflation in September 2022 was 8.2% in the United States, 9.9% in the Eurozone, and 10.1% in Britain. The ongoing rise in inflation accelerated the interest-rate hikes by central banks, with the pace of increases growing to a rate of 0.75% at each decision. In the United States, the Federal Reserve raised the interest rate by 150 basis points in the third quarter, to 3.25%, and to 4.0% in November. The ECB raised the interest rate in deposits from a negative rate of -0.5% to a positive rate of 0.75% in the third quarter of 2022, and to 1.5% at the end of October 2022. In Europe, the increases in inflation and interest rates also raised the risk premiums of countries with high levels of public debt.

The war in Ukraine has continued, escalating as Russia annexed territories in Ukraine, which heightened the negative impacts on the supply of natural gas to Europe. On another front, tensions are mounting between the United States and China, with the United States' announcement of a prohibition on exports of advanced chips to China.

Economic activity in Israel

Growth slowed to an annualized rate of 2.1% in the third quarter, which constitutes a decrease of 0.2% in GDP per capita. The rising prices, higher interest rate, and decline in stock prices globally impaired the purchasing power of households; deceleration in local private consumption is apparent. Private consumption spending decreased at an annualized rate of 1.7% in the quarter; the decrease was primarily in consumption of durable goods. By contrast, growth continued in the residential construction segment and other investments segment. In the real-estate market, a steep drop in purchases of new homes is appearing, likely affected by rising interest rates. The level of sales is currently similar to pre-Covid levels in 2019; however, due to the increase in construction starts in the intervening years, the inventory of unsold homes is trending up. For now, data from the Central Bureau of Statistics indicate a continued increase in prices of homes.

The Israeli economy is in relatively good condition compared with other developed countries, in view of the relative stability of energy prices and a budget surplus unique to Israel during this period. However, global risks have increased; in combination with the more restrictive monetary policy, the impacts on the economy are already in evidence. The unemployment rate has started to rise slightly, reaching 4.1% in October. The number of available jobs decreased by 3,000 in October, but remained high at 147,000; wages in the private sector are trending up.

Fiscal and monetary policy

A budget surplus of NIS 33.3 billion accumulated in the first three quarters of the year, compared with a deficit of NIS 51.6 billion in the same period last year. The budget surplus for the twelve months ended in September 2022 is at 0.9% of GDP. The main explanation for the decrease in the deficit is a sharp increase of approximately 20% in state tax revenues, stemming from growth, a large number of real-estate deals, and an increase in asset prices. Expenditures grew at a relatively moderate rate of 5.0% (excluding the financial aid granted during the period of the pandemic). General elections for the Knesset were held on November 1, 2022. At this writing, talks are underway to compose the government.

The rising inflation globally led to accelerated interest-rate hikes in most developed countries, aimed at adapting interest-rate levels to the inflation environment as quickly as possible, to prevent inflation from becoming entrenched at a high level. The Bank of Israel interest rate rose from 0.75% to 2.0% during the second quarter. The interest rate rose to 2.75% in October and 3.25% in November. Money markets are pricing in further increases in the interest rate, to approximately 3.75%, over the coming six months.

Inflation and exchange rates

The "known" consumer price index rose at a high rate of 1.2% in the third quarter of 2022. The CPI for September 2022 was up by 0.2%, higher than the CPI for September of last year by 4.6%. Most of the main index components are above the upper limit of the inflation target range; in recent months, there have been notable price increases in the service sectors, particularly rent prices. Prices in the housing component rose by 5.6% over the last year. Global transport prices fell sharply in the third quarter of 2022, and prices of many commodities decreased as well. However, the labor market is tight, and wages in the private sector are trending up – risk factors that may delay a decrease in inflation. Inflation expectations for the coming year in the capital market as of November 2022 are within the target range (2.6%), with a similar level in the following few years.
The shekel depreciated by 1.2% against the US dollar in the third quarter, and appreciated by 3.2% against the currency basket. Fluctuations in exchange rates during the quarter primarily reflected the strengthening of the dollar in global currency markets. The Bank of Israel did not purchase foreign currency during this period; foreign currency reserves decreased to USD 186 billion, mainly due to revaluation.

Financial and capital markets

The financial markets were influenced by the high inflation environment, the sharp increases in interest rates, and the growing worries over damage to economic activity. Most stock indices globally continued to show the declines seen since the first quarter. Overall in the third quarter of 2022, the S&P 500 index in the United States fell by 5.3%, completing a cumulative decrease of 24.8% year-to-date; in Europe, the EuroStoxx 50 index was down by 4.0%, a cumulative decrease of 22.8%; and the TA-25 index was nearly flat in the third quarter, but down by 8.4% since the beginning of the year (in terms of local currency).
Daily turnovers in shares and convertibles on the Tel Aviv Stock Exchange decreased in the third quarter of 2022, to NIS 2.2 billion, compared with NIS 2.4 billion in the second quarter and NIS 2.6 billion in the first quarter of 2022.
Long-term bond yields continued to rise sharply in the third quarter of 2022, in the United States and in Israel. In the United States, yields of ten-year government bonds rose from 3.0% at the end of the second quarter of 2022 to 3.8% at the end of the third quarter. Yields rose in Israel too, with ten-year government bond yields increasing from 2.7% to 3.4% during this period. The growing worries over a global recession and expectations of a continued increase in interest rates led to a reversal of the curve in the United States and flattening of the curve in Israel in October and the first half of November.
Overall in the third quarter of 2022, the unlinked government bond index fell by approximately 2.8%, while the CPI-linked government bond index fell by approximately 2.5%, both reaching average decreases of approximately 9.5% year-to-date.

The corporate bond index fell by 1.6% during the third quarter, while yield spreads against government bonds rose to approximately 2.2%, compared with 1.6% at the end of 2021. After cooling in the first half, growth resumed in capital raising through bonds by non-financial Israeli companies, which reached a total of approximately NIS 17.1 billion in the third quarter of 2022. More than 60% of the issues were by real-estate companies.

Table 2-1: Data regarding changes in the consumer price index and in exchange rates

	For the three months ended		For the nine months ended		For the year
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021	2021
Rate of increase (decrease) in "known" CPI	**1.2%**	0.8%	**4.4%**	2.2%	2.4%
Rate of increase (decrease) in USD exchange rate	**1.2%**	(1.0%)	**13.9%**	0.4%	(3.3%)
Rate of increase (decrease) in EUR exchange rate	**(4.1%)**	(3.6%)	**(1.0%)**	(5.3%)	(10.8%)
Rate of increase (decrease) in CHF exchange rate	**(0.6%)**	(2.4%)	**6.6%**	(5.6%)	(6.7%)
Rate of increase (decrease) in TRY exchange rate	**(9.0%)**	(2.8%)	**(18.0%)**	(15.9%)	(46.1%)

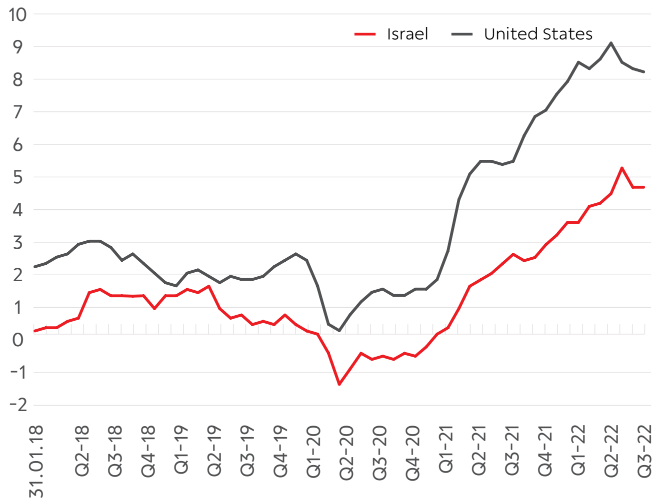
Data regarding the Bank of Israel interest rate

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Interest rate at end of period	**2.00%**	0.75%	0.10%	0.10%	0.10%

Diagram 2-1: Government bond yields, the consumer price index, interest rates, and the equity market

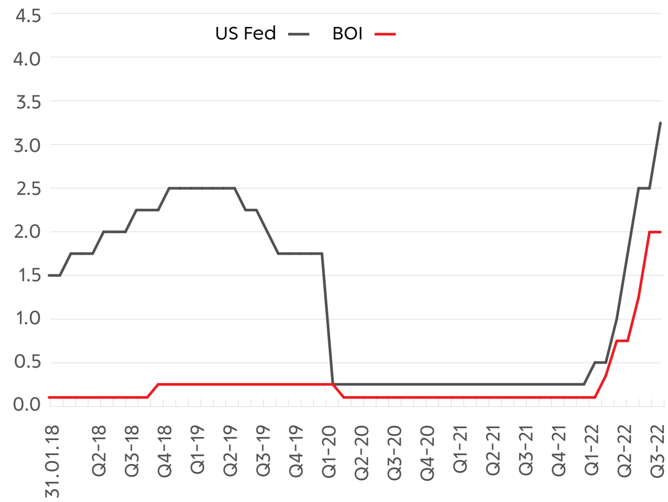
Consumer price index

Rate of monthly change year-on-year, in %



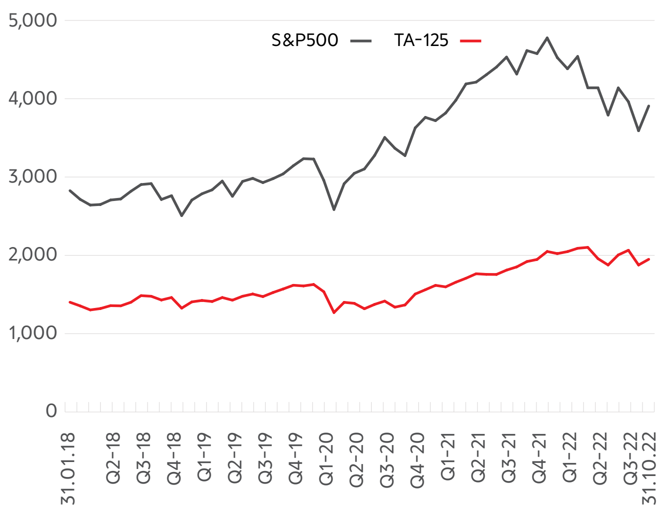
Interest rates

Percent, end of period



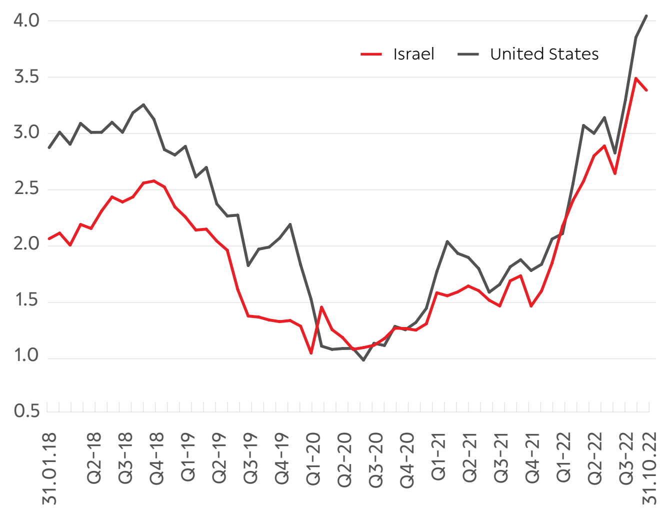
Equity market

In terms of local currency, end of period



10-year government bond yields

In %



2.1.2. Top and emerging risks

Based on the recommendations of the FSB (Financial Stability Board), a top risk is defined as a development currently occurring in the business environment of the Bank that may adversely affect the Bank's results over the course of the coming year. By contrast, with respect to an emerging risk, there is greater uncertainty regarding the timing of materialization of the risk as an occurrence with a material effect on the strategy of the Bank.

Risk management at the Bank Group is described extensively in the section "Review of risks," later in this report.

The Board of Management and Board of Directors of the Bank have discussed the effect of the top and emerging risks described below on the Bank; from time to time, they examine the need to adjust business strategy to such developments.

- **Macroeconomic environment:** The activity of the Bank is dependent on the business environment, in Israel and globally. The condition of the global economy, significant changes in monetary policies and interest-rate curves, market volatility, changes in prices of financial assets in Israel and worldwide and in real-estate prices, and the economic, political, and security situation in Israel and in the region have the potential to affect the activity of the Bank. The Bank's multi-annual strategic plan includes certain assumptions regarding the macroeconomic environment, taking into consideration the existing risks in the global and Israeli economy, and balances risk and return considerations.

  The Bank estimates that a combination of economic and political factors have significantly heightened risks in the global economy over recent months; these risks may have a significant impact on the Israeli economy and on the Bank. The world economy is contending with the belated impacts of the coronavirus pandemic, and of the consequent expansionary fiscal and monetary policies. Inflation rates have soared sharply, initially in response to rising energy and commodity prices and the political, diplomatic, and economic effects of the war in Ukraine, but over time the price gains have become more comprehensive. Most central banks around the world, including the Bank of Israel, began a process of monetary contraction and raising of interest rates. The interest-rate increases led to downward adjustments of financial asset prices, including equities and bonds; market volatility; and concerns over possible recession as a result of the continued increases in interest rates. Initial signs of a recession are already evident in some countries. While the increases in interest rates of central banks in Israel and the United States may potentially increase the profits of the Bank, the Bank and its customers are exposed to financial asset prices, which also affect the equity of the Bank. As the struggle to lower inflation is prolonged and entails more aggressive rate hikes, the risk of recession may also rise, along with the credit risks to which the Bank is exposed.

  For details, see the section "Economic and financial review," above, and the section "Construction and real estate" in the section "Credit risk," below.

- **Information security risks and cyber incidents:** Increasing cyber threats to financial institutions have led to the channeling of resources in the banking industry to cope with this risk. The Bank applies frequent controls in all channels in order to prevent harmful penetration, activation of malicious software, and information leakage. These lines of defense consist of a large number of advanced information-security systems, deployed internally in the Bank's network as well as externally as a perimeter defense. Note that the transition of employees to remote work, as well as additional changes in modes of activity of the Bank, concurrently with an increase in threats and attempted attacks, have intensified the risk. The Bank is taking action to mitigate this risk.
- **Regulatory environment in Israel and overseas:** International regulatory reforms have implications for the business of the Bank, in Israel and overseas. In Israel, several regulatory initiatives have been formulated over the last few years, primarily concerned with increasing competition in the banking system in Israel; several additional regulatory initiatives are in the process of being generated. The regulatory initiatives and trends, as well as open banking, may affect the banking system in general and the Bank in particular. At this stage, it is too early to estimate the effects of these changes on the Bank. Further, these effects may not be immediate; instead, there may be slower, prolonged effects derived from processes of gradual change in the Bank's environment (customers, market players, etc.), alongside the gradual preparations of the Bank for the necessary adaptations of its operations.
- **Competitive and strategic risk:** Competition from big tech companies (Apple, Google, Amazon, and others), fintech companies, and digital banks, alongside the entry of new technologies, changes in customer behavior, and new business models in the financial sphere, may significantly affect the banking system, in Israel and worldwide, in the medium to long term. Concurrently, regulatory and competitive changes in the domestic arena, with an emphasis on measures aimed at increasing competition in the retail credit market, bank account switching, and open banking, as well as competition in the business sector, may affect the business results of the Bank, including its credit spreads. The Bank has recently been formulating a comprehensive strategic plan for the period through 2026, encompassing, among other matters, action in the areas of the core activities of the Bank, innovation, technology, the structure of operations, and more, in order to respond to all such threats.
- **Compliance risk:** Pursuant to Proper Conduct of Banking Business Directive 308, compliance risk also includes risks related to the fairness of the Bank towards its customers, conflicts of interest, the prohibition of money laundering and financing of terrorism (including international sanctions), provision of advice to customers, protection of privacy (excluding information-technology aspects), taxation aspects relevant to products or services for customers, or directives of a similar nature. The materialization of this risk on the global level is reflected in the continuing investigations of banks around the world and in the fines imposed on them in connection with the violation of laws or regulations, such as in the areas of assisting tax evasion, the prevention of terrorism financing, money laundering, and investigations of corruption.

- **Environmental risk:** Around the world, the understanding has grown in recent years that the materialization of environmental risks and climate risks may cause harm to the economy, and, in extreme cases, may cause significant damage to banks and to the financial system, as a result of the materialization of financial and non-financial risks in the long term. These effects may also be expressed within other risks to which the banking corporation is exposed in the course of its activity, such as credit risk (through the effect on the financial resilience of borrowers and the value of collateral), market and investment risk, operational risk, legal risk, reputational risk, and more. These risks, particularly climate risks and the impact of processes of transition to a low greenhouse-gas emissions economy, have unique characteristics of uncertainty. At this stage, it is too early to estimate the potential long-term effects of these changes on the Bank.

For details regarding legal proceedings, see Note 10 to the Condensed Financial Statements.
For details regarding material regulatory initiatives with an effect on the activity of the Bank during the reported period, see Note 16 to the Condensed Financial Statements.

2.1.3. External auditors

Ziv Haft (BDO), CPA (Isr.) and Somekh Chaikin (KPMG), CPA (Isr.) serve as the joint auditors of the Bank.
Occasionally, the external auditor finds it appropriate to diverge from the uniform format of the opinion by including an emphasis-of-matter paragraph, directing attention to a particular matter that has a significant effect on the financial statements and is included in a note to the financial statements.
In this regard, the external auditors have emphasized the section in Note 10B(b) to the Condensed Financial Statements concerning exposure to class-action suits filed against the Bank Group.

2.2. Material developments in income, expenses, and other comprehensive income

Net profit of the Bank Group attributed to shareholders of the Bank totaled NIS 4,782 million in the first nine months of 2022, compared with profit in the amount of NIS 3,980 million in the same period last year. The increase in profit mainly resulted from an increase of approximately 17.9% in the total income of the Bank, partly offset by a decrease in income from credit losses.

Net return on equity attributed to shareholders of the Bank was 14.6% in the first nine months of 2022, compared with 12.9% in the same period last year.

Table 2-2: Condensed statement of profit and loss

	For the three months ended		Change	For the nine months ended		Change
	September 30, 2022	September 30, 2021		**September 30, 2022**	September 30, 2021	
	NIS millions			NIS millions		
Interest income	**5,139**	3,071	67.3%	**12,846**	8,871	44.8%
Interest expenses	**(1,503)**	(506)	197.0%	**(3,307)**	(1,565)	111.3%
Net interest income	**3,636**	2,565	41.8%	**9,539**	7,306	30.6%
Non-interest financing income	**115**	212	(45.8%)	**244**	862	(71.7%)
Net financing profit*	**3,751**	2,777	35.1%	**9,783**	8,168	19.8%
Provision (income) for credit losses	**45**	(252)	(117.9%)	**(464)**	(1,407)	(67.0%)
Net financing profit after provision for credit losses	**3,706**	3,029	22.4%	**10,247**	9,575	7.0%
Fees and other income*	**1,002**	867	15.6%	**2,906**	2,590	12.2%
Operating and other expenses	**1,972**	1,999	(1.4%)	**5,926**	5,898	0.5%
Profit before taxes	**2,736**	1,897	44.2%	**7,227**	6,267	15.3%
Provision for taxes on profit	**967**	705	37.2%	**2,533**	2,334	8.5%
Profit after taxes	**1,769**	1,192	48.4%	**4,694**	3,933	19.3%
The Bank's share in profits of equity-basis investees, after taxes	**16**	12	33.3%	**89**	39	128.2%
Net profit:						
Before attribution to non-controlling interests	**1,785**	1,204	48.3%	**4,783**	3,972	20.4%
Loss (profit) attributed to non-controlling interests	**-**	3	(100.0%)	**(1)**	8	(112.5%)
Attributed to shareholders of the Bank	**1,785**	1,207	47.9%	**4,782**	3,980	20.2%
Return of net profit**	**15.9%**	11.3%	39.9%	**14.6%**	12.9%	13.3%

* The profit and loss items above are presented in a different format than in the condensed statement of profit and loss, in order to allow better analysis of the financial results. This change is expressed in the reclassification of non-interest financing income from the item of "non-interest income (expenses)" to the item of "net financing profit."

** Pursuant to the directives of the Banking Supervision Department, the method for the conversion of quarterly return into annualized terms was changed beginning in 2022, from exponential calculation to linear calculation. Comparative figures have been restated for adjustment to the calculation method in 2022.

2.2.1. Development of income and expenses

Net financing profit

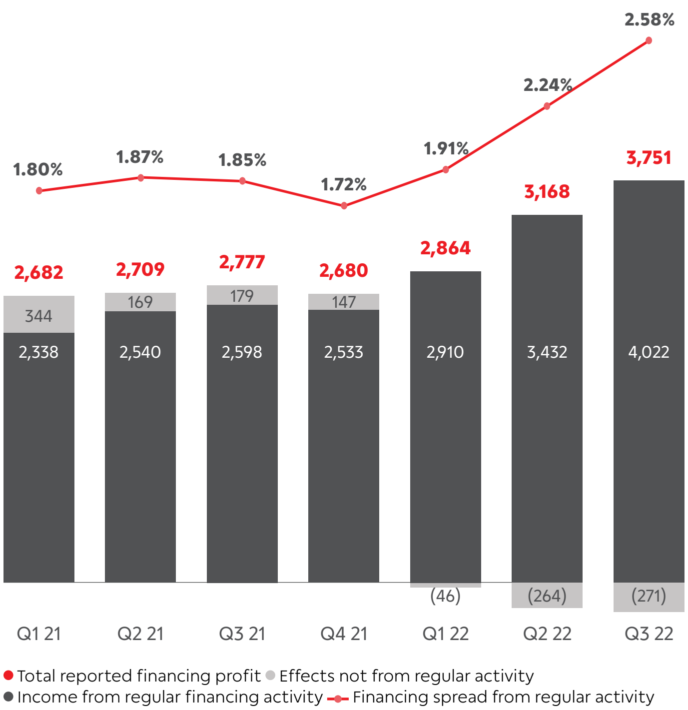
In addition to interest income and expenses, profit from financing activity also includes non-interest financing income and expenses. This income includes financing income in respect of derivative instruments and profit from the sale of securities, which serve as an integral element of the Bank's exposure management. Income from derivatives includes, among other matters, the effects of the time value in the fair value of derivatives, which offset balance sheet interest exposures, as well as the effects of the rate of change in exchange rates and in the known CPI on derivatives balances, which offset foreign-currency and CPI exposures in respect of balance sheet balances.

Table 2-3: Composition of net financing profit

	For the three months ended		Change	For the nine months ended		Change
	September 30, 2022	September 30, 2021		**September 30, 2022**	September 30, 2021	
	NIS millions			NIS millions		
Interest income	**5,139**	3,071	67.3%	**12,846**	8,871	44.8%
Interest expenses	**(1,503)**	(506)	197.0%	**(3,307)**	(1,565)	111.3%
Net interest income	**3,636**	2,565	41.8%	**9,539**	7,306	30.6%
Non-interest financing income (expenses)	**115**	212	(45.8%)	**244**	862	(71.7%)
Total reported financing profit	**3,751**	2,777	35.1%	**9,783**	8,168	19.8%
Excluding effects not from regular activity:						
Income (expenses) from realization and adjustments to fair value of bonds	**4**	57	(93.0%)	**36**	165	(78.2%)
Profit (loss) from investments in shares	**(59)**	120	(149.2%)	**(219)**	505	(143.4%)
Adjustments to fair value of derivative instruments[(1)]	**(199)**	(21)	847.6%	**(349)**	1	
Financing income (expenses) from tax hedging of investments overseas and hedges of currency exposures of non-monetary items, and others[(2)]	**(17)**	23	(173.9%)	**(49)**	21	(333.3%)
Total effects not from regular activity	**(271)**	179	(251.4%)	**(581)**	692	(184.0%)
Total income from regular financing activity[(3)]	**4,022**	2,598	54.8%	**10,364**	7,476	38.6%

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.
(2) Includes the effects of hedging of currency exposures of non-monetary items and the effect of hedging the asymmetry in the tax liability in respect of exchange-rate differences in investments in subsidiaries overseas, which are not included in the income base for the calculation of the provision for tax, in contrast to exchange-rate differences in respect of financing sources. The Bank hedges against tax exposure in respect of investments overseas by establishing surplus financing sources against such investments.
(3) Financing profit excluding extraordinary effects, and excluding effects arising mainly from the timing of recording in accounting. Of which: in respect of the effects of changes in the CPI, income in the amount of NIS 330 million in the third quarter of 2022, compared with income in the amount of NIS 159 million in the same period last year; income in the amount of NIS 1,147 million in the first nine months of 2022, compared with income of NIS 361 million in the same period last year.

Diagram 2-2: Net financing profit



Profit from regular financing activity totaled NIS 10,364 million in the first nine months of 2022, compared with a total of NIS 7,476 million in the same period last year. The increase resulted from the effect of the increase in credit volumes; an increase in income from linkage differentials, due to changes in the rate of the known CPI between the periods; and the effects of the increase in the shekel and dollar interest rates.
Total reported financing income amounted to NIS 9,783 million in the first nine months of 2022, compared with a total of NIS 8,168 million in the same period last year, an increase of approximately 19.8%. The increase resulted from an increase in profit from regular financing activity, as noted above. By contrast, profits from bonds decreased, and a loss occurred from investment in shares and due to a change in the differences between the fair value of derivatives that are part of the asset and liability management of the Bank and the measurement of the same assets on an accrual basis, in comparison with profits in the same period last year.

Table 2-4: Principal data regarding interest income and expenses

	For the three months ended				For the nine months ended			
	September 30, 2022		September 30, 2021		**September 30, 2022**		September 30, 2021	
	Interest income (expenses)	Rate of income (expense)	Interest income (expenses)	Rate of income (expense)*	Interest income (expenses)	Rate of income (expense)	Interest income (expenses)	Rate of income (expense)*
	NIS millions/percent							
Interest income	**5,139**	**3.53%**	3,071	2.28%	**12,846**	**2.96%**	8,871	2.28%
Interest expenses	**(1,503)**	**(1.75%)**	(506)	(0.67%)	**(3,307)**	**(1.33%)**	(1,565)	(0.72%)
Net interest income	**3,636**	**1.78%**	2,565	1.61%	**9,539**	**1.63%**	7,306	1.56%
Net interest income as a percentage of the balance of interest-bearing assets		**2.50%**		1.91%		**2.20%**		1.88%

* Pursuant to the directives of the Banking Supervision Department, the method of calculation of rates of income (expense) changed beginning in 2022, consistently with the change in the method of calculation of the quarterly return. Comparative figures have been restated for adjustment to the calculation method in 2022.

Interest income and expenses increased in the first nine months of 2022, compared with the same period last year, as a result of an increase in the volume of assets and liabilities and an increase in linkage differentials, due to changes in the rate of the known CPI between the periods, and an increase in the shekel and dollar interest rates.

In the first nine months of 2022, the ratio of net interest income to the balance of interest-bearing assets increased by 0.32% in comparison to the same period last year. On the one hand, an increase occurred due to an increase in net interest income, mainly due to an increase in linkage differentials, as a result of changes in the rate of the known CPI between the periods, and an increase in the shekel and dollar interest rates. On the other hand, a decrease occurred due to an increase in the average balance of interest-bearing assets. For further details, see the section "Rates of interest income and expenses" in the Corporate Governance Report.

Income in respect of credit losses amounted to approximately NIS 464 million in the first nine months of 2022, compared with income in the amount of NIS 1,407 million in the same period last year.

The net individual provision amounted to income of approximately NIS 709 million in the first nine months of 2022, compared with income in the amount of approximately NIS 492 million in the same period last year. The increase in income resulted from a decrease in the net individual allowance during the period, mainly influenced by a low number of borrowers.

The net collective provision amounted to a provision of approximately NIS 245 million in the first nine months of 2022, compared with income in the amount of approximately NIS 915 million in the same period last year. The income in the comparison period last year mainly resulted from improvement in macroeconomic parameters and economic forecasts, influenced by factors including the lifting of most of the coronavirus-related restrictions, and from the substantial decrease in the volume of debts in deferral of payments.

The provision in the first nine months of 2022 was mainly influenced by the continued growth of the credit portfolio and an increase in adjustments in respect of predicted macroeconomic effects, an increase in uncertainty of economic conditions, and an increased probability of a crisis. The improvement in risk indicators in the portfolio offset this effect.

For additional information regarding the initial implementation of generally accepted accounting principles in the United States concerning current expected credit losses (CECL), see Note 1C to the Condensed Financial Statements. With regard to the change in the allowance for credit losses, see the section "Credit risk," below, and Note 13 to the Condensed Financial Statements.

Table 2-5: Provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021
	NIS millions			
Individual provision for credit losses	**45**	112	**315**	330
Decrease in individual allowance for credit losses and recovery of charged off debts	**(196)**	(300)	**(1,024)**	(822)
Net individual provision (income) for credit losses	**(151)**	(188)	**(709)**	(492)
Net provision in respect of the collective allowance for credit losses and net charge-offs	**196**	(64)	**245**	(915)
Total provision (income) for credit losses*	**45**	(252)	**(464)**	(1,407)
* Of which:				
Net provision (income) for credit losses in respect of commercial credit risk	**(22)**	(253)	**(532)**	(759)
Net provision (income) for credit losses in respect of housing credit risk	**(4)**	9	**34**	(231)
Net provision (income) for credit losses in respect of other private credit risk	**69**	(8)	**7**	(417)
Net provision (income) for credit losses in respect of risk of credit to banks and governments	**2**	-	**27**	-
Total provision (income) for credit losses	**45**	(252)	**(464)**	(1,407)
	%			
Provision (income) as a percentage of total credit to the public:[1]				
Percentage of individual provision (income) for credit losses	**0.05%**	0.13%	**0.11%**	0.14%
Gross provision (income) for credit losses as a percentage of the average recorded balance of credit to the public[2]	**0.25%**	0.06%	**0.20%**	(0.24%)
Provision (income) for credit losses as a percentage of the average recorded balance of credit to the public[2]	**0.05%**	(0.30%)	**(0.18%)**	(0.58%)
Net charge-offs in respect of credit to the public as a percentage of the average recorded balance of credit to the public	**(0.03%)**	(0.21%)	**(0.03%)**	(0.10%)
Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public	**(1.85%)**	(13.70%)	**(1.98%)**	(6.60%)

(1) Calculated on an annualized basis.
(2) The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged off debts.

Fees and other income totaled NIS 2,906 million in the first nine months of 2022, compared with NIS 2,590 million in the same period last year, as detailed below.

Income from operating fees totaled NIS 2,776 million in the first nine months of 2022, compared with NIS 2,457 million in the same period last year. The increase resulted from most areas of activity, with an emphasis on increases in account-management fees, credit-card fees, fees for conversion differences, and fees from financing transactions, influenced by the lifting of most of the coronavirus-related restrictions and the growth in business activity. The increase in credit-card fees was also influenced by an update of the operating agreement with Isracard, effective April 1, 2022, including a total of approximately NIS 95 million in respect of the second and third quarters of 2022. For details, see Note 10A(6) to the Condensed Financial Statements.

Other income, mainly arising from profits from the sale of real estate, totaled NIS 130 million in the first nine months of 2022, compared with NIS 133 million in the same period last year.

Table 2-6: Details of fees and other income

	For the three months ended		Change	For the nine months ended		Change
	September 30, 2022	September 30, 2021		**September 30, 2022**	September 30, 2021	
	NIS millions			NIS millions		
Fees						
Account-management fees	**223**	197	13.2%	**652**	576	13.2%
Securities activity	**185**	186	(0.5%)	**588**	601	(2.2%)
Credit cards, net	**177**	75	136.0%	**339**	200	69.5%
Credit processing	**61**	53	15.1%	**168**	161	4.3%
Financing transaction fees	**163**	161	1.2%	**498**	447	11.4%
Conversion differences	**85**	70	21.4%	**244**	205	19.0%
Other fees	**90**	96	(6.3%)	**287**	267	7.5%
Total operating fees	**984**	838	17.4%	**2,776**	2,457	13.0%
Total others	**18**	29	(37.9%)	**130**	133	(2.3%)
Total operating income and other income	**1,002**	867	15.6%	**2,906**	2,590	12.2%

Operating and other expenses totaled NIS 5,926 million in the first nine months of 2022, compared with NIS 5,898 million in the same period last year.

Table 2-7: Details of operating and other expenses

	For the three months ended		Change	For the nine months ended		Change
	September 30, 2022	September 30, 2021		**September 30, 2022**	September 30, 2021	
	NIS millions			NIS millions		
Wages	**1,076**	1,153	(6.7%)	**3,305**	3,414	(3.2%)
Maintenance and depreciation of buildings and equipment	**382**	332	15.1%	**1,077**	985	9.3%
Other expenses	**514**	514	-	**1,544**	1,499	3.0%
Total operating and other expenses	**1,972**	1,999	(1.4%)	**5,926**	5,898	0.5%

Salary expenses totaled NIS 3,305 million in the first nine months of 2022, compared with NIS 3,414 million in the same period last year, a decrease of 3.2%. The decrease in salary expenses mainly resulted from a decrease in the expense for bonuses compared with the same period last year, mainly due to a special bonus for the centennial of the Bank in the comparison period last year. This decrease was partly offset by an increase in current salary expenses.

Expenses for maintenance and depreciation of buildings and equipment totaled NIS 1,077 million in the first nine months of 2022, compared with NIS 985 million in the same period last year, an increase of approximately 9.3%, which mainly resulted from an increase in depreciation expenses in respect of software. By contrast, maintenance expenses decreased due to a reduction in space.

Other expenses totaled NIS 1,544 million in the first nine months of 2022, compared with NIS 1,499 million in the same period last year. The increase mainly resulted from marketing and advertising expenses, and expenses in respect of fees. The increase was offset by a decrease in legal expenses in connection with the investigation of the Bank Group's business with American customers, as well as a decrease in expenses due to the reduction of international activity.

The provision for taxes on profit from continued operations totaled NIS 2,533 million in the first nine months of 2022, compared with a total of NIS 2,334 million in the same period last year; the increase mainly resulted from an increase in regular profitability, partly offset by a decrease in nondeductible expenses.

The Bank's share in profits of equity-basis investees after tax amounted to profit of NIS 89 million in the first nine months of 2022, compared with profit in the amount of NIS 39 million in the same period last year. Most of the increase resulted from investments carried out through Poalim Equity (a wholly-owned subsidiary). For additional information, see the section "Principal companies," below.

Non-controlling interests' share in net results of consolidated companies amounted to profit of NIS 1 million in the first nine months of 2022, compared with a loss in the amount of NIS 8 million in the same period last year.

Net profit attributed to shareholders of the Bank totaled NIS 4,782 million in the first nine months of 2022, compared with a total of NIS 3,980 million in the same period last year.

Basic net earnings attributed to the shareholders of the Bank per share of par value NIS 1 amounted to NIS 3.58 in the first nine months of 2022, compared with NIS 2.98 in the same period last year.

2.2.2. Developments in comprehensive income

Table 2-8: Comprehensive income

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	**September 30, 2022**	September 30, 2021
	NIS millions			
Net profit before attribution to non-controlling interests	**1,785**	1,204	**4,783**	3,972
Net profit (loss) attributed to non-controlling interests	**-**	(3)	**1**	(8)
Net profit attributed to shareholders of the Bank	**1,785**	1,207	**4,782**	3,980
Other comprehensive income (loss) before taxes:				
Net adjustments for presentation of bonds available for sale at fair value	**(971)**	(111)	**(3,257)**	(610)
Adjustments of employee benefit liabilities*	**175**	(173)	**742**	(193)
Other comprehensive income (loss) before taxes	**(796)**	(284)	**(2,515)**	(803)
Effect of related tax	**261**	93	**822**	271
Other comprehensive (loss) before attribution to non-controlling interests, after taxes	**(535)**	(191)	**(1,693)**	(532)
Net of other comprehensive income (loss) attributed to non-controlling interests	**-**	-	**(2)**	-
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes	**(535)**	(191)	**(1,691)**	(532)
Comprehensive income before attribution to non-controlling interests	**1,250**	1,013	**3,090**	3,440
Comprehensive income (loss) attributed to non-controlling interests	**-**	(3)	**(1)**	(8)
Comprehensive income attributed to shareholders of the Bank	**1,250**	1,016	**3,091**	3,448

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

Comprehensive income totaled NIS 3,091 million in the first nine months of 2022, compared with a total of NIS 3,448 million in the same period last year. The decrease in comprehensive income in the first nine months of 2022 was influenced by a decrease in the amount of approximately NIS 3.3 billion in adjustments in respect of bonds available for sale, due to an increase of approximately 3.0% in the shekel interest rate and an increase of more than 3.0% in the medium-term dollar interest rate. This decrease was partly offset by an increase in net profit and an increase in adjustments of employee benefit liabilities, due to the increase in the linked shekel interest rate.

2.3. Structure and development of assets, liabilities, capital, and capital adequacy

The consolidated balance sheet as at September 30, 2022, totaled NIS 658.3 billion, compared with NIS 638.8 billion at the end of 2021.

Table 2-9: Developments in principal balance sheet items

	Balance as at		Change
	September 30, 2022	December 31, 2021	
	NIS millions		
Total assets	**658,336**	638,781	3.1%
Net credit to the public	**381,582**	352,623	8.2%
Cash and deposits with banks	**145,423**	189,283	(23.2%)
Securities	**90,078**	71,105	26.7%
Deposits from the public	**527,699**	525,072	0.5%
Bonds and subordinated notes	**26,263**	25,582	2.7%
Shareholders' equity	**45,068**	42,735	5.5%

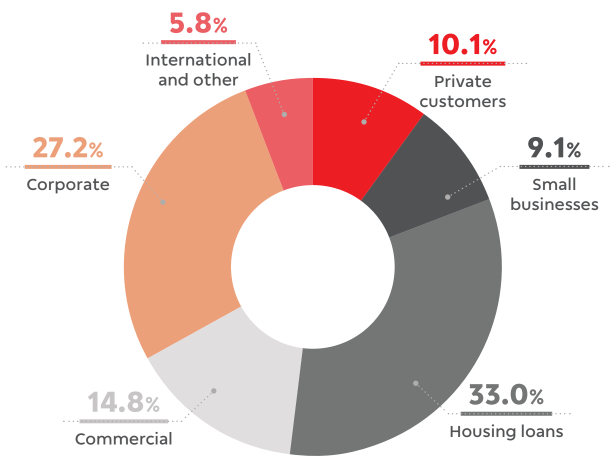
2.3.1. Structure and development of assets and liabilities

Credit to the public

Table 2-10: Development of net balance sheet credit to the public by management approach operating segment

	Balance as at		Change
	September 30, 2022	December 31, 2021	
	NIS millions		
Private customers	**38,535**	39,139	(1.5%)
Small businesses	**34,770**	33,899	2.6%
Housing loans	**125,769**	114,633	9.7%
Commercial	**56,470**	52,758	7.0%
Corporate	**103,604**	96,335	7.5%
International activity	**17,030**	13,946	22.1%
Financial management	**5,404**	1,913	182.5%
Total	**381,582**	352,623	8.2%

Diagram 2-3: Segmentation of credit by principal segment as at September 30, 2022



For further information regarding the development of credit and credit risks by economic sector, see the section "Credit risk," below.

Problematic debts

Table 2-11: Problematic credit risk(1)(2)

	September 30, 2022			December 31, 2021, pro-forma(1)			December 31, 2021		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
	NIS millions								
Non-accruing credit risk(3)	**3,034**	**815**	**3,849**	3,973	812	4,785	3,635	812	4,447
Substandard credit risk	**590**	**21**	**611**	963	152	1,115	1,366	152	1,518
Special mention credit risk	**2,875**	**497**	**3,372**	3,213	658	3,871	3,148	658	3,806
Total problematic credit risk*	**6,499**	**1,333**	**7,832**	8,149	1,622	9,771	8,149	1,622	9,771
Net problematic credit risk	**5,572**	**1,151**	**6,723**	6,363	1,433	7,796	6,468	1,458	7,926
* Of which, accruing debts past due by 90 days or more(4)	**76**	**-**	**76**	84	-	84	679	-	679

(1) The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. Within this process, among other matters, problematic debt classifications were changed: the term "impaired" was eliminated, and non-accruing credit and credit risk are presented instead; and housing loans past due by 90 days or more were classified as non-accruing credit. This table presents data for December 31, 2021, prior to the implementation of the new directives, and pro-forma data on the effect of the change in classifications and the change in the allowance for credit losses following the implementation of the aforesaid directive. For further details, see Note 1C to the Condensed Financial Statements.
(2) Non-accruing, substandard, or special mention credit risk.
(3) As at December 31, 2021 – impaired.
(4) As at December 31, 2021 – unimpaired debts past due by 90 days or more.

Note:
Balance sheet and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.

The downward trend in the volume of problematic debts continued in the third quarter, in all problematic classification categories, due to repayment of credit and improvement of borrowers' condition.
For further information regarding the analysis of the credit portfolio and problematic credit risk, including the scenarios and sensitivity analyses tested, see the section "Credit risk," below.

Off-balance sheet credit

Table 2-12: Developments in principal off-balance sheet items

	Balance as at		Change
	September 30, 2022	December 31, 2021	
	NIS millions		
Off-balance sheet financial instruments, excluding derivatives			
Documentary credit	**1,641**	1,996	(17.8%)
Guarantees and other commitments*	**81,567**	69,533	17.3%
Unutilized credit-card credit facilities	**11,958**	11,333	5.5%
Unutilized revolving overdraft and other credit facilities in on-demand accounts*	**38,438**	41,534	(7.5%)
Irrevocable commitments to grant credit approved but not yet provided, and commitments to provide guarantees	**87,263**	97,741	(10.7%)

* Includes off-balance sheet credit risk in respect of which insurance was acquired from foreign insurers.

Off-balance sheet financial instruments decreased in the first nine months of 2022. The decrease mainly resulted from utilization of credit facilities and reduced volume of binding credit facilities. By contrast, guarantees increased, mainly to buyers of homes, partially offsetting the decrease. Insurance was acquired from foreign insurance companies in respect of some of these guarantees.

Securities

The Bank has investments in government and corporate bonds, as well as investments in tradable (mainly foreign) and non-tradable shares, broadly diversified.
Investments in securities totaled approximately NIS 90.1 billion as at September 30, 2022, compared with approximately NIS 71.1 billion at the end of 2021, an increase of approximately 26.7%, which mainly resulted from an increase in the volume of government bonds.
Income from realization and adjustments to fair value of bonds decreased to a total of approximately NIS 36 million in the first nine months of 2022, compared with income in the amount of approximately NIS 165 million in the same period last year.

In light of the rise in the shekel and dollar interest-rate curves, which intensified in 2022, a decrease in the amount of approximately NIS 3.2 billion (before tax) was recorded in the first nine months of 2022 in respect of changes in the value of bonds in the available-for-sale portfolio, compared with a decrease in the amount of approximately NIS 0.4 billion (before tax) in the same period last year. The decrease in the first nine months of the year resulted from an increase of more than 3% in the dollar interest rate and an increase of approximately 3% in the shekel interest rate for the medium term. The changes in value of bonds in the available-for-sale portfolio were recorded to the capital reserve. As part of the Bank's capital management, the Bank tempered the cumulative decrease in capital reserves and reduced its exposure to the effect of the increase in yields, which affects the volatility of the capital reserve, by increasing purchases of bonds in the held-to-maturity portfolio, and by transferring a portfolio of bonds (of the Israeli government and United States government) in the amount of approximately NIS 3.5 billion from the available-for-sale portfolio to the held-to-maturity portfolio.

The transfer was performed on March 24, 2022, in view of rare and exceptional interest-rate effects, combined with the war in Ukraine, which also affects the global inflation and interest-rate environment and heightened these effects.

The capital reserve in respect of the bonds transferred to the held-to-maturity portfolio amounted to a negative balance of approximately NIS 388 million at the date of the transfer. This balance is stated in shareholders' equity, and is being written down to profit and loss over the remaining life of the bonds as an adjustment of yield. With regard to sensitivity of the capital reserve to changes in interest rates, see the section "Capital adequacy," below.

The overall share portfolio of the Bank Group totaled approximately NIS 4.0 billion, reflecting a continuation of the trend of growth in investments of 2021.

A loss in the amount of approximately NIS 219 million was recorded in respect of the share portfolio of the Bank Group in the first nine months of 2022, compared with profit in the amount of approximately NIS 505 million in the same period last year. The decrease mainly resulted from losses in respect of declines in prices of tradable shares, compared with increases from revaluation of shares in the same period last year.

Details of the Bank Group's activity in securities are set out below.

Table 2-13: Securities balances

	Held to maturity		Available for sale		Trading book		Total	
	Balance sheet value	% of total securities	Balance sheet value	% of total securities	Balance sheet value	% of total securities	Balance sheet value	% of total securities
	NIS millions/percent							
September 30, 2022								
Israeli government bonds	**5,022**	**5.6%**	**41,503**	**46.1%**	**6,421**	**7.0%**	**52,946**	**58.8%**
US government bonds	**1,802**	**2.0%**	**19,072**	**21.2%**	**237**	**0.3%**	**21,111**	**23.4%**
Government bonds – other foreign countries	**-**	**-**	**1,659**	**1.8%**	**-**	**-**	**1,659**	**1.8%**
Total government bonds	**6,824**	**7.6%**	**62,234**	**69.1%**	**6,658**	**7.3%**	**75,716**	**84.1%**
Corporate bonds – Israel	**300**	**0.3%**	**-**	**-**	**-**	**-**	**300**	**0.3%**
Corporate bonds – foreign countries	**-**	**-**	**8,452**	**9.4%**	**1,605**	**1.8%**	**10,057**	**11.2%**
Total corporate bonds	**300**	**0.3%**	**8,452**	**9.4%**	**1,605**	**1.8%**	**10,357**	**11.5%**
Shares*	**-**	**-**	**4,005**	**4.4%**	**-**	**-**	**4,005**	**4.4%**
Total securities	**7,124**	**7.9%**	**74,691**	**82.9%**	**8,263**	**9.1%**	**90,078**	**100.0%**
December 31, 2021								
Israeli government bonds	196	0.3%	34,358	48.3%	4,774	6.7%	39,328	55.3%
US government bonds	-	-	17,125	24.1%	3,161	4.4%	20,286	28.5%
Government bonds – other foreign countries	-	-	1,157	1.6%	2	0.0%	1,159	1.6%
Total government bonds	196	0.3%	52,640	74.0%	7,937	11.2%	60,773	85.5%
Corporate bonds – Israel	312	0.4%	-	-	-	-	312	0.4%
Corporate bonds – foreign countries	-	-	5,368	7.5%	1,002	1.4%	6,370	9.0%
Total corporate bonds	312	0.4%	5,368	7.5%	1,002	1.4%	6,682	9.4%
Shares*	-	-	3,650	5.1%	-	-	3,650	5.1%
Total securities	508	0.7%	61,658	86.7%	8,939	12.6%	71,105	100.0%

* Shares not held for trading.

Table 2-14: Details of corporate bonds by economic sector

	Balance as at September 30, 2022		Balance as at December 31, 2021	
	Balance sheet value	Percent of total corporate bonds	Balance sheet value	Percent of total corporate bonds
	NIS millions		NIS millions	
Mining and quarrying	**340**	**3.3%**	447	6.7%
Industry	**1,302**	**12.6%**	1,050	15.7%
Electricity and water supply	**279**	**2.7%**	359	5.4%
Information and communications	**331**	**3.2%**	222	3.3%
Banks and financial institutions	**7,093**	**68.4%**	3,843	57.5%
Commerce	**355**	**3.4%**	41	0.6%
Transportation and storage	**213**	**2.1%**	318	4.8%
Other sectors	**444**	**4.3%**	402	6.0%
Total corporate bonds	**10,357**	**100.0%**	6,682	100.0%

For further details regarding amounts measured at fair value, see Note 15B to the Condensed Financial Statements.
For details regarding unrealized loss from adjustments to fair value in respect of bonds available for sale and bonds available for sale transferred to the held-to-maturity portfolio, see Note 5 to the Condensed Financial Statements.

Deposits

Table 2-15: Developments in balances of deposits

	Balance as at		Change
	September 30, 2022	December 31, 2021	
	NIS millions		
Deposits from the public	**527,699**	525,072	0.5%
Deposits from banks	**9,779**	11,601	(15.7%)
Deposits from the government	**486**	752	(35.4%)
Total	**537,964**	537,425	0.1%

The balance of deposits totaled approximately NIS 538.0 billion as at September 30, 2022, similar to the balance at the end of 2021. Due to the rise in interest rates, fixed-term deposits increased, while non-interest-bearing deposits and on-demand deposits decreased.

Off-balance sheet activity in securities held by the public

Table 2-16: Developments in balances of off-balance sheet monetary assets held by the Bank Group's customers

	Balance as at		Change
	September 30, 2022	December 31, 2021	
	NIS millions		
Securities[1]	**815,878**	872,710	(6.5%)

(1) Including securities balances of provident funds and mutual funds for which the Bank Group provides custody services, and services incidental to account management at various volumes.

The decrease in volume of securities of customers of the Bank Group in the first nine months of 2022 was mainly influenced by declines in prices of financial assets in the markets.

Bonds and subordinated notes totaled approximately NIS 26.3 billion as at September 30, 2022, compared with approximately NIS 25.6 billion at the end of 2021, an increase of approximately 2.7%. The increase mainly resulted from the issuance of subordinated notes and bonds.
In March 2022, the Bank issued bonds to the public at a volume of approximately NIS 2 billion, and subordinated notes with a mechanism for loss absorption through forced conversion into ordinary shares of the Bank at a volume of approximately NIS 0.4 billion.
On May 11, 2022, the Bank received approval from the Israel Securities Authority to extend the shelf prospectus of the Bank of May 2020 by an additional year, until May 17, 2023.
In early November 2022, the Bank executed full early redemption of Subordinated Notes (Series C), in the amount of approximately NIS 1.7 billion. The Subordinated Notes (Series C) are not recognized in supervisory capital as of January 2022.
The Bank is considering a possible offering under a shelf prospectus report of subordinated notes with a loss-absorption mechanism, and of bonds, shortly after the publication of this report. In this context, draft trust deeds of subordinated note series and bonds were published in November 2022. For additional information, see the section "Capital adequacy," below.

Table 2-17: Details of bonds and subordinated notes

	September 30, 2022		December 31, 2021	
	Balance sheet value	Of which: tradable*	Balance sheet value	Of which: tradable
	NIS millions			
Subordinated notes	**11,555**	**9,459**	11,211	9,580
Bonds	**14,708**	**14,708**	14,371	14,371
Total bonds and subordinated notes	**26,263**	**24,167**	25,582	23,951

* Includes bonds and subordinated notes traded on the Retzef Mosdi'im (TACT Institutional) system.

Table 2-18: Derivative instruments

	September 30, 2022			December 31, 2021		
	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value	Notional value
	NIS millions					
Interest contracts	**11,701**	**11,476**	**857,422**	4,075	4,566	401,309
Currency contracts	**11,655**	**9,380**	**400,812**	6,282	7,263	356,848
Share-related contracts	**5,184**	**5,178**	**183,188**	2,624	2,558	157,552
Commodity and service contracts (including credit derivatives)	**7**	**7**	**186**	3	3	198
Total	***28,547**	***26,041**	**1,441,608**	12,984	*14,390	915,907

* Of which: net fair value of assets and liabilities in respect of embedded derivatives in the amount of NIS 66 million and NIS 15 million, respectively (December 31, 2021: liabilities in the amount of NIS 40 million), included in the balance sheet in the item "deposits from the public."

The fair-value balances of derivative instruments as at September 30, 2022, had risen significantly during the nine-month period ended on that date, mainly due to sharp changes in foreign-exchange rates, interest rates, and stock indices during the period. Balances in par value also increased, as a result of the changes in exchange rates and an increase in the volume of activity. The Bank generally operates with counterparties under netting agreements and collateral aimed at reducing the credit exposure arising from activity in derivate instruments of these counterparties.

2.3.2. Capital, capital adequacy, and leverage

(1) Capital

Investments in the capital of the Bank and transactions in its shares

The issued and paid-up share capital of the Bank, as at September 30, 2022, is NIS 1,336,837,006 par value, composed of ordinary shares of par value NIS 1 each. This is the issued capital excluding 540,105 ordinary shares purchased by the Bank ("Treasury Shares").

For details regarding the decentralization of the controlling core of the Bank and its transition to a bank without a controlling core, see the section "Other matters" in the Corporate Governance Report, below.

Dividends

Dividend distribution by the Bank is subject to tests and limits set forth in the Companies Law and in the directives of the Banking Supervision Department, including Proper Conduct of Banking Business Directive 331. The dividend distribution policy of the Bank is to distribute up to 40% of quarterly net operating profit. Any distribution and the rate thereof is subject to a specific resolution of the Board of Directors of the Bank, based on its judgment at the date of the distribution, taking into account the directives of all laws, any constraints on distribution, and business considerations, including the growth strategy of the Bank.

At the dates of approval of the financial statements for the year 2021 and for the first quarter of 2022, the Board of Directors resolved to retain accumulated capital surpluses and refrain from declaring dividend distribution, due to prioritization of continued implementation of the growth strategy.

In the second quarter of 2022, the Board of Directors of the Bank resolved to resume a trajectory of ongoing dividend distribution, while continuing to maintain balanced growth. Distributions will be subject to the results of the Bank, developments in the markets and in macroeconomic conditions, and the effect of the implementation of regulatory directives, as well as compliance with legal tests.

On August 14, 2022, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 403 million, constituting approximately 30% of the net profit of the Bank for the second quarter of 2022, paid on September 7, 2022.

At the date of approval of these financial statements, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 536 million, constituting approximately 30% of the net profit of the Bank for the third quarter of 2022, to be paid on December 11, 2022.

Table 2-19: Details of dividends paid

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
November 22, 2022	December 11, 2022	40.095	536.0
August 14, 2022	September 7, 2022	30.146	403.0
November 15, 2021	December 8, 2021	64.499	862.0
August 1, 2021	August 18, 2021	46.152	616.8

(2) Capital adequacy

The Bank's approach to capital-adequacy assessment

The Bank applies the capital measurement and adequacy directives based on the Basel directives, as published by the Banking Supervision Department.

These directives are based on three pillars:

- Pillar 1 – Includes the manner of calculation of the supervisory minimum capital requirements in respect of credit risks, operational risk, and market risk.
- Pillar 2 – Sets forth the internal processes (the ICAAP – Internal Capital Adequacy Assessment Process) used by banks to assess the required capital in respect of risks in aggregate, including those not covered by Pillar 1 (such as credit concentration, interest-rate risk in the banking book, liquidity risks, settlement risks, and strategic risks), as well as a review process performed by the Banking Supervision Department.
- Pillar 3 – Market discipline; establishes the type and extent of information to be presented in reporting to the public on the risks to which banks are exposed. This pillar requires the disclosure of both quantitative and qualitative information, in order to enable the market to estimate the extent of the bank's exposure to risk factors.

Basel 3 directives

The Basel 3 directives took effect on January 1, 2014. Implementation is gradual, in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299, "Capital Measurement and Adequacy – Supervisory Capital – Transitional Directives." In accordance with the transitional directives, capital instruments that no longer qualify as supervisory capital were recognized as of January 1, 2014, up to a ceiling of 80% of their balance in the supervisory capital as at December 31, 2013; this ceiling was lowered by an additional 10% in each subsequent year, until January 1, 2022. Accordingly, in 2022 these instruments are no longer included in supervisory capital.

Capital-adequacy target and capital management and planning

Pursuant to the directives of the Banking Supervision Department, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 10.0% and a minimum total capital ratio of 13.5%. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order aimed at coping with the coronavirus crisis. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank required by the Banking Supervision Department, on a consolidated basis, as at September 30, 2022, stand at 10.23% and 13.50%, respectively.

The common equity Tier 1 capital target established by the Bank takes into consideration, among other matters, the results of the internal processes of the Bank for determining capital targets, including the results of internal stress tests run by the Bank, and the outcomes of discussions held with the Banking Supervision Department regarding the specific risk attributes of the Bank, within the most recent supervisory review process and the most recent uniform stress tests performed.

In order to comply with the capital-adequacy target and manage capital effectively, capital planning is performed at the Bank based on the work plan of the Bank and on regulatory directives, which are translated into risk-adjusted assets and changes in the various tiers of capital, while maintaining safety margins. Various sensitivity tests are applied within the planning of capital and capital ratios. The Bank also routinely monitors actual results as compared to planning, and the gaps between results and planning, and, as necessary, examines the actions needed in order to comply with the established capital targets. As part of the establishment of the internal capital targets of the Bank, as detailed below, the policy of the Bank is to maintain capital adequacy at a level higher than the minimum ratio required by the Banking Supervision Department, and not lower than the level of capital adequacy required to cover the risks as assessed in the Internal Capital Adequacy Assessment Process (ICAAP). Within the ICAAP, the Bank examines the effect of stress scenarios on capital-adequacy ratios; accordingly, a plan is in place for a return to regulatory capital adequacy in the case of a such a stress event.

Based on the processes of establishment of internal capital targets of the Bank and the results of the internal discussions held with the Banking Supervision Department (as described above), the Board of Directors of the Bank set an internal target for the common equity Tier 1 capital ratio at a rate of no less than 10.5%.

The Bank manages its capital-adequacy ratio with the aim of complying with the minimum capital requirements of the Banking Supervision Department and with the internal target, while maintaining safety margins.

The capital of the Bank and the volume of risk-adjusted assets are subject to changes, due to the following factors, among others:

- Effects of changes in the interest rate on capital reserves from bonds available for sale.
- Effects of changes in the CPI and in exchange rates on asset balances.
- Actuarial changes resulting from changes in the interest rate for the calculation of the Bank's liabilities, or other actuarial assumptions.

The sensitivity of the capital reserve in respect of bonds available for sale, net, after tax effect, to a theoretical increase of 1% in the risk-free interest rate and in the credit risk spread is estimated at a decrease in the amount of approximately NIS 0.6 billion and approximately NIS 0.4 billion, respectively. The sensitivity of the capital reserve arising from adjustments for actuarial changes, net, after tax effect, to a theoretical increase of 1% in the discount rate is estimated at an increase in the amount of approximately NIS 0.2 billion.

Material changes in capital

Issuance of notes with a loss-absorption mechanism

In March 2022, the Bank issued Subordinated Notes (Series F) at a volume of approximately NIS 0.4 billion. The notes include a mechanism for principal loss absorption through forced conversion into ordinary shares of the Bank in the event that the common equity Tier 1 capital ratio of the Bank falls below 5.0%. The notes are included in the Tier 2 capital of the Bank, pursuant to Proper Conduct of Banking Business Directive 202. The notes are for a period of eleven years. The Bank has an option for full early redemption, beginning six years from the date of issuance of the notes, subject to the fulfillment of certain conditions. The notes are linked to the consumer price index and bear interest at a fixed rate of 0.84%. If the notes are not prepaid after six years, the interest rate will be adjusted according to the annual yield of linked bonds of the State of Israel, plus a margin.

In early November 2022, the Bank executed full early redemption of Subordinated Notes (Series C), in the amount of approximately NIS 1.7 billion. The Subordinated Notes (Series C) are not recognized in supervisory capital as of January 2022.

The Bank is considering a possible offering under a shelf prospectus report of subordinated notes with a loss-absorption mechanism, and of bonds, shortly after the publication of this report. In this context, draft trust deeds of subordinated note series and bonds were published in November 2022.

For further details regarding supervisory adjustments and deductions, and regarding additional effects on capital and capital adequacy, including directives prior to the date of implementation, see Note 9 to the Condensed Financial Statements.

For details regarding the effect of the implementation of United States generally accepted accounting principles concerning current expected credit losses (CECL), see Note 1C to the Condensed Financial Statements.

For details regarding the transfer of bonds from the available-for-sale portfolio to the held-to-maturity portfolio, see the section "Securities," above.

Table 2-20: Calculation of the capital-adequacy ratio

	September 30, 2022	September 30, 2021	December 31, 2021
	NIS millions		
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions			
Common equity Tier 1 capital	**45,262**	42,803	42,772
Additional Tier 1 capital	**-**	244	244
Total Tier 1 capital	**45,262**	43,047	43,016
Tier 2 capital	**13,252**	9,391	12,490
Total overall capital	**58,514**	52,438	55,506
2. Weighted balances of risk-adjusted assets			
Credit risk	**378,342**	356,739	363,588
Market risks	**5,658**	3,605	4,097
Operational risk	**23,914**	22,634	22,595
Total weighted balances of risk-adjusted assets	**407,914**	382,978	390,280
	%		
3. Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components[(1)]	**11.10%**	11.18%	10.96%
Ratio of Tier 1 capital to risk components	**11.10%**	11.24%	11.02%
Ratio of total capital to risk components	**14.34%**	13.69%	14.22%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department[(2)]	**10.23%**	9.20%	9.21%
Minimum total capital ratio required by the Banking Supervision Department[(2)]	**13.50%**	12.50%	12.50%

(1) The data are presented in accordance with Proper Conduct of Banking Business Directive 202, "Capital Measurement and Adequacy – Supervisory Capital," and in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299, and include adjustments in respect of regulatory directives, as follows:
   1) Reliefs in respect of efficiency plans, recorded in equal parts over five years from inception, estimated at an additional future decrease of approximately 0.04% in the common equity Tier 1 capital ratio as at September 30, 2022 (0.06% as at December 31, 2021, and 0.08% as at September 30, 2021);
   2) The effect of the implementation of accounting principles concerning current expected credit losses, which is gradually reduced until December 31, 2024, estimated at an additional future decrease of approximately 0.08% in the common equity Tier 1 capital ratio as at September 30, 2022);
   3) Reliefs in respect of the implementation of the circular of the Bank of Israel concerning weighting of high-risk loans for the acquisition of land, spread in equal quarterly parts from September 30, 2022, to June 30, 2023, estimated at an additional future decrease of approximately 0.03% in the common equity Tier 1 capital ratio as at September 30, 2022.

(2) The required minimum common equity Tier 1 capital ratio and minimum total capital ratio in the period of the Temporary Order, until the end of the duration of the Temporary Order on December 31, 2021, were 9.0% and 12.5%, respectively. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order.

The increase in the common equity Tier 1 capital ratio as at September 30, 2022, compared with the ratio as at December 31, 2021, mainly resulted from the net profit for the period, a decrease in off-balance sheet credit balances, and an increase in the extent of credit insurance and guarantees. This increase was mainly offset by a decrease in capital reserves, due to an increase in interest-rate curves, and by an increase in risk-adjusted assets.

(3) Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which serves as a complementary measurement to risk-based capital requirements, and which is designed to limit the accumulation of leverage at banking corporations.

The leverage ratio is defined as the ratio of the capital measurement to the exposure measurement. Capital, for the purpose of measurement of the leverage ratio, is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202, taking into consideration the transitional arrangements that have been established. The total exposure measurement is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

On November 15, 2020, the Banking Supervision Department issued a circular, as a temporary order, updating Proper Conduct of Banking Business Directive 250 concerning the leverage ratio. Banking corporations must maintain a leverage ratio of no less than 4.5% on a consolidated basis. Banking corporations whose total balance sheet assets on a consolidated basis constitute 24% or more of the total balance sheet assets in the banking system (the Bank is such a banking corporation) must maintain a leverage ratio of no less than 5.5% (instead of 6.0% prior to the relief).

The period of the relief has been extended until December 31, 2023; after that date, the requirement is to return to the leverage ratio required prior to the Temporary Order (6.0%) within two quarters.

Table 2-21: Leverage ratio

	September 30, 2022	September 30, 2021	December 31, 2021
		NIS millions	
Consolidated data			
Tier 1 capital*	**45,262**	43,047	43,016
Total exposures*	**732,928**	680,634	713,511
		%	
Leverage ratio	**6.18%**	6.32%	6.03%
Minimum leverage ratio required by the Banking Supervision Department in the period of the Temporary Order	**5.50%**	5.50%	5.50%
Minimum leverage ratio required by the Banking Supervision Department after the end of the Temporary Order	**6.00%**	6.00%	6.00%

* These data include adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see Note 9I to the Condensed Financial Statements). The effect of the reliefs in respect of the efficiency plans on the leverage ratio as at September 30, 2022, estimated at an additional future decrease of approximately 0.02%, is recorded in equal parts over five years, beginning at the inception date thereof. In addition, the data include adjustments in respect of the effect of the implementation of accounting principles concerning estimated credit losses, which are gradually reduced until December 31, 2024 (see Note 9K to the Condensed Financial Statements). The effect of the reliefs in respect of expected credit losses as at September 30, 2022, is estimated at an additional future decrease of approximately 0.04%.

2.4. Description of the Bank Group's business by supervisory operating segments

Operating segments are reported on in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department. This reporting is fundamentally different from the operating segments used at the Bank according to the approach of its management, which are described in Section 2.5 and in Note 12A to the Condensed Financial Statements. Supervisory operating segments are reported in the uniform format established by the Banking Supervision Department for the entire banking system. The segments are based on customer characteristics, such as asset portfolio volume with respect to private customers, or annual revenue of a business with respect to business customers.

For the definitions of the supervisory segments and for details regarding the main points of the guidelines, estimates, and reporting principles, see Note 28 to the Annual Financial Statements for 2021.

Table 2-22: Results of operations and principal data of the supervisory operating segments

	For the three months ended September 30, 2022										
	Activity in Israel									Activity overseas	Total
	Households[1]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
	NIS millions										
Net financing profit	**1,154**	**92**	**784**	**280**	**521**	**101**	**620**	**-**	**3,552**	**199**	**3,751**
Fees and other income	**375**	**34**	**261**	**75**	**162**	**23**	**29**	**34**	**993**	**9**	**1,002**
Total income	**1,529**	**126**	**1,045**	**355**	**683**	**124**	**649**	**34**	**4,545**	**208**	**4,753**
Provision (income) for credit losses	**64**	**1**	**70**	**(97)**	**(51)**	**-**	**25**	**-**	**12**	**33**	**45**
Operating and other expenses	**903**	**50**	**458**	**104**	**176**	**48**	**104**	**6**	**1,849**	**123**	**1,972**
Profit (loss) before taxes	**562**	**75**	**517**	**348**	**558**	**76**	**520**	**28**	**2,684**	**52**	**2,736**
Provision for taxes (tax benefit) on profit (loss)	**191**	**26**	**178**	**130**	**200**	**25**	**186**	**10**	**946**	**21**	**967**
Net profit (loss) attributed to shareholders of the Bank	**371**	**49**	**339**	**218**	**358**	**51**	**350**	**18**	**1,754**	**31**	**1,785**
Balance of gross credit to the public at the end of the reported period	**160,628**	**830**	**61,397**	**38,107**	**104,582**	**2,196**	**-**	**-**	**367,740**	**19,035**	**386,775**
Balance of deposits from the public at the end of the reported period	**164,192**	**36,346**	**98,780**	**34,155**	**79,035**	**91,821**	**-**	**-**	**504,329**	**23,370**	**527,699**

(1) Includes housing loans in the amount of NIS 22.2 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Table 2-22: Results of operations and principal data of the supervisory operating segments (continued)

	For the three months ended September 30, 2021										
	Activity in Israel									Activity overseas	Total
	Households[1]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
	NIS millions										
Net financing profit	730	12	510	207	353	26	800	-	2,638	139	2,777
Fees and other income	302	38	220	74	129	24	30	42	859	8	867
Total income	1,032	50	730	281	482	50	830	42	3,497	147	3,644
Provision (income) for credit losses	1	-	(31)	(83)	(148)	-	-	-	(261)	9	(252)
Operating and other expenses	924	47	479	104	157	32	113	22	1,878	121	1,999
Profit (loss) before taxes	107	3	282	260	473	18	717	20	1,880	17	1,897
Provision for taxes (tax benefit) on profit (loss)	30	2	99	94	174	6	264	7	676	29	705
Net profit (loss) attributed to shareholders of the Bank	77	1	183	166	299	12	468	13	1,219	(12)	1,207
Balance of gross credit to the public at the end of the reported period	143,213	701	56,060	35,539	85,342	3,477	-	-	324,332	16,015	340,347
Balance of deposits from the public at the end of the reported period	157,883	33,708	90,714	33,777	74,123	95,137	-	-	485,342	20,141	505,483

(1) Includes housing loans in the amount of NIS 19.7 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Table 2-22: Results of operations and principal data of the supervisory operating segments (continued)

	For the nine months ended September 30, 2022										
	Activity in Israel									Activity overseas	Total
	Households[1]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
	NIS millions										
Net financing profit	**2,764**	**144**	**1,924**	**734**	**1,289**	**191**	**2,233**	**-**	**9,279**	**504**	**9,783**
Fees and other income	**989**	**113**	**737**	**241**	**442**	**74**	**101**	**181**	**2,878**	**28**	**2,906**
Total income	**3,753**	**257**	**2,661**	**975**	**1,731**	**265**	**2,334**	**181**	**12,157**	**532**	**12,689**
Provision (income) for credit losses	**40**	**1**	**112**	**(200)**	**(529)**	**3**	**25**	**-**	**(548)**	**84**	**(464)**
Operating and other expenses	**2,734**	**148**	**1,415**	**316**	**490**	**126**	**310**	**47**	**5,586**	**340**	**5,926**
Profit (loss) before taxes	**979**	**108**	**1,134**	**859**	**1,770**	**136**	**1,999**	**134**	**7,119**	**108**	**7,227**
Provision for taxes (tax benefit) on profit (loss)	**334**	**37**	**388**	**309**	**633**	**46**	**682**	**50**	**2,479**	**54**	**2,533**
Net profit (loss) attributed to shareholders of the Bank	**645**	**71**	**746**	**550**	**1,137**	**90**	**1,406**	**84**	**4,729**	**53**	**4,782**
Balance of gross credit to the public at the end of the reported period	**160,628**	**830**	**61,397**	**38,107**	**104,582**	**2,196**	**-**	**-**	**367,740**	**19,035**	**386,775**
Balance of deposits from the public at the end of the reported period	**164,192**	**36,346**	**98,780**	**34,155**	**79,035**	**91,821**	**-**	**-**	**504,329**	**23,370**	**527,699**

(1) Includes housing loans in the amount of NIS 22.2 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Table 2-22: Results of operations and principal data of the supervisory operating segments (continued)

	For the nine months ended September 30, 2021										
	Activity in Israel									Activity overseas	Total
	Households[1]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
	NIS millions										
Net financing profit	2,150	34	1,504	608	966	77	2,453	-	7,792	376	8,168
Fees and other income	887	113	651	212	363	73	84	178	2,561	29	2,590
Total income	3,037	147	2,155	820	1,329	150	2,537	178	10,353	405	10,758
Provision (income) for credit losses	(648)	-	(34)	(179)	(559)	-	-	-	(1,420)	13	(1,407)
Operating and other expenses	2,714	139	1,416	313	451	103	314	71	5,521	377	5,898
Profit (loss) before taxes	971	8	773	686	1,437	47	2,223	107	6,252	15	6,267
Provision for taxes (tax benefit) on profit (loss)	355	3	284	262	551	17	758	39	2,269	65	2,334
Net profit (loss) attributed to shareholders of the Bank	616	5	489	424	886	30	1,512	68	4,030	(50)	3,980
Balance of gross credit to the public at the end of the reported period	143,213	701	56,060	35,539	85,342	3,477	-	-	324,332	16,015	340,347
Balance of deposits from the public at the end of the reported period	157,883	33,708	90,714	33,777	74,123	95,137	-	-	485,342	20,141	505,483

(1) Includes housing loans in the amount of NIS 19.7 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Principal changes in net profit and balance sheet balances

Household Segment

Net profit attributed to the Households Segment totaled NIS 645 million in the first nine months of 2022, compared with NIS 616 million in the same period last year. The increase mainly resulted from an increase in net financing profit and an increase in fees and other income, offset by an increase in the provision for credit losses, compared with the same period last year.

Net financing profit totaled NIS 2,764 million in the first nine months of 2022, compared with NIS 2,150 million in the same period last year. The increase resulted from the effect of the increase in the shekel and dollar interest rates and from an increase in housing credit volumes.

Fees and other income totaled NIS 989 million in the first nine months of 2022, compared with NIS 887 million in the same period last year. The increase mainly resulted from an increase in credit-card fees and account-management fees, partly offset by a decrease in capital-market fees.

A provision for credit losses in the amount of approximately NIS 40 million was recorded in the first nine months of 2022, compared with income in the amount of approximately NIS 648 million in the same period last year. Most of the change resulted from income recorded in the comparison period against a decrease in the collective allowance, due to the improvement in macroeconomic parameters and the continued decrease in the volume of debts in deferral of payments.

Operating and other expenses of the segment totaled NIS 2,734 million in the first nine months of 2022, compared with NIS 2,714 million in the same period last year.

Credit to the public totaled approximately NIS 160.6 billion as at September 30, 2022, compared with approximately NIS 149.2 billion as at December 31, 2021. The increase in credit balances mainly resulted from an increase in housing credit balances.

Deposits from the public totaled approximately NIS 164.2 billion as at September 30, 2022, compared with approximately NIS 156.8 billion as at December 31, 2021. The increase resulted from an increase in the shekel and dollar interest rates, and from customers' transition to conservative segments due to market declines.

Private Banking Segment

Net profit attributed to the Private Banking Segment totaled NIS 71 million in the first nine months of 2022, compared with NIS 5 million in the same period last year. The increase mainly resulted from an increase in net financing profit.

Net financing profit totaled NIS 144 million in the first nine months of 2022, compared with NIS 34 million in the same period last year. The increase mainly resulted from the effect of the increase in the shekel and dollar interest rates.

Operating and other expenses of the segment totaled NIS 148 million in the first nine months of 2022, compared with NIS 139 million in the same period last year.

Credit to the public totaled approximately NIS 0.8 billion as at September 30, 2022, similar to the balance as at December 31, 2021.

Deposits from the public totaled approximately NIS 36.3 billion as at September 30, 2022, compared with NIS 33.9 billion as at December 31, 2021. The increase resulted from an increase in the shekel and dollar interest rates, and from customers' transition to conservative segments due to market declines.

Small Business and Microbusiness Segment

Net profit attributed to the Small Business and Microbusiness Segment totaled NIS 746 million in the first nine months of 2022, compared with NIS 489 million in the same period last year. Most of the increase resulted from an increase in net financing profit in comparison to the same period last year, and from an increase in fees and other income. This increase was partly offset by an increase in the provision for credit losses.

Net financing profit totaled NIS 1,924 million in the first nine months of 2022, compared with NIS 1,504 million in the same period last year. The increase mainly resulted from an increase in the volume of credit and deposits, and from the increase in the shekel and dollar interest rates.

Fees and other income totaled NIS 737 million in the first nine months of 2022, compared with NIS 651 million in the same period last year. The increase mainly resulted from an increase in net credit-card fees, account-management fees, and conversion differences.

A provision for credit losses in the amount of NIS 112 million was recorded in the first nine months of 2022, compared with income in the amount of NIS 34 million in the same period last year. Most of the change resulted from an increase in the collective allowance.

Operating and other expenses of the segment totaled NIS 1,415 million in the first nine months of 2022, compared with NIS 1,416 million in the same period last year.

Credit to the public totaled approximately NIS 61.4 billion as at September 30, 2022, compared with approximately NIS 60.3 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 98.8 billion as at September 30, 2022, compared with approximately NIS 94.9 billion as at December 31, 2021. The mainly increase resulted from an increase in the shekel and dollar interest rates, and from customers' transition to conservative segments due to market declines.

Mid-sized Business Segment

Net profit attributed to the Mid-sized Business Segment totaled NIS 550 million in the first nine months of 2022, compared with NIS 424 million in the same period last year. The increase mainly resulted from an increase in net financing profit in comparison to the same period last year, as well as from an increase in income from credit losses and an increase in fees and other income.

Net financing profit totaled NIS 734 million in the first nine months of 2022, compared with NIS 608 million in the same period last year. The increase mainly resulted from an increase in the volume of credit and deposits, and from the increase in the shekel and dollar interest rates.

Fees and other income totaled NIS 241 million in the first nine months of 2022, compared with NIS 212 million in the same period last year. The increase mainly resulted from an increase in credit-handling fees.

Income from credit losses in the amount of approximately NIS 200 million was recorded in the first nine months of 2022, compared with NIS 179 million in the same period last year.

Operating and other expenses totaled approximately NIS 316 million in the first nine months of 2022, compared with NIS 313 million in the same period last year.

Credit to the public totaled approximately NIS 38.1 billion as at September 30, 2022, compared with approximately NIS 38.3 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 34.2 billion as at September 30, 2022, compared with approximately NIS 33.6 billion as at December 31, 2021.

Large Business Segment

Net profit attributed to the Large Business Segment totaled NIS 1,137 million in the first nine months of 2022, compared with NIS 886 million in the same period last year. The increase mainly resulted from an increase in net financing profit and an increase in fees and other income.

Net financing profit totaled NIS 1,289 million in the first nine months of 2022, compared with NIS 966 million in the same period last year. The increase mainly resulted from an increase in the volume of credit and deposits, and from the increase in the shekel and dollar interest rates.

Fees and other income totaled NIS 442 million in the first nine months of 2022, compared with NIS 363 million in the same period last year. The increase mainly resulted from an increase in fees from financing transactions and an increase in capital-market fees.

Income from credit losses in the amount of approximately NIS 529 million was recorded in the first nine months of 2022, compared with NIS 559 million in the same period last year. The comparison period last year was mainly influenced by improvement in economic parameters, primarily due to lifting of the restrictions of the coronavirus period. The income in the reported period mainly resulted from income due to a decrease in the individual allowance and repayment of problematic debts.

Operating and other expenses of the segment totaled approximately NIS 490 million in the first nine months of 2022, compared with NIS 451 million in the same period last year. The increase mainly resulted from an increase in regular salary expenses in the segment.

Credit to the public totaled approximately NIS 104.6 billion as at September 30, 2022, compared with approximately NIS 89.4 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 79.0 billion as at September 30, 2022, compared with approximately NIS 84.1 billion as at December 31, 2021. The decrease mainly resulted from reduced balances of major depositors.

Institutional Entity Segment

Net profit attributed to the Institutional Entity Segment totaled NIS 90 million in the first nine months of 2022, compared with NIS 30 million in the same period last year. The increase mainly resulted from an increase in net financing profit.

Net financing profit totaled NIS 191 million in the first nine months of 2022, compared with NIS 77 million in the same period last year. The increase mainly resulted from the effect of the increase in the shekel and dollar interest rates.

Credit to the public totaled approximately NIS 2.2 billion as at September 30, 2022, compared with approximately NIS 4.2 billion as at December 31, 2021. The decrease mainly resulted from a decrease in balances used to hedge exposure in derivatives.

Deposits from the public totaled approximately NIS 91.8 billion as at September 30, 2022, compared with approximately NIS 101.3 billion as at December 31, 2021. The decrease mainly resulted from reduced balances of major depositors.

Financial Management Segment

Net profit attributed to the Financial Management Segment totaled NIS 1,406 million in the first nine months of 2022, compared with NIS 1,512 million in the same period last year. The decrease mainly resulted from a decrease in net financing profit.

Net financing profit totaled NIS 2,233 million in the first nine months of 2022, compared with NIS 2,453 million in the same period last year. The decrease mainly resulted from losses recorded from investment in shares, and from a change in the differences between the fair value of derivatives that are part of the asset and liability management of the Bank and the measurement of the same assets on an accrual basis, compared with profits in the same period last year. This decrease was partly offset by an increase in income from linkage differentials due to changes in the rate of the known CPI between the periods.

Fees and other income totaled NIS 101 million in the first nine months of 2022, compared with NIS 84 million in the same period last year.

Other Segment (activity in Israel)

Net profit attributed to the segment totaled NIS 84 million in the first nine months of 2022, compared with net profit in the amount of NIS 68 million in the same period last year. The increase mainly resulted from a decrease in operating expenses.

Fees and other income totaled NIS 181 million in the first nine months of 2022, compared with NIS 178 million in the same period last year.

Operating and other expenses of the segment totaled approximately NIS 47 million in the first nine months of 2022, compared with NIS 71 million in the same period last year. The decrease mainly resulted from a decrease in expenses in connection with the implementation of the resolution concerning the Bank Group's business with American customers.

International Activity Segment

Net profit attributed to the International Activity Segment totaled NIS 53 million in the first nine months of 2022, compared with a loss in the amount of NIS 50 million in the same period last year.

The principal changes in the results of international activity are set out below:

- Net profit of the New York branch totaled approximately NIS 123 million in the first nine months of 2022, compared with net profit of approximately NIS 88 million in the same period last year. The increase mainly resulted from an increase in net interest income, due to an increase in credit balances. This increase was partly offset by an increase in the provision for credit losses, due to macroeconomic adjustments.
- The loss of Hapoalim Switzerland totaled approximately NIS 45 million in the first nine months of 2022, compared with a loss in the amount of approximately NIS 115 million in the same period last year. The decrease in loss mainly resulted from a decrease in expenses in connection with the reduction of activity and implementation of the resolution concerning the Bank Group's business with American customers.

Total credit to the public in international activity amounted to approximately NIS 19.0 billion as at September 30, 2022, compared with approximately NIS 15.6 billion as at December 31, 2021.

- Credit to the public at the New York branch totaled approximately NIS 18.9 billion as at September 30, 2022, compared with NIS 15.3 billion as at December 31, 2021. Most of the credit derives from activity in the middle-market sector.
- Credit to the public at Bank Pozitif in Turkey totaled approximately NIS 0.2 billion as at September 30, 2022, similar to the balance as at December 31, 2021.

Total deposits from the public in international activity amounted to approximately NIS 23.4 billion as at September 30, 2022, compared with approximately NIS 20.5 billion as at December 31, 2021, mostly originating with the New York branch.

2.5. Description of the Bank Group's business by operating segment based on the management approach

The Bank Group operates in Israel and abroad, and provides a wide range of banking and financial services to its customers. The division into operating segments according to the management approach is based on types of products and services, or on types of customers and their assignments to the organizational units by which they are served, which is performed in accordance with various criteria established by the Board of Management of the Bank. The Board of Management of the Bank uses this division to make decisions and to analyze the Group's business results.

For details regarding the criteria used in this classification and the rules for the distribution of the results of operations among the segments, see Note 28A to the Annual Financial Statements for 2021.

Table 2-23: Results of operations and principal data of operating segments based on the management approach

	For the three months ended September 30, 2022								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
	NIS millions								
Net financing profit	**1,026**	**529**	**348**	**417**	**569**	**203**	**659**	**-**	**3,751**
Fees and other income	**449**	**171**	**14**	**119**	**171**	**6**	**33**	**39**	**1,002**
Total income	**1,475**	**700**	**362**	**536**	**740**	**209**	**692**	**39**	**4,753**
Provision (income) for credit losses	**47**	**20**	**(4)**	**(11)**	**(68)**	**33**	**28**	**-**	**45**
Operating and other expenses	**938**	**327**	**111**	**147**	**196**	**119**	**123**	**11**	**1,972**
Profit (loss) before taxes	**490**	**353**	**255**	**400**	**612**	**57**	**541**	**28**	**2,736**
Provision for taxes (tax benefit) on profit (loss)	**171**	**122**	**86**	**145**	**220**	**22**	**195**	**6**	**967**
Net profit (loss) attributed to shareholders of the Bank	**319**	**231**	**169**	**255**	**392**	**35**	**362**	**22**	**1,785**
Net credit to the public at the end of the reported period	**38,535**	**34,770**	**125,769**	**56,470**	**103,604**	**17,030**	**5,404**	**-**	**381,582**
Deposits from the public at the end of the reported period	**235,040**	**69,182**	**-**	**50,554**	**81,638**	**23,314**	**67,971**	**-**	**527,699**

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 11,837 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Table 2-23: Results of operations and principal data of operating segments based on the management approach (continued)

	For the three months ended September 30, 2021								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
	NIS millions								
Net financing profit	491	324	299	315	423	126	799	-	2,777
Fees and other income	360	139	19	113	151	6	37	42	867
Total income	851	463	318	428	574	132	836	42	3,644
Provision (income) for credit losses	(2)	(40)	9	6	(233)	9	(1)	-	(252)
Operating and other expenses	957	341	106	148	181	115	129	22	1,999
Profit (loss) before taxes	(104)	162	203	274	626	8	708	20	1,897
Provision for taxes (tax benefit) on profit (loss)	(40)	56	68	100	230	23	265	3	705
Net profit (loss) attributed to shareholders of the Bank	(64)	106	135	174	396	(13)	456	17	1,207
Net credit to the public at the end of the reported period	37,887	32,003	109,462	49,568	89,915	14,405	2,057	-	335,297
Deposits from the public at the end of the reported period	225,512	63,198	-	46,597	77,134	19,981	73,061	-	505,483

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 6,848 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Table 2-23: Results of operations and principal data of operating segments based on the management approach (continued)

	For the nine months ended September 30, 2022								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
	NIS millions								
Net financing profit	2,152	1,252	1,010	1,107	1,470	475	2,317	-	9,783
Fees and other income	1,208	474	36	371	495	21	118	183	2,906
Total income	3,360	1,726	1,046	1,478	1,965	496	2,435	183	12,689
Provision (income) for credit losses	(7)	74	34	(77)	(617)	84	45	-	(464)
Operating and other expenses	2,844	997	337	439	590	320	354	45	5,926
Profit (loss) before taxes	523	655	675	1,116	1,992	92	2,036	138	7,227
Provision for taxes (tax benefit) on profit (loss)	182	227	233	402	716	49	677	47	2,533
Net profit (loss) attributed to shareholders of the Bank	341	428	442	714	1,276	42	1,448	91	4,782
Net credit to the public at the end of the reported period	38,535	34,770	125,769	56,470	103,604	17,030	5,404	-	381,582
Deposits from the public at the end of the reported period	235,040	69,182	-	50,554	81,638	23,314	67,971	-	527,699

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 11,837 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Table 2-23: Results of operations and principal data of operating segments based on the management approach (continued)

	For the nine months ended September 30, 2021								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
	NIS millions								
Net financing profit	1,479	962	845	896	1,190	342	2,454	-	8,168
Fees and other income	1,078	416	43	324	434	24	100	171	2,590
Total income	2,557	1,378	888	1,220	1,624	366	2,554	171	10,758
Provision (income) for credit losses	(397)	(108)	(231)	(62)	(622)	13	-	-	(1,407)
Operating and other expenses	2,836	998	299	436	536	356	373	64	5,898
Profit (loss) before taxes	118	488	820	846	1,710	(3)	2,181	107	6,267
Provision for taxes (tax benefit) on profit (loss)	43	178	298	321	647	59	750	38	2,334
Net profit (loss) attributed to shareholders of the Bank	75	310	522	525	1,063	(57)	1,473	69	3,980
Net credit to the public at the end of the reported period	37,887	32,003	109,462	49,568	89,915	14,405	2,057	-	335,297
Deposits from the public at the end of the reported period	225,512	63,198	-	46,597	77,134	19,981	73,061	-	505,483

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 6,848 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

2.6. Principal companies

2.6.1. Companies in Israel

Poalim Equity Group

The Poalim Equity Group, which serves as the non-financial investment arm of the Bank and is held under its full ownership, operates in two main areas: direct equity and quasi-equity investments (including mezzanine) in companies; and investments and ventures in private investment funds, and investment banking in and outside Israel.

Poalim Equity also holds approximately 24.9% of Poalim IBI, which provides consulting, underwriting, and capital raising management services. In November 2022, the Bank and Poalim Equity demanded that Poalim IBI act to change its name and discontinue the use of the name "Poalim." The Bank is considering alternatives for activity in the area of underwriting, including the possibility of establishing an independent underwriting business.

The balance of investments of Poalim Equity totaled approximately NIS 3.2 billion as at September 30, 2022, compared with approximately NIS 2.7 billion at the end of 2021.

In addition, it has an investment commitment in the amount of approximately NIS 1.3 billion as at September 30, 2022, compared with a total of approximately NIS 0.8 billion as at December 31, 2021.

The increase in the volume of investments constitutes continued implementation of the strategy of the Bank to increase the scope of investments executed at Poalim Equity, subject to market conditions, within a multi-year trajectory for investments through 2025 approved by the Board of Directors of the Bank.

The contribution of Poalim Equity to the results of operations of the Bank in the first nine months of 2022 amounted to profit of approximately NIS 94 million, compared with profit in the amount of approximately NIS 268 million in the same period last year. The decrease in the contribution mainly resulted from the effect of the decline in value of tradable shares during the current period, versus profits recorded from revaluation of shares in the same period last year.

The Bank's investment in Poalim Equity (in capital and other means) totaled NIS 3.7 billion as at September 30, 2022, compared with NIS 3.2 billion at the end of 2021.

2.6.2. Companies outside Israel

Hapoalim (Switzerland) Ltd. (hereinafter: "Hapoalim Switzerland")

A subsidiary (wholly owned by the Bank) incorporated in Switzerland, which was mainly engaged in the past in the provision of private-banking services through branches in Zurich and Luxembourg. In September 2017, the Bank decided to act to discontinue the activity of Hapoalim Switzerland. At present, there are no remaining customer accounts at Hapoalim Switzerland. The Bank is acting to return the banking license.

The loss of Hapoalim Switzerland totaled CHF 13 million in the first nine months of 2022, compared with a loss in the amount of CHF 29 million in the same period last year. The results of operations in Switzerland reflect the decrease in expenses arising from the closure procedures and the legal expenses in connection with the conclusion of the investigation of the Bank Group's business with American customers.

Bank Pozitif Kredi Ve Kalkinma Bankasi Anonim Sirketi (hereinafter: "Bank Pozitif")

The Bank Group holds Bank Pozitif, in Turkey, which is engaged in corporate banking.

In accordance with the strategy of the Bank, the Bank is acting to sell its investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.

Following the contentions of the former minority shareholder of Pozitif and the legal proceedings initiated with the aim of revoking resolutions passed by the general meeting of Pozitif, the Bank, on January 31, 2022, signed an agreement with the minority shareholder pursuant to which the Bank would acquire the holdings of the minority shareholder (30.17%) in consideration for a total of USD 5 million, such that the Bank would hold 100% of the share capital of Bank Pozitif, and the parties would mutually waive contentions towards one another. The minority shareholder filed a motion with the court to withdraw its claim (which will be examined within the hearing scheduled for all of the claims later this year). The transaction was completed on March 10, 2022, and thereafter the Bank holds Bank Pozitif in full.

According to the estimates of the Bank, the transaction will help realize the process of withdrawing from activity in Turkey and contribute to the continued sound management of Bank Pozitif.

For details regarding the instructions of the Bank of Israel to raise the weighting rates of risk-adjusted assets and deduct the credit line granted by the Bank to Bank Pozitif from supervisory capital, see Note 9J to the Condensed Financial Statements.

The net balance of credit to the public of Bank Pozitif totaled TRY 724 million (approximately NIS 137 million) as at September 30, 2022, compared with a balance in the amount of TRY 967 million (approximately NIS 225 million) at the end of 2021.

The total investment of the Bank in Bank Pozitif, in capital and other means, after recognition of a loss from impairment, totaled NIS 85 million as at September 30, 2022, compared with approximately NIS 91 million at the end of 2021.

For additional information regarding the international operations of the Bank, see the International Activity Segment in the section "Operating segments based on the management approach" in the Corporate Governance Report.

3. Review of risks

Some of the information in this section, even if it is based on processing of historical data, constitutes forward-looking information, as defined in the Securities Law and as detailed in Section 1.1 above.

Additional information regarding risks is available in the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at September 30, 2022, hereinafter the "Report on Risks."

3.1. General description of risks and risk management

The Bank performs a comprehensive examination to assess the risks to which it is exposed and to determine the materiality of such risks. Within the ICAAP (the Internal Capital Adequacy Assessment Process), the Bank defined the following risks as material risks: credit risk, concentration risk, market risk, investment risk, operational risk (including IT risk and cyber risk), counterparty risk, interest-rate risk in the banking book, liquidity risk, reputational risk, strategic and competitive risk, regulatory risk, and compliance risk. Other risks to which the Bank is exposed are handled directly as part of the management of its business: legal risk, economic risk, and environmental risk (including climate risk).

The risk-management strategy of the Bank Group is designed to support the achievement of the strategic objectives of the Group as a whole, while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration costs in terms of risk, by every responsible function at all levels of the organization. Risk management at the Bank is based on a uniform methodology, from a comprehensive perspective, adapted to regulatory requirements, with the aim of supporting informed risk-taking in order to maximize the Group's profitability at a risk level aligned with its risk appetite.

Risk management is performed based on a global view of the Bank's activity in Israel and of activity at the Bank's branches abroad, with due attention to the activity of subsidiaries with exposure significant for the Group. The subsidiaries are instructed to manage risks based on the strategy and policy of the Group, with adjustments according to the circumstances, which are reported to the parent company. Risks are managed separately by each company in the Bank Group, according to policy formulated by each company's board of directors. The Bank manages the various risks while hedging some risks. The Banking Supervision Department has set forth guidelines concerning risk management in the Proper Conduct of Banking Business Directives. The directives detail the requirements of the Banking Supervision Department for the management of the various risks to which a banking corporation is exposed, and stipulate fundamental principles for the management and control of risks, including suitable involvement in and thorough understanding of risk management by the board of directors of the banking corporation, the management of risks by a risk manager who is a member of the board of management, the employment of tools for the identification and measurement of risks, and the creation of means for supervision and control, including the existence of an independent risk-control function. The Bank operates in accordance with the guidelines of the Banking Supervision Department.

The Chief Risk Officer (CRO) and the member of the Board of Management responsible for the Risk Management Division, as of June 1, 2022, is Ms. M. Ben Shushan Cohen.

Financial risks are managed by designated members of the Board of Management and under their responsibility.

The principal members of the Board of Management responsible for managing credit risks are the Head of Corporate Banking (Mr. T. Cohen until July 19, 2022, and Mr. I. Furman as of that date), and the Head of Retail Banking, Ms. D. Raviv.

The member of the Board of Management responsible for managing market, investment, and liquidity risks is the Head of Financial Markets and International Banking, Mr. Y. Antebi.

Legal risk is managed by Attorney Y. Almog, Chief Legal Advisor.

Technological risk, including cyber risk, is managed by Ms. E. Ben-Zeev, Head of Information Technology.

Operational risk, excluding legal risk and technological risk, is managed by each member of the Board of Management in the area of activity for which he or she is responsible.

For details and more extensive information regarding risk management governance, including the control approach, the responsible parties, and the committees of the Board of Directors and Board of Management relevant to risk management, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2021, and as at September 30, 2022.

3.2. Credit risk

Credit risk is the risk that a borrower or debtor may default on obligations to the Bank under a credit agreement.

The credit portfolio is a major component of the asset portfolio of the Bank Group; therefore, deterioration in the stability of the various borrowers may have an adverse effect on the Group's asset value and profitability.

Activities that create credit risk include:

- **Balance sheet exposures –** Present liabilities to the Bank, such as credit and mortgages to the public, credit to banks and deposits with banks, credit to governments, investment in bonds (corporate and other), and the balance sheet part (positive fair value) of derivatives and financial instruments.
- **Off-balance sheet exposures –** Potential (unrealized) liabilities to the Bank, such as guarantees, unutilized commitments to grant credit, unutilized credit facilities, and potential liabilities arising from changes in the value of transactions in derivative financial instruments.

The credit risk arising from transactions in derivative financial instruments is defined as counterparty risk, which is the risk that the counterparty to the transaction will default before the final settlement of cash flows in the derivatives transaction. For information regarding counterparty credit risk and the management thereof, see the Report on Risks.

Another risk arising from the portfolio of credit exposures is concentration risk. Concentration risk arises from non-optimal diversification of specific risks in the credit portfolio, such that the credit portfolio is insufficiently diversified across the various risk factors; for example, when the credit portfolio is composed of a small number of borrowers (name concentration) or has a high degree of exposure to a particular economic sector (sector concentration).

3.2.1. Analysis of credit quality and problematic credit risk

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. Within this process, the term "impaired" has been eliminated, and non-accruing credit is presented instead. Accordingly, accruing debts previously classified as impaired debts are not stated within non-accruing debts, and housing loans past due by 90 days or more, previously classified as accruing debts, are classified as non-accruing debts. For further details regarding the implementation of the directive and the effect thereof, see Note 1C, Note 6, and Note 13 to the Condensed Financial Statements.

Table 3-1: Analysis of credit quality, problematic credit risk, and nonperforming assets of the public

	Balance as at September 30, 2022				Balance as at December 31, 2021			
	Commercial	Housing	Private	Total	Commercial	Housing	Private	Total
	NIS millions							
Credit risk at credit execution rating[1]								
Balance sheet credit risk	**228,247**	**124,933**	**32,091**	**385,271**	203,236	111,739	31,624	346,599
Off-balance sheet credit risk	**148,057**	**8,149**	**18,257**	**174,463**	151,375	10,594	17,583	179,552
Total credit risk at credit execution rating	**376,304**	**133,082**	**50,348**	**559,734**	354,611	122,333	49,207	526,151
Credit risk not at credit execution rating								
a. Non-problematic – balance sheet	**5,330**	**689**	**2,476**	**8,495**	7,381	2,793	2,468	12,642
b. Total problematic[2]	**5,289**	**545**	**665**	**6,499**	6,836	595	718	8,149
Problematic accruing*	**3,026**	**-**	**439**	**3,465**	3,930	-	246	4,176
Problematic non-accruing*	**2,263**	**545**	**226**	**3,034**	2,906	595	472	3,973
Total balance sheet credit risk not at credit execution rating	**10,619**	**1,234**	**3,141**	**14,994**	14,217	3,388	3,186	20,791
Off-balance sheet credit risk not at credit execution rating	**2,841**	**9**	**140**	**2,990**	3,454	39	165	3,658
Total credit risk not at credit execution rating	**13,460**	**1,243**	**3,281**	**17,984**	17,671	3,427	3,351	24,449
Of which: debts accruing interest income past due by 90 days or more*	**36**	**-**	**40**	**76**	40	-	44	84
Total overall credit risk of the public	**389,764**	**134,325**	**53,629**	**577,718**	372,282	125,760	52,558	550,600
Additional information regarding total nonperforming assets								
a. Non-accruing debts*	**2,262**	**545**	**226**	**3,033**	2,888	595	472	3,955
b. Assets received in respect of discharged credit	**2**	**-**	**-**	**2**	31	-	-	31
Total nonperforming assets of the public	**2,264**	**545**	**226**	**3,035**	*2,919	*595	*472	*3,986

* The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. In this table, comparative figures for previous periods have been restated for convenience. For further details, see Note 1C to the Condensed Financial Statements.

(1) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank. Beginning January 1, 2022, with the implementation of the directives of the Bank of Israel concerning current expected credit losses (CECL), the classification of credit risk by credit rating is consistent with the ratings used as the basis for calculation of the collective allowance for credit losses.

(2) Non-accruing, substandard, or special mention credit risk.

Note:
Balance sheet and off-balance sheet credit risk are presented before the effect of the allowance for credit losses, and before the effect of deductible collateral for the purpose of the indebtedness of borrowers and of groups of borrowers.

During the first nine months of 2022, an increase occurred in the volume of credit risk at credit execution rating and in its percentage of total credit risk, for the Bank overall and in each segment. This increase was influenced, among other factors, by a decrease in problematic credit in each of the segments.

Table 3-2: Additional information regarding changes in non-accruing credit to the public[(1)]

	For the nine months ended September 30, 2022		
	Commercial	Private*	Total
	NIS millions		
Changes in non-accruing credit to the public			
Balance of impaired debts at beginning of year	**2,970**	**647**	**3,617**
Adjustment of opening balance of non-accruing credit for effect of initial implementation of CECL[(1)]	**(82)**	**420**	**338**
Debts classified as non-accruing during the period	**361**	**563**	**924**
Debts that resumed accruing interest income during the period	**(212)**	**(615)**	**(827)**
Debts charged off	**(173)**	**(70)**	**(243)**
Debts repaid	**(602)**	**(174)**	**(776)**
Balance of non-accruing debts at end of period	**2,262**	**771**	**3,033**
Change in balance of non-accruing troubled debt restructuring			
Balance in troubled debt restructuring at beginning of year	**1,529**	**623**	**2,152**
Adjustment of opening balance of non-accruing credit in troubled debt restructuring for effect of initial implementation of CECL[(1)]	**(80)**	**(171)**	**(251)**
Restructured during the period	**96**	**172**	**268**
Troubled debt restructurings charged off	**(71)**	**(65)**	**(136)**
Troubled debt restructurings that resumed accruing interest income during the period	**(176)**	**(266)**	**(442)**
Troubled debt restructurings repaid	**(187)**	**(73)**	**(260)**
Balance of non-accruing troubled debt restructuring at end of period	**1,111**	**220**	**1,331**

	For the nine months ended September 30, 2021		
	Commercial	Private	Total
	NIS millions		
Change in balance of impaired debts in respect of credit to the public			
Balance of impaired debts at beginning of year	3,221	739	3,960
Debts classified as impaired during the period	709	147	856
Debts returned to unimpaired classification	(177)	(5)	(182)
Impaired debts charged off	(194)	(85)	(279)
Impaired debts repaid	(724)	(140)	(864)
Balance of impaired debts at end of period	2,835	656	3,491
Change in balance of troubled debt restructuring			
Balance in troubled debt restructuring at beginning of year	2,012	698	2,710
Restructured during the period	121	135	256
Troubled debt restructurings charged off	(80)	(73)	(153)
Troubled debt restructurings restored to unimpaired classification or repaid	(463)	(134)	(597)
Balance in troubled debt restructuring at end of period	1,590	626	2,216

* Including housing loans.

(1) The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. Data referring to the nine months ended September 30, 2021, refer to impaired credit and were not restated. For further details, see Note 1C to the Condensed Financial Statements.

Table 3-3: Credit risk indicators

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. However, in this table, for the purpose of analysis of changes in credit risk, data referring to December 31, 2021, were restated to reflect the allowance and the change in classifications due to the implementation of the directive. For further details, see Note 1C to the Condensed Financial Statements.

	As at							
	September 30, 2022				December 31, 2021			
	Commercial	Private individuals – housing loans	Private individuals – other	Total	Commercial	Private individuals – housing loans	Private individuals – other	Total
Analysis of quality of credit to the public								
Non-accruing credit as a percentage of the balance of credit to the public	**1.00%**	**0.43%**	**0.64%**	**0.78%**	1.39%	0.52%	1.36%	1.11%
Balance of credit to the public, non-accruing or past due by 90 days or more, as a percentage of the balance of credit to the public	**1.02%**	**0.43%**	**0.76%**	**0.80%**	1.41%	0.52%	1.48%	1.13%
Problematic credit as a percentage of the balance of credit to the public	**2.34%**	**0.43%**	**1.89%**	**1.68%**	3.26%	0.52%	2.06%	2.26%
Credit not at credit execution rating as a percentage of the balance of credit to the public	**4.71%**	**0.98%**	**8.92%**	**3.87%**	6.89%	2.94%	9.15%	5.84%
Analysis of provision for credit losses in the reported period								
Provision for credit losses as a percentage of the average balance of credit to the public	**(0.33%)**	**0.04%**	**0.03%**	**(0.18%)**	(0.30%)	(0.21%)	(1.24%)	(0.37%)
Net charge-offs as a percentage of the average balance of credit to the public	**0.05%**	**-**	**(0.03%)**	**0.03%**	0.09%	-	0.07%	0.06%
Analysis of allowance for credit losses in respect of credit to the public								
Total allowance for credit losses* as a percentage of credit to the public	**2.06%**	**0.38%**	**2.58%**	**1.56%**	2.44%	0.39%	2.62%	1.80%
Allowance for credit losses in respect of credit to the public, as a percentage of the balance of credit to the public	**1.72%**	**0.36%**	**2.44%**	**1.34%**	1.99%	0.36%	2.49%	1.51%
Allowance for credit losses as a percentage of the balance of non-accruing credit to the public	**171.53%**	**82.94%**	**380.53%**	**171.18%**	143.39%	68.91%	183.90%	137.02%
Allowance for credit losses as a percentage of the balance of credit to the public, non-accruing or past due by 90 days or more	**168.84%**	**82.94%**	**323.31%**	**167.00%**	141.43%	68.91%	168.22%	134.17%
Ratio of allowance for credit losses to net charge-offs	**33.8**	**(339.0)**	**(80.6)**	**50.6**	24.1	410.0	34.7	27.4

* Including the allowance in respect of off-balance sheet balances.

Note:
Credit to the public – before deduction of the allowance for credit losses.

Portfolio quality analysis

The following credit risk indicators decreased (improved) in the first nine months of 2022, compared with the end of 2021:

- Non-accruing credit as a percentage of the balance of credit to the public, for the Bank as a whole and for each segment.
- The balance of credit to the public, non-accruing or past due by 90 days or more, as a percentage of the balance of credit to the public, for the Bank as a whole and for each segment.
- Problematic credit as a percentage of the balance of credit to the public, for the Bank as a whole and for each segment.
- Credit not at credit execution rating as a percentage of the balance of credit to the public, for the Bank as a whole and for each segment.
- Net charge-offs as a percentage of the average balance of credit to the public, for the Bank as a whole and for each segment.
- The allowance for credit losses as a percentage of the balance of credit to the public decreased, influenced by improvement in portfolio quality indicators and income from recoveries for the Bank as a whole. Improvement was also recorded in each segment, with the exception of the segment "private individuals – housing loans," which remained stable. Note that the collective allowance increased, despite the improvement in portfolio quality indicators. This increase reflects an increase in uncertainty of economic conditions and a higher probability of a crisis, particularly in the area of construction and real estate.

In the indicator of the provision for credit losses as a percentage of the average balance of credit to the public of the Bank as a whole, income was recorded, similar to the data for 2021 but to a lesser extent.

The Bank estimates that the quality of the credit portfolio is good, as reflected in the indicators above. However, the changes in the economic environment indicate an increase in the probability of worsening of macroeconomic conditions, and correspondingly, of an increase in the level of borrowers' credit risk.

Changes in terms of debts within measures to cope with the crisis of the spread of the coronavirus

As part of the measures to cope with the coronavirus, changes in terms of debts were applied which were not classified as troubled debt restructuring, in accordance with the instructions of the Banking Supervision Department. As at September 30, 2022, debts in deferral of payments are primarily housing loans, in the amount of approximately NIS 438 million (December 31, 2021: NIS 617 million).

State-backed loans

In view of the coronavirus outbreak of early 2020, the State resolved on the establishment of a dedicated loan fund, primarily to assist business clients experiencing cash-flow difficulties as a result of the outbreak. The terms of the loans were determined by the Ministry of Finance, and are uniform for all types of borrowers: the loans are for a period of up to ten years, at an interest rate of Prime + 1.5%, and include certain reliefs approved as part of the plan, within which loan payments can be deferred.

As at September 30, 2022, the balance of state-backed loans is NIS 3,721 million (December 31, 2021: NIS 5,009 million), primarily granted to small-business and microbusiness clients.

3.2.2. Classification and analysis of credit risk by economic sector

Table 3-4: Credit risk by economic sector

	September 30, 2022						
					Credit losses[4]		
	Total credit risk[1]	Of which: credit execution rating[5]	Of which: problematic credit risk[6]	Of which: non-accruing credit risk	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses[7]
	NIS millions						
Industry	**32,773**	**31,821**	**469**	**139**	**53**	**(21)**	**312**
Construction and real estate – construction	**99,724**	**97,369**	**968**	**627**	**(114)**	**(54)**	**866**
Construction and real estate – real-estate activities	**35,026**	**34,160**	**91**	**71**	**105**	**(55)**	**566**
Commerce	**40,495**	**38,730**	**593**	**238**	**(29)**	**2**	**322**
Financial services	**58,917**	**58,634**	**25**	**22**	**(130)**	**(4)**	**181**
Other business services	**17,618**	**16,492**	**183**	**31**	**60**	**9**	**227**
Public and community services	**9,215**	**8,531**	**405**	**23**	**(15)**	**5**	**178**
Other sectors	**51,640**	**47,949**	**2,418**	**1,260**	**(565)**	**11**	**1,208**
Total commercial	**345,408**	**333,686**	**5,152**	**2,411**	**(635)**	**(107)**	**3,860**
Private individuals – housing loans	**133,705**	**132,489**	**531**	**531**	**34**	**1**	**478**
Private individuals – other	**53,439**	**50,161**	**667**	**227**	**7**	**7**	**910**
Total public – activity in Israel	**532,552**	**516,336**	**6,350**	**3,169**	**(594)**	**(99)**	**5,248**
Total banks in Israel and government of Israel	**56,197**	**56,197**	**-**	**-**	**1**	**-**	**1**
Total activity in Israel	**588,749**	**572,533**	**6,350**	**3,169**	**(593)**	**(99)**	**5,249**
Total public – activity overseas	**45,166**	**43,398**	**1,482**	**678**	**103**	**22**	**792**
Banks and governments overseas	**48,986**	**48,889**	**-**	**-**	**26**	**-**	**27**
Total activity overseas	**94,152**	**92,287**	**1,482**	**678**	**129**	**22**	**819**
Total activity in Israel and overseas	**682,901**	**664,820**	**7,832**	**3,847**	**(464)**	**(77)**	**6,068**

(1) Balance sheet credit risk and off-balance sheet credit risk,[3] including in respect of derivative instruments. Includes debts[2], bonds, securities borrowed or purchased under agreements to resell, credit risk in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 402,721; 86,086; 1,028; 10,039; and 183,027 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.
(4) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(5) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(6) Balance sheet and off-balance sheet non-accruing, substandard, or special mention credit risk.
(7) The collective allowance component in respect of qualitative adjustments arising from the pace of growth of the balances of credit for construction and real estate and reliefs in underwriting is included, as of June 30, 2022, as part of the allowance for credit losses in the construction and real-estate sectors, similar to its inclusion prior to the implementation of the directives of the Bank of Israel concerning current expected credit losses (CECL).

Table 3-4: Credit risk by economic sector (continued)

	September 30, 2021						
					Credit losses[4]		
	Total credit risk[1]	Of which: credit execution rating[5]	Of which: problematic credit risk[6]	Of which: impaired credit risk (excluding derivatives)	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions						
Industry	33,608	32,596	597	212	(18)	30	310
Construction and real estate – construction	90,549	89,010	668	434	(6)	(114)	677
Construction and real estate – real-estate activities	34,520	32,541	356	135	(202)	(75)	446
Commerce	40,255	38,301	872	273	(172)	(5)	789
Financial services	46,733	46,431	159	6	(20)	(2)	223
Other business services	15,978	14,683	184	92	(21)	22	184
Public and community services	9,003	8,499	72	39	(15)	2	67
Other sectors	48,243	43,789	3,491	1,570	(290)	(53)	1,428
Total commercial	318,889	305,850	6,399	2,761	(744)	(195)	4,124
Private individuals – housing loans	116,295	113,677	608	-	(231)	-	520
Private individuals – other	52,493	49,438	733	657	(417)	(16)	622
Total public – activity in Israel	487,677	468,965	7,740	3,418	(1,392)	(211)	5,266
Banks in Israel	2,084	2,084	-	-	-	-	-
Israeli government	45,075	45,075	-	-	-	-	-
Total activity in Israel	534,836	516,124	7,740	3,418	(1,392)	(211)	5,266
Total public – activity overseas	36,625	32,484	2,697	751	(15)	(39)	503
Banks and governments overseas	47,163	47,005	-	-	-	-	5
Total activity overseas	83,788	79,489	2,697	751	(15)	(39)	508
Total activity in Israel and overseas	618,624	595,613	10,437	4,169	(1,407)	(250)	5,774

(1) Balance sheet credit risk and off-balance sheet credit risk,[3] including in respect of derivative instruments. Includes debts[2], bonds, securities borrowed or purchased under agreements to resell, credit risk in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 358,529; 66,740; 1,219; 10,084; and 182,052 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.
(4) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(5) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(6) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist which are past due by 90 days or more.

Table 3-4: Credit risk by economic sector (continued)

	December 31, 2021						
					Credit losses[4]		
	Total credit risk[1]	Of which: credit execution rating[5]	Of which: problematic credit risk[6]	Of which: impaired credit risk (excluding derivatives)	Provision (income) for credit losses	Net charge-offs	Allowance for credit losses
	NIS millions						
Industry	34,554	33,516	539	178	(28)	52	280
Construction and real estate – construction	95,350	93,465	873	557	103	(124)	798
Construction and real estate – real-estate activities	35,698	34,927	212	127	(182)	(77)	469
Commerce	41,705	39,627	689	265	(219)	(19)	755
Financial services	50,636	50,283	154	6	9	(2)	253
Other business services	16,228	14,743	171	87	(11)	28	189
Public and community services	9,284	8,727	73	41	(12)	1	70
Other sectors	50,960	46,196	3,266	1,567	(226)	19	1,413
Total commercial	334,415	321,484	5,977	2,828	(566)	(122)	4,227
Private individuals – housing loans	125,207	121,811	570	1	(226)	(1)	527
Private individuals – other	52,381	49,033	720	649	(424)	(25)	625
Total public – activity in Israel	512,003	492,328	7,267	3,478	(1,216)	(148)	5,379
Total banks in Israel	6,511	6,511	-	-	-	-	-
Israeli government	41,758	41,758	-	-	-	-	-
Total activity in Israel	560,272	540,597	7,267	3,478	(1,216)	(148)	5,379
Total public – activity overseas	38,597	33,823	2,504	943	(5)	(50)	524
Banks and governments overseas	50,251	50,247	-	-	1	-	6
Total activity overseas	88,848	84,070	2,504	943	(4)	(50)	530
Total activity in Israel and overseas	649,120	624,667	9,771	4,421	(1,220)	(198)	5,909

(1) Balance sheet credit risk and off-balance sheet credit risk,[3] including in respect of derivative instruments. Includes debts[2], bonds, securities borrowed or purchased under agreements to resell, credit risk in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 373,314; 67,455; 1,253; 12,985; and 194,113 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.
(4) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(5) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(6) Balance sheet and off-balance sheet credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist which are past due by 90 days or more.

3.2.3. Construction and real estate

Activity in the construction and real-estate sectors grew considerably over the last year, in both residential and non-residential construction. Residential construction starts are now approaching 75,000 units per year. Concurrently, market trends are indicating a significant decrease in purchases of new homes, though in comparison to the high level of 2021. The pace of monthly sales is now similar to the pre-Covid period, in 2019, although, as noted, construction starts have increased, so that the inventory of unsold homes is also higher. Interest-rate increases have reduced households' ability to buy homes and lowered purchases by investors. Data from the Central Bureau of Statistics thus far indicate a continued increase in prices of homes, completing a 19% gain over the last year. A sharp trend reversal is evident in many countries, with prices now falling.

As a result of the growth in this sector, demand for corporate credit in the construction and real-estate sectors increased; accordingly, the Bank increased its activity in financing for the real-estate sectors and real-estate projects in the course of 2021, with certain adjustments and reliefs. Financing rates rose moderately, while credit spreads were eroded somewhat (for details, see Note 12 to the Condensed Financial Statements, "Supervisory Operating Segments"). The growth of the portfolio slowed significantly in the first nine months of 2022. The Bank is operating within its credit risk management limits, while examining risk-adjusted profitability.

Further to the guidelines of the Banking Supervision Department, criteria have been established for underwriting of credit considered at heightened risk. The bank has monitored performance accordingly beginning in the second quarter of 2021. According to the estimates of the Bank, the adjustments and reliefs applied in underwriting terms have not led to a material change in the risk level, taking into consideration compensatory factors with respect to this credit. The Bank also reflected these factors in determining the adequate collective allowance for the construction and real-estate sector, as detailed below. The Bank is examining the potential implications of the changes in the economic environment, and performs the required adjustments as necessary.

Table 3-5: Segmentation of credit risk in the construction and real-estate sectors in Israel, by principal area of activity

	Balance as at September 30, 2022					
	Balance sheet credit risk	Off-balance sheet credit[1]		Credit risk before effect of haircuts and deductions	Effect of haircuts and deductions	Total credit risk
	Loans[2]	Unutilized credit facilities	Guarantees			
	NIS millions					
Corporate Banking Division						
Construction for commerce and services	**3,476**	**1,541**	**1,098**	**6,115**	**(967)**	**5,148**
Construction for industry	**334**	**20**	**48**	**402**	**-**	**402**
Housing construction	**26,482**	**35,356**	[2]**52,691**	**114,529**	**(48,543)**	**65,986**
Yield-generating properties	**24,807**	**4,377**	**797**	**29,981**	**(157)**	**29,824**
Other	**9,713**	**8,718**	**6,711**	**25,142**	**(3,068)**	**22,074**
Corporate Banking Division total	**64,812**	**50,012**	**61,345**	**176,169**	**(52,735)**	**123,434**
Retail Banking Division	**8,818**	**1,779**	**720**	**11,317**	**(1)**	**11,316**
Total activity in Israel	**73,630**	**51,791**	**62,065**	**187,486**	**(52,736)**	**134,750**

(1) Balance of contracts before the effect of haircuts of Sale Law guarantees.
(2) Includes balance sheet and off-balance sheet credit risk in respect of which insurance was acquired, mainly from foreign insurance companies, for the portfolio of credit for land. For further details, see the Report on Risks as at September 30, 2022.

Table 3-5: Segmentation of credit risk in the construction and real-estate sectors in Israel, by principal area of activity (continued)

	Balance as at December 31, 2021*					
	Balance sheet credit risk	Off-balance sheet credit(1)		Credit risk before effect of haircuts and deductions	Effect of haircuts and deductions	Total credit risk
	Loans(2)	Unutilized credit facilities	Guarantees			
	NIS millions					
Corporate Banking Division						
Construction for commerce and services	3,671	1,375	755	5,801	(603)	5,198
Construction for industry	317	54	38	409	-	409
Housing construction	24,641	36,949	(2)41,917	103,507	(41,808)	61,699
Yield-generating properties	23,325	7,270	1,052	31,647	(799)	30,848
Other	9,161	8,199	6,887	24,247	(3,014)	21,233
Corporate Banking Division total	61,115	53,847	50,649	165,611	(46,224)	119,387
Retail Banking Division	8,809	2,145	692	11,646	-	11,646
Total activity in Israel	69,924	55,992	51,341	177,257	(46,224)	131,033

* Reclassified.
(1) Balance of contracts before the effect of haircuts of Sale Law guarantees.
(2) Includes balance sheet and off-balance sheet credit risk in respect of which insurance was acquired from insurance companies for the portfolio of credit for land. For further details, see the Report on Risks as at September 30, 2022.

Overall credit risk in the construction and real-estate sectors in Israel totaled approximately NIS 135 billion as at September 30, 2022. Total risk of credit to the public in the construction and real-estate sectors in Israel increased by approximately 2.8% in the first nine months of 2022 (5.8% before the effect of haircuts and deductions). Most of the exposure is at the Corporate Banking Division (mid-sized and large customers), at approximately 92% of total credit risk in the construction and real-estate sectors in Israel.

Exposure to companies operating primarily in the residential construction industry at the Corporate Banking Division constitutes approximately 54% of the exposure of the division to the construction and real-estate sector. Most financing for companies in this industry consists of financing of land for housing and financing of residential construction projects nationwide. Exposure to companies operating in the areas of construction of buildings for commerce, services, and industry, as well as yield-generating properties for rent, at the Corporate Banking Division constitutes approximately 29% of the exposure of the division to the construction and real-estate sector.

Table 3-6: Analysis of credit quality in the construction and real-estate sectors

	Balance as at		Change
	September 30, 2022	December 31, 2021	December 31, 2021
	NIS millions		
Credit risk at credit execution rating			
Non-problematic credit risk	**144,442**	137,438	5.1%
Credit risk not at credit execution rating			
Problematic accruing (up to December 31, 2021: problematic unimpaired)	**493**	524	(5.9%)
Non-accruing (up to December 31, 2021: impaired)	**1,264**	1,368	(7.6%)
Non-problematic	**2,355**	3,081	(23.6%)
Total credit risk not at credit execution rating	**4,112**	4,973	(17.3%)
Total	**148,554**	142,411	4.3%

Total credit risk not at credit execution rating decreased by 17.3% in the first nine months of 2022. Total credit risk not at credit execution rating as a percentage of total credit risk decreased from 3.5% to 2.8% in the first nine months of 2022.

The Bank estimates that the quality of the credit portfolio in construction and real estate is good, as reflected in indicators such as the percentage of problematic non-accruing debt and the percentage of credit not at credit execution rating. However, the changes in the economic environment indicate an increase in the probability of worsening in these sectors, and consequently of an increase in the level of borrowers' credit risk. As a conservative measure, the Bank increased its collective allowance in respect of this portfolio.

Table 3-7: Risk of credit in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity[1]

	Balance as at September 30, 2022				
	Land	Real estate in construction processes[2]	Completed properties	Other	Total
	NIS millions				
Financing rate[3]					
Up to 45%	**2,078**	**-**	**4,442**	**-**	**6,520**
Over 45% up to 65%	**5,996**	**-**	**6,418**	**-**	**12,414**
Over 65% up to 85%	**15,458**	**-**	**6,394**	**-**	**21,852**
Over 85%	**384**	**-**	**432**	**-**	**816**
Absorption capacity[4]					
Up to 25%	**-**	**902**	**-**	**-**	**902**
Over 25% up to 50%	**-**	**12,621**	**-**	**-**	**12,621**
Over 50% up to 75%	**-**	**14,717**	**-**	**-**	**14,717**
Over 75%	**-**	**60,950**	**-**	**-**	**60,950**
Projects not yet started	**-**	**16,698**	**-**	**-**	**16,698**
Other[5]	**-**	**-**	**-**	**28,679**	**28,679**
Total credit risk before haircuts and deductions – Corporate Banking Division	**23,916**	**105,888**	**17,686**	**28,679**	**176,169**
Effect of haircuts and deductions	**-**	**-**	**-**	**-**	**(52,735)**
Total Corporate Banking Division credit risk	**-**	**-**	**-**	**-**	**123,434**

(1) Segmentation into segments and financing rates was performed according to an analysis of the source of repayment of each credit, as presented and approved during the underwriting process. Data as at September 30, 2022, are stated after improvement of the division of the credit portfolio into segments, which included reclassification of balances in respect of real estate in construction processes, which were included in "other credit" until the report date.
(2) "Real estate in construction processes" includes credit for projects in various stages of progress, such as purchasing groups; projects for which a financing agreement has been signed, but financing has not commenced due to non-attainment of preliminary conditions (absorption capacity is presented according to the minimum absorption capacity based on the financing terms approved); and balances of Sale Law guarantees in the process of cancellation in respect of completed projects.
(3) The financing rate is the ratio of credit risk at the balance sheet date, before the effect of haircuts and deductions, to the present value of the existing collateral at the report date, before the effect of haircuts. Financing rates do not weigh in risk hedging of credit balances backed by insurance acquired from reinsurers.
(4) The absorption capacity of the projects is the maximum possible rate of decline in the value of the asset as completed without the Bank incurring losses from the projects. The absorption capacity is based on the last known report at the report date, and does not weigh in risk hedging of credit balances secured by insurance acquired from reinsurers.
(5) "Other credit" is any credit that does not meet the definitions of one of the segments listed above. This item includes, for example, financing of infrastructure projects (PPP); financing against collateral other than real estate (such as deposits, shares, floating liens, third-party guarantees, and more); current credit against financial robustness; and more.

Table 3-7: Risk of credit in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity[(1)] (continued)

	Balance as at December 31, 2021*				
	Land	Real estate in construction processes[(2)]	Completed properties	Other	Total
	NIS millions				
Financing rate[(3)]					
Up to 45%	3,373	-	2,993	-	6,366
Over 45% up to 65%	6,638	-	7,176	-	13,814
Over 65% up to 85%	14,335	-	7,008	-	21,343
Over 85%	501	-	633	-	1,134
Absorption capacity[(4)]					
Up to 25%	-	1,704	-	-	1,704
Over 25% up to 50%	-	18,187	-	-	18,187
Over 50% up to 75%	-	17,005	-	-	17,005
Over 75%	-	45,258	-	-	45,258
Projects not yet started	-	9,159	-	-	9,159
Other[(5)]	-	-	-	31,641	31,641
Total credit risk before haircuts and deductions – Corporate Banking Division	24,847	91,313	17,810	31,641	165,611
Effect of haircuts and deductions	-	-	-	-	(46,224)
Total Corporate Banking Division credit risk	-	-	-	-	119,387

* Reclassified, mainly to separately state projects not yet started, of total real estate under construction.

(1) Segmentation into segments and financing rates was performed according to an analysis of the source of repayment of each credit, as presented and approved during the underwriting process. Data as at September 30, 2022, are stated after improvement of the division of the credit portfolio into segments, which included reclassification of balances in respect of real estate in construction processes, which were included in "other credit" until the report date.

(2) "Real estate in construction processes" includes credit for projects in various stages of progress, such as purchasing groups; projects for which a financing agreement has been signed, but financing has not commenced due to non-attainment of preliminary conditions (absorption capacity is presented according to the minimum absorption capacity based on the financing terms approved); and balances of Sale Law guarantees in the process of cancellation in respect of completed projects.

(3) The financing rate is the ratio of credit risk at the balance sheet date, before the effect of haircuts and deductions, to the present value of the existing collateral at the report date, before the effect of haircuts. Financing rates do not weigh in risk hedging of credit balances backed by insurance acquired from reinsurers.

(4) The absorption capacity of the projects is the maximum possible rate of decline in the value of the asset as completed without the Bank incurring losses from the projects. The absorption capacity is based on the last known report at the report date, and does not weigh in risk hedging of credit balances secured by insurance acquired from reinsurers.

(5) "Other credit" is any credit that does not meet the definitions of one of the segments listed above. This item includes, for example, financing of infrastructure projects (PPP); financing against collateral other than real estate (such as deposits, shares, floating liens, third-party guarantees, and more); current credit against financial robustness; and more.

Credit at financing rates greater than 85% constitutes approximately 2.0% of the total balance of completed properties and land at the Corporate Banking Division in September 2022, compared with 2.7% in December 2021. Credit with absorption capacity of up to 25% for real estate in construction processes constitutes approximately 1% of the total balance of real estate in construction processes at the Corporate Banking Division in September 2022, compared with 2.1% in December 2021.

Note that on May 22, 2022, the Banking Supervision Department issued an update of Directive 203 pursuant to which loans designated for the acquisition of land for the purpose of development or construction at a rate exceeding 80% of the value of the acquired asset (LTV) would be added to the list of debts risk weighted at 150%, excluding loans for the acquisition of agricultural land with no planning horizon or intention to apply for a change in designation, and excluding loans for the acquisition of land for the borrower's own use where the borrower is not categorized as being in the economic sector of construction and real estate, according to the sector classifications in Directive 831 concerning reporting on economic sectors. In this context, it should be noted that talks are underway with the Bank of Israel on several matters with regard to the manner of implementation of the directive, and that, inasmuch as further clarification is provided, it may affect the implementation method and increase the scope of the effect.

Management of credit risk in the construction and real-estate sectors

Exposure to the area of construction and real estate constitutes a substantial portion of the credit portfolio. The Bank monitors developments in credit to the construction and real-estate sectors, and applies various measures to manage the risk. Real-estate credit risks are examined individually, based on the policies and objectives established in the risk appetite that has been set, from the level of the individual transaction to an overview of the portfolio of credit for the construction and real-estate sectors at the Bank.

The Bank manages and hedges risk, among other means, through limits on various segments, as established in policy discussions of the Board of Management and the Board of Directors, overseen and led by the Risk Management Division, in addition to the regulatory limit established by the Bank of Israel. On January 7, 2021, the Bank of Israel issued additional adjustments of Proper Conduct of Banking Business Directive 250 (Temporary Order on Coping with the Coronavirus Crisis), which also addresses Proper Conduct of Banking Business Directive 315, "Industry Indebtedness Limit." The update stated that the limit on credit for the construction and real-estate sector, excluding indebtedness for national infrastructures, would rise from 20% to 22% of total indebtedness of the public, and the limit on credit for the construction and real-estate sector would rise from 24% to 26% of total indebtedness of the public. The period of the relief was extended to 24 months from December 31, 2025, provided that the rate does not exceed the rate on December 31, 2025, or the rate of the industry limit as established in Proper Conduct of Banking Business Directive 315, whichever is higher. As part of its management of exposure to this sector and compliance with the limit in this sector, the Bank uses tools such as syndication and the acquisition of insurance from rated foreign insurance companies recognized for the reduction of indebtedness pursuant to Proper Conduct of Banking Business Directive 313. In the second half of 2021 and in the first quarter of 2022, the Bank expanded the insurance for the portfolio of Sale Law guarantees and, for the first time, insured the portfolio of loans secured by a lien on land. Upon completion, this insurance allowed the Bank to reduce its exposure to the construction and real-estate sector (for further details, see Note 10A(4) to the Condensed Financial Statements and the footnotes to the table "Segmentation of credit risk in the construction and real-estate sectors by principal area of activity," above). The Bank may take additional measures in the future to continue to manage this limit and the exposure to this sector.

The underwriting process for new credit in this sector is performed according to a formalized credit policy for the various types of financing in the industry, such as financing of land, financing of residential construction, and financing of construction and yield generation of yield-generating properties. The policy encompasses qualitative and quantitative criteria such as rate of equity capital, maximum LTV, minimum coverage ratio, and sensitivity to price decreases. These criteria are adapted to the type of financed asset, and are used to set the boundaries of risk appetite in this sector. New credit is underwritten with the establishment of risk-adjusted profitability.

Within the monitoring of the portfolio, changes and trends in various risk indicators are examined, including in comparison to data published with regard to the banking system as a whole. The Bank tracks conditions and changes in macroeconomic indicators in general, and in the business environment of the industry in particular. Certain events have been defined as requiring a reexamination of policy, such as a sharp increase in the interest rate or in inflation, an increase in unemployment in the Israeli economy, or a material change in housing prices. The Bank continues to examine the developments in the economy and consider adjustments accordingly. The Bank uses a model to measure the probability of default and the expected loss in the portfolio. In addition, within stress scenario testing, the effect on credit for construction and real estate is also examined.

Beginning in 2021, changes and trends in portfolio quality have been reflected in the Bank's calculations of the collective allowance for credit losses. The collective allowance coefficient in the construction and real-estate sector was adjusted in 2021 in light of the rapid growth of credit in this sector and the reliefs in credit underwriting. The addition to the allowance coefficient is updated quarterly, according to established methodology.

The allowance for credit losses in respect of the construction and real-estate sectors in Israel totaled approximately NIS 1,432 million as at September 30, 2022, compared with a total of approximately NIS 1,267 million as at December 31, 2021. The total allowance for credit losses as a percentage of credit to the public in the construction and real-estate sector in Israel as at September 30, 2022, is 1.94%, compared with 1.81% as at December 31, 2021. The calculation of the allowance includes an allowance in respect of the rapid increase in balances during 2021, and reflects a possible increase in risk. To reflect the potential risk, the Bank increased its allowance for credit losses in respect of the construction and real-estate sectors in Israel through qualitative adjustments. Accordingly, the allowance for credit losses and its percentage of credit to the public in the construction and real-estate sector in Israel are higher than in December 2021 and in the preceding two quarters, despite improvement in risk indicators for this portfolio.

3.2.4. Credit exposure to foreign countries

Information regarding total exposures to foreign countries and exposures to countries total exposure to each of which constitutes more than 1% of total balance sheet assets, or 20% of capital, whichever is lower, is set out below.

Table 3-8: Principal exposures to foreign countries[(1)]

	September 30, 2022			December 31, 2021		
	Exposure					
	Balance sheet	Off-balance sheet[(2)(3)]	Total	Balance sheet	Off-balance sheet[(2)(3)]	Total
	NIS millions					
Country						
United States	**34,100**	**9,437**	**43,537**	33,895	8,596	42,491
Switzerland	**4,241**	**1,704**	**5,945**	3,230	946	4,176
England	**9,227**	**5,945**	**15,172**	8,265	6,203	14,468
Germany	**1,706**	**5,710**	**7,416**	1,622	1,434	3,056
France	**1,966**	**801**	**2,767**	1,854	1,127	2,981
Others	**18,660**	**4,256**	**22,916**	12,348	3,146	15,494
Total exposures to foreign countries	**69,900**	**27,853**	**97,753**	61,214	21,452	82,666
Of which: total exposure to PIGS (Portugal, Italy, Greece, and Spain)	**185**	**53**	**238**	170	58	228
Of which: total exposure to LDCs	**1,250**	**59**	**1,309**	774	61	835
Of which: total exposure to countries with liquidity problems*	**232**	**28**	**260**	234	54	288

The line "total LDCs" includes the total exposure to countries defined as Least Developed Countries (LDCs) in Proper Conduct of Banking Business Directive 315, "Supplementary Provision for Doubtful Debts."
Balance sheet exposure to a foreign country includes cross-border balance sheet exposure and balance sheet exposure of the branches/subsidiaries of the banking corporation in the foreign country to local residents. Cross-border balance sheet exposure includes balance sheet exposure of the branches/subsidiaries of the banking corporation in Israel to residents of the foreign country, and balance sheet exposure of the overseas branches/subsidiaries of the banking corporation to non-residents of the country in which the branch/subsidiary is located.
Balance sheet exposure of the banking corporation's branches/subsidiaries in a foreign country to local residents includes balance sheet exposure of the branches/subsidiaries of the banking corporation in that foreign country to the residents of the country, less liabilities of those branches/subsidiaries (the deduction is performed up to the level of the exposure).

* The list of countries with liquidity problems is based on several criteria established by the Bank. The spread of the coronavirus has raised risk premiums in the financial markets, notably in the emerging markets. It is emphasized that the addition of a country to the list does not necessarily represent a worsening unique to that country, and that improvement of the indicators would lead to a corresponding update of the list.

(1) Based on the final risk, after the effect of guarantees, liquid collateral, and credit derivatives.
(2) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limits on indebtedness of a borrower, according to Proper Conduct of Banking Business Directive 313.
(3) Governments, official institutions, and central banks.

The increase in exposure to foreign countries mainly resulted from an increase in exposure to foreign financial institutions, due to changes in the fair value of derivative instruments, and from the acquisition of insurance for Sale Law guarantees and increased credit insurance from foreign insurers, as detailed below.

In February 2022, war broke out between Russia and Ukraine. The Bank examined and analyzed the effects of this event on the various exposures, and continues to monitor the developments and their implications. As at September 30, 2022, the Bank does not have material exposure to customers whose country of residence is Russia or Ukraine.

3.2.5. Credit exposure to foreign financial institutions

Table 3-9: Exposure of the Bank Group to foreign financial institutions[1]

	September 30, 2022			December 31, 2021		
	Balance sheet credit risk[2]	Present off-balance sheet credit risk[3]	Total present credit risk	Balance sheet credit risk[2]	Present off-balance sheet credit risk[3]	Total present credit risk
	NIS millions					
External credit rating[4]						
AAA to AA-	**4,268**	**9,501**	**13,769**	1,823	2,792	4,615
A+ to A-	**10,362**	**10,934**	**21,296**	12,204	6,296	18,500
BBB+ to BBB-	**170**	**84**	**254**	500	161	661
BB+ to B-	**26**	**-**	**26**	3	16	19
Lower than B-	**-**	**-**	**-**	-	-	-
Unrated	**190**	**83**	**273**	141	57	198
Total present credit exposures to foreign financial institutions	**15,016**	**20,602**	**35,618**	14,671	9,322	23,993

(1) Foreign financial institutions include: banks, investment banks, broker/dealers, insurance companies, institutional entities, and entities controlled by such entities, but do not include credit exposure to foreign financial institutions backed by government guarantees.
(2) Deposits with banks, credit to the public, investments in bonds, securities borrowed or purchased in agreements to resell, and other balance sheet risk in respect of derivative instruments.
(3) Mainly guarantees and commitments to grant credit.
(4) According to the lowest of the long-term foreign-currency credit ratings assigned by one of the major rating agencies S&P and Moody's.

The exposure of the Bank Group to foreign financial institutions totaled approximately NIS 35.6 billion on September 30, 2022, an increase of approximately NIS 11.6 billion, compared with approximately NIS 24.0 billion at the end of 2021. This increase mainly resulted from an increase in off-balance sheet exposure in the amount of approximately NIS 11.3 billion, which mainly resulted from the acquisition of credit insurance from foreign insurers. Approximately 98.4% of the exposure to foreign financial institutions is to financial institutions rated A- or higher.

The Bank Group's exposure to foreign financial institutions is distributed as follows: 42.7% in banks and bank holding companies, 57% in insurance companies, and 0.3% in another financial institution.

The exposure of the Bank Group is to foreign financial institutions operating in Western European countries (73.4%), the United States (22.2%), and South and East Asian countries (4.4%).

3.2.6. Risks in the housing loan portfolio

Table 3-10: Risks in the housing loan portfolio

	Balance as at		
	September 30, 2022	September 30, 2021	December 31, 2021
	NIS millions		
Credit balances			
Loans from Bank funds	**126,221**	109,989	115,166
Loans from Finance Ministry funds*	**911**	983	961
Grants from Finance Ministry funds*	**266**	216	229
Total	**127,398**	111,188	116,356

	For the nine months ended		For the year ended
	September 30, 2022	September 30, 2021	December 31, 2021
	NIS millions		
Execution of housing loans			
Total loans from Bank funds	**20,239**	19,890	28,683
Loans from Finance Ministry funds			
Loans	**35**	49	69
Grants	**31**	41	57
Total from Finance Ministry funds	**66**	90	126
Total new loans	**20,305**	19,980	28,809
Old loans refinanced from Bank funds	**1,346**	1,937	2,794
Total loans granted	**21,651**	21,917	31,603

* This amount is not included in balance sheet balances to the public.

Table 3-11: Development of amounts past due in housing loans and allowance for credit losses

	Recorded debt balance	Amount past due by 90 days or more, of total problematic debts	Rate of amount past due	Allowance for credit losses in respect of housing loans*	Rate of allowance for credit losses in respect of housing loans*	Problematic debt*	Rate of problematic debt
	NIS millions/percent						
September 30, 2022	**126,221**	**95**	**0.08%**	**484**	**0.38%**	**546**	**0.43%**
December 31, 2021	115,166	101	0.09%	533	0.46%	595	0.52%
December 31, 2020	99,495	122	0.12%	758	0.76%	676	0.68%

* As of January 1, 2022, following the implementation of United States generally accepted accounting principles concerning current expected credit losses, housing loans the principal or interest of which is past due by 90 days or more are classified as debts not accruing interest income. See also Note 1C to the Condensed Financial Statements.

In the first nine months of 2022, the rate past due, the rate of problematic debt, and the rate of the allowance for credit losses in respect of housing loans decreased in comparison to the end of 2021, and are also lower than at the end of 2020. Note that the decrease in the allowance for credit losses in comparison to the balance as at December 31, 2021, was influenced by the implementation of the accounting standards concerning current expected credit losses (CECL).
In general, the level of credit risk in the housing credit portfolio is low, as reflected in the indicators noted above. Note that the trend of rising interest rates, and to a lesser extent the increase in the consumer price index, have caused monthly payments to grow for many borrowers. This increase has not yet been reflected in portfolio quality indicators.

Development of housing credit balances

Table 3-12: Development of the balance in the housing credit portfolio, by linkage base and as a percentage of the balance in the credit portfolio of the Bank

	Unlinked segment				CPI-linked segment				Foreign-currency segment		Total	
	Fixed interest rate		Floating interest rate		Fixed interest rate		Floating interest rate		Floating interest rate			
	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Recorded debt balance in NIS millions	Rate of change during the period
September 30, 2022	**31,929**	**25.3%**	**50,238**	**39.8%**	**13,828**	**11.0%**	**30,094**	**23.8%**	**132**	**0.1%**	**126,221**	**9.6%**
December 31, 2021	27,672	24.0%	45,600	39.6%	13,610	11.8%	28,137	24.4%	147	0.1%	115,166	15.8%
December 31, 2020	21,480	21.6%	38,623	38.8%	13,619	13.7%	25,573	25.7%	200	0.2%	99,495	10.8%

Risk quantification and measurement – housing credit portfolio

The Bank routinely monitors developments in the housing credit portfolio, and applies various measures to manage risk. Housing credit risks are examined individually, based on the policies and objectives established in the risk appetite set for housing credit, from the level of the individual transaction to an overview of the housing credit portfolio of the Bank. The Bank manages and hedges risk, among other means, through limits on various segments, as established in policy discussions of the Board of Management and the Board of Directors, overseen and led by the Risk Management Division. The limits address LTV rates, repayment capability, distribution of credit products in the portfolio, volume of problematic debt, loan durations, geographical distribution, rate past due, etc. These indicators are also monitored in comparison to the data of the banking system as a whole.
The Bank tracks conditions and changes in macroeconomic indicators in general, and in the business environment of the industry in particular. Certain events have been defined as requiring a reexamination of policy, such as a sharp increase in the floating interest rate or in inflation, an increase in unemployment in the Israeli economy, or a material change in housing prices.
Data are reported on a monthly basis in a divisional risk forum headed by the Head of Retail Banking, and on a quarterly basis, as part of the report on developments in the credit portfolio and in credit risk, to the Board of Management and Board of Directors.

The Bank uses a statistical model to measure the probability of default and the expected loss in the mortgage portfolio. In addition, within stress scenario testing, the effect on the mortgage portfolio is also examined. Insurance arrangements are also in place (life insurance and building insurance).

Table 3-13: Developments in housing credit balances, last five quarters

	2022		2021		
	Q3	Q2	Q1	Q4	Q3
	NIS millions				
Balances at end of period	**126,221**	123,498	119,744	115,166	109,989
Change in balances	**2.2%**	3.1%	4.0%	4.7%	4.3%
Execution of new loans	**5,659**	6,709	7,937	8,829	7,752

Housing loan data – percentage of total new loans executed

Table 3-14: Characteristics of housing credit granted by the Bank

	For the three months ended				
	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Characteristics					
Financing rate over 60%	**42.0%**	41.8%	42.2%	41.0%	40.0%
Ratio of repayment to income greater than 40% (for purchases of homes and in monthly payments)	**0.3%**	0.2%	0.1%	-	0.1%
Percentage with floating rates	**60.3%**	60.8%	59.6%	60.1%	60.4%
Percentage of all-purpose loans	**3.0%**	2.6%	2.7%	3.8%	4.5%
Loans for investment purposes as a percentage of total purchases of homes	**9.8%**	9.8%	11.2%	11.8%	11.1%
Principal planned for repayment after age 67 (excluding investments)	**9.7%**	9.2%	8.0%	8.2%	8.1%
Average original term to maturity of loans for purchases of homes, in years (excluding bridge loans)	**25.4**	25.1	24.6	24.6	24.6

The balance of housing loans grew by 2.2% in the third quarter of 2022, compared with the preceding quarter, a lower growth rate than in the preceding quarters. The more moderate growth rate of balances was influenced by the interest-rate increases, which reduced households' ability to buy homes and lowered purchases by investors.

Credit quality indicators showed an increase (worsening) in the third quarter of 2022 in financing rates over 60% (a slight increase); the indicator of payment to income ratios greater than 40%, although the rate remained very low; the percentage of all-purpose loans; loans with principal scheduled for repayment after the age of 67; and the average term to maturity of loans for purchases of homes. A minor decrease was recorded in the third quarter of 2022 in the percentage of loans executed at floating interest rates. The percentage of loans for investment purposes was stable.

Some of these indicators were influenced by a trend of sharp price increases over the last year, and by the increase in the interest rate.

3.2.7. Credit to private customers (excluding housing)

Credit is granted to private customers in accordance with the credit policy and credit and collateral procedures, including with respect to the purpose of the credit and the suitability of this purpose to the customer's needs, the amount of credit requested, and the appropriateness of the amount for the customer's repayment capability. Credit applications of private customers in the Retail Banking Division, which are approved at the branches, are processed using automated systems, models, and tools that support decision-making by the authorized personnel. Credit applications of private customers are submitted and examined at the level of risk groups, as required in the directives of the Bank of Israel. Credit applications are examined with an emphasis on the matters noted above.

Private customers in the Retail Banking Division are offered, among other things, online credit in the form of Instant Credit. The maximum amount of the loan that a customer can receive and the terms of the loan are determined based on various criteria, according to data regarding the customer and the customer's accounts.

Proactive proposals to grant credit to private customers are directed to specified population segments, following the application of relevant screening criteria. Credit granted is matched to the customer's needs and repayment capability, after providing the customer with full due disclosure regarding the data of the loan.

The Bank's growth plan with regard to banking products, including in the area of credit, is based on aspects of growth potential as well as risk aspects, including the expected growth of the economy, customers' repayment capability, the expected volume of repayments, and more. The Bank routinely monitors credit execution and risk.

The Retail Banking Division applies measures to manage credit risk in respect of private individuals, based on the credit risk management principles of the Bank, through measurement and control tools used to monitor the credit portfolio and the quality, risk level, and compliance with policy limits of the credit portfolio, including the following: a statistical model for rating the credit risk of private borrowers, risk-appetite indicators, credit policies and procedures, a hierarchy of authority, and credit-risk control processes.

Table 3-15: Balance of credit to private individuals

	Balance as at		Change	
	September 30, 2022	December 31, 2021		
	NIS millions			
Balance sheet				
Negative balance in current accounts	**2,553**	2,522	31	1.2%
Loans[1]	**24,272**	24,073	199	0.8%
Of which: bullet and balloon loans	**54**	43	11	25.6%
Credit for purchases of motor vehicles[2]	**3,341**	3,376	(35)	(1.0%)
Debtors in respect of credit-card activity	**5,064**	4,838	226	4.7%
Total balance sheet credit risk	**35,230**	34,809	421	1.2%
Off-balance sheet				
Off-balance sheet credit risk	**18,393**	17,743	650	3.7%
Total credit risk	**53,623**	52,552	1,071	2.0%

(1) Excluding loans for purchases of motor vehicles.
(2) Including loans granted for the purchase of motor vehicles or with a lien on a motor vehicle.

The balance of loans to private individuals in Israel, including credit for the purchase of motor vehicles, increased by approximately 0.6% in the first nine months of 2022 in comparison to December 31, 2021. Total balance sheet credit risk increased by approximately 1.2% in this period. Off-balance sheet credit risk increased by approximately 3.7%.

Table 3-16: Distribution of risk of balance sheet credit to private individuals, by average income[1] and loan size

	September 30, 2022				December 31, 2021			
	Account income			Total	Account income			Total
	Up to NIS 10 thousand	NIS 10 to 20 thousand	Over NIS 20 thousand		Up to NIS 10 thousand	NIS 10 to 20 thousand	Over NIS 20 thousand	
	NIS millions							
Credit per borrower in NIS thousands								
Up to 20	**1,385**	**1,060**	**1,213**	**3,658**	1,455	1,023	1,137	3,615
20 to 40	**1,189**	**837**	**1,131**	**3,157**	1,309	835	1,041	3,185
40 to 80	**2,500**	**2,204**	**2,090**	**6,794**	2,840	2,261	1,968	7,069
80 to 150	**2,475**	**3,836**	**3,875**	**10,186**	2,746	4,001	3,711	10,458
150 to 300	**833**	**2,495**	**6,028**	**9,356**	799	2,478	5,345	8,622
Over 300	**148**	**176**	**1,755**	**2,079**	153	159	1,548	1,860
Total	**8,530**	**10,608**	**16,092**	**35,230**	9,302	10,757	14,750	34,809

(1) Account income was calculated based on the average income over a period of twelve months.

Table 3-17: Distribution of risk of balance sheet credit to private individuals, by borrowers' financial asset portfolio balance

	September 30, 2022	December 31, 2021
	Balance sheet credit risk	
	NIS millions	
Size of financial asset portfolio, in NIS thousands		
Up to 10	**18,532**	18,216
10 to 50	**6,566**	6,424
50 to 200	**5,392**	5,276
200 to 500	**2,373**	2,358
Over 500	**2,367**	2,535
Total	**35,230**	34,809

Table 3-18: Distribution of risk of balance sheet credit to private individuals, by type of interest and remaining repayment period

	September 30, 2022			December 31, 2021		
	Loans at floating interest rates	Loans at fixed interest rates	Total	Loans at floating interest rates	Loans at fixed interest rates	Total
	NIS millions					
Repayment period						
Up to one year	**3,085**	**5,488**	**8,573**	2,982	5,235	8,217
1 to 3 years	**6,198**	**62**	**6,260**	6,705	89	6,794
3 to 5 years	**11,352**	**83**	**11,435**	11,527	88	11,615
Over 5 years	**8,881**	**81**	**8,962**	8,094	89	8,183
Total	**29,516**	**5,714**	**35,230**	29,308	5,501	34,809

For details regarding problematic debts in respect of private individuals in Israel, see Note 13 to the Condensed Financial Statements.

3.2.8. Leveraged financing

Table 3-19: Exposures of the Bank in respect of leveraged financing, by economic sector of the borrower*

	September 30, 2022			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Construction and real estate – real-estate activities	**2**	**1,142**	**266**	**1,408**
Hotels, hospitality, and food services	**1**	**240**	**-**	**240**
Mining and quarrying	**3**	**459**	**294**	**753**
Commerce	**1**	**350**	**-**	**350**
Financial services and insurance services	**1**	**651**	**-**	**651**
Industry	**1**	**423**	**-**	**423**
Total	**9**	**3,265**	**560**	**3,825**

	December 31, 2021			
	Number of borrowers	Balance sheet credit balance	Off-balance sheet credit balance	Total
		NIS millions		
Economic sector of the borrower				
Construction and real estate – construction	1	3	326	329
Construction and real estate – real-estate activities	2	889	497	1,386
Hotels, hospitality, and food services	1	240	-	240
Commerce	2	600	-	600
Financial services and insurance services	1	641	-	641
Industry	1	425	-	425
Total	8	2,798	823	3,621

* Net of charge-offs and allowances for credit losses calculated on an individual basis, if any.

3.2.9. Credit risk in respect of exposure to major borrowers

Table 3-20: Balances of balance sheet credit risk and off-balance sheet credit risk to borrowers whose indebtedness exceeds NIS 1,200 million, by sector of the economy

	September 30, 2022			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Electricity supply	**1**	**1,012**	**1,159**	**2,171**
Construction and real estate – construction	**4**	**3,594**	**3,032**	**6,626**
Construction and real estate – civil engineering	**2**	**973**	**2,702**	**3,675**
Hotels, hospitality, and food services	**1**	**947**	**394**	**1,341**
Information and communications	**1**	**1,193**	**192**	**1,385**
Financial services	**14**	**16,578**	**11,084**	**27,662**
Industry	**2**	**1,247**	**3,687**	**4,934**
Water, sewage services, garbage and waste treatment, and purification services	**1**	**-**	**1,297**	**1,297**
Total	**26**	**25,544**	**23,547**	**49,091**

	December 31, 2021			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Electricity supply	1	2,157	1,227	3,384
Construction and real estate – construction	5	3,523	4,624	8,147
Construction and real estate – civil engineering	1	782	1,133	1,915
Hotels, hospitality, and food services	1	1,300	103	1,403
Information and communications	1	898	496	1,394
Water, sewage services, garbage and waste treatment, and purification services	1	158	1,306	1,464
Financial services	10	10,187	10,950	21,137
Industry	2	1,094	3,768	4,862
Total	22	20,099	23,607	43,706

3.2.10. Credit risk in respect of exposure to borrower groups

As at September 30, 2022, there is one group of borrowers whose net indebtedness on a consolidated basis, in accordance with Proper Conduct of Banking Business Directive 313, "Limits on the Indebtedness of Borrowers and Groups of Borrowers" (hereinafter: "Directive 313"), exceeds 15% of the capital of the banking corporation (as defined in Directive 313).

The Bank conducts monitoring and control processes in order to examine compliance with the limits set forth in Directive 313 with regard to exposure to the indebtedness of borrower groups. As at the reporting date, the Bank is in compliance with the limits.

Table 3-21: Credit risk balances[(1)] for each group of borrowers whose net indebtedness on a consolidated basis exceeds 15% of the capital of the banking corporation (as defined in Directive 313) as at September 30, 2022

	September 30, 2022						
	Balance sheet credit risk	Off-balance sheet credit risk	Of which: off-balance sheet credit risk in respect of derivative instruments[(2)]	Gross indebtedness[(3)]	Deductions[(4)]	Net indebtedness[(1)]	Percentage of regulatory capital
	NIS millions						
Borrower group A	**4,569**	**5,206**	**4,361**	**10,287**	**1,992**	**8,295**	**18.7%**

(1) The data presented below represent exposure to borrower groups, and are stated after the permitted deductions pursuant to Directive 313. These data are not comparable with data regarding borrowers' indebtedness provided in other disclosures in the report.
(2) Off-balance sheet credit risk in respect of derivative instruments, as calculated for the purposes of the limits on indebtedness of borrowers and of borrower groups.
(3) This amount includes third-party guarantees outside the group.
(4) Deductions permitted under Directive 313, mainly including deposits deposited at the Bank, bonds issued by the State of Israel, and deductible indemnity letters of the State of Israel or financial institutions.

The indebtedness of the group noted in the table above was strongly influenced by the implementation of regulation concerning the measurement of indebtedness in respect of derivatives (SA-CCR) beginning this quarter.

3.3. Market risk

Market risk is the risk of loss or decline in value as a result of change in the economic value of a financial instrument, or of a portfolio of assets/instruments, due to changes in prices, rates, spreads, and other market parameters.

3.3.1. Interest-rate risk

Interest-rate risk is the risk of loss or decrease in value due to changes in interest rates in the various currencies. This risk also includes the following risk factors:

- **Repricing risk –** Risk arising from timing differences in terms to maturity (for fixed interest rates) and repricing dates (for floating interest rates).
- **Yield curve risk –** Risk arising from different changes in interest rates for different terms to maturity, reflected in changes in the slope of the curve (steepening or flattening) or in its shape (twist).
- **Basis risk –** Risk of loss as a result of changes in spreads between different interest-rate curves.
- **Optionality risk –** Risk arising from different exercise rights inherent in assets and liabilities (for example, the right to withdraw funds at any time, sometimes without fines).
- **Value exposure –** The estimated expected change in economic value (and/or in financial capital) as a result of changes in the interest rate.
- **Accounting income exposure –** The expected change in accounting income in the coming year as a result of changes in the interest rate.

Table 3-22: Adjusted* net fair value of the financial instruments of the Bank and its consolidated companies

	September 30, 2022			December 31, 2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Adjusted net fair value*	**42,886**	**1,675**	**44,561**	39,052	331	39,383
Of which: banking book	**42,938**	**1,674**	**44,612**	38,825	155	38,980

* Net fair value of financial instruments, excluding non-monetary items and after the effect of employee benefit liabilities and attribution of on-demand deposits to the periods.

For further details regarding assumptions used to calculate the fair value of financial instruments, see Note 15B to the Financial Statements.

Table 3-23: Effect of scenarios of changes in interest rates on the adjusted* net fair value of the Bank and its consolidated companies

	September 30, 2022			December 31, 2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Parallel changes						
1% parallel increase	**(299)**	**111**	**(188)**	442	227	669
Of which: banking book	**(271)**	**145**	**(126)**	414	233	647
1% parallel decrease	**385**	**(121)**	**264**	(450)	(154)	(604)
Of which: banking book	**364**	**(159)**	**205**	(430)	(157)	(587)
Non-parallel changes						
Steepening(1)	**(223)**	**173**	**(50)**	(246)	(42)	(288)
Flattening(2)	**241**	**(167)**	**74**	436	67	503
Increase in short-term interest rate	**70**	**(133)**	**(63)**	536	96	632
Decrease in short-term interest rate	**(76)**	**132**	**56**	(546)	(93)	(639)

* Net fair value of financial instruments, excluding non-monetary items, and after the effect of employee benefit liabilities and spreading over periods of on-demand deposits.
(1) Steepening – decrease in the short-term interest rate and increase in the long-term interest rate.
(2) Flattening – increase in the short-term interest rate and decrease in the long-term interest rate.

This table presents the change in the adjusted net fair value of all of the financial instruments under the assumption that the noted change occurs in all interest rates, in all linkage segments.
The change in sensitivity of economic value in the shekel segment in the first three quarters of 2022 mainly resulted from an update of parameters of mortgage prepayments, as a result of the increase in the interest rate in Israel, and from continued activity of granting mortgages and credit, bond purchases, shorter issuances, and an increase in activity in interest-rate derivatives, partly offset by bond issuance and an increase in deposits.

Table 3-24: Effect of scenarios of changes in interest rates on net interest income and on non-interest financing income

	September 30, 2022			December 31, 2021		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	NIS millions					
1% parallel increase	**1,128**	**(354)**	**774**	1,391	(12)	1,379
Of which: banking book	**1,128**	**(292)**	**836**	1,391	(37)	1,354
1% parallel decrease	**(2,089)**	**332**	**(1,757)**	(716)	(57)	(773)
Of which: banking book	**(2,089)**	**276**	**(1,813)**	(716)	(41)	(757)

Income sensitivity in the table above was calculated by changing interest-rate curves, using assumptions regarding changes in deposit spreads; assumptions of transfer of funds from current accounts to deposits in the case of an increase in the interest rate, versus stability of balances in the case of a decrease in the interest rate; and the assumption of interest-rate floors, such that the various interest-rate curves may fall to zero. In the foreign-currency segment, the interest-rate curve may fall to the lower of zero or the negative interest rate posted by the central bank. The sensitivity of the trading book was calculated using the MTM approach. The increase in income sensitivity resulted from the continued growth in positive current-account balances and the increase in the interest rate, which increased the distance from the interest-rate floor. In the third quarter, the Bank conducted activity in interest-rate derivatives aimed at mitigating sensitivity to changes in interest rates of the income of the Bank. Income sensitivity is a theoretical estimate referring to the stable income in the present interest-rate environment. In light of the increase in the interest rate, the Bank is examining the behavioral assumptions underlying the estimate.

Interest-rate curves continued to rise in the third quarter of 2022, particularly interest rates of the central banks in Israel and the United States, and there are expectations of a continued process of increases in the interest rates of the central banks. The increase in interest-rate curves affects economic value, as detailed in the economic value sensitivity table above. The increase in short-term interest rates, particularly the interest rates of the central banks, has a positive effect on the income of the Bank over time, as detailed in the income sensitivity table above. However, the increase in interest-rate curves has a negative effect on the shareholders' equity of the Bank, due to the decrease in value of the available-for-sale bond portfolio (offset by the change in value of employee benefit liabilities), as in contrast to economic value sensitivity, which takes into consideration all of the financial instruments in the Bank's balance sheet, shareholders' equity is only influenced by some of these instruments. For details, see the section "Capital adequacy," above. To mitigate the effect of future changes in interest rates on the shareholders' equity of the Bank, bonds in the amount of approximately NIS 3.5 billion (in shekel and foreign currency) were transferred from the available-for-sale portfolio to the held-to-maturity portfolio during the first quarter; during the second and third quarters, the Bank also continued its activity in the held-to-maturity portfolio.

3.3.2. Exchange-rate risk

Currency risks (also known as linkage-base exposure) include exposure to exchange rates of the various currencies against the shekel, and exposure to the consumer price index, at the Bank as a whole.

Table 3-25: Sensitivity of the Bank to changes in the exchange rates of foreign currencies with a significant volume of activity and to changes in the consumer price index

	September 30, 2022		December 31, 2021	
	10% increase	10% decrease	10% increase	10% decrease
	NIS millions			
USD	**(302)**	**287**	74	225
EUR	**(36)**	**59**	*27	*40
	3% increase	3% decrease	3% increase	3% decrease
CPI	**581**	**(590)**	529	(548)

* Restated.

The table above presents an analysis of the sensitivity of the economic value of the Bank to changes in exchange rates, based on revaluation of all balance sheet and off-balance sheet instruments in the risk-management system, using prevalent models for revaluation of each instrument and using representative rates as the baseline exchange rate. For the purposes of the calculation, the portfolio is revalued again at an exchange rate reflecting an increase/decrease at the presented rate, with no additional assumptions. Sensitivity to the consumer price index is calculated according to the exposure of the Bank to the index, as detailed in Note 14 to the Condensed Financial Statements, plus the effect of the CPI floor on the expected accounting profit.

For details and more extensive information regarding market risks, including interest-rate risk, exchange-rate risk, and investment risk (share and credit spread risk), see the Report on Risks.

3.4. Liquidity and refinancing risk

Liquidity risk – Liquidity risk is defined as present or future risk to the stability and profits of the Bank arising from an inability to sustain the cash flow required for its needs. Liquidity risk at the Bank is examined from a broader perspective, encompassing the ability to repay liabilities on schedule, including during times of stress, without damage to routine operations within the business plans of the Bank and without incurring exceptional losses.

Refinancing risk – The risk of inability to raise new resources to replace resources that have matured, or the risk that the reissue may be performed at durations and terms that impair the Bank's net interest income. This risk is managed as part of liquidity risk.

Table 3-26: Liquidity coverage ratio (LCR)*

	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the three months ended December 31, 2021
		%	
a. Consolidated data			
Liquidity coverage ratio	**126%**	127%	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%
b. Bank data			
Liquidity coverage ratio	**125%**	126%	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%

* The consolidated ratio and the stand-alone ratio for the banking corporation are calculated daily, and reported as an average of the daily observations.

Table 3-27: Net stable financing ratio (NSFR)

	September 30, 2022	December 31, 2021*
	%	
Consolidated data		
Net stable financing ratio	**127%**	136%
Minimum net stable financing ratio required by the Banking Supervision Department	**100%**	100%

* Restated.

No material changes have occurred in liquidity risk management policy and in resource raising policy since the beginning of this year.

In the third quarter of 2022, the average liquidity coverage ratio remained unchanged in comparison to the liquidity coverage ratio in the second quarter of 2022.

In view of the volatility in the markets, particularly stock markets in the United States and in Israel and the NIS-foreign currency swap market, the Bank is maintaining high liquidity levels. The net stable financing ratio at the end of the third quarter of 2022 is 127%, consolidated, while the minimum requirement is 100%. The net stable financing ratio decreased in comparison to the ratio as at December 31, 2021, due to a decrease in wholesale funding and an increase in credit and financing needs in respect of derivative instruments.

3.5. Compliance risk

Compliance risk is the risk of imposition of a legal or regulatory sanction, material financial loss, or reputational damage which the banking corporation may suffer as a result of a failure to comply with the compliance directives, as defined in Proper Conduct of Banking Business Directive 308.

Pursuant to Proper Conduct of Banking Business Directive 308, compliance risk also includes risks related to the fairness of the Bank towards its customers, conflicts of interest, the prohibition of money laundering and financing of terrorism (including with respect to tax laws), provision of advice to customers, securities enforcement, protection of privacy (excluding information-technology aspects), the legislation in Israel for implementation of the FATCA and CRS directives, and taxation aspects relevant to products or services for customers, or directives of a similar nature.

Compliance risk also includes the risk of a breach of international sanctions and lists of designated parties. Addressing this risk involves monitoring, analyzing, and applying international sanctions and lists of designated parties, monitoring international money transfers, and monitoring the opening of customer accounts and banking activity therein. The Bank applies sanctions in accordance with the established policy.

Compliance risk also includes the reputational risk that accompanies failure to comply with such directives.

Compliance risk also encompasses risk related to the activity of the Bank with banks located in the Palestinian Authority, which requires the fulfillment of various regulatory requirements, in particular in connection with the prevention of money laundering and terrorism financing, and involves monitoring of fund transfers to and from residents of the Palestinian Authority.

The Bank terminated its activity with banks and branches located in the Gaza Strip at the beginning of 2009, after the government declared Gaza a hostile entity. Over the years, the Bank repeatedly notified the Bank of Israel and the Ministry of Finance that in view of the problems involved in the provision of banking services to Palestinian banks, the Bank wished to cease providing correspondent services to these banks.

In January 2018, the Bank received signed letters of immunity and indemnity from the Attorney General and the Ministry of Finance. The letter of immunity protects the Bank, its officers, and its employees from indictment in Israel for certain offenses related to money laundering and the prevention of terrorism financing in relation to services granted, or to be granted, by the Bank to Palestinian banks from March 28, 2016, to May 31, 2019 (the "Immunity and Indemnity Period"). Further to the letter of immunity, in January 2018, the Bank received a letter from the Supervisor of Banks in which she gave notice that no enforcement measures would be taken in all matters related to actions of the Bank in connection with the provision of correspondent services to which the letter of immunity applies.

In the letter of indemnity, the State of Israel made a commitment to indemnify the Bank, in an amount up to NIS 1.5 billion, for expenses (liability according to a verdict and legal expenses) borne by the Bank, within civil proceedings or criminal proceedings that do not end in a conviction, prosecuted against the Bank or an officer or employee thereof in connection with the provision of the correspondent services during the Immunity and Indemnity Period. The immunity and indemnity commitments granted to the Bank, as noted, are subject to reservations stated therein and to conditions that the Bank must fulfill.

In light of the request of the State to postpone the termination of correspondent services until the implementation of a long-term solution for the provision of correspondent services, through the establishment of a government company to provide Palestinian banks with these services, an updated letter of indemnity was issued on June 30, 2019. Pursuant to the updated letter of indemnity, the indemnity to which the State has committed towards the Bank, as detailed above, has been amended to an amount of up to NIS 1.5 billion in respect of each proceeding (not cumulatively). In July 2022, the Bank was provided with an updated letter of indemnity valid until March 31, 2023. The letter of immunity was also extended until March 31, 2023.

For additional information regarding compliance risk and the management thereof, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2021.

For further details regarding the resolutions with the United States authorities in connection with the tax investigation and the FIFA affair, see Note 10C to the Condensed Financial Statements.

3.6. Other risks

For details and more extensive information regarding operational risks (including IT risk and cyber risk), legal risk, reputational risk, regulatory and legislative risk, economic risk, strategic risk, environmental risk (including climate risk), and model risk, see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at September 30, 2022, and the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at December 31, 2021.

4. Critical accounting policies and estimates; controls and procedures

4.1. Critical accounting policies and estimates

The financial statements of the Bank are prepared in accordance with accounting principles and rules, the main points of which are described in Note 1 to the Annual Financial Statements as at December 31, 2021. In implementing the accounting principles, the Board of Management of the Bank uses various assumptions, estimates, and evaluations that affect the reported amounts of assets and liabilities (including contingent liabilities) and the results reported by the Bank. Actual future results may differ from such estimates and evaluations made when preparing the financial statements.

Some of these estimates and evaluations involve a considerable degree of uncertainty, and can be affected by possible future changes. Such estimates and evaluations in which changes may have a material effect on the financial results presented in the financial statements are considered by the Bank to be estimates and evaluations on "critical" matters. The Bank's Board of Management is of the opinion that the estimates and evaluations applied during the preparation of the financial statements are fair, and were made to the best of its knowledge and professional judgment.

The management estimates and principal assumptions used in the implementation of the Group's accounting policies are consistent with those used in the preparation of the Annual Financial Statements as at December 31, 2021, with the exception of the estimates and assumptions in connection with the initial implementation of generally accepted accounting principles in the United States concerning current expected credit losses (ASC 326, CECL). For further details, also see Note 1C to the Condensed Financial Statements.

The estimated cost of the retirement program was updated in the second quarter of 2022, leading to an increase in the employee benefit liabilities of the Bank in the amount of approximately NIS 170 million, before tax effect, recorded to other comprehensive income. For further details, see Note 8 to the Condensed Financial Statements.

Allowance for credit losses

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (ASC 326) as of January 1, 2022. The principal changes in the accounting treatment in the financial statements of banking corporations following the implementation of these rules include, among other things, the following: the allowance for credit losses is calculated according to the expected loss over the lifetime of the credit, instead of an estimate of the loss incurred and not yet identified; the estimate of the allowance for credit losses involves significant use of forward-looking information, which reflects reasonable and supportable forecasts of future economic events. The effect of implementation of the standard totaled an increase in the amount of approximately NIS 546 million in the allowance for credit losses, which was recorded, after tax effect, directly in the balance of retained earnings.

The allowance for credit losses is calculated for loans and off-balance sheet credit exposures, and also for bonds held to maturity and other financial assets measured at amortized cost.

The Bank estimates expected credit losses using an advanced method based on an economic estimate of the lifetime expected loss, through an estimate of the components of the credit loss: probability of default (PD), loss given default (LGD), and the balance of credit, taking into account repayments and future utilization of off-balance sheet credit facilities (exposure at default – EAD), including macroeconomic adjustments and adjustments in respect of qualitative factors.

Data in this method are primarily based on existing internal information at the Bank; in cases of information limitations, expert evaluations were included.

Macroeconomic adjustments are based on forecasts of the Bank regarding macroeconomic parameters including unemployment rates, the consumer price index, the housing price index, gross national product, private consumption, and average wages.

Adjustments to the model in respect of qualitative factors refer, among other matters, to political and environmental attributes; rapid growth in credit; lending policies and procedures of the Bank, including changes in lending strategy; underwriting processes; and additional factors.

4.2. Controls and procedures

In accordance with the Public Reporting Directives of the Supervisor of Banks, the Chief Executive Officer and the Chief Accountant of the Bank must each separately sign a declaration regarding their responsibility for the establishment and application of controls and procedures concerning disclosure and the Bank's internal control over financial reporting, including an assessment of the effectiveness of these controls, pursuant to the provisions of Sections 302 and 404 of the law known as the "Sarbanes-Oxley Act," enacted in the United States.

The provisions of these two sections of the law were integrated into the Public Reporting Directives.

The directive in Section 302 regarding the existence of controls and procedures concerning disclosure is implemented at the Bank on a quarterly basis. The directive in Section 404 regarding the Bank's internal control over financial reporting is implemented at the end of each year, as required in the directives.

As part of the implementation of the directives of Section 404, the Bank, with the assistance of a consulting firm, mapped and documented all material control processes, based on the directives of the SEC (the Securities and Exchange Commission in the United States), using the prevalent methodologies, based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO 2013). In addition, in accordance with the requirements, the Bank carried out a test of the effectiveness of the procedures for internal control over financial reporting, through an examination of the effectiveness of the main controls in practice.

The Bank is updating the documentation of the material control processes for 2022, as in every year, according to the prevalent methodologies, with the assistance of a consulting firm, and examining the effectiveness of the procedures for internal control over financial reporting, through a renewed examination of the main controls for the current year. The main part of this process is being carried out during the second half of the year, as planned.

Evaluation of controls and procedures concerning disclosure

The Board of Management of the Bank, in cooperation with the Chief Executive Officer and the Chief Accountant of the Bank, has assessed the effectiveness of the controls and procedures concerning disclosure at the Bank as at September 30, 2022. Based on this assessment, they have concluded that, as at the end of this period, the controls and procedures concerning disclosure at the Bank are effective in order to record, process, summarize, and report the information that the Bank is required to disclose in its financial statement, in accordance with the Public Reporting Directives of the Supervisor of Banks, on the date stipulated in these directives.

Changes in internal control

During the quarter ended on September 30, 2022, no material change occurred in the internal control over financial reporting that had a material impact, or could reasonably be expected to have a material impact, on the internal control over financial reporting. With regard to the separation of the accountancy of the Bank from the Finance Division and the transition to the Chief Accountant reporting directly to the CEO of the Bank, see Section 5.1 of the Corporate Governance Report.

Ruben Krupik
Chairman of the Board of Directors

Dov Kotler
President and Chief Executive Officer

Tel-Aviv, November 22, 2022

CEO Declaration

I, Dov Kotler, declare that:

1. I have reviewed the quarterly report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the quarter ended on September 30, 2022 (hereinafter: the "Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly reflect the financial position, results of operations, changes in equity, and cash flows of the Bank, in all material aspects, for the dates and periods presented in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"); furthermore:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report;
   B. We have established such internal control over financial reporting, or caused such internal control over financial reporting to be established under our supervision, intended to provide a reasonable degree of assurance with regard to the reliability of the financial reporting, and with regard to the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks;
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure in the Report, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during this quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditors, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control over financial reporting:
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control over financial reporting that could reasonably be expected to impair the Bank's ability to record, process, summarize, and report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have a significant role in the internal control over financial reporting at the Bank.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

Dov Kotler
President and Chief Executive Officer

Tel-Aviv, November 22, 2022

Chief Accountant Declaration

I, Guy Kalif, declare that:

1. I have reviewed the quarterly report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the quarter ended on September 30, 2022 (hereinafter: the "Report").
2. Based on my knowledge, the Report contains no incorrect presentation of a material fact, and there is no presentation of a material fact missing from the Report that is necessary so that the presentations included therein, in light of the circumstances under which such presentations were included, are not misleading with regard to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly reflect the financial position, results of operations, changes in equity, and cash flows of the Bank, in all material aspects, for the dates and periods presented in the Report.
4. I, and others at the Bank making this declaration, are responsible for the establishment and application of controls and procedures with regard to the Bank's disclosure and internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"); furthermore:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our supervision, aimed at ensuring that material information pertaining to the Bank, including its consolidated corporations, is brought to our knowledge by others at the Bank and at such corporations, in particular during the preparation of the Report;
   B. We have established such internal control over financial reporting, or caused such internal control over financial reporting to be established under our supervision, intended to provide a reasonable degree of assurance with regard to the reliability of the financial reporting, and with regard to the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles and with the directives and guidelines of the Supervisor of Banks;
   C. We have assessed the effectiveness of the controls and procedures concerning disclosure at the Bank, and we have presented our findings with regard to the effectiveness of the controls and procedures concerning disclosure in the Report, as at the end of the period covered in the Report, based on our assessment; and
   D. We have disclosed in the Report any change in the internal control of financial reporting at the Bank that occurred during this quarter, and that had a material effect, or could reasonably be expected to have a material effect, on the internal control of financial reporting at the Bank; and
5. I, and others at the Bank making this declaration, have disclosed to the auditors, to the Board of Directors, and to the Audit Committee of the Board of Directors of the Bank, based on our most current assessment of the internal control over financial reporting:
   A. Any significant deficiencies or material weaknesses in the establishment or application of internal control over financial reporting that could reasonably be expected to impair the Bank's ability to record, process, summarize, and report financial information; and
   B. Any fraud, whether material or immaterial, in which the Board of Management was involved, or in which other employees were involved who have a significant role in the internal control over financial reporting at the Bank.

The aforesaid shall not detract from my responsibility, or from the responsibility of any other person, under any law.

Guy Kalif
Member of the Board of Management,
Chief Accountant

Tel-Aviv, November 22, 2022

Q3 2022

Bank Hapoalim

Condensed Financial Statements

Contents

Auditors' Review Report to the Shareholders of Bank Hapoalim B.M.

Introduction

We have reviewed the accompanying financial information of Bank Hapoalim B.M. and its subsidiaries (hereinafter - "the Bank") comprising of the condensed consolidated interim balance sheet as of September 30, 2022 and the related condensed consolidated interim statements of profit and loss, comprehensive income, changes in equity and cash flows for the nine months and three months periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of this interim financial information in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim reporting and in accordance with the directives and guidelines of the Supervisor of Banks. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements Israel (2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Institute of Certified Public Accountants in Israel and a review standard applied in the review of banking institutions according to the directives and guidelines of the Supervisor of Banks. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with generally accepted accounting principles in Israel (Israeli GAAP) for interim reporting and in accordance with the directives and guidelines of the Supervisor of Banks.

Emphasis of a Matter

Without qualifying our above conclusion, we draw attention to that mentioned in Note 10B.(b) regarding exposure to class actions that were filed against the Bank Group.

Somekh Chaikin
Certified Public Accountants (Isr)
We have served as the auditors
of the Bank since 1998

Ziv Haft
Certified Public Accountants (Isr)
The firm Haft & Haft, which merged into Ziv Haft in 2000,
began serving as the external auditor of the Bank in 1921

Tel Aviv, November 22, 2022

Condensed Consolidated Statement of Profit and Loss
for the periods ended September 30, 2022

NIS millions

	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
Interest income	2	**5,139**	3,071	**12,846**	8,871	11,684
Interest expenses	2	**(1,503)**	(506)	**(3,307)**	(1,565)	(1,917)
Net interest income		**3,636**	2,565	**9,539**	7,306	9,767
Provision (income) for credit losses	6, 13	**45**	(252)	**(464)**	(1,407)	(1,220)
Net interest income after provision for credit losses		**3,591**	2,817	**10,003**	8,713	10,987
Non-interest income						
Non-interest financing income (expenses)	3	**115**	212	**244**	862	1,081
Fees		**984**	838	**2,776**	2,457	3,355
Other income		**18**	29	**130**	133	189
Total non-interest income		**1,117**	1,079	**3,150**	3,452	4,625
Operating and other expenses						
Salaries and related expenses		**1,076**	1,153	**3,305**	3,414	4,333
Maintenance and depreciation of buildings and equipment		**382**	332	**1,077**	985	1,333
Other expenses		**514**	514	**1,544**	1,499	2,137
Total operating and other expenses		**1,972**	1,999	**5,926**	5,898	7,803
Profit before taxes		**2,736**	1,897	**7,227**	6,267	7,809
Provision for taxes on profit		**967**	705	**2,533**	2,334	2,958
Profit after taxes		**1,769**	1,192	**4,694**	3,933	4,851
The Bank's share in profits of equity-basis investees, after taxes		**16**	12	**89**	39	49
Net profit (loss)						
Before attribution to non-controlling interests		**1,785**	1,204	**4,783**	3,972	4,900
Loss (profit) attributed to non-controlling interests		**-**	3	**(1)**	8	14
Attributed to shareholders of the Bank		**1,785**	1,207	**4,782**	3,980	4,914
Earnings per ordinary share in NIS						
Basic earnings						
Net profit attributed to shareholders of the Bank		**1.34**	0.90	**3.58**	2.98	3.68
Diluted earnings						
Net profit attributed to shareholders of the Bank		**1.34**	0.90	**3.58**	2.98	3.68

The accompanying notes are an integral part of the condensed financial statements.

Ruben Krupik
Chairman of the Board of Directors

Dov Kotler
President and Chief Executive Officer

Guy Kalif
Member of the Board of Management, Chief Accountant

Tel Aviv, November 22, 2022

Condensed Consolidated Statement of Comprehensive Income
for the periods ended September 30, 2022

NIS millions

	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
Net profit before attribution to non-controlling interests		**1,785**	1,204	**4,783**	3,972	4,900
Net loss (profit) attributed to non-controlling interests		**-**	3	**(1)**	8	14
Net profit attributed to shareholders of the Bank		**1,785**	1,207	**4,782**	3,980	4,914
Other comprehensive income (loss) before taxes:	4					
Net adjustments for presentation of bonds available for sale at fair value		**(971)**	(111)	**(3,257)**	(610)	(575)
Adjustments of employee benefit liabilities*		**175**	(173)	**742**	(193)	(314)
Other comprehensive income (loss) before taxes		**(796)**	(284)	**(2,515)**	(803)	(889)
Effect of related tax		**261**	93	**822**	271	300
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes		**(535)**	(191)	**(1,693)**	(532)	(589)
Net of other comprehensive income (loss) attributed to non-controlling interests		**-**	-	**(2)**	-	-
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**(535)**	(191)	**(1,691)**	(532)	(589)
Comprehensive income (loss) before attribution to non-controlling interests		**1,250**	1,013	**3,090**	3,440	4,311
Comprehensive loss (income) attributed to non-controlling interests		**-**	3	**1**	8	14
Comprehensive income attributed to shareholders of the Bank		**1,250**	1,016	**3,091**	3,448	4,325

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Balance Sheet
as at September 30, 2022

NIS millions

	Note	September 30 2022 Unaudited	September 30 2021 Unaudited	December 31 2021 Audited
Assets				
Cash and deposits with banks		**145,423**	175,765	189,283
Securities[(1)(2)]	5	**90,078**	70,383	71,105
Securities borrowed or purchased under agreements to resell		**1,028**	1,219	1,253
Credit to the public		**386,775**	340,347	357,729
Allowance for credit losses		**(5,193)**	(5,050)	(5,106)
Net credit to the public	6, 13	**381,582**	335,297	352,623
Credit to governments		**1,910**	2,017	1,969
Investments in equity-basis investees		**1,188**	781	853
Buildings and equipment		**3,439**	3,425	3,555
Assets in respect of derivative instruments	11	**28,481**	10,084	12,984
Other assets[(1)]		**5,207**	5,353	5,156
Total assets		**658,336**	604,324	638,781
Liabilities and capital				
Deposits from the public	7	**527,699**	505,483	525,072
Deposits from banks		**9,779**	10,448	11,601
Deposits from the government		**486**	543	752
Securities lent or sold under agreements to repurchase		**9,081**	922	3,426
Bonds and subordinated notes		**26,263**	18,761	25,582
Liabilities in respect of derivative instruments	11	**26,026**	10,851	14,350
Other liabilities (of which: 838; 719; 797, respectively, allowance for credit losses in respect of off-balance sheet credit instruments)[(1)]		**13,933**	14,581	15,251
Total liabilities		**613,267**	561,589	596,034
Shareholders' equity	9	**45,068**	42,717	42,735
Non-controlling interests		**1**	18	12
Total capital		**45,069**	42,735	42,747
Total liabilities and capital		**658,336**	604,324	638,781

(1) With regard to amounts measured at fair value, see Note 15B.
(2) For details regarding securities pledged to lenders, see Note 5.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Statement of Changes in Equity
for the periods ended September 30, 2022

Unaudited
NIS millions

	For the three months ended September 30, 2022							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at June 30, 2022	**8,212**	**9**	**8,221**	**(2,754)**	**38,750**	**44,217**	**1**	**44,218**
Net profit (loss) in the period	**-**	**-**	**-**	**-**	**1,785**	**1,785**	**-**	**1,785**
Dividends	**-**	**-**	**-**	**-**	**(403)**	**(403)**	**-**	**(403)**
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	**-**	**4**	**4**	**-**	**-**	**4**	**-**	**4**
Net other comprehensive income (loss) after tax effect	**-**	**-**	**-**	**(535)**	**-**	**(535)**	**-**	**(535)**
Balance as at September 30, 2022	**8,212**	**13**	**8,225**	**(3,289)**	**40,132**	**45,068**	**1**	**45,069**

* Excluding a balance of 540,105 treasury shares.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Statement of Changes in Equity
for the periods ended September 30, 2022 (continued)

Unaudited
NIS millions

	For the three months ended September 30, 2021							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at June 30, 2021	8,199	10	8,209	(1,350)	35,455	42,314	21	42,335
Net profit (loss) in the period	-	-	-	-	1,207	1,207	(3)	1,204
Dividends	-	-	-	-	(617)	(617)	-	(617)
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	4	4	-	-	4	-	4
Exercise of equity compensation into shares	1	(1)	-	-	-	-	-	-
Net other comprehensive income (loss) after tax effect	-	-	-	(191)	-	(191)	-	(191)
Balance as at September 30, 2021	8,200	13	8,213	(1,541)	36,045	42,717	18	42,735

* Excluding a balance of 924,138 treasury shares.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Statement of Changes in Equity

for the periods ended September 30, 2022 (continued)

Unaudited
NIS millions

	For the nine months ended September 30, 2022							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at December 31, 2021	**8,200**	**16**	**8,216**	**(1,598)**	**36,117**	**42,735**	**12**	**42,747**
Adjustment to opening balance, net of tax, of the effect of initial implementation of CECL[(1)]	**-**	**-**	**-**	**-**	**(364)**	**(364)**	**-**	**(364)**
Adjusted opening balance as at January 1, 2022	**8,200**	**16**	**8,216**	**(1,598)**	**35,753**	**42,371**	**12**	**42,383**
Net profit (loss) in the period	**-**	**-**	**-**	**-**	**4,782**	**4,782**	**1**	**4,783**
Dividends	**-**	**-**	**-**	**-**	**(403)**	**(403)**	**-**	**(403)**
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	**-**	**9**	**9**	**-**	**-**	**9**	**-**	**9**
Exercise of equity compensation into shares	**12**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**
Net other comprehensive income (loss) after tax effect	**-**	**-**	**-**	**(1,691)**	**-**	**(1,691)**	**(2)**	**(1,693)**
Decrease in non-controlling interests due to increase in rate of holding in subsidiary[(2)]	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**	**(10)**
Balance as at September 30, 2022	**8,212**	**13**	**8,225**	**(3,289)**	**40,132**	**45,068**	**1**	**45,069**

* Excluding a balance of 540,105 treasury shares.
(1) Cumulative effect in respect of the initial implementation of United States accounting principles on the topic, "Financial Instruments – Credit Losses" (ASU 2016-13). For details, see Note 1C below.
(2) For details, see Note 9M below.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Statement of Changes in Equity
for the periods ended September 30, 2022 (continued)

Unaudited
NIS millions

	For the nine months ended September 30, 2021							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at January 1, 2021	8,183	17	8,200	(1,009)	32,682	39,873	26	39,899
Net profit (loss) in the period	-	-	-	-	3,980	3,980	(8)	3,972
Dividends	-	-	-	-	(617)	(617)	-	(617)
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	13	13	-	-	13	-	13
Exercise of equity compensation into shares	17	(17)	-	-	-	-	-	-
Net other comprehensive income (loss) after tax effect	-	-	-	(532)	-	(532)	-	(532)
Balance as at September 30, 2021	8,200	13	8,213	(1,541)	36,045	42,717	18	42,735

* Excluding a balance of 924,138 treasury shares.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Statement of Changes in Equity
for the periods ended September 30, 2022 (continued)

Audited
NIS millions

	For the year ended December 31, 2021							
	Share capital and premium*	Capital reserves from benefit due to share-based payment transactions	Total capital and capital reserves	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total capital
Balance as at January 1, 2021	8,183	17	8,200	(1,009)	32,682	39,873	26	39,899
Net profit (loss) for the year	-	-	-	-	4,914	4,914	(14)	4,900
Dividends	-	-	-	-	(1,479)	(1,479)	-	(1,479)
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	16	16	-	-	16	-	16
Exercise of equity compensation into shares	17	(17)	-	-	-	-	-	-
Net other comprehensive income (loss) after tax effect	-	-	-	(589)	-	(589)	-	(589)
Balance as at December 31, 2021	8,200	16	8,216	(1,598)	36,117	42,735	12	42,747

* Excluding a balance of 924,138 treasury shares.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Statement of Cash Flows

for the periods ended September 30, 2022

NIS millions

	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
Cash flows from (for) operating activity					
Net profit for the period	**1,785**	1,204	**4,783**	3,972	4,900
Adjustments necessary to present cash flows from operating activity					
The Bank's share in losses (profits) of equity-basis investees	**(16)**	(12)	**(89)**	(39)	(49)
Depreciation of buildings and equipment	**192**	153	**539**	435	602
Amortizations	**-**	4	**4**	11	15
Provision (income) for credit losses	**45**	(252)	**(464)**	(1,407)	(1,220)
Loss (gain) from sale of bonds available for sale and shares not held for trading	**6**	(68)	**(52)**	(222)	(256)
Realized and unrealized loss (gain) from adjustments to fair value of securities held for trading	**(10)**	11	**16**	57	54
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	**72**	(109)	**251**	(483)	(566)
Adjustment to fair value of investment in affiliate	**3**	(3)	**(16)**	(15)	(13)
Gain from realization of buildings and equipment	**-**	(10)	**(16)**	(83)	(92)
Change in benefit due to share-based payment transactions	**-**	2	**(12)**	(8)	(6)
Net change in liabilities in respect of employee benefits	**22**	9	**17**	(27)	(11)
Deferred taxes, net	**(4)**	146	**(42)**	647	684
Loss (gain) from sale of credit portfolios	**(1)**	-	**6**	-	-
Dividends received from equity-basis investees	**6**	3	**60**	29	34
Adjustments in respect of exchange-rate differences	**154**	110	**(1,489)**	(15)	588
Accumulation differentials included in investing and financing activities	**(1,058)**	397	**(4,160)**	357	732
Net change in current assets					
Assets in respect of derivative instruments	**(6,125)**	7	**(15,497)**	4,805	1,906
Securities held for trading	**886**	(2,859)	**3,789**	993	1,854
Other assets	**65**	(378)	**(134)**	(31)	214
Net change in current liabilities					
Liabilities in respect of derivative instruments	**6,315**	281	**11,676**	(5,953)	(2,454)
Other liabilities	**(230)**	(3,265)	**448**	(1,934)	(1,738)
Net cash from (for) operating activity	**2,107**	(4,629)	**(382)**	1,089	5,178

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Statement of Cash Flows
for the periods ended September 30, 2022 (continued)

NIS millions

	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
Cash flows for investing activity					
Deposits with banks	**(34)**	(25)	**(53)**	28	122
Credit to the public(1)	**(8,036)**	*(9,180)	**(24,482)**	*(29,975)	(46,428)
Credit to governments	**146**	60	**70**	176	225
Securities borrowed or purchased under agreements to resell	**153**	(327)	**225**	(851)	(885)
Acquisition of bonds held to maturity	**(1,682)**	-	**(2,907)**	(190)	(190)
Proceeds from redemption of bonds held to maturity	**-**	-	**-**	115	115
Acquisition of bonds available for sale and shares not held for trading	**(14,361)**	(525)	**(36,824)**	(18,907)	(33,226)
Proceeds from sale of bonds available for sale and shares not held for trading	**4,846**	6,601	**11,135**	22,400	29,859
Proceeds from redemption of bonds available for sale	**4,324**	710	**9,164**	1,630	6,039
Acquisition of credit portfolios	**(477)**	*(224)	**(689)**	*(415)	(472)
Proceeds from sale of credit portfolios	**133**	-	**1,269**	-	-
Investment in equity-basis investees	**(23)**	(201)	**(306)**	(215)	(282)
Acquisition of buildings and equipment	**(174)**	(327)	**(436)**	(578)	(886)
Proceeds from realization of buildings and equipment	**-**	14	**27**	119	140
Net cash from (for) investing activity	**(15,185)**	(3,424)	**(43,807)**	(26,663)	(45,869)
Cash flows from (for) financing activity					
Deposits from banks	**734**	338	**(1,822)**	3,880	5,010
Deposits from the public	**(5,561)**	15,763	**(4,213)**	63,637	83,084
Deposits from the government	**(630)**	10	**(266)**	(218)	(9)
Securities lent or sold under agreements to repurchase	**3,063**	250	**5,655**	917	3,420
Issuance of bonds and subordinated notes	**-**	-	**2,437**	-	8,123
Redemption of bonds and subordinated notes	**(1,160)**	(2,282)	**(2,580)**	(4,960)	(6,174)
Dividend paid to shareholders of the Bank	**(403)**	(617)	**(403)**	(617)	(1,479)
Acquisition of minority interests in a subsidiary	**-**	-	**(16)**	-	-
Net cash from (for) financing activity	**(3,957)**	13,462	**(1,208)**	62,639	91,975
Increase (decrease) in cash	**(17,035)**	5,409	**(45,397)**	37,065	51,284
Balance of cash at beginning of period	**161,875**	169,681	**188,594**	137,898	137,898
Effect of changes in exchange rates on cash balances	**(154)**	(110)	**1,489**	17	(588)
Balance of cash at end of period	**144,686**	174,980	**144,686**	174,980	188,594

* Reclassified.
(1) Includes regular activity of receivables discounting acquisition.

The accompanying notes are an integral part of the condensed financial statements.

Condensed Consolidated Statement of Cash Flows

for the periods ended September 30, 2022 (continued)

NIS millions

	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
Interest and taxes paid and/or received					
Interest received	**3,904**	1,899	**9,994**	7,145	10,108
Interest paid	**(976)**	(386)	**(1,779)**	(1,302)	(1,708)
Dividends received	**13**	11	**32**	22	33
Income tax paid	**(572)**	(527)	**(1,904)**	(1,250)	(1,608)
Income tax received	**8**	-	**259**	1	4

The accompanying notes are an integral part of the condensed financial statements.

Note 1 Significant Accounting Policies

A. General information

The Condensed Financial Statements as at September 30, 2022, were prepared in accordance with the directives and guidelines of the Supervisor of Banks. These directives are primarily based on generally accepted accounting principles in the United States. The accounting principles used in the preparation of these condensed financial statements were implemented consistently with the accounting principles used in the preparation of the audited financial statements as at December 31, 2021, with the exceptions noted in Section C below.

The Condensed Financial Statements do not include all of the information required in the aforesaid Annual Financial Statements; these reports should be perused in conjunction with the Annual Financial Statements as at December 31, 2021, and the accompanying Notes.

The Condensed Financial Statements were approved for publication by the Board of Directors of the Bank on November 22, 2022.

B. Use of estimates

In preparing the Condensed Financial Statements, the Board of Management of the Bank uses various assumptions, estimates, and evaluations that affect the implementation of policies, the reported amounts of assets and liabilities (including contingent liabilities), and the results reported by the Bank. Actual future results may differ from such estimates and evaluations made when preparing the financial statements.

The management judgment and estimates used in the implementation of the Bank's accounting policies and the principal assumptions used in estimates involving uncertainty are consistent with those used in the preparation of the Annual Financial Statements as at December 31, 2021, with the exception of the estimates and assumptions in connection with the initial implementation of generally accepted accounting principles in the United States concerning expected credit losses (ASC 326), as detailed below, and the update of estimated retirement plan costs, as detailed in Note 8 to the Condensed Financial Statements.

The estimates and the underlying assumptions are reviewed routinely. Changes in accounting estimates are recognized in the period in which the estimates are updated and in every affected future period.

C. First-time implementation of accounting standards, updates of accounting standards, and directives of the Banking Supervision Department

Adoption of generally accepted accounting principles in the United States concerning expected credit losses (ASC 326).

(1) Adoption of updates of generally accepted accounting principles for banks in the United States – allowances for credit losses and additional directives

As of January 1, 2022, the Bank applies generally accepted accounting principles in the United States concerning allowances for current expected credit losses (CECL), as released within ASU 2016-13. The goal of the new rules is to improve the quality of reporting on the financial position of banking corporations through earlier recording of allowances for credit losses in a manner that strengthens anti-cyclical behavior of allowances for credit losses, supports a faster response by banks to deterioration in credit quality of borrowers, and reinforces the connection between the management of credit risks and the way these risks are reflected in the financial statements, while relying on existing methods and processes.

The principal changes in the accounting treatment in the financial statements of banking corporations following the implementation of these rules include the following:

- The allowance for credit losses is calculated according to the expected loss over the lifetime of the credit, instead of an estimate of the loss incurred and not yet identified;
- The estimate of the allowance for credit losses involves significant use of forward-looking information, which reflects reasonable, supported forecasts of future economic events;
- The disclosure of the effect of the credit origination date on the credit quality of the credit portfolio has been expanded;
- The manner of recording impairment of bonds in the available-for-sale portfolio has changed.

The new rules for the calculation of the allowance for credit losses apply to credit (including housing loans), bonds held to maturity, and certain off-balance sheet credit exposures.

On December 1, 2020, the Banking Supervision Department issued a circular on the subject, "Supervisory capital – effect of implementation of accounting principles concerning expected credit losses." The circular establishes transitional directives applicable to the effect of the initial adoption of the new rules concerning expected credit losses, to reduce unexpected effects of the implementation of the rules on supervisory capital, in accordance with the guidance of the Basel Committee on Banking Supervision and the bank supervision authorities in the United States and other countries.

The questions and answers document issued by the Banking Supervision Department regarding the implementation of the new rules includes, among other matters, clarifications regarding the method of classifying troubled debt restructuring and restoring the debts to accruing status.

In addition, within the adoption of the new rules, among other matters, the requirement to calculate a collective allowance at a minimum rate of 0.35% in respect of housing loans was eliminated, and the requirement to calculate a minimum allowance according to the past-due-based method was eliminated. Proper Conduct of Banking Business Directive 202, "Supervisory Capital," was also updated such that banking corporations are required to deduct amounts from common equity Tier 1 capital in respect of housing loans classified as non-accruing loans over a long period according to the calculation method established in Annex H to Proper Conduct of Banking Business Directive 202.

As a result of the implementation of the standard, the Bank modified certain processes in connection with the classification and examination of problematic credit, definition of credit as not accruing interest income, charge-off rules, and allowance measurement methods. In addition, disclosure requirements were adjusted to the requirements of United States accounting standards, as adopted by the Banking Supervision Department in the Public Reporting Directives, all as detailed below.

The new standard will be implemented beginning January 1, 2022, with adjustment of the balance of retained earnings as at January 1, 2022, in respect of the cumulative effect of the change in method. With regard to supervisory capital, a relief has been included (and is applied by the Bank) pursuant to which, at the initial implementation date, the banking corporation is permitted to add the decrease recorded at the initial implementation date back to common equity Tier 1 capital over the course of three years (75% on January 1 of the first year of implementation, 50% in the second year, and 25% in the third year).

The main effect, as shown in the table below, arises from the update of methods of measurement of the allowance for credit losses, the update of related deferred-tax balances, and effects on regulatory capital as a result of deduction from capital in respect of housing loans in non-accruing status for long periods and allocation of the increase in the allowance for credit losses, spread according to the transitional directives established, as noted above.

	December 31, 2021	Effect of implementation of CECL	January 1, 2022
	Audited	Unaudited	
	NIS millions		
Balance sheet			
Allowance for credit losses (including in respect of off-balance sheet balances)	5,909	546	6,455
Of which: Commercial portfolio	4,744	336	5,080
Housing loans	533	(83)	450
Private individuals – other	626	285	911
Other	6	8	14
Shareholders' equity			
Retained earnings (after tax effect)	36,117	(364)	35,753
Capital adequacy and leverage*			
Common equity Tier 1 capital ratio	10.96%	(0.03%)	10.93%
Total capital ratio	14.22%	(0.03%)	14.19%
Leverage ratio	6.03%	(0.02%)	6.01%

* After implementation of the relief, as described above. For further details regarding the effect of implementation of the standard on capital adequacy and leverage, see Note 9 below.

Note 1 Significant Accounting Policies (continued)

(2) Update of accounting policies following the initial implementation of new accounting rules concerning current expected credit losses

Identification and classification of non-accruing debts (replacing impaired debt)

The Bank has established procedures for the identification of problematic credit and for the classification of debts, to differentiate debts classified as problematic, including non-accruing debts, from nonproblematic debts. In accordance with these procedures, the Bank classifies all of its problematic debts and off-balance sheet credit items into the categories special mention, substandard, or non-accruing. Debt is classified as non-accruing when, based on current information and events, it is expected that the Bank will be unable to collect the full amounts owed to it according to the original contractual terms of the debt.

Debts (including bonds) are past due when the principal or interest in respect thereof has not been paid after the scheduled repayment date. In addition, current drawing accounts and current accounts are reported as debts past due by 30 days or more when the account remains continuously in deviation from the approved credit facility for 30 days or more, or if, within the credit facility, amounts credited to the account are not sufficient to cover the debt within a period of 180 days.

1. Commercial credit in respect of debt with a contractual balance greater than NIS 1 million

Decisions regarding debt classification and the required allowance are based, among other factors, on the past-due status of the debt; an assessment of the financial condition and repayment capability of the borrower; assessment of the primary repayment source of the debt; the existence and condition of collateral; the financial condition of guarantors, if any, and their commitment to support the debt; and the borrower's ability to obtain third-party financing.

In any event, such commercial debt is classified as non-accruing debt when the principal or interest in respect thereof is 90 days or more past due, except if the debt is both well-secured and in collection proceedings, or if the debt has undergone troubled debt restructuring.

As of the date of classification as a non-accruing debt, the debt is treated as a debt not accruing interest income (such debt is referred to as "non-accruing debt").

2. Credit to private individuals, housing credit, and commercial credit in respect of debt with a contractual balance of less than NIS 1 million

Decisions regarding classification of the debt are based on the past-due status of the debt. For that purpose, the Bank monitors the days past due, determined in reference to the contractual repayment terms. Such debts that are 90 days or more past due are classified as substandard, while the Bank does not stop interest income accrual, with the exception of housing loans, which are classified as debts not accruing interest income when the principal or interest in respect thereof is past due by 90 days or more.

Note 1 Significant Accounting Policies (continued)

3. Troubled debt restructuring

In order to determine whether a debt modification executed by the Bank constitutes troubled debt restructuring, the Bank performs a qualitative examination of all of the terms of the modification and the circumstances under which it was executed, with the aim of determining whether: (1) the debtor is experiencing financial difficulties, and (2) the Bank granted the debtor a concession within the modification. Debts the terms of which have been changed in troubled debt restructuring are classified as non-accruing debt.

4. Restoring non-accruing debt to accruing debt status

In general, non-accruing debt is restored to accruing debt classification under one of the following two circumstances:

- There are no principal or interest components in respect of the debt that are due but have not been paid, and the Bank expects the remaining principal and interest to be repaid in full, in accordance with the terms of the contract (including amounts charged off or recorded as allowances).
- The debt is well-secured and in collection proceedings.

In addition, with regard to debt that has undergone formal troubled debt restructuring and was classified as non-accruing debt at the date of modification of the terms, the Bank is permitted to restore the debt to accruing status provided that a current and well-documented credit analysis has been performed that supports the return to accruing status, based on the financial condition of the debtor and the probability of repayment according to the updated terms. The evaluation must be based on the historical continuous repayment performance of the debt in cash and cash-equivalent payments over a reasonable period of at least six months; the Bank is permitted to consider payments performed within a reasonable period prior to the restructuring, if the payments are consistent with the updated terms. Otherwise, debt that has undergone troubled debt restructuring must continue to be classified as non-accruing debt.

As of January 1, 2022, these directives regarding the treatment of troubled debt restructuring apply to housing loans.

In accordance with the instructions established in the questions and answers on the implementation of the new rules concerning current expected credit losses, the Bank chose not to implement the new rules regarding the identification of troubled debt restructuring and not to measure the allowance for credit losses using the method required according to these rules for debts in troubled debt restructuring, with respect to modifications in terms executed in housing loans prior to January 1, 2022.

Note 1 Significant Accounting Policies (continued)

(3) Allowance for credit losses – measurement

Within the implementation of the standard, the Bank has established procedures for the classification of credit and measurement of the allowance for credit losses, in order to maintain an allowance at an appropriate level to cover expected credit losses with respect to its credit portfolio. The Bank has also established the procedures required to maintain an allowance at an appropriate level to cover expected credit losses related to bonds held to maturity and the portfolio of bonds available for sale, as well as certain off-balance sheet credit exposures.

The estimated allowance for expected credit losses is calculated over the contractual term of the financial asset, taking into account estimated prepayments. The contractual term in respect of extensions, renewals, and expected changes is not taken into account unless one or more of the following applies: (a) at the report date, the Bank has a reasonable expectation that troubled debt restructuring will be carried out with the borrower; or (b) the extension or renewal options are included in the original contract, or in an updated contract at the report date, and cannot be unconditionally revoked by the Bank.

When calculating estimated expected credit losses, the Bank takes into account the effects of past events, current conditions, and reasonable and supportable forecasts of the ability to collect the financial assets.

In general, the calculation of the allowance for expected credit losses is assessed on a collective basis when the assets have similar risk characteristics. These characteristics include, at the level of the customer and the transaction, among others: (1) internal or external credit ratings; (2) the extent and types of collateral allocated to the transaction; (3) the lifetime of the credit; (4) the type of financial asset. For housing credit, the time since the date of origination of the transaction is also taken into account.

For each group of financial assets with similar risk characteristics, the Bank calculates the allowance for expected credit losses according to an advanced method based on an economic estimate of the lifetime expected loss. The projected loss at each future point in time until the contractual repayment date of the loan is obtained by multiplying the risk components in reference to that future point in time: the probability of default (PD), the loss given default (LGD), and the balance of credit, taking into account future repayments and utilization of off-balance sheet credit facilities (the exposure at default, EAD). The expected loss is calculated at the level of the debt, for each month from the cutoff date to the contractual repayment date of the debt. The cumulative loss over the lifetime of the debt is the allowance in respect thereof. The Bank believes that this approach is expected to result in the best estimate of the allowance for credit losses.

To evaluate the estimate of expected credit losses over the contractual term of assets, the Bank relies on historical information, with examination of the need to adjust the historical information to reflect the extent to which the existing conditions and the reasonable and supportable forecasts differ from the conditions that prevailed when the historical information was assessed.

Note 1 Significant Accounting Policies (continued)

To make this determination, the Bank takes into account macroeconomic variables based on forecasts for the lifetime of the financial asset in three scenarios: baseline, optimistic, and pessimistic, which are translated into adjustments of the forecast PD values for each future period until the end of the lifetime of the credit. Updates of the value of collateral, which is a key component of the LGD estimate, are performed through linkage of principal collateral asset types to a representative index or natural impairment over the lifetime of the credit.

In addition, within the qualitative adjustment component, additional characteristics of the financial assets are taken into account that were not considered in the calculation of the projected loss, including qualitative factors relevant to determining expected collection ability, such as political and environmental factors; rapid growth of credit; lending policies and procedures of the Bank, including changes in lending strategy; underwriting processes; and more.

The estimate of the allowance for credit losses also includes a component of expected recoveries, based on historical information in connection with the timing and rate of expected debt recovery after write-off of the debt, according to the time from the date of the write-off, and additional relevant characteristics. For transactions in the commercial portfolio, a qualitative process is performed in which the expected recovery is examined at the level of the customer.

Where uncertainty exists as a result of the need to improve calculation processes and estimates, conservative coefficients were added at the level of the risk components PD, LGD, or EAD. These matters are examined periodically and the level of conservatism is amended according to improvements made to the estimate process.

The Bank has also established criteria and factors that are taken into account to determine that for certain exposures to governments, expected credit losses are near zero.

Allowance for credit losses – bonds available for sale

The Bank estimates expected credit losses in respect of bonds available for sale at each reporting date when the fair value is lower than the amortized cost. At each date when the fair value is lower than the amortized cost, the Bank examines whether the decline in fair value results from credit losses or from other factors. Impairment arising from credit losses is recorded within the allowance for credit losses.

The Bank calculates the allowance for expected credit losses in respect of bonds available for sale using the discounted cash flow method. This allowance is recorded against a provision for credit losses, to reflect the credit loss component of the fair value falling below the amortized cost. The allowance for credit losses in respect of bonds available for sale is limited such that its amount cannot exceed the amount of the difference between the amortized cost and the lower fair value, referred to as the fair value floor. If the fair value of the security rises over time, any allowance for credit losses not charged off is eliminated by reducing the provision for credit losses.

Note 1 Significant Accounting Policies (continued)

Allowance for credit losses – credit evaluated on an individual basis

In accordance with the guidelines established in the standard, when the Bank finds that a financial asset does not have shared risk characteristics similar to the risk characteristics of other financial assets, the Bank assesses the allowance for credit losses in respect of such assets on an individual basis. These financial assets primarily include non-accruing commercial credit with a contractual balance greater than NIS 1 million. In these cases, the allowance is calculated on an individual basis using the discounted cash flow method and/or based on the value of collateral for collateral-dependent loans. The foregoing does not referred to troubled debt restructuring of small retail debts with similar risk characteristics, the allowance for which is calculated on a collective basis.

(4) Charge-offs

The Bank performs charge-offs for any debt or part of a debt thought to be uncollectible and of such low value that its retention as an asset is unjustified, or debt in respect of which the Bank has carried out prolonged collection efforts (defined in most cases as a period exceeding two years). With regard to collateral-dependent debt, the Bank performs an immediate charge-off against the allowance for credit losses of the part of the recorded debt balance that exceeds the fair value of the collateral.

With regard to commercial credit in respect of debt with a contractual balance of less than NIS 1 million, and non-housing credit to private individuals, the Bank performs a charge-off when they become debts past due by 150 days or more. In this context, note that if the debt is secured by collateral other than a residence, and the seizure of the collateral has commenced and is ensured, the Bank charges off only the part of the recorded balance that exceeds the value of the collateral (net of selling costs).

With regard to housing loans secured by a residential property, the Bank performs a current evaluation of the value of the collateral, no later than the date when the debt becomes a debt past due by 180 days or more, and charges off the part of the recorded debt balance that exceeds the current value of the collateral (net of selling costs).

It is hereby clarified that charge-offs do not entail a legal waiver, and serve to reduce the reported balance of the debt for accounting purposes only, while creating a new cost base for the debt in the Bank's books.

Note 1 Significant Accounting Policies (continued)

D. New accounting standards and new directives of the Supervisor of Banks in the period prior to implementation

(1) Discontinuation of publication of the LIBOR interest rate

As of the end of 2021, the publication of the LIBOR interest rates in four currencies (euro, British pound, yen, and Swiss franc) has been discontinued. The LIBOR rates for the US dollar will continue to be published until June 2023. The LIBOR rates served as the basis for calculation of interest rates applicable to financial products in principal foreign currencies, or linked to these currencies, with floating rates. Within the intention to establish alternative benchmark rates for the relevant currencies, global institutions such as ISDA (International Swaps and Derivatives Association) and ARRC (Alternative Reference Rate Committee) have formulated alternatives to these interest rates, new legal language, and proposals for substitution mechanisms. The change affects the entire banking industry, globally and in Israel.

In accordance with the recommendation of the international committees, the rates of addition to interest rates for the conversion of financial instruments based on these rates were determined in March 2021, according to the ISDA resolutions.

The Bank has prepared for the substitution of the reference rate for the financial products it offers to customers, and has adapted its technological systems to the new interest rates and mechanisms.

As of January 1, 2022, the reference rates for current-account products and revolving overdrafts have been replaced with the new reference rates. For loans based on the reference rates the publication of which has been discontinued, the Bank acted to replace the legal agreements with the customers. The Bank has also continued to work to convert the products, as part of its preparations for the change in reference rates.

The Bank is continuing to monitor the international publications, and will act to reduce the risks arising from the interest-rate substitution process.

On March 22, 2020, the FASB issued reliefs regarding the accounting treatment of the conversion of LIBOR-based contracts to alternative benchmark rates. The reliefs primarily concern the treatment of changes in terms of debts and hedge accounting, with the aim of allowing continuity in accounting in the situation of replacement of the LIBOR with alternative benchmark rates. The Bank has applied the reliefs with respect to the relevant contracts where alternative benchmark rates are to be substituted.

In October 2021, the Bank of Israel issued a Proper Conduct of Banking Business Directive on the subject, "Transition from the LIBOR Interest Rate." Among other matters, the directive addresses processes at banks for the selection of alternate rates; existing contracts (transition management), treatment of new contracts until the date of discontinuation of publication, and contracts after December 31, 2021; and publication of information for customers and management of the risks arising from the process.

Note 1 Significant Accounting Policies (continued)

Details of the contract balances affected by the LIBOR interest rate:

	Total transactions as at September 30, 2022		Of which: transactions continuing beyond the discontinuation of LIBOR publication	
	Amount in NIS millions	Number of transactions	Amount in NIS millions	Number of transactions
Loans	**11,295**	**3,297**	8,642	2,561
Deposits	**396**	**22**	234	15
Derivatives (gross) – par value	**103,917**	**1,091**	65,189	865

In addition, there are unutilized credit facilities, most of which are for periods not exceeding one year.

(2) ASU 2022-02, "Troubled Debt Restructurings and Vintage Disclosures"

On March 31, 2022, the Financial Accounting Standards Board in the United States (the "FASB") issued ASU 2022-02, "Troubled Debt Restructurings and Vintage Disclosures," concerning allowances for credit losses (hereinafter: the "Update").

The Update rescinds the directives concerning troubled debt restructuring by lenders, while improving disclosure requirements regarding borrowers in economic difficulties. The Update also adds a requirement to disclose gross writeoffs by the year in which the credit was granted.

The directives of the Update will apply, in the United States, to entities that have adopted ASU 2016-13 (CECL), beginning in annual and interim periods that commence after December 15, 2022.

The Bank is examining the effect of the new directives on its financial statements.

Note 2 Interest Income and Expenses

Unaudited
NIS millions

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
A. Interest income*				
From credit to the public	**4,230**	2,914	**11,307**	8,382
From credit to governments	**14**	13	**43**	34
From deposits with banks	**65**	14	**114**	43
From deposits with the Bank of Israel and from cash	**434**	34	**620**	97
From securities borrowed or purchased under agreements to resell	**3**	-	**3**	-
From bonds	**394**	96	**759**	314
From other assets	**(1)**	-	**-**	1
Total interest income	**5,139**	3,071	**12,846**	8,871
B. Interest expenses*				
On deposits from the public	**(1,086)**	(259)	**(1,985)**	(782)
On deposits from the government	**(1)**	(1)	**(4)**	(3)
On deposits from the Bank of Israel	**1**	-	**1**	-
On deposits from banks	**(4)**	(1)	**(8)**	(8)
On securities lent or sold under agreements to repurchase	**(49)**	(2)	**(69)**	(2)
On bonds and subordinated notes	**(357)**	(240)	**(1,227)**	(765)
On other liabilities	**(7)**	(3)	**(15)**	(5)
Total interest expenses	**(1,503)**	(506)	**(3,307)**	(1,565)
Total net interest income	**3,636**	2,565	**9,539**	7,306
C. Details of net effect of hedging derivative instruments on interest income and expenses**				
Interest income	**13**	(40)	**(42)**	(110)
Interest expenses	**5**	-	**5**	7
D. Details of interest income from bonds on a cumulative basis				
Held to maturity	**23**	4	**43**	11
Available for sale	**310**	86	**590**	285
Held for trading	**61**	6	**126**	18
Total included in interest income	**394**	96	**759**	314

* Includes the effect of hedge relationships.
** Details of the effect of hedging derivative instruments on subsections a and b.

Note 3 Non-Interest Financing Income

Unaudited
NIS millions

A. Non-interest financing income (expenses) in respect of non-trading activities

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
1. From activity in derivative instruments				
Total from activity in derivative instruments(1)	**173**	(606)	**5,880**	(47)
2. From investment in bonds				
Gains from sale of bonds available for sale	**8**	68	**111**	303
Losses from sale of bonds available for sale(2)	**(14)**	-	**(59)**	(81)
Total from investment in bonds	**(6)**	68	**52**	222
3. Net exchange-rate differences	**(100)**	526	**(5,824)**	(114)
4. Gains (losses) from investment in shares				
Net realized and unrealized gains (losses) from adjustments to fair value of shares not held for trading(3)(4)	**(72)**	109	**(251)**	483
Dividend from shares not held for trading	**13**	11	**32**	22
Adjustment to fair value of investment in affiliate	**(3)**	3	**16**	15
Total from investment in shares	**(62)**	123	**(203)**	520
5. Other	**(23)**	-	**(74)**	-
Total non-interest financing income (expenses) in respect of non-trading activities	**(18)**	111	**(169)**	581

(1) Derivative instruments constituting part of the asset and liability management system of the Bank, which are not designated for hedging.
(2) Including a provision for impairment in the amount of approximately NIS 11 million and approximately NIS 11 million for the three-month and nine-month periods ended September 30, 2022, respectively (approximately NIS 2 million and approximately NIS 2 million for the three-month and nine-month periods ended September 30, 2021, respectively).
(3) Including a provision for impairment in the amount of approximately NIS 2 million and approximately NIS 9 million for the three-month and nine-month periods ended September 30, 2022, respectively (approximately NIS 7 million and approximately NIS 18 million for the three-month and nine-month periods ended September 30, 2021, respectively).
(4) Including gains and losses from measurement at fair value of shares with a readily determinable fair value, and upward or downward adjustments of shares without a readily determinable fair value.

Note 3 Non-Interest Financing Income (continued)

Unaudited
NIS millions

B. Non-interest financing income in respect of trading activities*

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
Net income in respect of derivative instruments held for trading	**123**	112	**429**	338
Net realized and unrealized gains (losses) from adjustments to fair value of bonds held for trading(1)	**10**	(11)	**(16)**	(57)
Total non-interest financing income (expenses) in respect of trading activities**	**133**	101	**413**	281
Total non-interest financing income (expenses)	**115**	212	**244**	862
Details of non-interest financing income in respect of trading activities, by risk exposure:				
Interest rate exposure	**1**	19	**(54)**	45
Foreign currency exposure	**128**	76	**445**	217
Share exposure	**4**	6	**22**	19
Total	**133**	101	**413**	281

* Includes exchange-rate differences arising from trading activity.
** With regard to interest income from investment in bonds held for trading, see Note 2.
(1) Of which, the part of gains (losses) associated with bonds held for trading still held at the balance sheet date, in the amount of approximately NIS (18) million and approximately NIS (48) million for the three-month and nine-month periods ended September 30, 2022 (approximately NIS 5 million and approximately NIS (1) million for the three-month and nine-month periods ended September 30, 2021).

Note 4 Accumulated Other Comprehensive Income (Loss)

Unaudited
NIS millions

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

	Other comprehensive income before attribution to non-controlling interests			Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	Adjustments for presentation of bonds available for sale at fair value	Adjustments in respect of employee benefits*	Total		
Balance as at June 30, 2022	**(1,426)**	**(1,328)**	**(2,754)**	**-**	**(2,754)**
Net change during the period	**(650)**	**115**	**(535)**	**-**	**(535)**
Balance as at September 30, 2022	**(2,076)**	**(1,213)**	**(3,289)**	**-**	**(3,289)**
Balance as at June 30, 2021	159	(1,507)	(1,348)	2	(1,350)
Net change during the period	(78)	(113)	(191)	-	(191)
Balance as at September 30, 2021	81	(1,620)	(1,539)	2	(1,541)

2. Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30, 2022 and 2021

	Other comprehensive income before attribution to non-controlling interests			Other comprehensive income attributed to non-controlling interests	Other comprehensive income attributed to shareholders of the Bank
	Adjustments for presentation of bonds available for sale at fair value	Adjustments in respect of employee benefits*	Total		
Balance as at January 1, 2022	**105**	**(1,701)**	**(1,596)**	**2**	**(1,598)**
Net change during the period	**(2,181)**	**488**	**(1,693)**	**(2)**	**(1,691)**
Balance as at September 30, 2022	**(2,076)**	**(1,213)**	**(3,289)**	**-**	**(3,289)**
Balance as at January 1, 2021	489	(1,496)	(1,007)	2	(1,009)
Net change during the period	(408)	(124)	(532)	-	(532)
Balance as at September 30, 2021	81	(1,620)	(1,539)	2	(1,541)

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

Note 4 Accumulated Other Comprehensive Income (Loss) (continued)

Audited
NIS millions

A. Changes in accumulated other comprehensive income (loss), after tax effect (continued)

3. Changes in accumulated other comprehensive income (loss) in 2021

	Other comprehensive income (loss) before attribution to non-controlling interests			Other comprehensive income (loss) attributed to non-controlling interests	Other comprehensive income (loss) attributed to shareholders of the Bank
	Adjustments for presentation of bonds available for sale at fair value	Adjustments in respect of employee benefits*	Total		
Balance as at January 1, 2021	489	(1,496)	(1,007)	2	(1,009)
Net change during the year	(384)	(205)	(589)	-	(589)
Balance as at December 31, 2021	105	(1,701)	(1,596)	2	(1,598)

* Mainly reflects adjustments in respect of actuarial estimates at the end of the year, and deduction of amounts previously recorded in other comprehensive income.

Note 4 Accumulated Other Comprehensive Income (Loss) (continued)

Unaudited
NIS millions

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

1. Changes in accumulated other comprehensive income (loss) for the three-month periods ended September 30, 2022 and 2021

	For the three months ended					
	September 30, 2022			September 30, 2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments for presentation of bonds available for sale at fair value						
Net unrealized gains (losses) from adjustments to fair value	**(977)**	**324**	**(653)**	(43)	16	(27)
(Gains) losses in respect of bonds available for sale reclassified to the statement of profit and loss[(1)]	**6**	**(3)**	**3**	(68)	17	(51)
Net change during the period	**(971)**	**321**	**(650)**	(111)	33	(78)
Employee benefits						
Net actuarial profit (loss) during the period*	**138**	**(48)**	**90**	(215)	76	(139)
Net (gains) losses reclassified to the statement of profit and loss[(2)]	**37**	**(12)**	**25**	42	(16)	26
Net change during the period	**175**	**(60)**	**115**	(173)	60	(113)
Total net change during the period	**(796)**	**261**	**(535)**	(284)	93	(191)
Changes in components of other comprehensive income (loss) attributed to non-controlling interests						
Total net change during the period	**-**	**-**	**-**	-	-	-
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank						
Total net change during the period	**(796)**	**261**	**(535)**	(284)	93	(191)

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

(1) The amount before tax is reported in the statement of profit and loss, under the item "non-interest financing income." For further details, see Note 3.

(2) The amount before tax is reported in the statement of profit and loss, under the item "other expenses."

Note 4 Accumulated Other Comprehensive Income (Loss) (continued)

Unaudited
NIS millions

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

2. Changes in accumulated other comprehensive income (loss) for the nine-month periods ended September 30, 2022 and 2021

	For the nine months ended					
	September 30, 2022			September 30, 2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests						
Adjustments for presentation of bonds available for sale at fair value						
Net unrealized gains (losses) from adjustments to fair value	**(3,205)**	**1,062**	**(2,143)**	(390)	137	(253)
(Gains) losses in respect of bonds available for sale reclassified to the statement of profit and loss(1)	**(52)**	**14**	**(38)**	(220)	65	(155)
Net change during the period	**(3,257)**	**1,076**	**(2,181)**	(610)	202	(408)
Employee benefits						
Net actuarial profit (loss) during the period*	**618**	**(212)**	**406**	(321)	114	(207)
Net (gains) losses reclassified to the statement of profit and loss(2)	**124**	**(42)**	**82**	128	(45)	83
Net change during the period	**742**	**(254)**	**488**	(193)	69	(124)
Total net change during the period	**(2,515)**	**822**	**(1,693)**	(803)	271	(532)
Changes in components of other comprehensive income (loss) attributed to non-controlling interests						
Total net change during the period	**(2)**	**-**	**(2)**	-	-	-
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank						
Total net change during the period	**(2,513)**	**822**	**(1,691)**	(803)	271	(532)

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

(1) The amount before tax is reported in the statement of profit and loss, under the item "non-interest financing income." For further details, see Note 3.

(2) The amount before tax is reported in the statement of profit and loss, under the item "other expenses."

Note 4 Accumulated Other Comprehensive Income (Loss) (continued)

Audited
NIS millions

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

3. Changes in accumulated other comprehensive income (loss) in 2021

	For the year ended December 31, 2021		
	Before tax	Tax effect	After tax
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests			
Adjustments for presentation of bonds available for sale at fair value			
Net unrealized gains (losses) from adjustments to fair value	(319)	115	(204)
(Gains) losses in respect of bonds available for sale reclassified to the statement of profit and loss(1)	(256)	76	(180)
Net change during the period	(575)	191	(384)
Employee benefits			
Net actuarial profit (loss) during the period*	(487)	168	(319)
Net (gains) losses reclassified to the statement of profit and loss(2)	173	(59)	114
Net change during the period	(314)	109	(205)
Total net change during the period	(889)	300	(589)
Changes in components of other comprehensive income (loss) attributed to non-controlling interests			
Total net change during the period	-	-	-
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank			
Total net change during the period	(889)	300	(589)

* Mainly reflects adjustments in respect of actuarial estimates at the end of the period, and deduction of amounts previously recorded in other comprehensive income.

(1) The amount before tax is reported in the statement of profit and loss, under the item "non-interest financing income." For further details, see Note 3.

(2) The amount before tax is reported in the statement of profit and loss, under the item "other expenses."

Note 5 Securities

Unaudited
NIS millions

	September 30, 2022					
	Balance sheet value	Amortized cost	Allowance for credit losses**	Unrecognized gains from adjustments to fair value	Unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity						
Bonds and debentures						
Israeli government	**5,022**	**5,022**	**-**	**-**	**(375)**	**4,647**
Foreign governments	**1,802**	**1,802**	**-**	**-**	**(217)**	**1,585**
Financial institutions in Israel	**300**	**313**	**(13)**	**26**	**-**	**326**
Total bonds held to maturity	**7,124**	**7,137**	**(13)**	**26**	**(592)**	**6,558**

	Balance sheet value	Amortized cost	Allowance for credit losses	Accumulated other comprehensive income		Fair value*
				Gains	Losses	
2) Bonds available for sale						
Bonds and debentures						
Israeli government	**41,503**	**42,811**	**-**	**165**	**(1,473)**	**41,503**
Foreign governments	**20,731**	**21,899**	**-**	**10**	**(1,178)**	**20,731**
Foreign financial institutions	**5,570**	**5,764**	**-**	**8**	**(202)**	**5,570**
Foreign others	**2,882**	**2,918**	**-**	**13**	**(49)**	**2,882**
Total bonds and debentures available for sale	**70,686**	**73,392**	**-**	**(1)196**	**(1)(2,902)**	**70,686**

	Balance sheet value	Amortized cost (in shares – cost)	Allowance for credit losses	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading						
Shares not held for trading	**4,005**	**4,143**	**-**	**(2)210**	**(2)(348)**	**4,005**
Of which: shares without a readily determinable fair value[3]	**2,251**	**2,251**	**-**	**-**	**-**	**2,251**
Total securities not held for trading	**81,815**	**84,672**	**(13)**	**432**	**(3,842)**	**81,249**

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
** Includes the effects of the initial implementation of the directives concerning allowances for current expected credit losses (CECL). For further details, see Note 1C above.
(1) Included in equity in the item "adjustments for presentation of bonds available for sale at fair value" within other comprehensive income.
(2) Recorded to the statement of profit and loss.
(3) Shares without a readily determinable fair value are stated at cost, net of impairment, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 15C.

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Unaudited
NIS millions

	September 30, 2022					
	Balance sheet value	Amortized cost (in shares – cost)	Allowance for credit losses	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading						
Bonds and debentures						
Israeli government	**6,421**	**6,549**	**-**	**-**	**(128)**	**6,421**
Foreign governments	**237**	**239**	**-**	**-**	**(2)**	**237**
Foreign financial institutions	**1,223**	**1,303**	**-**	**4**	**(84)**	**1,223**
Foreign others	**382**	**440**	**-**	**-**	**(58)**	**382**
Total securities held for trading	**8,263**	**8,531**	**-**	(1)**4**	(1)**(272)**	**8,263**
Total securities(2)(3)	**90,078**	**93,203**	**(13)**	**436**	**(4,114)**	**89,512**

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0-20%	20-40%			0-20%	20-40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of bonds available for sale in an unrealized loss position								
Bonds and debentures								
Israeli government	**27,923**	**(1,473)**	**-**	**(1,473)**	**-**	**-**	**-**	**-**
Foreign governments	**10,217**	**(429)**	**-**	**(429)**	**9,655**	**(749)**	**-**	**(749)**
Foreign financial institutions	**4,525**	**(200)**	**-**	**(200)**	**6**	**(2)**	**-**	**(2)**
Foreign others	**1,754**	**(41)**	**-**	**(41)**	**142**	**(8)**	**-**	**(8)**
Total bonds and debentures available for sale	**44,419**	**(2,143)**	**-**	**(2,143)**	**9,803**	**(759)**	**-**	**(759)**

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Recorded to the statement of profit and loss.
(2) Of which: securities in the amount of approximately NIS 19.6 billion pledged to lenders.
(3) Securities loaned in the amount of approximately NIS 1,879 million are presented within the item "credit to the public."

Notes:
A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Unaudited
NIS millions

	September 30, 2021				
	Balance sheet value	Amortized cost	Unrecognized gains from adjustments to fair value	Unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity					
Bonds and debentures					
Israeli government	195	195	-	(1)	194
Financial institutions in Israel	312	312	7	-	319
Total bonds held to maturity	507	507	7	(1)	513

	Balance sheet value	Amortized cost	Accumulated other comprehensive income		Fair value*
			Gains	Losses	
2) Bonds available for sale					
Bonds and debentures					
Israeli government	38,250	38,122	178	(50)	38,250
Foreign governments	17,390	17,543	38	(191)	17,390
Foreign financial institutions	2,815	2,740	75	-	2,815
Foreign others	2,613	2,544	70	(1)	2,613
Total bonds and debentures available for sale	61,068	60,949	(1)361	(1)(242)	61,068

	Balance sheet value	Amortized cost (in shares – cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading					
Shares not held for trading	3,643	3,260	(2)407	(2)(24)	3,643
Of which: shares without a readily determinable fair value(3)	2,101	2,101	-	-	2,101
Total securities not held for trading	65,218	64,716	775	(267)	65,224

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Included in equity in the item "adjustments for presentation of securities available for sale at fair value" within other comprehensive income.
(2) Recorded to the statement of profit and loss.
(3) Shares without a readily determinable fair value are stated at cost, net of impairment, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 15C.

Notes:
A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Unaudited
NIS millions

	September 30, 2021				
	Balance sheet value	Amortized cost (in shares – cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading					
Bonds and debentures					
Israeli government	4,319	4,321	7	(9)	4,319
Foreign governments	358	358	-	-	358
Foreign financial institutions	263	260	5	(2)	263
Foreign others	225	226	-	(1)	225
Total bonds and debentures held for trading	5,165	5,165	12	(12)	5,165
Shares					
Total securities held for trading	5,165	5,165	(1) 12	(1) (12)	5,165
Total securities(2)(3)	70,383	69,881	787	(279)	70,389

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0-20%	20-40%			0-20%	20-40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of securities available for sale in an unrealized loss position								
Bonds and debentures								
Israeli government	4,489	(50)	-	(50)	-	-	-	-
Foreign governments	9,523	(33)	-	(33)	3,227	(158)	-	(158)
Foreign others	158	(1)	-	(1)	-	-	-	-
Total bonds and debentures available for sale	14,170	(84)	-	(84)	3,227	(158)	-	(158)

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Recorded to the statement of profit and loss.
(2) Of which: securities in the amount of approximately NIS 8.0 billion pledged to lenders.
(3) Securities loaned in the amount of approximately NIS 33 million are presented within the item "credit to the public."

Notes:

A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Audited
NIS millions

	December 31, 2021				
	Balance sheet value	Amortized cost	Unrecognized gains from adjustments to fair value	Unrecognized losses from adjustments to fair value	Fair value*
1) Bonds held to maturity					
Bonds and debentures					
Israeli government	196	196	1	-	197
Financial institutions in Israel	312	312	6	-	318
Total bonds held to maturity	508	508	7	-	515

	Balance sheet value	Amortized cost	Accumulated other comprehensive income		Fair value*
			Gains	Losses	
2) Bonds available for sale					
Bonds and debentures					
Israeli government	34,358	34,115	265	(22)	34,358
Foreign governments	18,282	18,496	33	(247)	18,282
Foreign financial institutions	2,809	2,759	50	-	2,809
Foreign others	2,559	2,485	76	(2)	2,559
Total bonds and debentures available for sale	58,008	57,855	(1)424	(1)(271)	58,008

	Balance sheet value	Amortized cost (in shares – cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading					
Shares not held for trading	3,650	3,229	(2)431	(2)(10)	3,650
Of which: shares without a readily determinable fair value(3)	2,058	2,058	-	-	2,058
Total securities not held for trading	62,166	61,592	862	(281)	62,173

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Included in equity in the item "adjustments for presentation of bonds available for sale at fair value" within other comprehensive income.
(2) Recorded to the statement of profit and loss.
(3) Shares without a readily determinable fair value are stated at cost, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 15C.

Notes:
A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Audited
NIS millions

	December 31, 2021				
	Balance sheet value	Amortized cost (in shares – cost)	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
4) Securities held for trading					
Bonds and debentures					
Israeli government	4,774	4,722	55	(3)	4,774
Foreign governments	3,163	3,163	-	-	3,163
Foreign financial institutions	722	716	8	(2)	722
Foreign others	280	283	-	(3)	280
Total bonds and debentures held for trading	8,939	8,884	63	(8)	8,939
Shares					
Total securities held for trading	8,939	8,884	(1)63	(1)(8)	8,939
Total securities(2)(3)	71,105	70,476	925	(289)	71,112

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0-20%	20-40%			0-20%	20-40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of bonds available for sale in an unrealized loss position								
Bonds and debentures								
Israeli government	1,584	(22)	-	(22)	-	-	-	-
Foreign governments	11,534	(91)	-	(91)	3,357	(156)	-	(156)
Foreign others	247	(2)	-	(2)	-	-	-	-
Total bonds and debentures available for sale	13,365	(115)	-	(115)	3,357	(156)	-	(156)

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Shares without a readily determinable fair value are stated at cost, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 15C.
(2) Of which: securities in the amount of approximately NIS 11.6 billion pledged to lenders.
(3) Securities loaned in the amount of approximately NIS 509 million are presented within the item "credit to the public."

Notes:
A. For details of the results of activity in investments in bonds and in shares, see Note 2 and Note 3.
B. Israeli bonds and foreign bonds are differentiated according to the country of residence of the issuing entity.

Note 5 Securities (continued)

Transfer of bonds from the available-for-sale portfolio to the held-to-maturity portfolio

On March 24, 2022, the Bank decided to transfer bonds (of the Israeli government and United States government) at a volume of approximately NIS 3.5 billion from the available-for-sale portfolio to the held-to-maturity portfolio. The bonds were transferred to the held-to-maturity portfolio with the aim of reducing the effect of the increase in bond yields on volatility of the capital reserve in respect of securities available for sale, as part of the capital management of the Bank.

The transfer was performed in view of rare and exceptional interest-rate effects, combined with the war in Ukraine, which also affects the global inflation and interest-rate environment and heightened these effects. The capital reserve in respect of the bonds transferred to the held-to-maturity portfolio amounted to a negative balance of approximately NIS 388 million at the date of the transfer. This balance is stated in shareholders' equity, and is being written down to profit and loss over the remaining life of the bonds as an adjustment of yield.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses

Unaudited
NIS millions

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. For further details, see Note 1C. Comparative figures for previous periods have not been restated in this note.

1. Debts,* bonds held to maturity and available for sale, credit to the public, and allowance for credit losses

	September 30, 2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	**196,669**	**-**	**37**	**196,706**	**86,631**	**283,337**
Debts examined on a collective basis	**28,709**	**126,167**	**35,193**	**190,069**	**7,124**	**197,193**
Total[1]	**225,378**	**126,167**	**35,230**	**386,775**	**93,755**	**480,530**
(1) Of which:						
Non-accruing debts	**2,262**	**545**	**226**	**3,033**	**-**	**3,033**
Debts 90 days or more past due	**36**	**-**	**40**	**76**	**-**	**76**
Other problematic debts	**2,982**	**-**	**399**	**3,381**	**-**	**3,381**
Total problematic debts	**5,280**	**545**	**665**	**6,490**	**-**	**6,490**
Allowance for credit losses in respect of debts						
Debts examined on an individual basis	**3,349**	**-**	**-**	**3,349**	**24**	**3,373**
Debts examined on a collective basis	**532**	**452**	**860**	**1,844**	**13**	**1,857**
Total allowance for credit losses[2]	**3,881**	**452**	**860**	**5,193**	**37**	**5,230**
(2) Of which: allowance in respect of non-accruing debts	**546**	**45**	**95**	**686**	**-**	**686**
Of which: allowance in respect of other problematic debts	**189**	**-**	**50**	**239**	**-**	**239**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 53 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

1. Debts,* bonds held to maturity and available for sale, credit to the public, and allowance for credit losses (continued)

	September 30, 2021					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	168,909	-	907	169,816	18,182	187,998
Debts examined on a collective basis(1)	27,568	109,940	33,023	170,531	-	170,531
(1) Of which: debts for which the allowance is calculated based on past-due status	49	109,940	-	109,989	-	109,989
Total(2)	196,477	109,940	33,930	340,347	18,182	358,529
(2) Of which:						
Troubled debt restructuring	1,590	-	626	2,216	-	2,216
Other impaired debts	1,245	-	30	1,275	-	1,275
Total impaired debts	2,835	-	656	3,491	-	3,491
Debts 90 days or more past due	42	637	43	722	-	722
Other problematic debts	4,543	-	33	4,576	-	4,576
Total problematic debts	7,420	637	732	8,789	-	8,789
Allowance for credit losses in respect of debts						
In respect of debts examined on an individual basis	3,508	-	91	3,599	5	3,604
In respect of debts examined on a collective basis(3)	425	527	499	1,451	-	1,451
Total allowance for credit losses(4)	3,933	527	590	5,050	5	5,055
(3) Of which: allowance calculated based on past-due status***	-	527	-	527	-	527
(4) Of which: allowance in respect of impaired debts	1,185	-	87	1,272	-	1,272

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 49 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

*** Includes the allowance beyond the amount required according to the past-due-based method, calculated on a collective basis, in the amount of approximately NIS 385 million.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

1. Debts,* bonds held to maturity and available for sale, credit to the public, and allowance for credit losses (continued)

	December 31, 2021					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	178,141	-	934	179,075	15,585	194,660
Debts examined on a collective basis(1)	29,653	115,127	33,874	178,654	-	178,654
(1) Of which: allowance calculated based on past-due status	39	115,018	-	115,057	-	115,057
Total(2)	207,794	115,127	34,808	357,729	15,585	373,314
(2) Of which:						
Troubled debt restructuring	1,529	-	623	2,152	-	2,152
Other impaired debts	1,441	-	24	1,465	-	1,465
Total impaired debts	2,970	-	647	3,617	-	3,617
Debts 90 days or more past due	40	595	44	679	-	679
Other problematic debts	3,773	-	27	3,800	-	3,800
Total problematic debts	6,783	595	718	8,096	-	8,096
Allowance for credit losses in respect of debts						
In respect of debts examined on an individual basis	3,541	-	91	3,632	6	3,638
In respect of debts examined on a collective basis(3)	437	533	504	1,474	-	1,474
Total allowance for credit losses(4)	3,978	533	595	5,106	6	5,112
(3) Of which: allowance calculated based on past-due status***	-	533	-	533	-	533
(4) Of which: allowance in respect of impaired debts	1,117	-	87	1,204	-	1,204

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 39 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

*** Includes the allowance beyond the amount required according to the past-due-based method, calculated on a collective basis, in the amount of approximately NIS 403 million.

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

2. Change in allowance for credit losses

	For the three months ended September 30, 2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses as at June 30, 2022	**4,632**	**487**	**841**	**5,960**	**39**	**5,999**
Provision (income) for credit losses	**(22)**	**(4)**	**69**	**43**	**2**	**45**
Charge-offs	**(139)**	**(1)**	**(96)**	**(236)**	**-**	**(236)**
Recoveries of debts charged off in previous years	**163**	**1**	**96**	**260**	**-**	**260**
Net charge-offs	**24**	**-**	**-**	**24**	**-**	**24**
Allowance for credit losses as at September 30, 2022(1)	**4,634**	**483**	**910**	**6,027**	**41**	**6,068**
(1) Of which: in respect of off-balance sheet credit instruments	**753**	**31**	**50**	**834**	**4**	**838**

	For the three months ended September 30, 2021					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses as at June 30, 2021	4,699	517	632	5,848	5	5,853
Provision (income) for credit losses(1)	(253)	9	(8)	(252)	-	(252)
Charge-offs	(74)	-	(83)	(157)	-	(157)
Recoveries of debts charged off in previous years	245	1	84	330	-	330
Net charge-offs	171	1	1	173	-	173
Allowance for credit losses as at September 30, 2021(2)	4,617	527	625	5,769	5	5,774
(1) Of which: in respect of off-balance sheet credit instruments	24	-	(1)	23	-	23
(2) Of which: in respect of off-balance sheet credit instruments	684	-	35	719	-	719

Note 6 Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

2. Change in allowance for credit losses (continued)

	For the nine months ended September 30, 2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year (audited)	**4,744**	**533**	**626**	**5,903**	**6**	**5,909**
Adjustment of opening balance of CECL allowance	**336**	**(83)**	**285**	**538**	**8**	**546**
Provision (income) for credit losses	**(532)**	**34**	**7**	**(491)**	**27**	**(464)**
Charge-offs	**(301)**	**(4)**	**(281)**	**(586)**	**-**	**(586)**
Recoveries of debts charged off in previous years	**387**	**3**	**273**	**663**	**-**	**663**
Net charge-offs	**86**	**(1)**	**(8)**	**77**	**-**	**77**
Allowance for credit losses as at September 30, 2022[1] (unaudited)	**4,634**	**483**	**910**	**6,027**	**41**	**6,068**
(1) Of which: in respect of off-balance sheet credit instruments	**753**	**31**	**50**	**834**	**4**	**838**

	For the nine months ended September 30, 2021					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year (audited)	5,142	758	1,026	6,926	5	6,931
Provision (income) for credit losses[1]	(759)	(231)	(417)	(1,407)	-	(1,407)
Charge-offs	(291)	(3)	(248)	(542)	-	(542)
Recoveries of debts charged off in previous years	525	3	264	792	-	792
Net charge-offs	234	-	16	250	-	250
Allowance for credit losses as at September 30, 2021[2] (unaudited)	4,617	527	625	5,769	5	5,774
(1) Of which: in respect of off-balance sheet credit instruments	(16)	-	(46)	(62)	-	(62)
(2) Of which: in respect of off-balance sheet credit instruments	684	-	35	719	-	719

Note 7 Deposits from the Public

NIS millions

A. Types of deposits, by location of deposit taking and by type of depositor

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
In Israel			
On demand			
Non-interest bearing	**214,972**	224,814	233,518
Interest bearing	**130,320**	142,412	145,743
Total on demand	**345,292**	367,226	379,261
Fixed term	**159,037**	118,116	125,305
Total deposits from the public in Israel*	**504,329**	485,342	504,566
Outside Israel			
On demand			
Non-interest bearing	**1,777**	1,141	1,527
Interest bearing	**6,145**	8,647	8,368
Total on demand	**7,922**	9,788	9,895
Fixed term	**15,448**	10,353	10,611
Total deposits from the public outside Israel	**23,370**	20,141	20,506
Total deposits from the public	**527,699**	505,483	525,072
* Of which:			
Deposits of private individuals	**200,538**	191,591	190,674
Deposits of institutional entities	**91,821**	95,137	101,287
Deposits of corporations and others	**211,970**	198,614	212,605

B. Deposits from the public by size

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Deposit ceiling (in NIS millions)			
Up to 1	**154,714**	149,674	147,494
Over 1 up to 10	**120,982**	114,195	114,756
Over 10 up to 100	**76,840**	68,211	74,023
Over 100 up to 500	**53,739**	48,648	51,346
Over 500	**121,424**	124,755	137,453
Total	**527,699**	505,483	525,072

Note 8 Employee Benefits

NIS millions

A. Employee benefit liabilities

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Early retirement and severance pay			
Amount of liability	**7,480**	8,092	8,167
Fair value of plan assets	**(3,901)**	(4,094)	(4,073)
Surplus liability over plan assets (included in other liabilities)	**3,579**	3,998	4,094
Grant for non-utilization of sick days			
Amount of liability	**337**	399	409
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**337**	399	409
25-year service grant			
Amount of liability	**30**	36	36
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**30**	36	36
Other benefits at end of employment and post-employment			
Amount of liability	**586**	697	726
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**586**	697	726
Total			
Surplus liabilities in respect of employee benefits over plan assets included in the item "other liabilities"*	**4,532**	5,130	5,265
* Of which: in respect of benefits for employees overseas	**(19)**	14	7

Note 8 Employee Benefits (continued)

NIS millions

B. Post-retirement benefit plan

1. Commitments and financing status

a. Net change in commitment in respect of forecast 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
Net commitment in respect of forecast benefit at beginning of period	**4,664**	4,912	**5,229**	4,918	4,918
Service cost	**32**	41	**122**	118	163
Interest cost	**26**	17	**55**	54	70
Deposits by plan participants	**(12)**	(2)	**(16)**	(16)	(16)
Actuarial loss (profit)	**(137)**	216	*****(622)**	320	489
Changes in foreign-currency exchange rates	**(1)**	(1)	**4**	1	(2)
Benefits paid	**(70)**	(89)	**(270)**	(301)	(393)
Net commitment in respect of forecast benefit at end of period	**4,502**	5,094	**4,502**	5,094	5,229
Net commitment in respect of cumulative benefit at end of period	**4,301**	4,796	**4,301**	4,796	4,906

* Includes post-retirement benefits, including a sick-leave grant paid at retirement.
** The amounts presented are net of plan assets. For further details, see Section (d) below.
*** Includes an increase in liability in the amount of approximately NIS 170 million due to an update of the estimated cost of the retirement program announced in early 2020.

b. Amounts recognized in the consolidated balance sheet

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Early retirement and severance pay			
Amounts recognized in the item "other liabilities"	**4,502**	5,094	5,229

c. Amounts recognized in accumulated other comprehensive income (loss), before tax effect

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Net actuarial loss	**1,837**	2,458	2,579
Closing balance in accumulated other comprehensive income	1,837	2,458	2,579

Note 8 Employee Benefits (continued)

NIS millions

B. Post-retirement benefit plan (continued)

1. Commitments and financing status (continued)

d. Plans in which the commitment in respect of the cumulative and forecast benefit exceeds the plan assets

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Commitment in respect of forecast benefit	**8,403**	9,188	9,302
Commitment in respect of cumulative benefit	**8,202**	8,890	8,979
Fair value of plan assets	**(3,901)**	(4,094)	(4,073)

2. Expense for the period

a. Components of net benefit cost recognized in profit and loss

	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	**2022**	2021	2021
	Unaudited				Audited
Service cost	**32**	41	**122**	118	163
Interest cost	**26**	17	**55**	54	70
Subtraction of unrecognized amounts:					
Net actuarial loss (profit)	**37**	42	**124**	128	173
Total subtraction of unrecognized amounts	**37**	42	**124**	128	173
Net total benefit cost	**95**	100	**301**	300	406

b. Changes in plan assets and in benefit commitments recognized in other comprehensive income (loss), 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
Net actuarial loss (profit) for the period	**(137)**	216	***(622)**	320	489
Subtraction of actuarial profit (loss)	**(37)**	(42)	**(124)**	(128)	(173)
Changes in foreign-currency exchange rates	**(1)**	(1)	**4**	1	(2)
Total recognized in other comprehensive loss (income)	**(175)**	173	**(742)**	193	314
Net total benefit cost	**95**	100	**301**	300	406
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(80)**	273	**(441)**	493	720

* Includes an increase in liability in the amount of approximately NIS 170 million due to an update of the estimated cost of the retirement program announced in early 2020.

Note 8 Employee Benefits (continued)

B. Post-retirement benefit plan (continued)

3. Assumptions*

a. Assumptions based on a weighted average used to determine the commitment in respect of the benefit and to measure the net cost of the benefit

(1) Principal assumptions used to determine the commitment in respect of the benefit

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Capitalization rate	**1.67%**	0.07%	(0.19%)
Rate of increase in the CPI	**1.50%**	1.50%	1.50%
Rate of increase in remuneration[1]	**0.5%-7.6%**	0.5%-7.6%	0.5%-7.6%

Departure rates vary by age and gender, and reflect a weighted departure rate of approximately 7.6% per annum.

(2) Principal assumptions used to measure net benefit cost for the period

	For the three months ended September 30		For the three months ended June 30		For the three months ended March 31		For the year ended December 31
	2022	2021	2022	2021	2022	2021	2021
	Unaudited						Audited
Capitalization rate	**1.21%**	0.20%	0.39%	0.29%	(0.19%)	0.37%	0.07%
Rate of increase in remuneration	**0.0-7.6%**	0.0%-7.5%	0.0%-7.6%	0.0%-7.5%	0.0%-7.6%	0.0%-7.5%	0.0%-7.6%

b. Effect of a one-percentage-point change on the commitment in respect of the forecast benefit, before tax effect

	Increase of one percentage point			Decrease of one percentage point		
	September 30		December 31	September 30		December 31
	2022	2021	2021	**2022**	2021	2021
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Capitalization rate	**(340)**	(445)	(464)	**402**	530	554
Rate of increase in remuneration	**234**	311	341	**(202)**	(266)	(291)

* The assumptions refer to the stand-alone data of the Bank.

(1) The rate of increase in remuneration is influenced by several processes leading to an increase in the cost of wages, which reflect an average growth rate of approximately 1.2% per annum, in real terms. These processes include promotions and changes in job descriptions, seniority, and rank.

Note 8 Employee Benefits (continued)

NIS millions

B. Post-retirement benefit plan (continued)

4. Plan assets

The Bank's liability for employee benefits is calculated based on an actuarial calculation. Among other factors, this calculation takes into account the probability of early retirement with beneficial terms, in each of the relevant tracks (enlarged severance pay or early retirement); the amounts of the liability at retirement; and the value of amounts funded at that date. In addition, in light of the existing labor agreements at the Bank and the nature of the retirement agreements at the Bank, the Bank's exposure to (positive or negative) changes in the value of amounts funded is limited, due to Section 14 of the Severance Pay Law, pursuant to which in the event of an employee's departure, reaching the retirement age established by law, or taking early retirement, the Bank is not required to supplement amounts funded, and customarily does not do so, if their value has decreased or does not cover the increase that has occurred in wages. The Bank's liability for severance pay to its employees is primarily covered by amounts funded, deposited in severance-pay funds in the employees' names.

Balances of the liability for severance pay and amounts funded for severance pay:

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
Liability for severance pay	**3,715**	3,882	3,876
Amounts funded for severance pay	**(3,692)**	(3,835)	(3,822)
Net liability	**23**	47	54

C. Cash flows

1. Deposits

	Forecast	Actual deposits				
		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
Deposits	**169**	**50**	53	**127**	127	163

* Estimated deposits which the Bank expects to pay into pension plans for a defined benefit during 2022.

Note 8 Employee Benefits (continued)

NIS millions

C. Cash flows (continued)

2. Benefits the Bank expects to pay in the future

Year	
2022	499
2023	375
2024	355
2025	340
2026	324
2027-2031	1,365
2032 forward	2,181
Total	5,439

D. On May 22, 2022, the Board of Directors approved a grant of restricted shares (for three years, beginning January 1, 2022) to the CEO of the Bank, members of the Board of Management, and senior executives of the Bank, as well as to managers who retired from the Bank, at a total volume of up to approximately 0.03% of the issued capital of the Bank, within the implementation of the existing remuneration plans and employment contracts, as part of the fixed remuneration component for 2021, which was recognized in the annual financial statements of the Bank for 2021, and in accordance with the outline issued by the Bank on April 26, 2021. Accordingly, the aforesaid executives were allocated approximately 351 thousand restricted shares on May 23, 2022.

Note 8 Employee Benefits (continued)

E. Further to the statements in Note 22C(2) to the Financial Statements for 2021 regarding the terms of service of the Chairman of the Board of Directors, in April 2022 the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directives 301 and 301A concerning the duties of the chairperson of the board of directors and the terms of service of chairpersons of boards of directors of banks without a controlling core. Updated terms of service for the Chairman of the Board, consistent with the updated supervisory directives, were approved by the general meeting on August 11, 2022. The updated terms of service are in effect as of the beginning of 2022, and as long as Mr. Krupik serves in the office of Chairman. The main points of the terms are the following: the position of the Chairman of the Board will remain a full-time (100%) position. The Chairman is entitled to annual compensation in the amount of NIS 2.94 million in respect of this office (the "Annual Compensation"). The Annual Compensation shall be linked to the consumer price index (subject to the total remuneration of the Chairman not exceeding the ceiling pursuant to Section 2(B) of the Financial Corporations Officer Remuneration Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Remuneration), 2016 (the "Remuneration Limit Law"); baseline index – May 2022). VAT shall be added to this amount in accordance with the law. The Annual Compensation may be paid in monthly payments; in respect of service for part of a year, the proportional share of the Annual Compensation shall be paid. The consideration shall be paid against an invoice, and the Chairman shall not be entitled to benefits accompanying wages (such as deposits into compensation or pension funds, or employer contributions to a study fund). In addition to the Annual Compensation, the Chairman shall be entitled to reimbursement of reasonable expenses in respect of the discharge of his duties, including travel and telephone expenses (subject to the limits included in Directive 301A, and subject to the total remuneration of the Chairman not exceeding the ceiling pursuant to Section 2(B) of the Remuneration Limit Law). The Chairman shall continue to be insured under the directors and officers' liability insurance policy of the Bank. The Chairman also holds a letter of indemnity and exemption, as is granted to officers of the Bank. The updated terms of service do not include provisions pertaining to an advance notice period, non-competition, or a cooling period, which were included in the previous terms of service of the Chairman.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity

A. Dividends

Dividend distribution by the Bank is subject to tests and limits set forth in the Companies Law and in the directives of the Banking Supervision Department, including Proper Conduct of Banking Business Directive 331. The dividend distribution policy of the Bank is to distribute up to 40% of quarterly net operating profit. Any distribution and the rate thereof is subject to a specific resolution of the Board of Directors of the Bank, based on its judgment at the date of the distribution, taking into account the directives of all laws, any constraints on distribution, and business considerations, including the growth strategy of the Bank.

At the dates of approval of the financial statements for the year 2021 and for the first quarter of 2022, the Board of Directors resolved to retain accumulated capital surpluses and refrain from declaring dividend distribution, due to prioritization of continued implementation of the growth strategy.

In the second quarter of 2022, the Board of Directors of the Bank resolved to resume a trajectory of ongoing dividend distribution, while continuing to maintain balanced growth. Distributions will be subject to the results of the Bank, developments in the markets and in macroeconomic conditions, and the effect of the implementation of regulatory directives, as well as compliance with legal tests.

On August 14, 2022, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 403 million, constituting approximately 30% of the net profit of the Bank for the second quarter of 2022, paid on September 7, 2022.

At the date of approval of these financial statements, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 536 million, constituting approximately 30% of the net profit of the Bank for the third quarter of 2022, to be paid on December 11, 2022.

B. Dividend payments

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
November 22, 2022	December 11, 2022	40.095	536.0
August 14, 2022	September 7, 2022	30.146	403.0
November 15, 2021	December 8, 2021	64.499	862.0
August 1, 2021	August 18, 2021	46.152	616.8

C. Basel 3 directives

The Bank applies the capital measurement and adequacy directives based on the Basel directives, as published by the Banking Supervision Department.

The Basel 3 directives took effect on January 1, 2014. Implementation is gradual, in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299, "Capital Measurement and Adequacy – Supervisory Capital – Transitional Directives." In accordance with the transitional directives, capital instruments that no longer qualify as supervisory capital were recognized as of January 1, 2014, up to a ceiling of 80% of their balance in the supervisory capital as at December 31, 2013; this ceiling was lowered by an additional 10% in each subsequent year, until January 1, 2022. Accordingly, in 2022 these instruments are no longer included in supervisory capital.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

D. Capital adequacy in consolidated data

	September 30, 2022	September 30, 2021	December 31, 2021
	Unaudited		Audited
	NIS millions		
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions			
Common equity Tier 1 capital	**45,262**	42,803	42,772
Additional Tier 1 capital	**-**	244	244
Total Tier 1 capital	**45,262**	43,047	43,016
Tier 2 capital	**13,252**	9,391	12,490
Total overall capital	**58,514**	52,438	55,506
2. Weighted balances of risk-adjusted assets			
Credit risk	**378,342**	356,739	363,588
Market risks	**5,658**	3,605	4,097
Operational risk	**23,914**	22,634	22,595
Total weighted balances of risk-adjusted assets	**407,914**	382,978	390,280
	%		
3. Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components(1)	**11.10%**	11.18%	10.96%
Ratio of Tier 1 capital to risk components	**11.10%**	11.24%	11.02%
Ratio of total capital to risk components	**14.34%**	13.69%	14.22%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department(2)	**10.23%**	9.20%	9.21%
Minimum total capital ratio required by the Banking Supervision Department(2)	**13.50%**	12.50%	12.50%

(1) The data are presented in accordance with Proper Conduct of Banking Business Directive 202, "Capital Measurement and Adequacy – Supervisory Capital," and in accordance with the transitional directives established in Proper Conduct of Banking Business Directive 299, and include adjustments in respect of regulatory directives, as follows:
1) Reliefs in respect of efficiency plans, recorded in equal parts over five years from inception, estimated at an additional future decrease of approximately 0.04% in the common equity Tier 1 capital ratio as at September 30, 2022 (0.06% as at December 31, 2021, and 0.08% as at September 30, 2021);
2) The effect of the implementation of accounting principles concerning current expected credit losses, which is gradually reduced until December 31, 2024, estimated at an additional future decrease of approximately 0.08% in the common equity Tier 1 capital ratio as at September 30, 2022);
3) Reliefs in respect of the implementation of the circular of the Bank of Israel concerning weighting of high-risk loans for the acquisition of land, spread in equal quarterly parts from September 30, 2022, to June 30, 2023, estimated at an additional future decrease of approximately 0.03% in the common equity Tier 1 capital ratio as at September 30, 2022.

(2) The required minimum common equity Tier 1 capital ratio and minimum total capital ratio in the period of the Temporary Order, until the end of the duration of the Temporary Order on December 31, 2021 (see Section H below), were 9.0% and 12.5%, respectively. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

NIS millions

E. Capital components for the calculation of the capital ratio

	September 30, 2022	September 30, 2021	December 31, 2021
	Unaudited		Audited
Common equity Tier 1 capital			
Total capital	**45,069**	42,735	42,747
Differences between total capital and common equity Tier 1 capital	**(1)**	(9)	(4)
Total common equity Tier 1 capital, before supervisory adjustments and deductions	**45,068**	42,726	42,743
Supervisory adjustments and deductions:			
Deferred tax assets	**(19)**	(20)	(28)
Other supervisory adjustments and deductions – common equity Tier 1 capital*	**(219)**	(170)	(154)
Total supervisory adjustments and deductions, before efficiency plan adjustments and before adjustments for estimated credit losses – common equity Tier 1 capital	**(238)**	(190)	(182)
Total efficiency plan adjustments – common equity Tier 1 capital**	**158**	267	211
Total adjustments for estimated credit losses – common equity Tier 1 capital***	**274**	-	-
Total common equity Tier 1 capital, after supervisory adjustments and deductions	**45,262**	42,803	42,772
Additional Tier 1 capital			
Total additional Tier 1 capital	**-**	244	244
Total Tier 1 capital, after supervisory adjustments and deductions	**45,262**	43,047	43,016
Tier 2 capital			
Tier 2 capital – instruments, before deductions	**8,523**	4,984	7,945
Tier 2 capital – allowance for credit losses, before deductions	**4,729**	4,407	4,545
Total Tier 2 capital	**13,252**	9,391	12,490
Total overall capital	**58,514**	52,438	55,506

* The balance as at September 30, 2022, includes a total of NIS 159 million; the balance as at December 31, 2021, includes a total of NIS 140 million; and the balance as at September 30, 2021, includes a total of NIS 161 million, resulting from deduction of the credit line for Bank Pozitif, in accordance with the requirement of the Banking Supervision Department. For further details, see Section J below.

** Adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see Section I below), are allocated in equal parts over five years from inception.

*** Adjustments in respect of estimated credit losses, in accordance with the directives of the Banking Supervision Department (see Section K below), decrease gradually up to December 31, 2024.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

F. Effect of adjustments in respect of efficiency plans, current expected credit losses, and high-risk loans for the acquisition of land on the common equity Tier 1 capital ratio

	September 30, 2022	September 30, 2021	December 31, 2021
	Unaudited		Audited
		%	
Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components before the effect of the adjustments	**10.95%**	11.10%	10.90%
Effect of efficiency plan adjustments*	**0.04%**	0.08%	0.06%
Effect of adjustments for estimated credit losses**	**0.08%**	-	-
Effect of adjustments in respect of high-risk loans for land acquisition	**0.03%**	-	-
Ratio of common equity Tier 1 capital to risk components	**11.10%**	11.18%	10.96%

* Adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see Section I below), are allocated in equal parts over five years from inception.

** Adjustments in respect of estimated credit losses, in accordance with the directives of the Banking Supervision Department (see Section K below), decrease gradually up to December 31, 2024.

G. Capital components subject to volatility

The Bank manages its capital-adequacy ratio with the aim of complying with the minimum capital requirements of the Banking Supervision Department. The capital of the Bank and the volume of risk-adjusted assets are subject to changes, due to the following factors, among others:

- Effects of changes in the interest rate on capital reserves from bonds available for sale.
- Effects of changes in the CPI and in exchange rates on asset balances.
- Actuarial changes resulting from changes in the interest rate for the calculation of the Bank's liabilities, or other actuarial assumptions, such as mortality and departure rates.

Scale of effect of a decrease in capital and an increase in risk-adjusted assets on the common equity Tier 1 capital ratio as at September 30, 2022:

	Effect of decrease of NIS 100 million in common equity Tier 1 capital	Effect of increase of NIS 1 billion in total risk-adjusted assets
	%	
Common equity Tier 1 capital ratio	**(0.02%)**	**(0.03%)**

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

H. Capital-adequacy target and capital management and planning

Pursuant to the directives of the Banking Supervision Department, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 10.0% and a minimum total capital ratio of 13.5%. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order aimed at coping with the coronavirus crisis. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank required by the Banking Supervision Department, on a consolidated basis, as at September 30, 2022, stand at 10.23% and 13.50%, respectively.

The common equity Tier 1 capital target established by the Bank takes into consideration, among other matters, the results of the internal processes of the Bank for determining capital targets, including the results of internal stress tests run by the Bank, and the outcomes of discussions held with the Banking Supervision Department regarding the specific risk attributes of the Bank, within the most recent supervisory review process and the most recent uniform stress tests performed.

In order to comply with the capital-adequacy target and manage capital effectively, capital planning is performed at the Bank based on the work plan of the Bank and on regulatory directives, which are translated into risk-adjusted assets and changes in the various tiers of capital, while maintaining safety margins. Various sensitivity tests are applied within the planning of capital and capital ratios. The Bank also routinely monitors actual results as compared to planning, and the gaps between results and planning, and, as necessary, examines the actions needed in order to comply with the established capital targets. As part of the establishment of the internal capital targets of the Bank, as detailed below, the policy of the Bank is to maintain capital adequacy at a level higher than the minimum ratio required by the Banking Supervision Department, and not lower than the level of capital adequacy required to cover the risks as assessed in the Internal Capital Adequacy Assessment Process (ICAAP). Within the ICAAP, the Bank examines the effect of stress scenarios on capital-adequacy ratios; accordingly, a plan is in place for a return to regulatory capital adequacy in the case of a such a stress event.

Based on the processes of establishment of internal capital targets of the Bank and the results of the internal discussions held with the Banking Supervision Department (as described above), the Board of Directors of the Bank set an internal target for the common equity Tier 1 capital ratio at a rate of no less than 10.5%.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

I. Improving operational efficiency

The circulars of the Banking Supervision Department grant reliefs to banks that apply improvements in efficiency, with respect to personnel and to real estate.

The total volume of the personnel efficiency plan to which the reliefs apply is NIS 352 million, net of tax effect. The efficiency plan of 2016, at a volume of NIS 762 million, net of tax effect, was fully recognized in supervisory capital in the financial statements as at December 31, 2021.

The effect of the aforesaid plans was recorded to capital, and, for the purposes of calculation of the capital ratio and leverage ratio, deducted from supervisory capital over a period of five years from the date of beginning of implementation of each plan.

The remaining effect of the reliefs in respect of the efficiency plans on the common equity Tier 1 capital ratio is estimated at approximately 0.04% as at September 30, 2022.

J. The subsidiary of the Bank in Turkey

The Bank Group currently operates in Turkey through Bank Pozitif, which operates and specializes in corporate banking.

In accordance with the strategy of the Bank, the Bank is acting to sell its investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.

For details regarding actions taken by the Bank to sell the investment and the agreement signed to acquire the holdings of the former minority shareholder, see Note 15F to the Financial Statements as at December 31, 2021.

With regard to the agreement for the acquisition of the minority interests in Bank Pozitif, the transaction was completed on March 10, 2022, and thereafter the Bank holds Bank Pozitif under its full ownership.

In accordance with the requirement of the Banking Supervision Department, from January 2021 to May 2022, risk-adjusted assets in respect of the subsidiary were weighted at a rate of 600% (from January 2020 to December 2020, the required rate of weighting was 300%). In May 2022, the Banking Supervision Department approved reduction of the weighting rate to 300%. The relief has been applied beginning with the financial statements for the second quarter of 2022, and has led to an increase in the common equity Tier 1 capital ratio of the Bank of approximately 0.02%.

The Bank also has a credit line for Bank Pozitif at a volume of approximately USD 45 million, of which a total of approximately USD 24 million is utilized as at the end of September 2022. The credit line was granted at an interest rate below market terms, taking into consideration the position of the Turkish regulator regarding the pricing of the credit line, and the challenging condition of the Turkish economy and of Bank Pozitif. In accordance with a requirement of the Banking Supervision Department in Israel, due to the aforesaid pricing, the balance of the credit line was deducted from supervisory capital. The credit line was renewed in December 2021, for the earlier of twelve months or the date when the Bank ceases to be a principal shareholder of Bank Pozitif. In November 2022, the credit line was renewed for twelve additional months, at a level of approximately USD 35 million.

The aforesaid effects, in total, on the common equity Tier 1 capital ratio of the Bank as at September 30, 2022, amount to a reduction of 0.04%.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

K. Effect of the implementation of accounting principles concerning current expected credit losses on supervisory capital

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022. The effect of the implementation caused a decrease in the common equity Tier 1 capital of the Bank. Pursuant to the circular of the Banking Supervision Department, the Bank will record the effect of the implementation of the standard gradually, over a period of three years. The effect of the reliefs in respect of the implementation of the new rules on the common equity Tier 1 capital ratio is estimated at approximately 0.08% as at September 30, 2022.

For further details regarding the effect of the implementation of the new rules on supervisory capital, see Note 1C above.

L. Issuance of notes with a loss-absorption mechanism

In March 2022, the Bank issued Subordinated Notes (Series F) at a volume of approximately NIS 0.4 billion. The notes include a mechanism for principal loss absorption through forced conversion into ordinary shares of the Bank in the event that the common equity Tier 1 capital ratio of the Bank falls below 5.0%. The notes are included in the Tier 2 capital of the Bank, pursuant to Proper Conduct of Banking Business Directive 202. The notes are for a period of eleven years. The Bank has an option for full early redemption, beginning six years from the date of issuance of the notes, subject to the fulfillment of certain conditions. The notes are linked to the consumer price index and bear interest at a fixed rate of 0.84%. If the notes are not prepaid after six years, the interest rate will be adjusted according to the annual yield of linked bonds of the State of Israel, plus a margin.

In early November 2022, the Bank executed full early redemption of Subordinated Notes (Series C), in the amount of approximately NIS 1.7 billion. The Subordinated Notes (Series C) are not recognized in supervisory capital as of January 2022.

The Bank is considering a possible offering under a shelf prospectus report of subordinated notes with a loss-absorption mechanism, and of bonds, shortly after the publication of this report. In this context, draft trust deeds of subordinated note series and bonds were published in November 2022.

M. Directives pertaining to capital allocation in respect of derivative financial instruments

In March 2014, the Basel Committee on Banking Supervision (BCBS) issued updates to the Basel 3 Directives (also known as Basel 4), including a directive on the subject, "The standardized approach for measuring counterparty credit risk" (SA-CCR).

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

In December 2021, the Banking Supervision Department issued a circular updating directives pertaining to capital allocation in respect of derivative financial instruments. The circular is aimed at adjusting the Proper Conduct of Banking Business Directives to several new directives and updates issued by the Basel Committee in recent years that pertain to counterparty credit risk. Pursuant to the circular, Directive 203A, on the subject of the treatment of counterparty credit risk, was added. This directive contains a new approach – the standardized approach (SA-CCR), which replaces the existing approaches in Proper Conduct of Banking Business Directive 203 (the current exposure approach and the standardized approach) for the calculation of counterparty exposure at default (EAD). The main updates in the new approach refer to different treatment of netting sets that include margin adjustment agreements and netting sets that do not include margin adjustment agreements, updated supervisory risk coefficients, and the distribution of derivative exposures in netting sets to hedging sets allowing full or partial offsets of the exposures. Implementation of the directive is required as of July 1, 2022.

A circular updating Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy – Standardized Approach – Credit Risk," was issued on August 1, 2022. Risk weights in the calculation of capital allocation in respect of CVA risk for exposures of banking corporations to insurance companies, provident funds, and mutual funds were updated in accordance with the circular.

In accordance with the circular, due to the low risk, the Banking Supervision Department has decided to reduce the risk weight attributed to insurance companies, provident funds, and mutual funds, such that it is equal to the risk weight attributed to banking corporations.

The implementation of the new rules increases capital requirements in respect of derivative instruments, decreases the leverage ratio, and affects the calculation of the single borrower limit. The effect of the implementation of the new requirements, at the initial implementation date, led to an increase in the amount of approximately NIS 2.6 billion in credit-risk assets, and a decrease of approximately 0.07% and 0.10% in the common equity Tier 1 capital ratio and the total capital ratio, respectively. The new requirements also lead to a decrease of approximately 0.06% in the leverage ratio.

Pursuant to the circular of December 2021, Directive 208A, on the subject of new approaches to capital allocation in respect of CVA risk, was also added. The directive presents several possible approaches to the calculation of the capital allocation in respect of CVA risk. According to a circular released by the Banking Supervision Department on February 21, 2022, implementation of the directive is required as of January 1, 2025.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

N. Circular updating Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy – Standardized Approach – Credit Risk"

A circular updating Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy – Standardized Approach – Credit Risk," was issued on May 22, 2022. Pursuant to the circular, loans designated for the acquisition of land for the purpose of development or construction at a rate exceeding 80% of the value of the acquired asset (LTV) are added to the list of loans risk weighted at 150%, with the exception of loans for the acquisition of agricultural land with no planning horizon or intention to apply for a change in designation. The effect of the circular is being spread over equal quarterly installments, from September 30, 2022, to June 30, 2023. With respect to the existing inventory of loans as at June 30, 2022, at its current balance in the report for September 30, 2022, the effect of the circular, excluding implementation of the transitional directives, leads to an additional future decrease of approximately 0.03% and 0.03% in the common equity Tier 1 capital ratio and the total capital ratio, respectively. In this context, it should be noted that talks are underway with the Bank of Israel on several matters with regard to the manner of implementation of the directive, and that, inasmuch as further clarification is provided, it may affect the implementation method and increase the scope of the effect.

O. Leverage ratio

The Bank applies Proper Conduct of Banking Business Directive 218, "Leverage Ratio" (hereinafter: the "Directive"). The Directive establishes a simple, transparent, non-risk-based leverage ratio, which serves as a complementary measurement to risk-based capital requirements, and which is designed to limit the accumulation of leverage at banking corporations.

The leverage ratio is defined as the ratio of the capital measurement to the exposure measurement. Capital, for the purpose of measurement of the leverage ratio, is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202, taking into consideration the transitional arrangements that have been established. The total exposure measurement is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

On November 15, 2020, the Banking Supervision Department issued a circular, as a temporary order, updating Proper Conduct of Banking Business Directive 250 concerning the leverage ratio. Banking corporations must maintain a leverage ratio of no less than 4.5% on a consolidated basis. Banking corporations whose total balance sheet assets on a consolidated basis constitute 24% or more of the total balance sheet assets in the banking system (the Bank is such a banking corporation) must maintain a leverage ratio of no less than 5.5% (instead of 6.0% prior to the relief).

The period of the relief has been extended until December 31, 2023; after that date, the requirement is to return to the leverage ratio required prior to the Temporary Order (6.0%) within two quarters.

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

O. Leverage ratio (continued)

	September 30, 2022	September 30, 2021	December 31, 2021
	Unaudited		Audited
	NIS millions		
a. Consolidated data			
Tier 1 capital*	**45,262**	43,047	43,016
Total exposures*	**732,928**	680,634	713,511
	%		
Leverage ratio	**6.18%**	6.32%	6.03%
Minimum leverage ratio required by the Banking Supervision Department in the period of the Temporary Order	**5.50%**	5.50%	5.50%
Minimum leverage ratio required by the Banking Supervision Department after the end of the Temporary Order	**6.00%**	6.00%	6.00%

* These data include adjustments in respect of the efficiency plans, in accordance with the directives of the Banking Supervision Department (see Section I above). The effect of the reliefs in respect of the efficiency plans on the leverage ratio as at September 30, 2022, estimated at an additional future decrease of approximately 0.02%, is recorded in equal parts over five years, beginning at the inception date thereof. In addition, the data include adjustments in respect of the effect of the implementation of accounting principles concerning current estimated credit losses, which are to be gradually reduced until December 31, 2024 (see Section K above). The effect of the reliefs in respect of expected credit losses as at September 30, 2022, is estimated at an additional future decrease of approximately 0.04%.

	Effect of decrease of NIS 100 million in Tier 1 capital	Effect of increase of NIS 1 billion in total exposures
	%	
b. Effects on the leverage ratio as at September 30, 2022		
Leverage ratio	**(0.01%)**	**(0.01%)**

Note 9 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

P. Liquidity coverage ratio (LCR)

The Bank calculates its stand-alone and consolidated liquidity ratios daily, with a division into NIS and foreign currency, and monitors this ratio at its subsidiaries (which are required to comply with internal liquidity limits adapted to the nature of their activity). These ratios are reported as an average of the daily observations. The number of observations used to calculate the averages in the reported quarter is 61.

	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the three months ended December 31, 2021
	Unaudited		Audited
	%		
a. Consolidated data			
Liquidity coverage ratio	**126%**	127%	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%
b. Bank data			
Liquidity coverage ratio	**125%**	126%	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%

Q. Net stable financing ratio (NSFR)

As of December 31, 2021, the Bank applies Proper Conduct of Banking Business Directive 222, "Net Stable Financing Ratio (NSFR)", which adopts the recommendations of the Basel Committee with regard to the net stable financing ratio in the banking system in Israel. Pursuant to the directive, the purpose of the net stable financing ratio is to improve the resilience of the liquidity risk profile of the banking corporations in the long term. The net stable financing ratio consists of two components: available stable financing items (the numerator) and required stable financing items (the denominator). "Available stable financing" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding is a function of the liquidity characteristics and residual maturities of the various assets held by the corporation, as well as those of its off-balance sheet exposures.

	September 30, 2022	December 31, 2021*
	%	
a. Consolidated data		
Net stable financing ratio	**127%**	136%
Minimum net stable financing ratio required by the Banking Supervision Department	**100%**	100%

* Restated.

Note 10 Contingent Liabilities and Special Commitments

NIS millions

A. Contingent liabilities and other special commitments

	September 30		December 31
	2022	2021	2021
	Unaudited		Audited
1. Commitment to purchase securities	**1,338**	844	932
2. Construction and acquisition of buildings and equipment	**1,065**	900	866

3. Credit selling activity

The following table summarizes the credit selling activity of the Bank:

	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
Book value of credit sold	**132**	-	**1,275**	-	-
Consideration received in cash	**133**	-	**1,269**	-	-
Total net profit (loss) from sale of credit	**1**	-	**(6)**	-	-

4. During the first quarter of 2022, the Bank expanded the coverage rate in the insurance credit policy ("Land Policy") executed at the end of 2021, which protects the Bank against credit losses in respect of the portfolio of loans granted to customers of the Corporate Banking Division of the Bank that are secured by a lien on land, in the amount of the insured part. In addition, during the first quarter of 2022 the Bank acquired an insurance policy for Sale Law guarantees ("Sale Law Guarantee Policy"), which protects the Bank against losses in respect of Sale Law guarantees issued in real-estate projects of customers of the Corporate Banking Division financed by the Bank. This adds to similar insurance acquired by the Bank in 2021 and in previous years. In the third quarter of 2022, the Bank purchased an insurance policy for housing loans (secured by mortgages) that insures the Bank against losses in respect of these loans to customers of the Retail Banking Division.

5. Further to the document of principles of May 2022, on August 10, 2022, the Bank, Cartisei Ashrai LeIsrael Ltd. ("CAL"), Electra Retail Ltd. (a subsidiary of Electra Consumer Products (1970) Ltd., "Electra"), and corporations under their control signed a detailed agreement for a triple collaboration in connection with a customer club based on non-bank credit cards, to be issued only by CAL. The request to issue a credit card will be submitted, among other means, using a dedicated button in the Bit application; clicking this button will refer the customer to issuance of the card by CAL. The Bit application will also display information to club members regarding the club cards, including details of transactions executed by the customers using the club cards. Electra (through a corporation under its control) will be responsible for managing the club, and will propose value offers in purchases at retail chains of the Electra Group. Pursuant to the agreement, the

Note 10 Contingent Liabilities and Special Commitments (continued)

Bank and corporations in the Electra group will be entitled to payments from CAL, and account settlement will be conducted between the parties in respect of expenses. The parties will commit to limited exclusivity periods, all under the terms set forth in the agreement. The parties intend to apply the commercial terms in the agreement to existing Bitcard cards, and, subject to all laws, to convert these cards to the new club. The collaboration is for a period of twelve years, subject to termination causes as specified in the agreement. The agreement is subject to the fulfillment of several suspending conditions, including receipt of the approval of the Competition Authority. It is not certain that the suspending conditions will be fulfilled.

6. Following negotiations initiated at the request of Isracard in connection with new agreements between the Bank and the Isracard Group, and in-principle agreements reached on July 17, 2022, by the parties (the Bank, Isracard, and Premium Express Ltd. ("Premium Express"), a wholly owned subsidiary of Isracard that issues American Express cards), on November 22, 2022, the Bank signed a new agreement with Isracard, for a period of eight years, beginning April 1, 2022, for joint issuance and issuance operation of bank credit cards (MasterCard and Visa), debit cards, and chargeable cards for customers of the Bank. The agreement includes, among other matters, a mechanism for account settlement between the parties in connection with the turnover of the aforesaid cards (which depends, among other matters, on the volume of the turnover), monetary arrangements pertaining to the operation and issuance of the cards, and the rights and obligations of the parties, as well as agreements in the area of operations and the interface between the parties. At the date of publication of the report, the Bank and Premium Express are in talks based on the in-principle agreements, ahead of signing a detailed agreement regarding the issuance and issuance operation of American Express cards.
According to the estimates of the Bank, the new agreements will have an effect on the income of the Bank from credit cards during the period of the agreements (relative to the previous agreements), estimated at an increase of approximately NIS 50 million on average, per quarter (before tax), based on the volume of activity in the last two quarters.
The Isracard Group transferred payments to the Bank in respect of the second and third quarters of 2022 based on the new agreement and the in-principle agreements, and the Bank recorded added income (before tax) of approximately NIS 95 million in these statements in respect of the aforesaid two quarters.

7. Over the last few years, Isracard (a former subsidiary that has been sold and separated from the Bank) and Premium Express (a subsidiary of Isracard) received tax assessments from the Customs and VAT Division of the Israel Tax Authority, further to a lateral sectoral audit, which primarily concerned account settlement of Isracard and Premium Express with respect to issuer fees received from international organizations in connection with cardholders' transactions with businesses outside Israel and fees received from cardholders in respect of transactions they execute with businesses outside Israel. A court proceeding regarding this matter is in progress. Further to indemnity provided by the Bank at the time of its separation from Isracard with respect to this matter (see Note 8C to the Annual Financial Statements of the Bank for 2021), the Bank reached understandings with Isracard regarding the limits of the potential indemnity to be applied in accordance with the resolution of this proceeding. The Bank does not expect any material effect on the results of its operations in connection with the resolution of this matter.

Note 10 Contingent Liabilities and Special Commitments (continued)

8. Further to the statements in Note 25D to the Annual Financial Statements concerning an agreement with Isracard regarding clearing of Bit transactions for person-to-person (P2P) money transfers through the payment solutions MoneySend (for MasterCard cards) and Visa Direct (for Visa cards), the Bank intends to begin implementing the Visa Direct payment solution shortly. These payment solutions reduce the costs involved in such transactions for the Bank.

B. Legal proceedings

The Bank Group (the Bank and its consolidated subsidiaries) is a party to legal proceedings, including petitions to certify class actions, taken against it by its customers, former customers, and various third parties. The causes of the claims against the Bank Group are varied and wide-ranging.

In the opinion of the Bank's Board of Management, based on the opinion of the management of relevant consolidated companies and based on legal opinions with regard to the likely outcome of pending claims, including petitions to certify class actions, the financial statements include sufficient provisions, in accordance with generally accepted accounting principles, to cover possible damages resulting from all claims, where such provisions are necessary. The additional exposure in respect of claims filed against the Bank on various matters, as at September 30, 2022, that have a "reasonably possible" probability of materialization amounts to approximately NIS 593 million.

a. For details concerning claims and petitions to certify claims as class actions in material amounts, see Note 25E to the Financial Statements as at December 31, 2021 (hereinafter: the "2021 Annual Report"). As at the date of publication of the financial statements, no material changes have occurred relative to the information in the aforesaid Note 25E to the 2021 Annual Report, with the following exceptions:

1. With regard to the claim filed on August 16, 2010, by Fairfield Sentry Ltd. through its liquidators, described in Note 25E(a)(1) to the 2021 Annual Report, as noted, on May 14, 2021, the fund filed an amended claim, further to the ruling on the motion to dismiss (the "Amended Remaining Claim"). On October 29, 2021, Hapoalim Switzerland filed a motion for dismissal in limine of the Amended Remaining Claim due to lack of material jurisdiction of the Bankruptcy Court over Hapoalim Switzerland. The Bankruptcy Court ordered continuation of the disclosure proceedings. In August 2022, the District Court dismissed the appeals and affirmed the ruling of the Bankruptcy Court.

With regard to the claim filed on March 29, 2012, by Attorney Irving Pickard, liquidator of Bernard L. Madoff Investment Securities LLC ("Madoff"), against the Bank and Hapoalim Switzerland, described in Note 25E(a)(1) to the 2021 Annual Report, on September 22, 2022, the Bankruptcy Court denied the motion for dismissal in limine of the Bank and Hapoalim Switzerland against the claim. The resolution of the claim before the Bankruptcy Court will continue.

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

2. With regard to the claim and petition to certify the claim as a class action, described in Note 25E(a)(4) to the 2021 Annual Report, in which it is alleged that customers of the Bank who are entitled to be included in the category of a "small business," as defined in the Banking Rules (Service to Customers) (Fees), 2008, paid fees that were not in accordance with the fee list applicable to small businesses, and the Bank did not notify these customers of the possibility of classifying them as small businesses, on August 22, 2022, a regulatory position was received pursuant to which the Bank must disclose to customers, on its own initiative, their eligibility for the application of the small business fee list.

3. With regard to the claim and petition to certify the claim as a class action, described in Note 25E(a)(9) to the 2021 Annual Report, filed against the Bank and against past and present officers of the Bank on May 5, 2020, concerning alleged flaws, deficiencies, and misleading statements in the reports of the Bank pursuant to the Securities Law, since 2015, pertaining to the tax investigation of the United States authorities and the management of the internal investigation conducted by the Bank, on May 1, 2022, the Bank and the parties relevant to the legal proceeding filed a motion with the District Court of Tel Aviv Jaffa to approve a settlement within which the Bank would pay a total amount of NIS 50 million (with compensation for the petitioner and fees and reimbursement of expenses for the representatives of the petitioner to be paid out of that amount). The settlement would lead to exhaustion, waiver, and extinguishment of any claim, demand, contention, and remedy arising from the reports of the Bank in connection with the tax affair, the investigation, and the manner of management thereof, and in connection with the causes of the claim and certification petition, and/or with the acts or omissions alleged in the claim and certification petition. The settlement requires the approval of the court; there is no certainty that such approval will be granted. On June 13, 2022, the Bank announced the publication of a notice to the public regarding a settlement. On August 11, 2022, the position of the Attorney General regarding the settlement was submitted, expressing reservations regarding the inclusion of a discharge in the settlement with respect to facts that are unknown to any of the parties to the settlement. On October 6, 2022, the Bank and the other parties to the proceeding submitted an updated agreed phrasing of the settlement, reflecting the comment of the Attorney General.

4. With regard to the claim described in Note 25E(a)(12) to the 2021 Annual Report, filed on September 13, 2021, against the Bank and four additional banks, alleging, among other matters, that the banks present fees in respect of the execution of various actions in their price lists denominated in foreign currency, rather than in shekels, and that the banks collect these fees in shekels based on high conversion rates, which, in fact, exceed the representative exchange rates of the currencies, on May 9, 2022, a judgment was given approving the withdrawal of the petitioners from the petition to certify the claim as a class action, and ordering expungement of the certification petition and dismissal of the personal claim of the petitioners.

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

5. With regard to the claim described in Note 25E(b)(1) to the 2021 Annual Report, filed against the Bank and an additional bank on April 22, 2021, alleging, among other matters, that the collection of a line-item fee (a transaction recording fee or a transaction management fee, as defined in the certification petition), with regard to customers defined as large businesses, is in contravention of the law and of the directives of the price list, and constitutes excessive collection, on March 30, 2022, the petitioner filed a motion to approve withdrawal from the certification petition. On May 23, 2022, a judgment was given approving the withdrawal of the petitioner from the petition to certify the claim as a class action, and ordering expungement of the certification petition and dismissal of the personal claim of the petitioner.

6. In July 2022, it came to the attention of the Bank that a claim statement and a petition to certify a class action had been filed with the District Court of Tel Aviv Jaffa against Isracard Ltd. ("Isracard") and officers thereof, and against the Bank. It is alleged against the Bank in the petition that the Bank breached the duty of disclosure within the prospectus for the sale offer of the shares of Isracard (of 2019) in connection with the credit-card issuance and issuance operation agreement between Isracard and the Bank, with regard to the description of the agreement period and the possibility that modifications would be made thereto. The petitioner also has contentions against reports of Isracard subsequent to the prospectus, which are not addressed to the Bank. It is alleged that the collective damage, based on an expert opinion, amounts to approximately NIS 396 million. In accordance with the ruling of the court, the petitioner filed an amended petition to certify the class action, in October 2022, in which, among other matters, contentions were added regarding the leakage of information concerning negotiations between Isracard and the Bank, prior to the publication of a report on this matter; the current CEO of Isracard was added as a respondent in the petition; and the amount of the alleged collective damage was amended to approximately NIS 583 million. The court also approved deferral of the deadlines for the submission of replies to the petition, in light of the fact that an additional petition to certify a class action has also been filed against Isracard on the same matter.

b. Also pending against the Bank Group are claims, including petitions to certify class actions, as detailed below, the probable outcome of which cannot be assessed at this stage, in the opinion of the Bank's Board of Management, based on legal opinions; accordingly, no provision has been made in respect thereof:

1. A claim statement and a petition to certify a class action filed with the District Court of Jerusalem by the Israel Consumer Council against the Bank, nine additional banks, and two private companies that operate non-bank automated devices for cash withdrawal, themselves and/or through a franchise, was received on February 9, 2022. The petition alleges, among other matters, that cash withdrawal at non-bank/private automated devices imposes a double charge on the customers, as in addition to the payment paid by the customers to the private company, they also pay a fee to the bank because the transaction in question is executed through a direct channel, without disclosure and in contravention of the law. The amount of damage to the group was estimated at a total of NIS 458 million, against all of the defendants; the petitioner has left the question of the division of responsibility among all of the respondents to the discretion of the court. The Bank has submitted a response to the Certification Petition. The case has been scheduled for a hearing.

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

c. Other proceedings and petitions to certify derivative claims

For details regarding other proceedings and petitions to certify derivative claims, see Note 25E(c) to the 2021 Annual Report. As at the date of publication of the financial statements, no material changes have occurred relative to Note 25E(c), with the following exceptions:

1. With regard to the petition to approve a derivative claim filed against the Bank and officers, described in Note 25E(c)(1) to the 2021 Annual Report, in which it is argued that the respondents must compensate the Bank for damages it incurred through their acts and omissions in connection with the United States tax investigation, on May 1, 2022, the Bank and the parties relevant to the legal proceeding filed a motion with the court in Tel Aviv Jaffa to approve a settlement within which the Bank would be paid a total of USD 135 million (with compensation for the petitioner and reimbursement of expenses and fees for the representative of the petitioner to be paid out of that amount) by the officers' liability insurers of the Bank. The settlement would lead to mutual extinguishment of contentions, demands, and claims in connection with the tax affair, establish res judicata, and lead to full discharge of the liability of the insurers in connection with the existing and potential proceedings, claims, and contentions related to the causes of the claim and the tax affair. The settlement requires the approval of the court; there is no certainty that such approval will be granted. On October 27, 2022, a shareholder of the Bank filed an objection to the settlement. On October 30, 2022, the Attorney General submitted her position regarding the settlement, according to which she does not object to the settlement, but indicates a number of essential aspects which it is her position that the court should address prior to approving the settlement, including examination of the conclusion of the independent committee pursuant to which the insurers would pay the full amount of the settlement, without obligating the officers to bear part of the payment. In its ruling of October 30, 2022, the court asked the Attorney General for clarifications on this matter, after receiving which the parties will be permitted to respond to her position in its entirety.

2. With regard to the motion for disclosure and perusal of documents in advance of filing a petition for a derivative claim described in Note 25E(c)(2) to the 2021 Annual Report, in connection with the investigation conducted in the United States concerning the suspicion that the Bank Group served as a conduit for holding and transferring bribes paid to senior FIFA officials, on May 1, 2022, the Bank and the parties relevant to the legal proceeding filed a motion with the court in Tel Aviv Jaffa to approve a settlement within which the Bank would be paid a total of USD 5 million (with the fees of the representatives of the petitioner to be paid out of that amount) by the officers' liability insurers of the Bank. The settlement would lead to mutual extinguishment of contentions, demands, and claims in connection with the FIFA affair, establish res judicata, and lead to full discharge of the liability of the insurers in connection with the existing and potential proceedings, claims, and contentions related to the causes of the claim and the FIFA affair. The settlement requires the approval of the court; there is no certainty that such approval will be granted. On May 2, 2022, the court instructed the Attorney General to submit her position regarding the motion for the settlement. On November 20, 2022, a court ruling was handed down pursuant to which, as the designated date had passed and the Attorney General had chosen not to respond, it was assumed that the Attorney General did not intend to respond, with all ensuing implications. It was also determined that the parties must provide a status update to the court by November 27, 2022.

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

3. Further to the notification of appeal filed by the petitioner on January 6, 2022, with regard to the ruling of the court to expunge the motion for disclosure of documents in advance of filing a derivative claim pursuant to Section 198A of the Companies Law, described in Note 25E(c)(4) to the 2021 Annual Report – the Bank submitted a reply to the appeal statement on June 23, 2022. The hearing of the proceeding has been scheduled for January 18, 2023.

On October 6, 2022, within this appeal, a motion was filed with the Supreme Court to stay the proceeding described in Note 10B(c)(1) above, or alternatively, to grant an extension for filing an objection to the aforesaid settlement.

4. With regard to the petition to certify a derivative claim against past officers of the Bank described in Note 25E(c)(5) to the 2021 Annual Report, which concerns, among other matters, allegations of failures of the Bank in granting credit to companies in the group of Mr. Eliezer Fishman (the "Fishman Group"), the Bank and the respondents submitted their response to the position of the Attorney General; in its reply, the Bank asked the court to approve the settlement in its present form, including not appointing an external examiner, as the questions to be resolved are legal questions. A hearing of the motion to approve a settlement was held on March 23, 2022. The case is awaiting a ruling by the court. With regard to the document disclosure order, the Bank and the respondents submitted an additional update notification to the Supreme Court regarding the date of filing a motion for permission to appeal in connection with the document disclosure order, in which the court was asked to allow the parties to update it again regarding the settlement by January 6, 2023. The court assented to the motion.

5. With regard to the motion for disclosure and perusal of documents pursuant to Section 198A of the Companies Law described in Note 25E(c)(7) to the 2021 Annual Report, which concerns, among other matters, allegations of the granting of credit in the amount of approximately NIS 1 billion for the purpose of trading in high-risk speculative financial instruments to companies in the Yedioth Ahronoth Group and to the controlling shareholder of the group, Mr. Arnon (Noni) Mozes, a hearing in this case was held on April 27, 2022. On September 29, 2022, the court ruling on the pending motion was received. The court ordered the Bank to file its response to the amended motion for disclosure of documents filed by the petitioner.

6. With regard to the judgment on two class actions against Meitav Dash Provident Funds and Pension Ltd. ("Meitav Dash"), described in Note 25E(c)(9) to the 2021 Annual Report, in connection with the provident fund Tagmulim (the "Provident Fund"), which Meitav Dash acquired from the Bank in 2007, on February 10, 2022, the claimants filed an appeal of the supplementary judgment released on December 20, 2021 (and amended on January 7, 2022), and on February 27, 2022, Meitav Dash filed an additional appeal.

7. On September 6, 2022, a motion for disclosure and perusal of documents pursuant to Section 198A of the Companies Law was filed in connection with a transaction for the sale of shares of Yedioth Ahronoth, which were under lien to the Bank to secure the repayment of debts of companies in the Fishman Group to Mr. Arnon (Noni) Mozes. The court ordered the Bank to submit its response to the motion for disclosure of documents within 45 days of the court ruling on the pending motion. A hearing of the disclosure motion has been scheduled for January 18, 2023. In addition, a motion has been filed to consolidate the hearing of this motion with the motion described in Note 25E(c)(7) to the 2021 Annual Report.

Note 10 Contingent Liabilities and Special Commitments (continued)

C. Further to Note 25F to the Financial Statements of the Bank as at December 31, 2021, on April 30, 2020, resolutions with the US authorities in connection with the tax investigation and the FIFA affair were announced and entered into force. The resolutions include the ongoing commitments detailed below:

a. A Deferred Prosecution Agreement ("DPA") between the Bank and the DOJ, with respect to the Bank's activity and dealings with its US customers during the period that was the subject of the investigation (2002-2014), to the extent related to Bank Hapoalim in Israel, Poalim Trust Services Ltd., and Bank Hapoalim branches and subsidiaries outside of Israel (excluding Hapoalim Switzerland).

As part of the DPA, the Bank accepted responsibility under US laws for assisting US customers in evading their obligations under US tax laws, as detailed in the Statement of Facts attached to the DPA, to which the Bank has admitted. Pursuant to the DPA, as approved by a federal court in the State of New York, the charges against the Bank are being deferred for a period of three years, such that if the Bank meets the conditions of the agreement during the said period, the charges (detailed in the Information document attached to the resolution) will be dismissed with no criminal conviction. In the event that the Bank breaches the agreement, the DOJ will have the right, among others, to extend the deferral period for a period of one additional year, and to take other measures against the Bank, including canceling the agreement and prosecuting the Bank.

Pursuant to the DPA, the Bank paid the US government a total sum of USD 214,385,612. The said amount is comprised of the following components: a total of USD 77,877,099 for the tax loss restitution component, a total of USD 35,696,929 for the component of forfeiture of gross fees paid to the Bank by the relevant US customers, and a total of USD 100,811,584 for the penalty component.

b. A Plea Agreement between the DOJ and Hapoalim Switzerland Ltd. (formerly Bank Hapoalim (Switzerland) Ltd.) ("Hapoalim Switzerland") that relates to the activity and dealings of Hapoalim Switzerland with its US customers during the period that was the subject of the investigation (2002-2014).

As part of the Plea Agreement, Hapoalim Switzerland has pleaded guilty and was convicted of an offense under US laws for assisting US customers in evading their obligations under US tax laws, as detailed in the Statement of Facts attached to the Plea Agreement, to which Hapoalim Switzerland admitted.

Pursuant to the Plea Agreement, Hapoalim Switzerland paid the US government a total sum of USD 402,534,921. The said amount is comprised of the following components: a total of USD 138,908,073 for the tax loss restitution component, a total of USD 124,628,449 for the component of forfeiture of gross fees paid to the Bank by the relevant US customers, and a total of USD 138,998,399 for the penalty component.

c. A Consent Order issued by the New York State Department of Financial Services (the "NYDFS"), according to which the Bank paid the NYDFS a civil monetary penalty in the amount of USD 220,000,000.

d. Cease and Desist Orders issued by the Board of Governors of the Federal Reserve System (the "Fed"), according to which the Bank paid the Fed a civil monetary penalty in the amount of USD 37,350,000.

In total, under the said resolutions, the Bank Group paid the aforesaid three US authorities an aggregate sum of USD 874,270,533 in connection with the tax investigation (NIS 3,066 million).

The entry into force of the aforesaid resolutions brought to an end the tax investigation conducted by the US authorities against the Bank Group.

Note 10 Contingent Liabilities and Special Commitments (continued)

The DPA and the Plea Agreement contain Statements of Facts documents, which detail the acts and omissions that the Bank and Hapoalim Switzerland have admitted and for which they accepted responsibility in accordance with US laws. The resolution documents also detail the considerations for determining the various penalty amounts, including, inter alia, the nature and severity of the conduct of the Bank Group in each case; partial credit given by the relevant authorities for the payments made to other authorities; the participation of individuals with high-level positions in the offense; the level of cooperation of the Bank Group with the relevant authorities; and the Bank Group's lack of criminal history.

The resolutions with the DOJ described above include various undertakings by the Bank and Hapoalim Switzerland to continue to cooperate fully with the US authorities in connection with the issues that are the subject of the investigations, including, among other matters, to continue providing assistance and various types of information to the DOJ, and to submit a periodic report to the DOJ regarding loans granted by the Bank's branches in the US that are guaranteed by accounts held with branches of the Bank outside the US, as well as related internal controls.

The Consent Order and the Cease and Desist Order require the Bank to agree to a number of undertakings, including, among others, with respect to disciplinary proceedings against employees, internal controls, reporting, and cooperation. The resolutions do not include the appointment of a monitor.

The resolutions described above relate to the Bank and Hapoalim Switzerland, as applicable, and to the entities included in the Bank Group only, and to the responsibility such entities are accepting under US laws for the acts and omissions detailed in the various resolution documents. The resolutions do not apply to individuals, including employees or other role holders in the Bank Group, current or former, except as concerns the obligations of the Bank Group to cooperate in accordance with the resolutions and not to breach the provisions of the resolutions.

e. A Non Prosecution Agreement ("NPA") between the DOJ and the Bank and Hapoalim Switzerland with respect to the FIFA investigation. The NPA does not involve criminal charges, an indictment, or a criminal conviction. Within the NPA, the Bank admitted, among other things, that certain employees of the Bank Group participated in a scheme to launder funds constituting bribes paid to soccer officials. The commitments of the Bank within this resolution include, among other matters, filing of an annual report on anti-money laundering plans. In accordance with the NPA, the Bank paid the United States government a total amount of USD 30,063,317.

The resolutions described above and the attachments thereto are available for reading on the Bank's website, at https://www.bankhapoalim.co.il/he/node/757.

The Board of Directors of the Bank established a committee of the Board of Directors to monitor the implementation of the resolutions of the Bank with the United States authorities and to supervise the implementation of the requirements and obligations of the Bank included in the resolutions.

Note 10 Contingent Liabilities and Special Commitments (continued)

In accordance with the requirement of the Supervisor of Banks, the Board of Directors of the Bank decided that an independent committee, headed by Supreme Court Justice (Retired) Prof. Yoram Danziger (the "Committee"), would examine the managerial and supervisory processes that allowed the actions that are the subject of the tax investigation in its entirety, while addressing corporate governance aspects and the conduct of the senior management and the Board of Directors. Pursuant to the decision of the Board of Directors, the Committee examined exhausting the Bank's rights in connection with the tax investigation, including whether the best interests of the Bank justified initiating legal proceedings or other measures towards any third party, and/or reaching other arrangements. The members of the Committee are the Honorable Justice (Retired) Prof. Yoram Danziger (chairperson of the Committee); the Honorable Justice (Retired) Yosef Alon; Prof. Gideon Parchomovsky; and Ms. Ronit Abramson-Rokach, an external director of the Bank.

The Committee commenced its work immediately following the approval of the resolutions with the United States authorities. During the process of its examination the Committee held approximately 80 meetings, interviewed dozens of people, and received access to various documents it required for the purposes of its work. After the Committee had concluded its recommendations, and before the recommendations were submitted to the Bank, negotiations were conducted with the representatives of the insurers who had provided officers' liability insurance to the Bank Group. At the conclusion of the negotiations, it was agreed that the insurers would pay the Bank a sum of USD 140 million for the final and absolute settlement of all claims and demands against the insurers and the officers of the Bank Group in connection with the tax affair and the FIFA affair (see Note 10B(c)(1) and 10B(c)(2) above). The following are the main points of the recommendations of the Committee:

Responsibility of the officers of the Bank Group and third parties – The Committee examined the responsibility of the officers of the Bank Group in the tax affair and the FIFA affair and found that there is a reasonable possibility of a breach of the duty of care on the part of several former officers of the Bank Group. The Committee noted, however, that these officers were guided by consideration of the best interests of the Bank, did not act due to personal motives, and did not act in a conflict of interest, and, further, they did not act in conscious breach of the law or regulation. It was further found that there is a reasonable possibility of a breach of the fiduciary duty of former officers of Hapoalim Switzerland ("Hapoalim Switzerland").

The Committee considered the prospects of the legal claim against the officers and the overall lateral considerations pertaining to the best interests of the Bank, balanced the considerations, and made a recommendation to the Bank to exhaust its rights with the insurers in a settlement arrangement in which the Bank is paid a total of USD 140 million for final and absolute settlement, as noted, and not to file claims against the officers in the tax affair and in the FIFA affair.

After examining the responsibility of other third parties, the Committee found no grounds to recommend initiating proceedings or additional measures with respect to them.

Note 10 Contingent Liabilities and Special Commitments (continued)

Reimbursement of remuneration paid to officers – The Committee examined whether there was reason to demand reimbursement of the Bank by parties who served as officers of the Bank for part of the remuneration granted to them during the years relevant to the investigation conducted by the United States enforcement agencies regarding the tax affair. The Committee analyzed the normative situation in this context, weighed additional lateral considerations, and concluded that there was no reason to demand reimbursement of remuneration from these parties.

Lessons learned at the Bank – The Committee examined the lessons-learned process performed by the Bank following the investigation of the United States enforcement agencies regarding the tax affair and the FIFA affair. At the conclusion of its examination, the Committee determined that it was impressed by the significant efforts invested by the Bank in the lessons-learned process and by the actions taken and still being taken by the Bank to improve and strengthen its corporate governance. The Committee specified a series of areas in which the Bank had improved its systems, procedures, and conduct.

Following several discussions of the recommendations of the Committee, the Board of Directors resolved, at its meeting of January 26, 2022, to adopt the recommendations of the independent committee in full, both on the tax affair and on the FIFA affair, and instructed the Board of Management and legal advisors of the Bank to realize and implement the recommendations of the independent committee and to formulate detailed arrangements with all of the relevant parties in the legal proceedings referencing these affairs. The Bank submitted an update notification to the District Court of Tel Aviv Jaffa, which is hearing the derivative proceeding in the tax affair (Note 10B(c)(1) above), and the derivative proceeding in the FIFA affair (Note 10B(c)(2) above), regarding the adoption of the recommendations of the independent committee, enclosing summaries of the Committee's reports. On May 1, 2022, the Bank and the relevant parties filed motions with the District Court of Tel Aviv Jaffa to approve settlements within the claim and the petition to certify a class action, and within the petition to certify a derivative claim in the tax affair (Note 10B(a)(3) and 10B(c)(1) above, respectively), and a motion to approve a settlement within the motion for disclosure and perusal of documents prior to filing a motion for a derivative claim in the FIFA affair (Note 10B(c)(2) above). The court instructed the Attorney General to submit her position regarding the motions to approve the settlements filed in the tax affair and the FIFA affair (Notes 10B(a)(3), 10B(c)(1), and 10B(c)(2) above). On August 11, 2022, the Attorney General submitted her position regarding the motion to approve a settlement filed within the petition to certify a class action filed concerning the tax affair (Note 10B(a)(3) above; and on October 30, 2022, the Attorney General submitted her position regarding the motion to approve a settlement filed within the derivative claim filed concerning the tax affair (Note 10B(c)(1) above).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates

Unaudited
NIS millions

A. Nominal amount of derivative instruments

	September 30, 2022		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	**5,013**	**70,793**	**75,806**
Options written	**110**	**7,592**	**7,702**
Options bought	**358**	**7,675**	**8,033**
Swaps[1]	**30,311**	**735,570**	**765,881**
Total[2]	**35,792**	**821,630**	**857,422**
Of which: hedging derivatives	**24,495**	**-**	**24,495**
Foreign-currency contracts			
Future and forward contracts	**17,266**	**282,905**	**300,171**
Options written	**-**	**31,695**	**31,695**
Options bought	**328**	**28,634**	**28,962**
Swaps	**320**	**39,664**	**39,984**
Total[3]	**17,914**	**382,898**	**400,812**
Of which: hedging derivatives	**-**	**-**	**-**
Share-related contracts			
Future and forward contracts	**-**	**44,632**	**44,632**
Options written	**1,446**	**34,173**	**35,619**
Options bought[4]	**438**	**34,173**	**34,611**
Swaps	**771**	**67,555**	**68,326**
Total	**2,655**	**180,533**	**183,188**
Commodity and other contracts			
Future and forward contracts	**-**	**38**	**38**
Options written	**-**	**70**	**70**
Options bought	**-**	**78**	**78**
Total	**-**	**186**	**186**
Total nominal amount	**56,361**	**1,385,247**	**1,441,608**

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 346,140 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 34,871 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 20,807 million.
(4) Of which: traded on the stock exchange in the amount of NIS 34,173 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

A. Nominal amount of derivative instruments (continued)

	September 30, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	5,363	25,359	30,722
Options written	100	3,862	3,962
Options bought	197	3,862	4,059
Swaps[1]	15,849	293,709	309,558
Total[2]	21,509	326,792	348,301
Of which: hedging derivatives	10,279	-	10,279
Foreign-currency contracts			
Future and forward contracts	16,910	255,964	272,874
Options written	-	26,463	26,463
Options bought	374	22,855	23,229
Swaps	248	33,436	33,684
Total[3]	17,532	338,718	356,250
Of which: hedging derivatives	-	-	-
Share-related contracts			
Future and forward contracts	-	38,472	38,472
Options written	1,548	38,821	40,369
Options bought[4]	428	38,821	39,249
Swaps	763	48,756	49,519
Total	2,739	164,870	167,609
Commodity and other contracts			
Future and forward contracts	-	58	58
Options written	-	18	18
Options bought	-	18	18
Total	-	94	94
Total nominal amount	41,780	830,474	872,254

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 160,854 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 32,583 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 23,930 million.
(4) Of which: traded on the stock exchange in the amount of NIS 38,821 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Audited
NIS millions

A. Nominal amount of derivative instruments (continued)

	December 31, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	6,317	38,163	44,480
Options written	97	6,277	6,374
Options bought	97	6,777	6,874
Swaps[(1)]	18,442	325,139	343,581
Total[(2)]	24,953	376,356	401,309
Of which: hedging derivatives	13,300	-	13,300
Foreign-currency contracts			
Future and forward contracts	18,813	249,494	268,307
Options written	-	25,911	25,911
Options bought	292	26,983	27,275
Swaps	259	35,096	35,355
Total[(3)]	19,364	337,484	356,848
Of which: hedging derivatives	-	-	-
Share-related contracts			
Future and forward contracts	-	35,919	35,919
Options written	1,594	29,739	31,333
Options bought[(4)]	439	29,739	30,178
Swaps	725	59,397	60,122
Total	2,758	154,794	157,552
Commodity and other contracts			
Future and forward contracts	-	50	50
Options written	-	74	74
Options bought	-	74	74
Total	-	198	198
Total nominal amount	47,075	868,832	915,907

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 181,034 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 35,232 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 12,844 million.
(4) Of which: traded on the stock exchange in the amount of NIS 29,739 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

B. Gross fair value of derivative instruments

	September 30, 2022					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	**1,485**	**10,216**	**11,701**	**864**	**10,613**	**11,477**
Of which: hedging derivatives	**1,224**	**-**	**1,224**	**465**	**-**	**465**
Foreign-currency contracts	**343**	**11,312**	**11,655**	**96**	**9,283**	**9,379**
Share-related contracts	**33**	**5,151**	**5,184**	**33**	**5,145**	**5,178**
Commodity and other contracts	**-**	**7**	**7**	**-**	**7**	**7**
Total gross assets (liabilities) in respect of derivatives(1)	**1,861**	**26,686**	**28,547**	**993**	**25,048**	**26,041**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**1,861**	**26,686**	**28,547**	**993**	**25,048**	**26,041**
Of which: not subject to a netting arrangement or similar arrangements	**166**	**3,010**	**3,176**	**127**	**2,698**	**2,825**

(1) Of which: gross fair value of assets in respect of embedded derivatives in the amount of NIS 66 million and gross fair value of liabilities in respect of embedded derivatives in the amount of NIS 15 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

B. Gross fair value of derivative instruments (continued)

	September 30, 2021					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	300	3,948	4,248	684	4,144	4,828
Of which: hedging derivatives	137	-	137	393	-	393
Foreign-currency contracts	205	4,036	4,241	50	4,430	4,480
Share-related contracts	49	1,541	1,590	49	1,530	1,579
Commodity and other contracts	-	5	5	-	5	5
Total gross assets (liabilities) in respect of derivatives(1)	554	9,530	10,084	783	10,109	10,892
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	554	9,530	10,084	783	10,109	10,892
Of which: not subject to a netting arrangement or similar arrangements	38	1,087	1,125	192	1,202	1,394

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 41 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Audited
NIS millions

B. Gross fair value of derivative instruments (continued)

	December 31, 2021					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	258	3,817	4,075	615	3,951	4,566
Of which: hedging derivatives	143	-	143	333	-	333
Foreign-currency contracts	268	6,014	6,282	83	7,180	7,263
Share-related contracts	49	2,575	2,624	49	2,509	2,558
Commodity and other contracts	-	3	3	-	3	3
Total gross assets (liabilities) in respect of derivatives[(1)]	575	12,409	12,984	747	13,643	14,390
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	575	12,409	12,984	747	13,643	14,390
Of which: not subject to a netting arrangement or similar arrangements	24	1,681	1,705	54	1,886	1,940

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 40 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

C. Accounting hedges

1. Effect of accounting hedges

	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
	Interest income (expenses)				
	Unaudited				Audited
Profit (loss) from fair-value hedges					
Hedged items	**(415)**	(75)	**(961)**	(535)	(613)
Hedging derivatives	**431**	75	**987**	547	622

2. Items hedged in fair-value hedges

	Balance as at September 30, 2022		Balance as at September 30, 2021		Balance as at December 31, 2021	
	Book value	Cumulative fair-value adjustments that reduced the book value	Book value	Cumulative fair-value adjustments that increased the book value	Book value	Cumulative fair-value adjustments that increased (decreased) the book value
Securities	**14,369**	**(1,196)**	10,783	221	11,851	131
Subordinated notes	**3,187**	**(378)**	-	-	3,118	(12)

3. Effect of derivatives not designated as hedging instruments on the statement of profit and loss

	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
	Profit (loss) recognized in income (expenses) from activity in derivative instruments(1)				
Interest contracts	**(182)**	(27)	**(222)**	(10)	14
Foreign-currency contracts	**475**	(435)	**6,510**	287	(1,460)
Share-related contracts	**4**	(32)	**21**	14	16
Commodity and other contracts	**(1)**	-	**-**	-	-
Total	**296**	(494)	**6,309**	291	(1,430)

(1) Included in the item "non-interest financing income (expenses)."

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty

	September 30, 2022						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments	**397**	**12,943**	**3,391**	**11**	**9,377**	**2,428**	**28,547**
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**(11,369)**	**(2,454)**	**(11)**	**(2,326)**	**(646)**	**(16,806)**
Credit risk mitigation in respect of cash collateral received	**-**	**(1,193)**	**(346)**	**-**	**(3,743)**	**(197)**	**(5,479)**
Balance sheet credit risk in respect of derivative instruments(2)	**397**	**381**	**591**	**-**	**3,308**	**1,585**	**6,262**
Off-balance sheet credit risk in respect of derivative instruments(1)	**384**	**4,052**	**2,503**	**36**	**9,999**	**2,640**	**19,614**
Total credit risk in respect of derivative instruments	**781**	**4,433**	**3,094**	**36**	**13,307**	**4,225**	**25,876**
Balance sheet balance of liabilities in respect of derivative instruments(2)	**313**	**15,429**	**3,093**	**122**	**3,957**	**3,127**	**26,041**
Gross amounts not offset in the balance sheet:							
Financial instruments	**-**	**(11,369)**	**(2,454)**	**(11)**	**(2,326)**	**(646)**	**(16,806)**
Cash collateral pledged	**-**	**(2,114)**	**(11)**	**(52)**	**(1,067)**	**(1,059)**	**(4,303)**
Net total liabilities in respect of derivative instruments	**313**	**1,946**	**628**	**59**	**564**	**1,422**	**4,932**

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.
(2) Of which, gross fair value of assets in respect of embedded derivatives in the amount of NIS 66 million and gross fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 15 million (September 30, 2021: fair value in respect of liabilities NIS 41 million; December 31, 2021: fair value in respect of liabilities NIS 40 million).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty (continued)

	September 30, 2021						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities*	Others*	Total
Balance sheet balance of assets in respect of derivative instruments	163	5,144	1,878	150	1,204	1,545	10,084
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(4,171)	(1,433)	-	(317)	(220)	(6,141)
Credit risk mitigation in respect of cash collateral received	-	(885)	(112)	(150)	(350)	(1,036)	(2,533)
Balance sheet credit risk in respect of derivative instruments	163	88	333	-	537	289	1,410
Off-balance sheet credit risk in respect of derivative instruments*(1)	484	2,071	2,342	93	4,138	1,349	10,477
Total credit risk in respect of derivative instruments*	647	2,159	2,675	93	4,675	1,638	11,887
Balance sheet balance of liabilities in respect of derivative instruments(2)	135	4,593	2,052	-	2,557	1,555	10,892
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(4,171)	(1,433)	-	(317)	(220)	(6,141)
Cash collateral pledged	-	(107)	(345)	-	(1,391)	(369)	(2,212)
Net total liabilities in respect of derivative instruments	135	315	274	-	849	966	2,539

* The format of the disclosure was adjusted following the implementation of the SA-CCR directives.
(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.
(2) Of which, gross fair value of assets in respect of embedded derivatives in the amount of NIS 66 million and gross fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 15 million (September 30, 2021: fair value in respect of liabilities NIS 41 million; December 31, 2021: fair value in respect of liabilities NIS 40 million).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Audited
NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty (continued)

	December 31, 2021						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities*	Others*	Total
Balance sheet balance of assets in respect of derivative instruments	225	6,641	2,420	282	886	2,530	12,984
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(3,989)	(1,554)	-	(364)	(319)	(6,226)
Credit risk mitigation in respect of cash collateral received	-	(2,415)	(382)	(257)	(367)	(1,369)	(4,790)
Balance sheet credit risk in respect of derivative instruments	225	237	484	25	155	842	1,968
Off-balance sheet credit risk in respect of derivative instruments*(1)	480	3,187	2,071	105	3,139	1,799	10,781
Total credit risk in respect of derivative instruments*	705	3,424	2,555	130	3,294	2,641	12,749
Balance sheet balance of liabilities in respect of derivative instruments(2)	200	4,276	2,495	-	4,836	2,583	14,390
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(3,989)	(1,554)	-	(364)	(319)	(6,226)
Cash collateral pledged	-	(12)	(199)	-	(3,110)	(642)	(3,963)
Net total liabilities in respect of derivative instruments	200	275	742	-	1,362	1,622	4,201

* The format of the disclosure was adjusted following the implementation of the SA-CCR directives.

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.

(2) Of which, gross fair value of assets in respect of embedded derivatives in the amount of NIS 66 million and gross fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 15 million (September 30, 2021: fair value in respect of liabilities NIS 41 million; December 31, 2021: fair value in respect of liabilities NIS 40 million).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

E. Details of maturity dates (nominal value amounts)

	September 30, 2022				
	Up to 3 months	Over 3 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
	Unaudited				
Interest contracts					
NIS-CPI	**2,612**	**8,296**	**16,880**	**7,083**	**34,871**
Other	**344,043**	**181,189**	**227,808**	**69,511**	**822,551**
Foreign-currency contracts	**233,168**	**114,716**	**39,457**	**13,471**	**400,812**
Share-related contracts	**117,301**	**61,346**	**4,381**	**160**	**183,188**
Commodity and other contracts (including credit derivatives)	**127**	**42**	**17**	**-**	**186**
Total	**697,251**	**365,589**	**288,543**	**90,225**	**1,441,608**

	September 30, 2021				
	Unaudited				
Total	334,583	225,084	231,247	81,340	872,254

	December 31, 2021				
	Audited				
Total	346,894	238,734	245,889	84,390	915,907

Note 12 Supervisory Operating Segments

Assignment of customers to the supervisory operating segments

Reporting on operating segments is in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department, as detailed in Note 28 to the Annual Financial Statements for 2021.

Information regarding supervisory operating segments

	For the three months ended September 30, 2022		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	**1,907**	**1,375**	**4**
Interest expenses for externals	**(194)**	**-**	**-**
Net interest income:			
From externals	**1,713**	**1,375**	**4**
Inter-segmental	**(560)**	**(1,028)**	**(1)**
Total net interest income	**1,153**	**347**	**3**
Non-interest income:			
Non-interest financing income	**1**	**-**	**-**
Fees and other income	**375**	**14**	**123**
Total non-interest income	**376**	**14**	**123**
Total income	**1,529**	**361**	**126**
Provision (income) for credit losses	**64**	**(4)**	**-**
Operating and other expenses:			
From externals	**903**	**111**	**49**
Inter-segmental	**-**	**-**	**-**
Total operating and other expenses	**903**	**111**	**49**
Profit (loss) before taxes	**562**	**254**	**77**
Provision for taxes (tax benefit) on profit (loss)	**191**	**86**	**26**
Profit (loss) after taxes	**371**	**168**	**51**
The Bank's share in profits of equity-basis investees	**-**	**-**	**-**
Net profit (loss) before attribution to non-controlling interests	**371**	**168**	**51**
Loss (profit) attributed to non-controlling interests	**-**	**-**	**-**
Net profit (loss) attributed to shareholders of the Bank	**371**	**168**	**51**

Unaudited
NIS millions

For the three months ended September 30, 2022

Activity in Israel: Private banking	Activity in Israel: Small businesses and microbusinesses	Activity in Israel: Mid-sized businesses	Activity in Israel: Large businesses	Activity in Israel: Institutional entities	Activity in Israel: Financial management	Activity in Israel: Other	Activity in Israel: Total activity in Israel	Activity overseas: Total activity overseas	Total
8	**778**	**406**	**895**	**6**	**829**	**-**	**4,829**	**310**	**5,139**
(72)	**(123)**	**(99)**	**(211)**	**(243)**	**(482)**	**-**	**(1,424)**	**(79)**	**(1,503)**
(64)	**655**	**307**	**684**	**(237)**	**347**	**-**	**3,405**	**231**	**3,636**
156	**125**	**(21)**	**(169)**	**325**	**177**	**-**	**33**	**(33)**	**-**
92	**780**	**286**	**515**	**88**	**524**	**-**	**3,438**	**198**	**3,636**
-	**4**	**(6)**	**6**	**13**	**96**	**-**	**114**	**1**	**115**
34	**261**	**75**	**162**	**23**	**29**	**34**	**993**	**9**	**1,002**
34	**265**	**69**	**168**	**36**	**125**	**34**	**1,107**	**10**	**1,117**
126	**1,045**	**355**	**683**	**124**	**649**	**34**	**4,545**	**208**	**4,753**
1	**70**	**(97)**	**(51)**	**-**	**25**	**-**	**12**	**33**	**45**
50	**458**	**104**	**176**	**48**	**91**	**19**	**1,849**	**123**	**1,972**
-	**-**	**-**	**-**	**-**	**13**	**(13)**	**-**	**-**	**-**
50	**458**	**104**	**176**	**48**	**104**	**6**	**1,849**	**123**	**1,972**
75	**517**	**348**	**558**	**76**	**520**	**28**	**2,684**	**52**	**2,736**
26	**178**	**130**	**200**	**25**	**186**	**10**	**946**	**21**	**967**
49	**339**	**218**	**358**	**51**	**334**	**18**	**1,738**	**31**	**1,769**
-	**-**	**-**	**-**	**-**	**16**	**-**	**16**	**-**	**16**
49	**339**	**218**	**358**	**51**	**350**	**18**	**1,754**	**31**	**1,785**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
49	**339**	**218**	**358**	**51**	**350**	**18**	**1,754**	**31**	**1,785**

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the three months ended September 30, 2022		
	Activity in Israel		
	Households[4]		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	**156,158**	**123,963**	**3,605**
Of which: investments in equity-basis investees[1]	**-**	**-**	**-**
Average balance of gross credit to the public[1]	**157,219**	**124,414**	**3,605**
Balance of gross credit to the public at the end of the reported period	**160,628**	**125,681**	**4,590**
Balance of non-accruing debts	**757**	**531**	**-**
Balance of debts more than 90 days past due	**40**	**-**	**-**
Average balance of liabilities[1]	**163,507**	**-**	**-**
Of which: average balance of deposits from the public[1]	**163,491**	**-**	**-**
Balance of deposits from the public at the end of the reported period	**164,192**	**-**	**-**
Average balance of risk-adjusted assets[1][2]	**105,569**	**69,249**	**4,311**
Balance of risk-adjusted assets at the end of the reported period[2]	**106,246**	**69,801**	**4,369**
Average balance of assets under management[1][3]	**65,293**	**-**	**-**
Segmentation of net interest income:			
Spread from credit granting activity	**715**	**347**	**3**
Spread from deposit taking activity	**438**	**-**	**-**
Other	**-**	**-**	**-**
Total net interest income	**1,153**	**347**	**3**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 22.2 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Unaudited
NIS millions

For the three months ended September 30, 2022									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
821	60,187	38,021	95,544	2,603	264,416	314	618,064	30,452	648,516
-	-	-	-	-	929	-	929	-	929
822	60,863	38,618	96,917	2,444	-	-	356,883	17,477	374,360
830	61,397	38,107	104,582	2,196	-	-	367,740	19,035	386,775
-	393	355	872	-	-	-	2,377	656	3,033
-	30	1	5	-	-	-	76	-	76
36,323	96,493	34,650	80,730	91,727	75,078	2	578,510	23,189	601,699
36,319	96,237	34,515	80,402	91,698	-	-	502,662	22,491	525,153
36,346	98,780	34,155	79,035	91,821	-	-	504,329	23,370	527,699
1,241	73,413	49,698	117,246	6,588	23,513	3,571	380,839	23,313	404,152
1,265	73,335	49,184	119,017	7,497	24,271	3,238	384,053	23,861	407,914
50,881	44,309	28,593	111,654	339,135	94,872	4,049	738,786	-	738,786
4	491	213	406	1	2,192	-	4,022	208	4,230
88	289	73	109	85	(2,086)	-	(1,004)	(82)	(1,086)
-	-	-	-	2	418	-	420	72	492
92	780	286	515	88	524	-	3,438	198	3,636

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the three months ended September 30, 2021		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	1,404	971	4
Interest expenses for externals	(75)	-	-
Net interest income:			
From externals	1,329	971	4
Inter-segmental	(600)	(673)	-
Total net interest income	729	298	4
Non-interest income:			
Non-interest financing income	1	-	-
Fees and other income	302	19	54
Total non-interest income	303	19	54
Total income	1,032	317	58
Provision (income) for credit losses	1	9	-
Operating and other expenses:			
From externals	924	106	41
Inter-segmental	-	-	-
Total operating and other expenses	924	106	41
Profit (loss) before taxes	107	202	17
Provision for taxes (tax benefit) on profit (loss)	30	67	7
Profit (loss) after taxes	77	135	10
The Bank's share in profits of equity-basis investees	-	-	-
Net profit (loss) before attribution to non-controlling interests	77	135	10
Loss (profit) attributed to non-controlling interests	-	-	-
Net profit (loss) attributed to shareholders of the Bank	77	135	10

Unaudited
NIS millions

For the three months ended September 30, 2021									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
5	550	262	522	6	159	-	2,908	163	3,071
(21)	(17)	(29)	(32)	(58)	(250)	-	(482)	(24)	(506)
(16)	533	233	490	(52)	(91)	-	2,426	139	2,565
28	(26)	(28)	(151)	68	710	-	1	(1)	-
12	507	205	339	16	619	-	2,427	138	2,565
-	3	2	14	10	181	-	211	1	212
38	220	74	129	24	30	42	859	8	867
38	223	76	143	34	211	42	1,070	9	1,079
50	730	281	482	50	830	42	3,497	147	3,644
-	(31)	(83)	(148)	-	-	-	(261)	9	(252)
47	479	104	157	32	96	39	1,878	121	1,999
-	-	-	-	-	17	(17)	-	-	-
47	479	104	157	32	113	22	1,878	121	1,999
3	282	260	473	18	717	20	1,880	17	1,897
2	99	94	174	6	264	7	676	29	705
1	183	166	299	12	453	13	1,204	(12)	1,192
-	-	-	-	-	12	-	12	-	12
1	183	166	299	12	465	13	1,216	(12)	1,204
-	-	-	-	-	3	-	3	-	3
1	183	166	299	12	468	13	1,219	(12)	1,207

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the three months ended September 30, 2021		
	Activity in Israel		
	Households[4]		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	138,401	106,987	3,699
Of which: investments in equity-basis investees[1]	-	-	-
Average balance of gross credit to the public[1]	139,345	107,504	3,699
Balance of gross credit to the public at the end of the reported period	143,213	109,575	4,330
Balance of impaired debts	656	-	-
Balance of debts more than 90 days past due	651	608	-
Average balance of liabilities[1]	157,634	-	-
Of which: average balance of deposits from the public[1]	157,637	-	-
Balance of deposits from the public at the end of the reported period	157,883	-	-
Average balance of risk-adjusted assets[1][2]	97,725	61,638	4,418
Balance of risk-adjusted assets at the end of the reported period[2]	98,647	62,626	4,404
Average balance of assets under management[1][3]	69,272	-	-
Segmentation of net interest income:			
Spread from credit granting activity	677	298	4
Spread from deposit taking activity	52	-	-
Other	-	-	-
Total net interest income	729	298	4

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 19.7 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Unaudited
NIS millions

For the three months ended September 30, 2021									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
638	55,551	33,760	76,132	3,247	251,689	231	559,649	30,374	590,023
-	-	-	-	-	683	-	683	-	683
645	56,340	34,461	79,282	2,941	-	-	313,014	14,903	327,917
701	56,060	35,539	85,342	3,477	-	-	324,332	16,015	340,347
-	735	308	1,068	-	-	-	2,767	724	3,491
-	38	3	1	-	-	-	693	29	722
33,667	88,714	32,745	76,792	83,893	54,242	13	527,700	20,004	547,704
33,667	88,707	32,757	76,944	83,860	-	-	473,572	19,105	492,677
33,708	90,714	33,777	74,123	95,137	-	-	485,342	20,141	505,483
1,186	69,181	48,977	103,793	8,617	20,426	5,976	355,881	20,084	375,965
1,185	69,963	50,008	106,513	9,268	20,633	6,328	362,545	20,433	382,978
52,282	40,968	24,718	95,699	373,900	75,997	4,665	737,501	-	737,501
2	484	198	326	2	1,074	-	2,763	151	2,914
10	23	7	13	12	(551)	-	(434)	(23)	(457)
-	-	-	-	2	96	-	98	10	108
12	507	205	339	16	619	-	2,427	138	2,565

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the nine months ended September 30, 2022		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	**5,494**	**4,089**	**11**
Interest expenses for externals	**(374)**	**-**	**-**
Net interest income:			
From externals	**5,120**	**4,089**	**11**
Inter-segmental	**(2,359)**	**(3,081)**	**(1)**
Total net interest income	**2,761**	**1,008**	**10**
Non-interest income:			
Non-interest financing income	**3**	**-**	**-**
Fees and other income	**989**	**35**	**238**
Total non-interest income	**992**	**35**	**238**
Total income	**3,753**	**1,043**	**248**
Provision (income) for credit losses	**40**	**34**	**-**
Operating and other expenses:			
From externals	**2,734**	**337**	**143**
Inter-segmental	**-**	**-**	**-**
Total operating and other expenses	**2,734**	**337**	**143**
Profit (loss) before taxes	**979**	**672**	**105**
Provision for taxes (tax benefit) on profit (loss)	**334**	**229**	**36**
Profit (loss) after taxes	**645**	**443**	**69**
The Bank's share in profits of equity-basis investees	**-**	**-**	**-**
Net profit (loss) before attribution to non-controlling interests	**645**	**443**	**69**
Loss (profit) attributed to non-controlling interests	**-**	**-**	**-**
Net profit (loss) attributed to shareholders of the Bank	**645**	**443**	**69**

Unaudited
NIS millions

For the nine months ended September 30, 2022

Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
19	**1,999**	**1,024**	**2,175**	**20**	**1,416**	**-**	**12,147**	**699**	**12,846**
(126)	**(192)**	**(205)**	**(342)**	**(435)**	**(1,487)**	**-**	**(3,161)**	**(146)**	**(3,307)**
(107)	**1,807**	**819**	**1,833**	**(415)**	**(71)**	**-**	**8,986**	**553**	**9,539**
250	**105**	**(68)**	**(562)**	**560**	**2,124**	**-**	**50**	**(50)**	**-**
143	**1,912**	**751**	**1,271**	**145**	**2,053**	**-**	**9,036**	**503**	**9,539**
1	**12**	**(17)**	**18**	**46**	**180**	**-**	**243**	**1**	**244**
113	**737**	**241**	**442**	**74**	**101**	**181**	**2,878**	**28**	**2,906**
114	**749**	**224**	**460**	**120**	**281**	**181**	**3,121**	**29**	**3,150**
257	**2,661**	**975**	**1,731**	**265**	**2,334**	**181**	**12,157**	**532**	**12,689**
1	**112**	**(200)**	**(529)**	**3**	**25**	**-**	**(548)**	**84**	**(464)**
148	**1,415**	**316**	**490**	**126**	**275**	**82**	**5,586**	**340**	**5,926**
-	**-**	**-**	**-**	**-**	**35**	**(35)**	**-**	**-**	**-**
148	**1,415**	**316**	**490**	**126**	**310**	**47**	**5,586**	**340**	**5,926**
108	**1,134**	**859**	**1,770**	**136**	**1,999**	**134**	**7,119**	**108**	**7,227**
37	**388**	**309**	**633**	**46**	**682**	**50**	**2,479**	**54**	**2,533**
71	**746**	**550**	**1,137**	**90**	**1,317**	**84**	**4,640**	**54**	**4,694**
-	**-**	**-**	**-**	**-**	**89**	**-**	**89**	**-**	**89**
71	**746**	**550**	**1,137**	**90**	**1,406**	**84**	**4,729**	**54**	**4,783**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
71	**746**	**550**	**1,137**	**90**	**1,406**	**84**	**4,729**	**53**	**4,782**

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the nine months ended September 30, 2022		
	Activity in Israel		
	Households[4]		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	**152,192**	**120,241**	**3,505**
Of which: investments in equity-basis investees[1]	**-**	**-**	**-**
Average balance of gross credit to the public[1]	**153,201**	**120,624**	**3,505**
Balance of gross credit to the public at the end of the reported period	**160,628**	**125,681**	**4,590**
Balance of non-accruing debts	**757**	**531**	**-**
Balance of debts more than 90 days past due	**40**	**-**	**-**
Average balance of liabilities[1]	**160,943**	**-**	**-**
Of which: average balance of deposits from the public[1]	**160,919**	**-**	**-**
Balance of deposits from the public at the end of the reported period	**164,192**	**-**	**-**
Average balance of risk-adjusted assets[1][2]	**104,241**	**68,145**	**4,195**
Balance of risk-adjusted assets at the end of the reported period[2]	**106,246**	**69,801**	**4,369**
Average balance of assets under management[1][3]	**66,925**	**-**	**-**
Segmentation of net interest income:			
Spread from credit granting activity	**2,121**	**1,008**	**10**
Spread from deposit taking activity	**640**	**-**	**-**
Other	**-**	**-**	**-**
Total net interest income	**2,761**	**1,008**	**10**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 22.2 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Unaudited
NIS millions

For the nine months ended September 30, 2022

Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
787	**59,739**	**38,321**	**91,648**	**2,897**	**264,090**	**258**	**609,932**	**30,174**	**640,106**
-	**-**	**-**	**-**	**-**	**979**	**-**	**979**	**-**	**979**
790	**60,501**	**38,922**	**93,483**	**2,666**	**-**	**-**	**349,563**	**16,555**	**366,118**
830	**61,397**	**38,107**	**104,582**	**2,196**	**-**	**-**	**367,740**	**19,035**	**386,775**
-	**393**	**355**	**872**	**-**	**-**	**-**	**2,377**	**656**	**3,033**
-	**30**	**1**	**5**	**-**	**-**	**-**	**76**	**-**	**76**
35,761	**96,221**	**34,926**	**79,800**	**93,029**	**71,974**	**4**	**572,658**	**22,409**	**595,067**
35,759	**95,979**	**34,737**	**79,398**	**92,996**	**-**	**-**	**499,788**	**21,663**	**521,451**
36,346	**98,780**	**34,155**	**79,035**	**91,821**	**-**	**-**	**504,329**	**23,370**	**527,699**
1,187	**73,555**	**50,724**	**113,702**	**4,774**	**22,001**	**4,235**	**374,419**	**22,209**	**396,628**
1,265	**73,335**	**49,184**	**119,017**	**7,497**	**24,271**	**3,238**	**384,053**	**23,861**	**407,914**
52,507	**44,677**	**28,691**	**113,422**	**349,473**	**92,326**	**4,259**	**752,280**	**-**	**752,280**
8	**1,492**	**639**	**1,100**	**6**	**5,404**	**-**	**10,770**	**537**	**11,307**
135	**420**	**112**	**171**	**133**	**(3,447)**	**-**	**(1,836)**	**(149)**	**(1,985)**
-	**-**	**-**	**-**	**6**	**96**	**-**	**102**	**115**	**217**
143	**1,912**	**751**	**1,271**	**145**	**2,053**	**-**	**9,036**	**503**	**9,539**

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the nine months ended September 30, 2021		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	4,050	2,759	12
Interest expenses for externals	(225)	-	-
Net interest income:			
From externals	3,825	2,759	12
Inter-segmental	(1,677)	(1,915)	(1)
Total net interest income	2,148	844	11
Non-interest income:			
Non-interest financing income	2	-	-
Fees and other income	887	42	146
Total non-interest income	889	42	146
Total income	3,037	886	157
Provision (income) for credit losses	(648)	(231)	-
Operating and other expenses:			
From externals	2,714	299	125
Inter-segmental	-	-	-
Total operating and other expenses	2,714	299	125
Profit (loss) before taxes	971	818	32
Provision for taxes (tax benefit) on profit (loss)	355	299	12
Profit (loss) after taxes	616	519	20
The Bank's share in profits of equity-basis investees	-	-	-
Net profit (loss) before attribution to non-controlling interests	616	519	20
Loss (profit) attributed to non-controlling interests	-	-	-
Net profit (loss) attributed to shareholders of the Bank	616	519	20

Unaudited
NIS millions

For the nine months ended September 30, 2021									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
11	1,587	749	1,422	17	569	-	8,405	466	8,871
(65)	(55)	(85)	(87)	(180)	(784)	-	(1,481)	(84)	(1,565)
(54)	1,532	664	1,335	(163)	(215)	-	6,924	382	7,306
88	(38)	(64)	(404)	208	1,896	-	9	(9)	-
34	1,494	600	931	45	1,681	-	6,933	373	7,306
-	10	8	35	32	772	-	859	3	862
113	651	212	363	73	84	178	2,561	29	2,590
113	661	220	398	105	856	178	3,420	32	3,452
147	2,155	820	1,329	150	2,537	178	10,353	405	10,758
-	(34)	(179)	(559)	-	-	-	(1,420)	13	(1,407)
139	1,416	313	451	103	282	102	5,520	378	5,898
-	-	-	-	-	32	(31)	1	(1)	-
139	1,416	313	451	103	314	71	5,521	377	5,898
8	773	686	1,437	47	2,223	107	6,252	15	6,267
3	284	262	551	17	758	39	2,269	65	2,334
5	489	424	886	30	1,465	68	3,983	(50)	3,933
-	-	-	-	-	39	-	39	-	39
5	489	424	886	30	1,504	68	4,022	(50)	3,972
-	-	-	-	-	8	-	8	-	8
5	489	424	886	30	1,512	68	4,030	(50)	3,980

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the nine months ended September 30, 2021		
	Activity in Israel		
	Households[4]		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	133,711	102,659	3,595
Of which: investments in equity-basis investees[1]	-	-	-
Average balance of gross credit to the public[1]	134,947	103,324	3,595
Balance of gross credit to the public at the end of the reported period	143,213	109,575	4,330
Balance of impaired debts	656	-	-
Balance of debts more than 90 days past due	651	608	-
Average balance of liabilities[1]	157,561	-	-
Of which: average balance of deposits from the public[1]	157,561	-	-
Balance of deposits from the public at the end of the reported period	157,883	-	-
Average balance of risk-adjusted assets[1][2]	95,935	59,666	4,446
Balance of risk-adjusted assets at the end of the reported period[2]	98,647	62,626	4,404
Average balance of assets under management[1][3]	67,432	-	-
Segmentation of net interest income:			
Spread from credit granting activity	1,989	844	11
Spread from deposit taking activity	159	-	-
Other	-	-	-
Total net interest income	2,148	844	11

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 19.7 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Unaudited
NIS millions

For the nine months ended September 30, 2021									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
566	54,221	32,214	70,070	3,109	245,271	221	539,383	28,342	567,725
-	-	-	-	-	605	-	605	-	605
573	55,116	32,947	73,252	2,771	-	-	299,606	14,551	314,157
701	56,060	35,539	85,342	3,477	-	-	324,332	16,015	340,347
-	735	308	1,068	-	-	-	2,767	724	3,491
-	38	3	1	-	-	-	693	29	722
33,829	84,680	30,851	64,684	77,701	57,712	13	507,031	19,708	526,739
33,829	84,601	30,797	64,652	77,660	-	-	449,100	18,777	467,877
33,708	90,714	33,777	74,123	95,137	-	-	485,342	20,141	505,483
1,178	67,601	46,911	98,347	7,309	20,010	5,270	342,561	19,382	361,943
1,185	69,963	50,008	106,513	9,268	20,633	6,328	362,545	20,433	382,978
50,690	40,204	22,628	89,481	363,634	62,623	4,357	701,049	-	701,049
5	1,430	580	899	6	3,047	-	7,956	426	8,382
29	64	20	32	32	(1,036)	-	(700)	(82)	(782)
-	-	-	-	7	(330)	-	(323)	29	(294)
34	1,494	600	931	45	1,681	-	6,933	373	7,306

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	5,237	3,507	15
Interest expenses for externals	(279)	-	-
Net interest income:			
From externals	4,958	3,507	15
Inter-segmental	(2,063)	(2,349)	(1)
Total net interest income	2,895	1,158	14
Non-interest income:			
Non-interest financing income	3	-	-
Fees and other income	1,211	53	199
Total non-interest income	1,214	53	199
Total income	4,109	1,211	213
Provision (income) for credit losses	(651)	(226)	-
Operating and other expenses:			
From externals	3,562	390	159
Inter-segmental	-	-	-
Total operating and other expenses	3,562	390	159
Profit (loss) before taxes	1,198	1,047	54
Provision for taxes (tax benefit) on profit (loss)	439	384	19
Profit (loss) after taxes	759	663	35
The Bank's share in profits of equity-basis investees	-	-	-
Net profit (loss) before attribution to non-controlling interests	759	663	35
Loss (profit) attributed to non-controlling interests	-	-	-
Net profit (loss) attributed to shareholders of the Bank	759	663	35

Audited
NIS millions

For the year ended December 31, 2021									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
14	2,150	1,015	1,892	24	728	-	11,060	624	11,684
(81)	(70)	(103)	(117)	(220)	(940)	-	(1,810)	(107)	(1,917)
(67)	2,080	912	1,775	(196)	(212)	-	9,250	517	9,767
112	(72)	(94)	(501)	261	2,368	-	11	(11)	-
45	2,008	818	1,274	65	2,156	-	9,261	506	9,767
-	14	11	49	44	985	-	1,106	(25)	1,081
152	895	290	501	101	112	244	3,506	38	3,544
152	909	301	550	145	1,097	244	4,612	13	4,625
197	2,917	1,119	1,824	210	3,253	244	13,873	519	14,392
-	48	(184)	(457)	(1)	-	-	(1,245)	25	(1,220)
181	1,836	403	587	143	358	176	7,246	557	7,803
-	-	-	-	-	45	(44)	1	(1)	-
181	1,836	403	587	143	403	132	7,247	556	7,803
16	1,033	900	1,694	68	2,850	112	7,871	(62)	7,809
6	383	346	655	24	983	43	2,879	79	2,958
10	650	554	1,039	44	1,867	69	4,992	(141)	4,851
-	-	-	-	-	49	-	49	-	49
10	650	554	1,039	44	1,916	69	5,041	(141)	4,900
-	-	-	-	-	11	-	11	3	14
10	650	554	1,039	44	1,927	69	5,052	(138)	4,914

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021		
	Activity in Israel		
	Households[4]		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	136,123	104,831	3,602
Of which: investments in equity-basis investees[1]	-	-	-
Average balance of gross credit to the public[1]	137,263	105,460	3,602
Balance of gross credit to the public at the end of the reported period	149,186	114,690	4,563
Balance of impaired debts	647	-	-
Balance of debts more than 90 days past due	613	569	-
Average balance of liabilities[1]	157,332	-	-
Of which: average balance of deposits from the public[1]	157,324	-	-
Balance of deposits from the public at the end of the reported period	156,777	-	-
Average balance of risk-adjusted assets[1][2]	97,073	60,832	4,395
Balance of risk-adjusted assets at the end of the reported period[2]	101,598	65,494	4,192
Average balance of assets under management[1][3]	68,084	-	-
Segmentation of net interest income:			
Spread from credit granting activity	2,685	1,158	14
Spread from deposit taking activity	210	-	-
Other	-	-	-
Total net interest income	2,895	1,158	14

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 20.6 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Audited
NIS millions

For the year ended December 31, 2021									
Activity in Israel								Activity overseas	Total
Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
604	55,000	33,334	73,574	3,530	249,001	215	551,381	28,309	579,690
-	-	-	-	-	650	-	650	-	650
611	55,850	34,057	76,236	3,200	-	-	307,217	14,744	321,961
786	60,258	38,269	89,436	4,164	-	-	342,099	15,630	357,729
-	701	267	1,085	-	-	-	2,700	917	3,617
-	39	-	1	-	-	-	653	26	679
33,837	85,772	31,757	67,162	83,549	58,856	13	518,278	20,054	538,332
33,837	85,646	31,657	66,999	83,507	-	-	458,970	19,195	478,165
33,897	94,920	33,579	84,106	101,287	-	-	504,566	20,506	525,072
1,162	68,911	48,043	101,058	6,400	20,186	5,183	348,016	19,594	367,610
1,106	74,161	52,580	111,900	2,760	20,892	4,837	369,834	20,446	390,280
51,605	40,912	23,474	93,272	365,482	68,667	4,351	715,847	-	715,847
6	1,922	790	1,229	9	3,838	-	10,479	571	11,050
39	86	28	45	47	(1,334)	-	(879)	(104)	(983)
-	-	-	-	9	(348)	-	(339)	39	(300)
45	2,008	818	1,274	65	2,156	-	9,261	506	9,767

Note 12A Operating Segments Based on the Management Approach

The Bank Group operates in Israel and abroad, and provides a wide range of banking and financial services to its customers. The division into operating segments according to the management approach is based on types of products and services or on types of customers. The chief operating decision makers of the Bank (the Board of Management of the Bank and the Board of Directors) use this division to make decisions and to analyze the Group's business results.

For details regarding the assignment of customers to segments based on the management approach and the main principles applied in the distribution of results of operations among the segments, see Note 28A to the Annual Financial Statements for 2021.

Note 12A Operating Segments Based on the Management Approach (continued)

Unaudited
NIS millions

Information regarding operating segments

	For the three months ended September 30, 2022								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate(1)	International activity	Financial management(2)	Adjustments(3)	Total
Net interest income:									
From externals	254	408	1,379	465	753	214	163	-	3,636
Inter-segmental	771	119	(1,031)	(41)	(202)	(25)	409	-	-
Non-interest financing income	1	2	-	(7)	18	14	87	-	115
Total net financing profit	1,026	529	348	417	569	203	659	-	3,751
Fees and other income	449	171	14	119	171	6	33	39	1,002
Total income	1,475	700	362	536	740	209	692	39	4,753
Provision (income) for credit losses	47	20	(4)	(11)	(68)	33	28	-	45
Operating and other expenses:									
From externals	899	307	114	135	166	119	210	22	1,972
Inter-segmental	39	20	(3)	12	30	-	(87)	(11)	-
Profit (loss) before taxes	490	353	255	400	612	57	541	28	2,736
Provision for taxes (tax benefit) on profit (loss)	171	122	86	145	220	22	195	6	967
Profit (loss) after taxes	319	231	169	255	392	35	346	22	1,769
The Bank's share in profits of equity-basis investees, after taxes	-	-	-	-	-	-	16	-	16
Net profit (loss):									
Before attribution to non-controlling interests	319	231	169	255	392	35	362	22	1,785
Attributed to non-controlling interests	-	-	-	-	-	-	-	-	-
Attributed to shareholders of the Bank	319	231	169	255	392	35	362	22	1,785
Net credit to the public at the end of the reported period	38,535	34,770	125,769	56,470	103,604	17,030	5,404	-	381,582
Deposits from the public at the end of the reported period	235,040	69,182	-	50,554	81,638	23,314	67,971	-	527,699

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 11,837 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Note 12A Operating Segments Based on the Management Approach (continued)

Unaudited
NIS millions

Information regarding operating segments (continued)

	For the three months ended September 30, 2021								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[(1)]	International activity	Financial management[(2)]	Adjustments[(3)]	Total
Net interest income:									
From externals	376	332	973	356	533	126	(131)	-	2,565
Inter-segmental	114	(9)	(674)	(44)	(132)	(1)	746	-	-
Non-interest financing income	1	1	-	3	22	1	184	-	212
Total net financing profit	491	324	299	315	423	126	799	-	2,777
Fees and other income	360	139	19	113	151	6	37	42	867
Total income	851	463	318	428	574	132	836	42	3,644
Provision (income) for credit losses	(2)	(40)	9	6	(233)	9	(1)	-	(252)
Operating and other expenses:									-
From externals	953	257	134	134	171	115	197	38	1,999
Inter-segmental	4	84	(28)	14	10	-	(68)	(16)	-
Profit (loss) before taxes	(104)	162	203	274	626	8	708	20	1,897
Provision for taxes (tax benefit) on profit (loss)	(40)	56	68	100	230	23	265	3	705
Profit (loss) after taxes	(64)	106	135	174	396	(15)	443	17	1,192
The Bank's share in profits of equity-basis investees, after taxes	-	-	-	-	-	-	12	-	12
Net profit (loss):									
Before attribution to non-controlling interests	(64)	106	135	174	396	(15)	455	17	1,204
Attributed to non-controlling interests	-	-	-	-	-	2	1	-	3
Attributed to shareholders of the Bank	(64)	106	135	174	396	(13)	456	17	1,207
Net credit to the public at the end of the reported period	37,887	32,003	109,462	49,568	89,915	14,405	2,057	-	335,297
Deposits from the public at the end of the reported period	225,512	63,198	-	46,597	77,134	19,981	73,061	-	505,483

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 6,848 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Note 12A Operating Segments Based on the Management Approach (continued)

Unaudited
NIS millions

Information regarding operating segments (continued)

	For the nine months ended September 30, 2022								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	953	1,119	4,101	1,253	1,997	509	(393)	-	9,539
Inter-segmental	1,193	128	(3,091)	(130)	(574)	(33)	2,507	-	-
Non-interest financing income	6	5	-	(16)	47	(1)	203	-	244
Total net financing profit	2,152	1,252	1,010	1,107	1,470	475	2,317	-	9,783
Fees and other income	1,208	474	36	371	495	21	118	183	2,906
Total income	3,360	1,726	1,046	1,478	1,965	496	2,435	183	12,689
Provision (income) for credit losses	(7)	74	34	(77)	(617)	84	45	-	(464)
Operating and other expenses:									
From externals	2,728	934	347	404	499	320	614	80	5,926
Inter-segmental	116	63	(10)	35	91	-	(260)	(35)	-
Profit (loss) before taxes	523	655	675	1,116	1,992	92	2,036	138	7,227
Provision for taxes (tax benefit) on profit (loss)	182	227	233	402	716	49	677	47	2,533
Profit (loss) after taxes	341	428	442	714	1,276	43	1,359	91	4,694
The Bank's share in profits of equity-basis investees, after taxes	-	-	-	-	-	-	89	-	89
Net profit (loss):									
Before attribution to non-controlling interests	341	428	442	714	1,276	43	1,448	91	4,783
Loss (profit) attributed to non-controlling interests	-	-	-	-	-	(1)	-	-	(1)
Attributed to shareholders of the Bank	341	428	442	714	1,276	42	1,448	91	4,782
Net credit to the public at the end of the reported period	38,535	34,770	125,769	56,470	103,604	17,030	5,404	-	381,582
Deposits from the public at the end of the reported period	235,040	69,182	-	50,554	81,638	23,314	67,971	-	527,699

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 11,837 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Note 12A Operating Segments Based on the Management Approach (continued)

Unaudited
NIS millions

Information regarding operating segments (continued)

	For the nine months ended September 30, 2021								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	1,109	950	2,764	1,000	1,499	339	(355)	-	7,306
Inter-segmental	366	9	(1,919)	(114)	(370)	2	2,026	-	-
Non-interest financing income	4	3	-	10	61	1	783	-	862
Total net financing profit	1,479	962	845	896	1,190	342	2,454	-	8,168
Fees and other income	1,078	416	43	324	434	24	100	171	2,590
Total income	2,557	1,378	888	1,220	1,624	366	2,554	171	10,758
Provision (income) for credit losses	(397)	(108)	(231)	(62)	(622)	13	-	-	(1,407)
Operating and other expenses:									
From externals	2,797	754	400	395	508	356	590	98	5,898
Inter-segmental	39	244	(101)	41	28	-	(217)	(34)	-
Profit (loss) before taxes	118	488	820	846	1,710	(3)	2,181	107	6,267
Provision for taxes (tax benefit) on profit (loss)	43	178	298	321	647	59	750	38	2,334
Profit (loss) after taxes	75	310	522	525	1,063	(62)	1,431	69	3,933
The Bank's share in profits of equity-basis investees, after taxes	-	-	-	-	-	-	39	-	39
Net profit (loss):									
Before attribution to non-controlling interests	75	310	522	525	1,063	(62)	1,470	69	3,972
Attributed to non-controlling interests	-	-	-	-	-	5	3	-	8
Attributed to shareholders of the Bank	75	310	522	525	1,063	(57)	1,473	69	3,980
Net credit to the public at the end of the reported period	37,887	32,003	109,462	49,568	89,915	14,405	2,057	-	335,297
Deposits from the public at the end of the reported period	225,512	63,198	-	46,597	77,134	19,981	73,061	-	505,483

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 6,848 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Note 12A Operating Segments Based on the Management Approach (continued)

Audited
NIS millions

Information regarding operating segments (continued)

	For the year ended December 31, 2021								
	Retail activity			Corporate activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	1,517	1,293	3,516	1,366	2,003	458	(386)	-	9,767
Inter-segmental	449	(7)	(2,356)	(155)	(475)	10	2,534	-	-
Non-interest financing income	6	4	-	13	86	(37)	1,009	-	1,081
Total net financing profit	1,972	1,290	1,160	1,224	1,614	431	3,157	-	10,848
Fees and other income	1,476	570	54	446	594	32	140	232	3,544
Total income	3,448	1,860	1,214	1,670	2,208	463	3,297	232	14,392
Provision (income) for credit losses	(403)	(79)	(226)	30	(564)	25	(3)	-	(1,220)
Operating and other expenses:									
From externals	3,663	969	525	501	658	530	784	173	7,803
Inter-segmental	63	323	(135)	57	42	-	(304)	(46)	-
Profit (loss) before taxes	125	647	1,050	1,082	2,072	(92)	2,820	105	7,809
Provision for taxes (tax benefit) on profit (loss)	46	235	382	410	783	73	981	48	2,958
Profit (loss) after taxes	79	412	668	672	1,289	(165)	1,839	57	4,851
The Bank's share in profits of equity-basis investees, after taxes	-	-	-	-	-	-	49	-	49
Net profit (loss):									
Before attribution to non-controlling interests	79	412	668	672	1,289	(165)	1,888	57	4,900
Attributed to non-controlling interests	-	-	-	-	-	7	7	-	14
Attributed to shareholders of the Bank	79	412	668	672	1,289	(158)	1,895	57	4,914
Net credit to the public at the end of the reported period	39,139	33,899	114,633	52,758	96,335	13,946	1,913	-	352,623
Deposits from the public at the end of the reported period	225,824	66,102	-	49,442	85,304	20,277	78,123	-	525,072

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 8,532 million.
(2) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory operating segments as a separate segment.
(3) This section includes the results of activities of the Bank Group with negligible volumes, each of which does not constitute a reportable segment.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses

Unaudited
NIS millions

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022, prospectively. For further details, see Note 1C. Comparative figures for previous periods have not been restated in this note.

A. Debts,* bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments

1. Change in allowance for credit losses*

	For the three months ended September 30, 2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses as at June 30, 2022	**4,632**	**487**	**841**	**5,960**	**39**	**5,999**
Provision (income) for credit losses	**(22)**	**(4)**	**69**	**43**	**2**	**45**
Charge-offs	**(139)**	**(1)**	**(96)**	**(236)**	**-**	**(236)**
Recoveries of debts charged off in previous years	**163**	**1**	**96**	**260**	**-**	**260**
Net charge-offs	**24**	**-**	**-**	**24**	**-**	**24**
Allowance for credit losses as at September 30, 2022[(1)]	**4,634**	**483**	**910**	**6,027**	**41**	**6,068**
(1) Of which: in respect of off-balance sheet credit instruments	**753**	**31**	**50**	**834**	**4**	**838**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item “other assets”). With respect to comparative figures, also does not include bonds.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

A. Debts,* bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

1. Change in allowance for credit losses* (continued)

	For the three months ended September 30, 2021					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses as at June 30, 2021	4,699	517	632	5,848	5	5,853
Provision (income) for credit losses(1)	(253)	9	(8)	(252)	-	(252)
Charge-offs	(74)	-	(83)	(157)	-	(157)
Recoveries of debts charged off in previous years	245	1	84	330	-	330
Net charge-offs	171	1	1	173	-	173
Allowance for credit losses as at September 30, 2021(2)	4,617	527	625	5,769	5	5,774
(1) Of which: in respect of off-balance sheet credit instruments	24	-	(1)	23	-	23
(2) Of which: in respect of off-balance sheet credit instruments	684	-	35	719	-	719

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

A. Debts,* bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

1. Change in allowance for credit losses* (continued)

	For the nine months ended September 30, 2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year (audited)	**4,744**	**533**	**626**	**5,903**	**6**	**5,909**
Adjustment of opening balance of CECL allowance	**336**	**(83)**	**285**	**538**	**8**	**546**
Provision (income) for credit losses	**(532)**	**34**	**7**	**(491)**	**27**	**(464)**
Charge-offs	**(301)**	**(4)**	**(281)**	**(586)**	**-**	**(586)**
Recoveries of debts charged off in previous years	**387**	**3**	**273**	**663**	**-**	**663**
Net charge-offs	**86**	**(1)**	**(8)**	**77**	**-**	**77**
Allowance for credit losses as at September 30, 2022[(1)] (unaudited)	**4,634**	**483**	**910**	**6,027**	**41**	**6,068**
(1) Of which: in respect of off-balance sheet credit instruments	**753**	**31**	**50**	**834**	**4**	**838**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

A. Debts,* bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

1. Change in allowance for credit losses* (continued)

	For the nine months ended September 30, 2021					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year (audited)	5,142	758	1,026	6,926	5	6,931
Provision (income) for credit losses(1)	(759)	(231)	(417)	(1,407)	-	(1,407)
Charge-offs	(291)	(3)	(248)	(542)	-	(542)
Recoveries of debts charged off in previous years	525	3	264	792	-	792
Net charge-offs	234	-	16	250	-	250
Allowance for credit losses as at September 30, 2021(2) (unaudited)	4,617	527	625	5,769	5	5,774
(1) Of which: in respect of off-balance sheet credit instruments	(16)	-	(46)	(62)	-	(62)
(2) Of which: in respect of off-balance sheet credit instruments	684	-	35	719	-	719

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

A. Debts,* bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts*, bonds held to maturity, and bonds available for sale

	September 30, 2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance of debts:*						
Examined on an individual basis	**196,669**	**-**	**37**	**196,706**	**86,631**	**283,337**
Examined on a collective basis	**28,709**	**126,167**	**35,193**	**190,069**	**7,124**	**197,193**
Total debts*	**225,378**	**126,167**	**35,230**	**386,775**	**93,755**	**480,530**
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	**3,349**	**-**	**-**	**3,349**	**24**	**3,373**
Examined on a collective basis	**532**	**452**	**860**	**1,844**	**13**	**1,857**
Total allowance for credit losses	**3,881**	**452**	**860**	**5,193**	**37**	**5,230**

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 53 million, of commercial borrowers, or granted to purchasing groups in the process of construction (September 30, 2021: NIS 49 million; December 31, 2021: NIS 39 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

A. Debts,* bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts*, bonds held to maturity, and bonds available for sale (continued)

	September 30, 2021					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance of debts:*						
Examined on an individual basis	168,909	-	907	169,816	18,182	187,998
Examined on a collective basis(1)	27,568	109,940	33,023	170,531	-	170,531
Total debts*	196,477	109,940	33,930	340,347	18,182	358,529
(1) Of which: allowance for which was calculated according to past-due status	49	109,940	-	109,989	-	109,989
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	3,508	-	91	3,599	5	3,604
Examined on a collective basis(2)	425	527	499	1,451	-	1,451
Total allowance for credit losses	3,933	527	590	5,050	5	5,055
(2) Of which: allowance for which was calculated according to past-due status***	-	527	-	527	-	527

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 53 million, of commercial borrowers, or granted to purchasing groups in the process of construction (September 30, 2021: NIS 49 million; December 31, 2021: NIS 39 million).

*** Includes the allowance beyond the amount required according to the past-due-based method, calculated on a collective basis (September 30, 2021: NIS 385 million; December 31, 2021: NIS 403 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

A. Debts,* bonds held to maturity, bonds available for sale, and off-balance sheet credit instruments (continued)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts*, bonds held to maturity, and bonds available for sale (continued)

	December 31, 2021					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance of debts:*						
Examined on an individual basis	178,141	-	934	179,075	15,585	194,660
Examined on a collective basis(1)	29,653	115,127	33,874	178,654	-	178,654
Total debts*	207,794	115,127	34,808	357,729	15,585	373,314
(1) Of which: allowance for which was calculated according to past-due status	39	115,018	-	115,057	-	115,057
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	3,541	-	91	3,632	6	3,638
Examined on a collective basis(2)	437	533	504	1,474	-	1,474
Total allowance for credit losses	3,978	533	595	5,106	6	5,112
(2) Of which: allowance for which was calculated according to past-due status***	-	533	-	533	-	533

* Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), and other debts, excluding securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets"). With respect to comparative figures, also does not include bonds.

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 53 million, of commercial borrowers, or granted to purchasing groups in the process of construction (September 30, 2021: NIS 49 million; December 31, 2021: NIS 39 million).

*** Includes the allowance beyond the amount required according to the past-due-based method, calculated on a collective basis (September 30, 2021: NIS 385 million; December 31, 2021: NIS 403 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public

1. Credit quality and past-due status

	September 30, 2022					
	Nonproblematic	Problematic[1]		Total	Accruing debts[2] – additional information	
		Accruing[2]	Non-accruing		Past due by 90 days or more	Past due by 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	43,807	111	212	44,130	13	21
Construction and real estate – real-estate activities	29,325	17	62	29,404	1	6
Financial services	27,667	3	21	27,691	-	16
Commercial – other	93,001	2,105	1,325	96,431	22	54
Total commercial	193,800	2,236	1,620	197,656	36	97
Private individuals – housing loans[4]	125,054	-	531	125,585	-	581
Private individuals – other	34,510	439	226	35,175	40	98
Total public – activity in Israel	353,364	2,675	2,377	358,416	76	776
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	8,876	119	566	9,561	-	-
Commercial – other	17,422	663	76	18,161	-	-
Total commercial	26,298	782	642	27,722	-	-
Private individuals	623	-	14	637	-	12
Total public – activity overseas	26,921	782	656	28,359	-	12
Total public	380,285	3,457	3,033	386,775	76	788

(1) Non-accruing, substandard, or special mention credit risk.
(2) Classified as problematic debts accruing interest income.
(3) Accruing interest income. Debts past due by 30 to 89 days in the amount of approximately NIS 65 million (September 30, 2021: NIS 71 million; December 31, 2021: NIS 44 million) were classified as problematic debts.
(4) Includes a balance of housing loans arranged in a settlement with the borrower in the amount of approximately NIS 55 million (September 30, 2021: NIS 58 million; December 31, 2021: NIS 57 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

1. Credit quality and past-due status (continued)

	September 30, 2021					
	Non-problematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		Past due by 90 days or more[3]	Past due by 30 to 89 days[4]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	38,925	126	188	39,239	5	48
Construction and real estate – real-estate activities	26,934	214	123	27,271	1	13
Financial services	20,361	144	6	20,511	-	1
Commercial – other	85,294	2,300	1,796	89,390	36	70
Total commercial	171,514	2,784	2,113	176,411	42	132
Private individuals – housing loans[5]	108,820	608	-	109,428	608	626
Private individuals – other	33,144	76	654	33,874	43	118
Total public – activity in Israel	313,478	3,468	2,767	319,713	693	876
Banks in Israel	146	-	-	146	-	-
Israeli government	827	-	-	827	-	-
Total activity in Israel	314,451	3,468	2,767	320,686	693	876

* For this purpose, "unimpaired debts" include non-problematic debts.
(1) Credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist, which are past due by 90 days or more.
(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2) below.
(3) Classified as unimpaired problematic debts accruing interest income.
(4) Accruing interest income. Debts past due by 30 to 89 days in the amount of approximately NIS 65 million (September 30, 2021: NIS 71 million; December 31, 2021: NIS 44 million) were classified as problematic debts.
(5) Includes a balance of housing loans arranged in a settlement with the borrower in the amount of approximately NIS 55 million (September 30, 2021: NIS 58 million; December 31, 2021: NIS 57 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

1. Credit quality and past-due status (continued)

	September 30, 2021					
	Non-problematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		Past due by 90 days or more[3]	Past due by 30 to 89 days[4]
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	5,484	386	477	6,347	-	-
Commercial – other	12,059	1,415	245	13,719	-	3
Total commercial	17,543	1,801	722	20,066	-	3
Private individuals	537	29	2	568	29	9
Total public – activity overseas	18,080	1,830	724	20,634	29	12
Banks overseas	16,015	-	-	16,015	-	-
Governments overseas	1,194	-	-	1,194	-	-
Total activity overseas	35,289	1,830	724	37,843	29	12
Total public	331,558	5,298	3,491	340,347	722	888
Total banks	16,161	-	-	16,161	-	-
Total governments	2,021	-	-	2,021	-	-
Total	349,740	5,298	3,491	358,529	722	888

* For this purpose, "unimpaired debts" include non-problematic debts.

(1) Credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist, which are past due by 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts past due by 30 to 89 days in the amount of approximately NIS 65 million (September 30, 2021: NIS 71 million; December 31, 2021: NIS 44 million) were classified as problematic debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Credit to the public (continued)

1. Credit quality and past-due status (continued)

	December 31, 2021					
	Non-problematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		Past due by 90 days or more[3]	Past due by 30 to 89 days[4]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	41,977	152	214	42,343	5	20
Construction and real estate – real-estate activities	27,386	80	115	27,581	5	2
Financial services	23,395	140	6	23,541	-	5
Commercial – other	90,081	2,005	1,719	93,805	30	45
Total commercial	182,839	2,377	2,054	187,270	40	72
Private individuals – housing loans[5]	114,043	569	-	114,612	569	602
Private individuals – other	34,037	71	646	34,754	44	84
Total public – activity in Israel	330,919	3,017	2,700	336,636	653	758
Banks in Israel	167	-	-	167	-	-
Israeli government	787	-	-	787	-	-
Total activity in Israel	331,873	3,017	2,700	337,590	653	758

* For this purpose, "unimpaired debts" include non-problematic debts.
(1) Credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist, which are past due by 90 days or more.
(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2) below.
(3) Classified as unimpaired problematic debts accruing interest income.
(4) Accruing interest income. Debts past due by 30 to 89 days in the amount of approximately NIS 65 million (September 30, 2021: NIS 71 million; December 31, 2021: NIS 44 million) were classified as problematic debts.
(5) Includes a balance of housing loans arranged in a settlement with the borrower in the amount of approximately NIS 55 million (September 30, 2021: NIS 58 million; December 31, 2021: NIS 57 million).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Credit to the public (continued)

1. Credit quality and past-due status (continued)

	December 31, 2021					
	Non-problematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		Past due by 90 days or more[3]	Past due by 30 to 89 days[4]
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	7,171	109	702	7,982	-	-
Commercial – other	11,001	1,327	214	12,542	-	-
Total commercial	18,172	1,436	916	20,524	-	-
Private individuals	542	26	1	569	26	8
Total public – activity overseas	18,714	1,462	917	21,093	26	8
Banks overseas	13,444	-	-	13,444	-	-
Governments overseas	1,187	-	-	1,187	-	-
Total activity overseas	33,345	1,462	917	35,724	26	8
Total public	349,633	4,479	3,617	357,729	679	766
Total banks	13,611	-	-	13,611	-	-
Total governments	1,974	-	-	1,974	-	-
Total	365,218	4,479	3,617	373,314	679	766

* For this purpose, "unimpaired debts" include non-problematic debts.

(1) Credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist, which are past due by 90 days or more.

(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 13B(2) below.

(3) Classified as unimpaired problematic debts accruing interest income.

(4) Accruing interest income. Debts past due by 30 to 89 days in the amount of approximately NIS 65 million (September 30, 2021: NIS 71 million; December 31, 2021: NIS 44 million) were classified as problematic debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Credit quality – past-due status of debts

The status of past-due debts is monitored routinely, and serves as one of the key indicators of credit quality. The status of past-due debts is determined based on actual days past due. Debts are treated as nonperforming debts (debts not accruing interest income) after 90 days past due, as is any debt that has undergone troubled debt restructuring and has resumed accruing interest when it is 30 days past due relative to the new terms of the debt. With regard to debts evaluated on a collective basis, the past-due status affects the classification of the debt (the classification is more severe for debts that are further past due); debts are charged off by the Bank after 150 days past due.

Concessions and troubled debt restructuring

The policy of the Bank regarding concessions takes a range of factors into account in order to maximize repayment to the Bank: management of the relationship with the customer, maximization of opportunities, prevention of default, foreclosures, public aspects, etc.

Concessions are granted in cases where customers have demonstrated the intention to repay the loans and are expected to meet their obligations.

In cases where, for economic or legal reasons related to financial difficulties of the borrower, the Bank grants a concession to a debtor that it would not grant under other conditions, the debt is considered a troubled debt restructuring.

Troubled debt restructuring may constitute a change in the terms of the debt, leading to reduction or postponement of cash payments required of the debtor in the near future; a reduction of the rate of interest; a reduction of payments on principal; consolidation of debts; etc.

The Bank can accept assets or an interest in the equity capital of the debtor, in cash, as repayment of the debt, even if the value obtained is lower than the amount of the debt, if the Bank reaches the conclusion that this would maximize the recovery of its investment.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

2. Credit quality by year in which the credit was granted

	September 30, 2022							
	Recorded debt balance of fixed-term credit to the public granted in the year						Recorded debt balance of revolving loans*	Total
	2022	2021	2020	2019	2018	Previous		
Borrower activity in Israel								
Public – commercial								
Construction and real estate – total	25,990	15,942	4,636	2,807	1,966	2,878	19,315	73,534
Credit at credit execution rating	25,469	15,354	4,442	2,670	1,818	2,762	18,996	71,511
Non-problematic credit not at credit execution rating	426	532	175	108	137	29	214	1,621
Accruing problematic credit	61	10	6	8	8	20	15	128
Non-accruing credit	34	46	13	21	3	67	90	274
Commercial – other – total	43,604	23,271	10,848	6,087	3,541	9,649	27,122	124,122
Credit at credit execution rating	41,940	22,224	9,187	5,761	3,253	9,059	25,769	117,193
Non-problematic credit not at credit execution rating	1,052	602	493	236	180	122	790	3,475
Accruing problematic credit	466	332	509	65	89	234	413	2,108
Non-accruing credit	146	113	659	25	19	234	150	1,346
Private individuals – housing loans – total	21,665	28,232	17,756	12,976	9,187	35,769	-	125,585
LTV up to 60%**	12,478	16,501	10,290	7,874	6,202	23,696	-	77,041
LTV over 60% up to 75%**	8,939	11,276	7,187	4,919	2,865	10,274	-	45,460
LTV over 75%**	248	455	279	183	120	1,799	-	3,084
Credit not past due at credit execution rating	21,585	28,108	17,642	12,845	9,051	34,922	-	124,153
Credit not past due not at credit execution rating	16	19	16	17	22	230	-	320
Past due by 30-89 days	53	68	62	67	64	267	-	581
Past due by 90 days or more	11	37	36	47	50	350	-	531
Non-accruing credit	11	37	36	47	50	350	-	531
Private individuals – other – total	16,126	8,549	3,405	2,076	1,493	955	2,571	35,175
Credit not past due at credit execution rating	15,515	7,758	3,037	1,759	1,194	627	2,141	32,031
Credit not past due not at credit execution rating	595	748	348	299	281	310	395	2,976
Past due by 30-89 days	13	32	13	12	11	9	24	114
Past due by 90 days or more	3	11	7	6	7	9	11	54
Non-accruing credit	23	47	34	38	36	46	2	226
Total credit to the public – activity in Israel	107,385	75,994	36,645	23,946	16,187	49,251	49,008	358,416
Borrower activity outside Israel								
Total credit to the public – activity overseas	11,638	5,347	2,356	1,427	1,761	1,673	4,157	28,359
Non-problematic credit	11,361	5,305	2,196	1,122	1,624	1,156	4,157	26,921
Accruing problematic credit	256	42	50	60	4	370	-	782
Non-accruing credit	21	-	110	245	133	147	-	656
Total credit to the public	119,023	81,341	39,001	25,373	17,948	50,924	53,165	386,775

* As at September 30, 2022, there are no revolving loans converted into fixed-term loans.
** Ratio of the approved credit facility, when the facility was granted, to the value of the asset, as approved by the Bank when the facility was granted.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts*

	September 30, 2022					
	Balance[(1)] of non-accruing debts for which an allowance exists	Allowance	Balance[(1)] of non-accruing debts for which no allowance exists	Total balance of non-accruing debts	Balance of contractual principal of non-accruing debts	Interest income recorded[(2)]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**145**	**49**	**67**	**212**	**1,292**	**1**
Construction and real estate – real-estate activities	**10**	**3**	**52**	**62**	**643**	**1**
Financial services	**21**	**9**	**-**	**21**	**172**	**-**
Commercial – other	**1,181**	**358**	**144**	**1,325**	**4,171**	**11**
Total commercial	**1,357**	**419**	**263**	**1,620**	**6,278**	**13**
Private individuals – housing loans	**531**	**44**	**-**	**531**	**595**	**23**
Private individuals – other	**226**	**95**	**-**	**226**	**964**	**6**
Total public – activity in Israel	**2,114**	**558**	**263**	**2,377**	**7,837**	**42**
Borrower activity outside Israel						
Total credit to the public – activity overseas	**502**	**128**	**154**	**656**	**948**	**1**
Total**	**2,616**	**686**	**417**	**3,033**	**8,785**	**43**
** Of which:						
Measured individually at present value of cash flows	**1,590**	**467**	**246**	**1,836**	**-**	**-**
Measured individually at fair value of collateral	**88**	**13**	**171**	**259**	**-**	**-**
Measured on a collective basis	**938**	**206**	**-**	**938**	**-**	**-**

* As at September 30, 2021, and as at December 31, 2021 – impaired debts.
(1) Recorded debt balance.
(2) Amount of interest income recorded in the reported period in respect of the average balance of non-accruing debts, during the period in which the debts were classified as non-accruing.
If the non-accruing debts had accrued interest according to the original terms, interest income in the amount of NIS 218 million would have been recorded in the nine-month period ended September 30, 2022.
Additional information: the total average recorded debt balance of non-accruing debts in the nine months ended September 30, 2022, is NIS 3,268 million.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts* (continued)

	September 30, 2021					
	Balance[1] of impaired debts for which an individual allowance exists[2]	Individual allowance[2]	Balance[1] of impaired debts for which no individual allowance exists[2]	Total balance[2] of impaired debts	Balance of contractual principal of impaired debts	Interest income recorded[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	81	38	107	188	1,355	2
Construction and real estate – real-estate activities	57	10	66	123	901	-
Financial services	5	1	1	6	272	-
Commercial – other	1,524	958	272	1,796	4,665	17
Total commercial	1,667	1,007	446	2,113	7,193	19
Private individuals – other	653	87	1	654	1,515	34
Total public – activity in Israel	2,320	1,094	447	2,767	8,708	53
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	260	133	217	477	516	3
Commercial – other	66	45	179	245	484	5
Total commercial	326	178	396	722	1,000	8
Private individuals	2	-	-	2	4	-
Total public – activity overseas	328	178	396	724	1,004	8
Total public**	2,648	1,272	843	3,491	9,712	61
** Of which:						
Measured individually at present value of cash flows	2,416	1,175	569	2,985	-	-
Debts in troubled debt restructuring	1,873	932	343	2,216	-	-

* As at September 30, 2021, and as at December 31, 2021 – impaired debts.
(1) Recorded debt balance.
(2) Individual allowance for credit losses.
(3) Amount of interest income recorded in the reported period in respect of the average balance of non-accruing debts, during the period in which the debts were classified as non-accruing.
If the non-accruing debts had accrued interest according to the original terms, interest income in the amount of NIS 225 million would have been recorded in the nine-month period ended September 30, 2021.
Additional information: the total average recorded debt balance of non-accruing debts in the nine months ended September 30, 2021, is NIS 3,739 million.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts* (continued)

	December 31, 2021					
	Balance[1] of impaired debts for which an individual allowance exists[2]	Individual allowance[2]	Balance[1] of impaired debts for which no individual allowance exists[2]	Total balance[2] of impaired debts	Balance of contractual principal of impaired debts	Interest income recorded[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	120	30	94	214	1,380	3
Construction and real estate – real-estate activities	43	6	72	115	914	1
Financial services	5	1	1	6	270	-
Commercial – other	1,417	872	302	1,719	4,597	27
Total commercial	1,585	909	469	2,054	7,161	31
Private individuals – other	644	87	2	646	1,454	45
Total public – activity in Israel	2,229	996	471	2,700	8,615	76
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	458	174	244	702	719	10
Commercial – other	34	34	180	214	443	-
Total commercial	492	208	424	916	1,162	10
Private individuals	1	-	-	1	3	-
Total public – activity overseas	493	208	424	917	1,165	10
Total public**	2,722	1,204	895	3,617	9,780	86
** Of which:						
Measured at the present value of cash flows	2,559	1,132	618	3,177	-	-
Debts in troubled debt restructuring	1,766	930	386	2,152	-	-

* As at September 30, 2021, and as at December 31, 2021 – impaired debts.
(1) Recorded debt balance.
(2) Individual allowance for credit losses.
(3) Amount of interest income recorded in the reported period in respect of the average balance of non-accruing debts, during the period in which the debts were classified as non-accruing.
If the non-accruing debts had accrued interest according to the original terms, interest income in the amount of NIS 317 million would have been recorded in 2021.
Additional information: the total average recorded debt balance of impaired debts in 2021 is NIS 3,681 million.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring

	September 30, 2022				
	Recorded debt balance				
	Not accruing interest income	Accruing[1], past due by 90 days or more	Accruing[1], past due by 30 to 89 days	Accruing[1], not past due	Total[2]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	**23**	**-**	**1**	**17**	**41**
Construction and real estate – real-estate activities	**21**	**-**	**-**	**3**	**24**
Financial services	**5**	**-**	**-**	**2**	**7**
Commercial – other	**814**	**-**	**3**	**143**	**960**
Total commercial	**863**	**-**	**4**	**165**	**1,032**
Private individuals – housing loans	**3**	**-**	**-**	**-**	**3**
Private individuals – other	**217**	**1**	**6**	**364**	**588**
Total public – activity in Israel	**1,083**	**1**	**10**	**529**	**1,623**
Borrower activity outside Israel					
Total public – activity overseas	**248**	**4**	**-**	**66**	**318**
Total public	**1,331**	**5**	**10**	**595**	**1,941**

(1) Accruing interest income.
(2) As at September 30, 2022, debts that have undergone troubled debt restructuring in the amount of NIS 1,933 million were classified as problematic debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	September 30, 2021				
	Recorded debt balance				
	Not accruing interest income	Accruing[(1)], past due by 90 days or more	Accruing[(1)], past due by 30 to 89 days	Accruing[(1)], not past due	Total[(2)]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	27	-	-	23	50
Construction and real estate – real-estate activities	3	-	-	4	7
Financial services	3	-	-	3	6
Commercial – other	1,100	-	-	183	1,283
Total commercial	1,133	-	-	213	1,346
Private individuals – other	191	-	-	435	626
Total public – activity in Israel	1,324	-	-	648	1,972
Borrower activity outside Israel					
Total public – activity overseas	200	-	-	44	244
Total public	1,524	-	-	692	2,216

(1) Accruing interest income.
(2) Included in impaired debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Audited
NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	December 31, 2021				
	Recorded debt balance				
	Not accruing interest income	Accruing[1], past due by 90 days or more	Accruing[1], past due by 30 to 89 days	Accruing[1], not past due	Total[2]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	25	-	-	22	47
Construction and real estate – real-estate activities	14	-	-	3	17
Financial services	2	-	-	3	5
Commercial – other	1,008	-	-	179	1,187
Total commercial	1,049	-	-	207	1,256
Private individuals – other	193	-	-	430	623
Total public – activity in Israel	1,242	-	-	637	1,879
Borrower activity outside Israel					
Total public – activity overseas	190	-	-	83	273
Total public	1,432	-	-	720	2,152

(1) Accruing interest income.
(2) Included in impaired debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	Debts restructured					
	In the three months ended September 30, 2022			In the nine months ended September 30, 2022		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**28**	**3**	**3**	**102**	**15**	**14**
Construction and real estate – real-estate activities	**2**	**-**	**-**	**13**	**9**	**9**
Financial services	**6**	**3**	**3**	**8**	**7**	**7**
Commercial – other	**208**	**23**	**22**	**600**	**78**	**64**
Total commercial	**244**	**29**	**28**	**723**	**109**	**94**
Private individuals – housing loans	**10**	**4**	**-**	**42**	**8**	**4**
Private individuals – other	**1,270**	**54**	**51**	**3,954**	**174**	**168**
Total public – activity in Israel	**1,524**	**87**	**79**	**4,719**	**291**	**266**
Borrower activity outside Israel						
Total public – activity overseas	**4**	**2**	**2**	**7**	**2**	**2**
Total public	**1,528**	**89**	**81**	**4,726**	**293**	**268**

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	Debts restructured					
	In the three months ended September 30, 2021			In the nine months ended September 30, 2021		
	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	28	11	7	104	25	20
Construction and real estate – real-estate activities	3	1	1	17	3	3
Financial services	2	-	-	8	2	2
Commercial – other	122	25	19	500	105	71
Total commercial	155	37	27	629	135	96
Private individuals – other	896	39	39	2,981	136	135
Total public – activity in Israel	1,051	76	66	3,610	271	231
Borrower activity outside Israel						
Total public – activity overseas	3	-	-	11	25	25
Total public	1,054	76	66	3,621	296	256

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	Failed restructured debts*			
	In the three months ended September 30, 2022		In the nine months ended September 30, 2022	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate – construction	22	-	82	4
Construction and real estate – real-estate activities	3	1	9	1
Financial services	-	-	4	-
Commercial – other	130	5	400	19
Total commercial	155	6	495	24
Private individuals – other	858	10	2,350	30
Total public – activity in Israel	1,013	16	2,845	54
Borrower activity outside Israel				
Total public – activity overseas	1	-	3	-
Total public	1,014	16	2,848	54

* Debts that became past due by 30 days or more during the reported year, which underwent troubled debt restructuring during the 12 months preceding the date on which they became past due.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Unaudited
NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	Failed restructured debts*			
	In the three months ended September 30, 2021		In the nine months ended September 30, 2021	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate – construction	45	2	110	6
Construction and real estate – real-estate activities	4	-	15	-
Financial services	-	-	3	-
Commercial – other	163	12	444	44
Total commercial	212	14	572	50
Private individuals – other	878	11	2,315	31
Total public – activity in Israel	1,090	25	2,887	81
Borrower activity outside Israel				
Total public – activity overseas	2	-	8	-
Total public	1,092	25	2,895	81

* Debts that became past due by 30 days or more during the reported year, which underwent troubled debt restructuring during the 12 months preceding the date on which they became past due.

5. Additional information regarding non-accruing credit and past-due balances

	September 30, 2022							
	Not past due or past due by up to 90 days	Past due by 90 to 180 days	Past due by over 180 days, up to 1 year	Past due by over 1 year, up to 3 years	Past due by over 3 years, up to 5 years	Past due by over 5 years, up to 7 years	Past due by more than 7 years	Total
Commercial	**1,541**	**56**	**217**	**277**	**76**	**6**	**89**	**2,262**
Housing loans	**-**	**237**	**127**	**104**	**25**	**17**	**35**	**545**
Private individuals – other	**212**	**6**	**6**	**2**	**-**	**-**	**-**	**226**
Total	**1,753**	**299**	**350**	**383**	**101**	**23**	**124**	**3,033**

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

6. Additional information regarding housing loans – private individuals

End of period balances by financing ratio (LTV)*, repayment type, and interest type

		September 30, 2022			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
		Unaudited			
First lien: financing rate	Up to 60%	**77,508**	**1,173**	**49,051**	**3,836**
	Over 60%	**47,587**	**415**	**30,703**	**3,018**
Secondary lien or no lien		**1,072**	**21**	**685**	**1,304**
Total		**126,167**	**1,609**	**80,439**	**8,158**

		September 30, 2021			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
		Unaudited			
First lien: financing rate	Up to 60%	68,403	1,331	43,538	3,383
	Over 60%	40,548	406	26,585	2,953
Secondary lien or no lien		989	21	619	547
Total		109,940	1,758	70,742	6,883

		December 31, 2021			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
		Audited			
First lien: financing rate	Up to 60%	71,413	1,236	45,382	5,110
	Over 60%	42,707	396	27,830	4,740
Secondary lien or no lien		1,007	23	651	783
Total		115,127	1,655	73,863	10,633

* Ratio of the approved credit facility, when the facility was granted, to the value of the asset, as approved by the Bank when the facility was granted.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Credit quality – LTV ratio

The LTV ratio provides another indication of credit quality for the Bank. The LTV ratio is the ratio of the amount of the loan to the estimated value of the financed asset, as approved by the Bank when the credit facility was granted. The LTV ratio is calculated at the time of approval of the credit, with the following exceptions:

1. Granting of additional credit secured by the same asset.
2. Receiving a loan from another corporation with a joint pari-passu lien on the asset.
3. Transfer of a mortgage.
4. A part of a credit facility that has not been utilized.
5. Substantial prepayment (10% or more).

The note presents balances of debt in respect of housing loans, with segmentation by ranges of LTV ratios and levels of liens.

C. Information regarding debt sales

For information regarding credit sale transactions, see Note 10A(3).

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

D. Off-balance sheet financial instruments

	September 30		December 31	September 30		December 31
	2022	2021	2021	**2022**	2021	2021
	Contract balances**			Allowance for credit losses		
	Unaudited		Audited	Unaudited		Audited
Transactions the balance of which represents a credit risk:						
(a) Documentary credit	**1,641**	2,131	1,996	**5**	9	9
(b) Credit guarantees	**8,044**	6,377	6,758	**48**	34	36
(c) Guarantees to purchasers of homes***	**(1)41,153**	(1)*29,211	(1)*32,974	**48**	80	131
(d) Other guarantees and liabilities****	**32,370**	*28,542	*29,801	**258**	164	170
(e) Unutilized credit facilities for credit cards	**11,958**	12,913	11,333	**22**	36	31
(f) Unutilized revolving overdraft and other credit facilities in on-demand accounts	**(1)38,438**	(1)*43,931	(1)41,534	**55**	125	116
(g) Irrevocable commitments to grant credit approved but not yet drawn*****	**55,728**	*55,267	64,021	**398**	186	210
(h) Commitments to issue guarantees	**31,535**	33,066	33,720	**4**	85	94

* Reclassified.
** Contract balances or the nominal amounts thereof at year end, before the effect of the allowance for credit losses.
*** Beginning December 31, 2020, also includes certain guarantees provided within financing for evacuation and construction projects, National Outline Plan (TAMA) 38 (Type 2) projects, or combination transactions, in respect of which reduced conversion coefficients can be applied according to the circular of the Banking Supervision Department.
**** Includes the Bank's liabilities in respect of its share in the risk fund of the Maof Clearing House, in the amount of NIS 87 million (September 30, 2021: NIS 85 million; December 31, 2021: NIS 75 million).
***** Includes commitments to grant credit given to customers in loans "approved in principle with a hold on the interest rate," under Proper Conduct of Banking Business Directive 451, "Procedures for Granting Housing Loans."
(1) Includes off-balance sheet credit risk in respect of which insurance was acquired from foreign insurance companies.

E. Guarantees

The Bank provides a wide range of guarantees and indemnities for its customers, in order to enable them to complete a wide variety of transactions. The maximum amount of potential future payments is established according to the nominal amount of the guarantees, without taking into consideration possible reimbursements or collateral held or pledged. To the extent necessary, the Bank customarily receives collateral or commitments of various kinds, such as deposits, securities, real estate, financial ratios, etc. Most of the guarantees at the Bank are assigned the rating at which the credit was granted.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

	September 30, 2022					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
	Unaudited					
Credit guarantees	**5,796**	**1,322**	**531**	**387**	**8**	**8,044**
Guarantees to purchasers of homes	**4,341**	**208**	**-**	**-**	**36,604**	**41,153**
Guarantees and other commitments	**14,405**	**4,902**	**1,723**	**4,083**	**7,257**	**32,370**
Commitments to issue guarantees	**14,615**	**14,476**	**2,375**	**69**	**-**	**31,535**
Total	**39,157**	**20,908**	**4,629**	**4,539**	**43,869**	**113,102**

	September 30, 2021					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
	Unaudited					
Credit guarantees	4,538	1,044	174	605	16	6,377
Guarantees to purchasers of homes	3,897	108	-	-	*25,206	*29,211
Guarantees and other commitments	12,520	6,542	1,572	4,223	*3,685	*28,542
Commitments to issue guarantees	8,447	16,807	7,749	63	-	33,066
Total	29,402	24,501	9,495	4,891	28,907	97,196

	December 31, 2021					
	Contract balances or nominal amounts					
	Expiring in 1 year or less	Expiring in 1 year to 3 years	Expiring in more than 3 years up to 5 years	Expiring in more than 5 years	No expiration date	Total
	Audited					
Credit guarantees	4,876	1,092	215	564	11	6,758
Guarantees to purchasers of homes	4,696	11	-	-	*28,267	*32,974
Guarantees and other commitments	13,121	6,636	1,170	4,151	*4,723	*29,801
Commitments to issue guarantees	9,032	17,339	7,282	67	-	33,720
Total	31,725	25,078	8,667	4,782	33,001	103,253

* Reclassified.

Note 14 Assets and Liabilities by Linkage Base

Unaudited
NIS millions

	September 30, 2022						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	131,282	27	13,493	392	172	57	145,423
Securities	44,869	1,985	35,821	2,417	981	4,005	90,078
Securities borrowed or purchased under agreements to resell	1,028	-	-	-	-	-	1,028
Net credit to the public[2]	281,616	56,794	31,740	4,580	2,498	4,354	381,582
Credit to governments	38	192	456	1,224	-	-	1,910
Investments in equity-basis investees	74	-	-	-	-	1,114	1,188
Buildings and equipment	-	-	-	-	-	3,439	3,439
Assets in respect of derivative instruments	8,446	1,367	16,445	327	306	1,590	28,481
Other assets	3,889	10	96	11	13	1,188	5,207
Total assets	471,242	60,375	98,051	8,951	3,970	15,747	658,336
Liabilities							
Deposits from the public	384,637	13,306	110,442	10,723	3,846	4,745	527,699
Deposits from banks	7,200	-	2,420	124	35	-	9,779
Deposits from the government	391	2	91	2	-	-	486
Securities lent or sold under agreements to repurchase	-	-	9,081	-	-	-	9,081
Bonds and subordinated notes	3,571	19,505	3,187	-	-	-	26,263
Liabilities in respect of derivative instruments	9,347	2,056	12,463	264	297	1,599	26,026
Other liabilities	8,648	3,595	791	66	240	593	13,933
Total liabilities	413,794	38,464	138,475	11,179	4,418	6,937	613,267
Surplus assets (liabilities)	57,448	21,911	(40,424)	(2,228)	(448)	8,810	45,069
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(35,005)	(2,562)	35,231	1,690	311	335	-
Options in the money, net (in terms of underlying asset)	(2,117)	-	1,888	263	(34)	-	-
Options out of the money, net (in terms of underlying asset)	(450)	-	434	64	(48)	-	-
Overall total	19,876	19,349	(2,871)	(211)	(219)	9,145	45,069
Options in the money, net (nominal present value)	208	-	(247)	118	(79)	-	-
Options out of the money, net (nominal present value)	(1,818)	-	2,676	(732)	(126)	-	-

* Including derivative instruments whose underlying asset refers to a non-monetary item.
(1) Including linked to foreign currency.
(2) After deduction of allowances for credit losses attributed to the linkage bases.

Note 14 Assets and Liabilities by Linkage Base (continued)

Unaudited
NIS millions

	September 30, 2021						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	159,689	-	15,852	95	129	-	175,765
Securities	33,237	2,627	28,099	2,440	337	3,643	70,383
Securities borrowed or purchased under agreements to resell	1,219	-	-	-	-	-	1,219
Net credit to the public[2]	247,645	52,679	25,477	4,949	2,491	2,056	335,297
Credit to governments	16	193	597	1,211	-	-	2,017
Investments in equity-basis investees	66	-	-	-	-	715	781
Buildings and equipment	-	-	-	-	-	3,425	3,425
Assets in respect of derivative instruments	5,347	676	2,927	98	187	849	10,084
Other assets	3,946	8	115	13	36	1,235	5,353
Total assets	451,165	56,183	73,067	8,806	3,180	11,923	604,324
Liabilities							
Deposits from the public	366,615	13,165	108,969	10,911	3,705	2,118	505,483
Deposits from banks	7,792	-	2,359	273	24	-	10,448
Deposits from the government	306	2	235	-	-	-	543
Securities lent or sold under agreements to repurchase	-	-	914	-	8	-	922
Bonds and subordinated notes	156	18,605	-	-	-	-	18,761
Liabilities in respect of derivative instruments	5,609	1,415	2,673	147	201	806	10,851
Other liabilities	8,447	4,896	517	49	191	481	14,581
Total liabilities	388,925	38,083	115,667	11,380	4,129	3,405	561,589
Surplus assets (liabilities)	62,240	18,100	(42,600)	(2,574)	(949)	8,518	42,735
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(43,610)	(2,084)	42,428	2,496	770	-	-
Options in the money, net (in terms of underlying asset)	745	-	(902)	247	(90)	-	-
Options out of the money, net (in terms of underlying asset)	287	-	(173)	(181)	67	-	-
Overall total	19,662	16,016	(1,247)	(12)	(202)	8,518	42,735
Options in the money, net (nominal present value)	81	-	(69)	(6)	(6)	-	-
Options out of the money, net (nominal present value)	239	-	(224)	(14)	(1)	-	-

* Including derivative instruments whose underlying asset refers to a non-monetary item.
(1) Including linked to foreign currency.
(2) After deduction of allowances for credit losses attributed to the linkage bases.

Note 14 Assets and Liabilities by Linkage Base (continued)

Audited
NIS millions

	December 31, 2021						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	175,498	-	13,397	260	127	1	189,283
Securities	30,621	2,121	31,921	2,336	456	3,650	71,105
Securities borrowed or purchased under agreements to resell	1,253	-	-	-	-	-	1,253
Net credit to the public[2]	263,172	54,315	26,216	4,044	2,540	2,336	352,623
Credit to governments	40	196	563	1,170	-	-	1,969
Investments in equity-basis investees	68	-	-	-	-	785	853
Buildings and equipment	-	-	-	-	-	3,555	3,555
Assets in respect of derivative instruments	7,361	844	3,045	119	168	1,447	12,984
Other assets	3,780	11	119	5	14	1,227	5,156
Total assets	481,793	57,487	75,261	7,934	3,305	13,001	638,781
Liabilities							
Deposits from the public	384,893	12,338	110,062	11,589	3,786	2,404	525,072
Deposits from banks	7,604	-	3,778	197	22	-	11,601
Deposits from the government	432	2	318	-	-	-	752
Securities lent or sold under agreements to repurchase	-	-	3,419	-	7	-	3,426
Bonds and subordinated notes	2,619	19,845	3,118	-	-	-	25,582
Liabilities in respect of derivative instruments	8,156	1,794	2,666	141	183	1,410	14,350
Other liabilities	8,686	5,298	544	45	288	390	15,251
Total liabilities	412,390	39,277	123,905	11,972	4,286	4,204	596,034
Surplus assets (liabilities)	69,403	18,210	(48,644)	(4,038)	(981)	8,797	42,747
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(53,762)	(592)	49,520	4,033	801	-	-
Options in the money, net (in terms of underlying asset)	2,268	-	(1,919)	(159)	(190)	-	-
Options out of the money, net (in terms of underlying asset)	306	-	(365)	74	(15)	-	-
Overall total	18,215	17,618	(1,408)	(90)	(385)	8,797	42,747
Options in the money, net (nominal present value)	1,495	-	(1,568)	82	(9)	-	-
Options out of the money, net (nominal present value)	3,538	-	(3,307)	(359)	128	-	-

* Including derivative instruments whose underlying asset refers to a non-monetary item.
(1) Including linked to foreign currency.
(2) After deduction of allowances for credit losses attributed to the linkage bases.

Note 15 Balances and Fair-Value Estimates of Financial Instruments

Fair value of financial instruments

This note includes information concerning the assessment of the fair value of financial instruments.

A "market price" cannot be quoted for the majority of financial instruments at the Bank because no active market exists in which they are traded. Fair value is therefore estimated by means of accepted pricing models, such as the present value of future cash flows discounted by a discounting interest rate that reflects the level of risk inherent in the financial instrument. An estimate of fair value by means of an assessment of future cash flows and the setting of a discounting interest rate is subjective. Therefore, for the majority of financial instruments, the following assessment of fair value is not necessarily an indication of the disposal value of the financial instrument on the reporting date. The fair value is assessed on the basis of the interest rates valid at the reporting date, and does not take interest-rate volatility into account. Under the assumption of different interest rates, fair values would be obtained that may differ materially. This mainly applies to financial instruments that bear a fixed rate of interest or that do not bear interest. In addition, the assessment of fair value does not take into consideration fees to be received or paid in the course of business activity, and does not include the effect of non-controlling interests or tax effects. Moreover, the difference between the balance sheet balance and fair value balances may not be realized, because in the majority of cases the financial instrument may be held to maturity by the Bank. Due to all of these factors, it should be emphasized that data included in this note are insufficient to indicate the value of the banking corporation as a going concern. In addition, due to the broad spectrum of assessment techniques and estimates that can be applied in assessing fair value, caution should be exercised when comparing fair values between different banks.

Principal methods and assumptions used to estimate the fair value of financial instruments

Deposits with banks, nonmarketable bonds and loans, and credit to the government – By discounting future cash flows according to the interest rates at which the Bank executed similar transactions at the reporting date.

Marketable securities – According to market value in the principal market.

Credit to the public – The fair value of the balance of credit to the public is estimated using the method of the present value of future cash flows, discounted by a suitable discount rate. The balance of credit was segmented into homogeneous categories. In each category, the flow of future receipts (principal and interest) was calculated. These receipts were discounted by an interest rate reflecting the level of risk inherent in the credit in that category.

This interest rate was usually determined according to the interest rate at which similar transactions were executed at the Bank at the reporting date.

The fair value of non-accruing debts was calculated using discount rates reflecting the high credit risk inherent in such debts. In any case, these discount rates were not lower than the highest interest rate used by the Bank in its transactions at the reporting date.

Future cash flows for non-accruing debts and other debts were calculated after the deduction of the effects of charge-offs and of allowances for credit losses in respect of the debts.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Charge-offs and allowances for credit losses were attributed to the periods in which the debt was classified, where possible (e.g. when an allowance was calculated on an individual basis according to the present value of a cash flow). In the absence of such data, charge-offs and the allowance are attributed proportionally to the balance of credit, according to the term to maturity at the end of the period.

The calculation of fair value includes assumptions regarding prepayment of housing loans, in accordance with the estimates of the Bank, based on an examination of the historical data regarding prepayment in relation to parameters that explain such prepayment. The effect of these assumptions on fair value resulted in an increase of the fair value by NIS 375 million.

Deposits, bonds, and notes – By discounting future cash flows according to the interest rates at which the corporation raises similar deposits or the Bank issues similar bonds and notes (if a price quoted in an active market is not available) at the reporting date. With regard to bonds and subordinated notes traded as an asset in an active market, fair value is based on quoted market prices or on quotes from traders for an identical liability traded as an asset in an active market.

Inter-customer lending – Presented as credit and deposits, and measured according to the value of the loaned securities on the stock market.

Derivative financial instruments – Derivative financial instruments that have an active market were assessed at the market value established in the principal market.

Derivative financial instruments not traded in an active market were assessed on the basis of models used by the Bank in its routine operations, taking into account the risks inherent in the financial instrument.

The measurement of the fair value of derivative instruments takes the credit risk inherent in such transactions into account, among other factors.

Estimates of the fair value of assets in respect of derivative instruments also reflect the credit risk of the counterparty, and estimates of the fair value of liabilities in respect of derivative instruments also reflect the credit risk of the Bank.

Off-balance sheet financial instruments in which the balance represents credit risk – Fair value is presented according to the balance sheet balance of the fees in the aforesaid transactions, which constitute an approximation of the fair value.

Assets and liabilities for which fair value is measured based on Level 3 data – Items for which fair value is determined based on an indicative price from an independent entity, indicative price of a counterparty to the transaction, or evaluation models in which some of the significant inputs are unobservable; and items for which fair value is determined based on internal calculators or service bureaus, some of the inputs of which are unobservable.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

A. Balances and fair-value estimates of financial instruments

	September 30, 2022				
	Balance sheet balance	Fair value[(1)]			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	**145,423**	**3,897**	**-**	**141,482**	**145,379**
Securities*	**90,078**	**69,088**	**17,666**	**2,758**	**89,512**
Securities borrowed or purchased under agreements to resell	**1,028**	**-**	**-**	**1,028**	**1,028**
Net credit to the public***	**381,582**	**10,812**	**-**	**361,702**	**372,514**
Credit to governments	**1,910**	**-**	**-**	**1,936**	**1,936**
Assets in respect of derivative instruments	**28,481**	**1,869**	**15,976**	**10,636**	**28,481**
Other financial assets	**540**	**53**	**-**	**487**	**540**
Total financial assets**	**649,042**	**85,719**	**33,642**	**520,029**	**639,390**
Financial liabilities					
Deposits from the public***	**527,699**	**15,299**	**1,605**	**509,572**	**526,476**
Deposits from banks	**9,779**	**-**	**-**	**9,489**	**9,489**
Deposits from the government	**486**	**-**	**-**	**487**	**487**
Securities lent or sold under agreements to repurchase	**9,081**	**-**	**-**	**9,062**	**9,062**
Bonds and subordinated notes	**26,263**	**13,032**	**1,659**	**11,491**	**26,182**
Liabilities in respect of derivative instruments	**26,026**	**1,767**	**17,595**	**6,664**	**26,026**
Other financial liabilities	**6,561**	**53**	**-**	**6,508**	**6,561**
Total financial liabilities**	**605,895**	**30,151**	**20,859**	**553,273**	**604,283**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	**-**	**-**	**-**	**204**	**204**

* Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 2,251 million. For further details regarding the balance sheet balance and fair value of securities, see Note 5.

** Of which: assets and liabilities in the amount of NIS 124,108 million and in the amount of NIS 47,901 million, respectively, whose balance sheet balance is identical to their fair value (instruments presented at fair value in the balance sheet). For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B-F.

*** Of which, a total of NIS (51) million in respect of embedded derivative instruments is included in the item of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

A. Balances and fair-value estimates of financial instruments (continued)

	September 30, 2021				
	Balance sheet balance	Fair value(1)			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	175,765	3,058	-	172,742	175,800
Securities*	70,383	53,903	13,899	2,587	70,389
Securities borrowed or purchased under agreements to resell	1,219	-	-	1,219	1,219
Net credit to the public***	335,297	5,037	-	332,972	338,009
Credit to governments	2,017	-	-	2,095	2,095
Assets in respect of derivative instruments	10,084	778	7,335	1,971	10,084
Other financial assets	662	38	-	624	662
Total financial assets**	595,427	62,814	21,234	514,210	598,258
Financial liabilities					
Deposits from the public***	505,483	9,983	-	497,429	507,412
Deposits from banks	10,448	-	-	10,376	10,376
Deposits from the government	543	-	-	553	553
Securities lent or sold under agreements to repurchase	922	-	-	922	922
Bonds and subordinated notes	18,761	17,495	1,587	775	19,857
Liabilities in respect of derivative instruments	10,851	780	6,384	3,687	10,851
Other financial liabilities	6,572	38	-	6,534	6,572
Total financial liabilities**	553,580	28,296	7,971	520,276	556,543
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	-	-	-	170	170

* Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 2,101 million. For further details regarding the balance sheet balance and fair value of securities, see Note 5.

** Of which: assets and liabilities in the amount of NIS 86,085 million and in the amount of NIS 27,446 million, respectively, whose balance sheet balance is identical to their fair value (instruments presented at fair value in the balance sheet). For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B-F.

*** Of which, a total of NIS 41 million in respect of embedded derivative instruments is included in the balance of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

A. Balances and fair-value estimates of financial instruments (continued)

	December 31, 2021				
	Balance sheet balance	Fair value(1)			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	189,283	3,035	-	186,264	189,299
Securities*	71,105	54,532	14,044	2,536	71,112
Securities borrowed or purchased under agreements to resell	1,253	-	-	1,253	1,253
Net credit to the public***	352,623	5,735	-	349,563	355,298
Credit to governments	1,969	-	-	2,051	2,051
Assets in respect of derivative instruments	12,984	1,430	9,330	2,224	12,984
Other financial assets	446	27	-	419	446
Total financial assets**	629,663	64,759	23,374	544,310	632,443
Financial liabilities					
Deposits from the public***	525,072	10,044	-	516,951	526,995
Deposits from banks	11,601	-	-	11,534	11,534
Deposits from the government	752	-	-	761	761
Securities lent or sold under agreements to repurchase	3,426	-	-	3,427	3,427
Bonds and subordinated notes	25,582	16,204	1,589	8,829	26,622
Liabilities in respect of derivative instruments	14,350	1,436	6,115	6,799	14,350
Other financial liabilities	6,960	27	-	6,933	6,960
Total financial liabilities**	587,743	27,711	7,704	555,234	590,649
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	-	-	-	133	133

* Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 2,058 million. For further details regarding the balance sheet balance and fair value of securities, see Note 5.

** Of which: assets and liabilities in the amount of NIS 90,413 million and in the amount of NIS 31,394 million, respectively, whose balance sheet balance is identical to their fair value (instruments presented at fair value in the balance sheet). For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B-F.

*** Of which, a total of NIS 40 million in respect of embedded derivative instruments is included in the balance of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

B. Items measured at fair value on a recurring basis

	September 30, 2022			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	35,128	6,375	-	41,503
Foreign government bonds	19,383	1,348	-	20,731
Bonds of foreign financial institutions	-	5,389	181	5,570
Bonds of foreign others	14	2,868	-	2,882
Total bonds available for sale	54,525	15,980	181	70,686
Investments in tradable shares not held for trading	1,689	65	-	1,754
Securities held for trading				
Israeli government bonds	6,405	16	-	6,421
Foreign government bonds	237	-	-	237
Bonds of foreign others	-	382	-	382
Bonds of foreign financial institutions	-	1,223	-	1,223
Total securities held for trading	6,642	1,621	-	8,263
Assets in respect of derivative instruments				
NIS-CPI contracts	-	958	121	1,079
Other interest contracts	-	9,830	750	10,580
Foreign-currency contracts	322	4,949	6,378	11,649
Share contracts	1,547	236	3,383	5,166
Commodity and other contracts	-	3	4	7
Assets in respect of embedded derivatives	-	60	6	66
Total assets in respect of derivative instruments	1,869	16,036	10,642	28,547
Credit in respect of securities lending	10,908	-	-	10,908
Assets in respect of activity in the Maof market	53	-	-	53
Total assets	75,686	33,702	10,823	120,211
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	553	446	999
Other interest contracts	-	9,824	654	10,478
Foreign-currency contracts	215	3,871	5,293	9,379
Share contracts	1,552	3,346	265	5,163
Commodity and other contracts	-	1	6	7
Liabilities in respect of embedded derivatives	-	10	5	15
Total liabilities in respect of derivative instruments	1,767	17,605	6,669	26,041
Deposits in respect of inter-customer lending	9,029	-	-	9,029
Liabilities in respect of activity in the Maof market	53	-	-	53
Liabilities in respect of securities lending	6,270	1,605	-	7,875
Total liabilities	17,119	19,210	6,669	42,998

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

B. Items measured at fair value on a recurring basis (continued)

	September 30, 2021			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	31,038	7,212	-	38,250
Foreign government bonds	16,503	887	-	17,390
Bonds of foreign financial institutions	-	2,648	167	2,815
Bonds of foreign others	14	2,599	-	2,613
Total bonds available for sale	47,555	13,346	167	61,068
Investments in tradable shares not held for trading	1,477	65	-	1,542
Securities held for trading				
Israeli government bonds	4,319	-	-	4,319
Foreign government bonds	358	-	-	358
Bonds of foreign financial institutions	-	263	-	263
Bonds of foreign others	-	225	-	225
Total securities held for trading	4,677	488	-	5,165
Assets in respect of derivative instruments				
NIS-CPI contracts	-	411	82	493
Other interest contracts	-	3,514	241	3,755
Foreign-currency contracts	29	3,164	1,048	4,241
Share contracts	749	243	598	1,590
Commodity and other contracts	-	2	3	5
Total assets in respect of derivative instruments	778	7,334	1,972	10,084
Credit in respect of inter-customer lending	5,130	-	-	5,130
Assets in respect of activity in the Maof market	38	-	-	38
Total assets	59,655	21,233	2,139	83,027
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	306	183	489
Other interest contracts	-	4,137	202	4,339
Foreign-currency contracts	30	1,383	3,071	4,484
Share contracts	750	557	227	1,534
Commodity and other contracts	-	1	4	5
Liabilities in respect of embedded derivatives	-	18	23	41
Total liabilities in respect of derivative instruments	780	6,402	3,710	10,892
Deposits in respect of inter-customer lending	5,130	-	-	5,130
Liabilities in respect of activity in the Maof market	38	-	-	38
Liabilities in respect of securities lending	4,852	-	-	4,852
Total liabilities	10,800	6,402	3,710	20,912

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

B. Items measured at fair value on a recurring basis (continued)

	December 31, 2021			
	Fair value measurements using			Total fair value
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Bonds available for sale				
Israeli government bonds	27,468	6,890	-	34,358
Foreign government bonds	17,400	882	-	18,282
Bonds of foreign financial institutions	-	2,649	160	2,809
Bonds of foreign others	14	2,545	-	2,559
Total bonds available for sale	44,882	12,966	160	58,008
Investments in tradable shares not held for trading	1,524	68	-	1,592
Securities held for trading				
Israeli government bonds	4,766	8	-	4,774
Foreign government bonds	3,163	-	-	3,163
Bonds of foreign others	-	280	-	280
Bonds of foreign financial institutions	-	722	-	722
Total securities held for trading	7,929	1,010	-	8,939
Assets in respect of derivative instruments				
NIS-CPI contracts	-	501	93	594
Other interest contracts	-	3,280	201	3,481
Foreign-currency contracts	43	4,583	1,656	6,282
Share contracts	1,387	965	272	2,624
Commodity and other contracts	-	1	2	3
Total assets in respect of derivative instruments	1,430	9,330	2,224	12,984
Credit in respect of inter-customer lending	5,828	-	-	5,828
Assets in respect of activity in the Maof market	27	-	-	27
Total assets	61,620	23,374	2,384	87,378
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	368	230	598
Other interest contracts	-	3,763	205	3,968
Foreign-currency contracts	42	1,800	5,425	7,267
Share contracts	1,394	184	936	2,514
Commodity and other contracts	-	-	3	3
Liabilities in respect of embedded derivatives	-	19	21	40
Total liabilities in respect of derivative instruments	1,436	6,134	6,820	14,390
Deposits in respect of inter-customer lending	5,318	-	-	5,318
Liabilities in respect of activity in the Maof market	27	-	-	27
Liabilities in respect of securities lending	4,726	-	-	4,726
Total liabilities	11,507	6,134	6,820	24,461

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

C. Items measured at fair value on a nonrecurring basis

	September 30, 2022				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended September 30, 2022
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Non-accruing credit the collection of which is contingent on collateral	**-**	**-**	**259**	**259**	**(1)8**
Investments in shares	**-**	**-**	**171**	**171**	**(2)110**
Total	**-**	**-**	**430**	**430**	**118**

	September 30, 2021				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended September 30, 2021
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Collateral-dependent impaired credit	-	-	506	506	(1)(2)
Investments in shares	-	-	459	459	(2)183
Total	-	-	965	965	181

(1) Profits (losses) included in the statement of profit and loss under the item "provision for credit losses."
(2) Losses included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

C. Items measured at fair value on a nonrecurring basis (continued)

	December 31, 2021				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended December 31, 2021
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Collateral-dependent impaired credit	-	-	440	440	(1)(18)
Investments in shares	-	-	338	338	(2)146
Total	-	-	778	778	128

(1) Profits (losses) included in the statement of profit and loss under the item “provision for credit losses.”
(2) Losses included in the statement of profit and loss under the item “non-interest financing income.”

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3

	For the three months ended September 30, 2022							
	Fair value as at June 30, 2022	Gains (losses) included in statement of profit and loss[(1)(3)]	Gains (losses) included in equity[(2)]	Acquisitions	Extinguishments	Transfers to Level 3	Transfers from Level 3	Fair value as at September 30, 2022	Unrealized gains (losses) in respect of instruments held as at September 30, 2022
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	**179**	**2**	**-**	**-**	**-**	**-**	**-**	**181**	**-**
Net balances in respect of derivative instruments									
NIS-CPI contracts	**(255)**	**(66)**	**-**	**-**	**(4)**	**-**	**-**	**(325)**	**[(3)](68)**
Other interest contracts	**105**	**33**	**-**	**(24)**	**(18)**	**-**	**-**	**96**	**[(3)(1)]692**
Foreign-currency contracts	**2,088**	**(1,427)**	**-**	**424**	**-**	**-**	**-**	**1,085**	**[(3)](744)**
Share contracts	**1,866**	**1,402**	**-**	**-**	**(150)**	**-**	**-**	**3,118**	**[(3)]617**
Commodity and other contracts	**(2)**	**2**	**-**	**(2)**	**-**	**-**	**-**	**(2)**	**-**
Embedded derivatives	**5**	**(9)**	**-**	**-**	**5**	**-**	**-**	**1**	**[(3)]6**
Total	**3,986**	**(63)**	**-**	**398**	**(167)**	**-**	**-**	**4,154**	**503**

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	For the three months ended September 30, 2021								
	Fair value as at June 30, 2021	Gains (losses) included in statement of profit and loss(1)(3)	Gains (losses) included in equity(2)	Acquisitions	Extinguishments	Transfers to Level 3	Transfers from Level 3	Fair value as at September 30, 2021	Unrealized gains (losses) in respect of instruments held as at September 30, 2021*
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	169	(2)	-	-	-	-	-	167	-
Net balances in respect of derivative instruments									
NIS-CPI contracts	(18)	(63)	-	-	(20)	-	-	(101)	(3)(27)
Other interest contracts	68	(17)	-	2	(14)	-	-	39	(3)(1)(8)
Foreign-currency contracts	(1,218)	(982)	-	61	116	-	-	(2,023)	(3)(453)
Share contracts	(544)	850	-	(3)	68	-	-	371	(3)26
Commodity and other contracts	19	(20)	-	-	-	-	-	(1)	-
Embedded derivatives	(23)	(15)	-	(2)	17	-	-	(23)	(3)(8)
Total	(1,547)	(249)	-	58	167	-	-	(1,571)	(470)

* Restated.
(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	For the nine months ended September 30, 2022								
	Fair value as at December 31, 2021	Gains (losses) included in statement of profit and loss(1)(3)	Gains (losses) included in equity(2)	Acquisitions	Extinguishments	Transfers to Level 3	Transfers from Level 3	Fair value as at September 30, 2022	Unrealized gains (losses) in respect of instruments held as at September 30, 2022
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	**160**	**22**	**(1)**	**-**	**-**	**-**	**-**	**181**	**-**
Net balances in respect of derivative instruments									
NIS-CPI contracts	**(137)**	**(191)**	**-**	**-**	**3**	**-**	**-**	**(325)**	**(3)(187)**
Other interest contracts	**(4)**	**141**	**-**	**(20)**	**(21)**	**-**	**-**	**96**	**(3)(1)881**
Foreign-currency contracts	**(3,769)**	**2,333**	**-**	**716**	**1,805**	**-**	**-**	**1,085**	**(3)1,216**
Share contracts	**(664)**	**3,216**	**-**	**-**	**566**	**-**	**-**	**3,118**	**(3)475**
Commodity and other contracts	**(1)**	**(1)**	**-**	**1**	**(1)**	**-**	**-**	**(2)**	**-**
Embedded derivatives	**(21)**	**6**	**-**	**-**	**16**	**-**	**-**	**1**	**(3)6**
Total	**(4,436)**	**5,526**	**(1)**	**697**	**2,368**	**-**	**-**	**4,154**	**2,391**

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	For the nine months ended September 30, 2021								
	Fair value as at December 31, 2020	Gains (losses) included in statement of profit and loss(1)(3)	Gains (losses) included in equity(2)	Acquisitions	Extinguishments	Transfers to Level 3	Transfers from Level 3	Fair value as at September 30, 2021	Unrealized gains (losses) in respect of instruments held as at September 30, 2021*
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	165	1	1	-	-	-	-	167	-
Net balances in respect of derivative instruments									
NIS-CPI contracts	169	(227)	-	-	(43)	-	-	(101)	(3)(169)
Other interest contracts	118	(35)	-	2	(46)	-	-	39	(3)(21)
Foreign-currency contracts	(2,202)	(991)	-	(13)	1,183	-	-	(2,023)	(3)(458)
Share contracts	(752)	354	-	-	769	-	-	371	(3)(8)
Commodity and other contracts	-	(1)	-	-	-	-	-	(1)	-
Embedded derivatives	(18)	(22)	-	(2)	19	-	-	(23)	(3)(14)
Total	(2,520)	(921)	1	(13)	1,882	-	-	(1,571)	(3)(670)

* Restated.
(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited
NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	For the year ended December 31, 2021								
	Fair value as at December 31, 2020	Gains (losses) included in statement of profit and loss[(1)(3)]	Gains (losses) included in equity[(2)]	Acquisitions	Extinguishments	Transfers to Level 3	Transfers from Level 3	Fair value as at December 31, 2021	Unrealized gains (losses) in respect of instruments held as at December 31, 2021
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	165	(5)	-	-	-	-	-	160	-
Net balances in respect of derivative instruments									
NIS-CPI contracts	169	(251)	-	-	(55)	-	-	(137)	[(3)](169)
Other interest contracts	118	(72)	-	(10)	(40)	-	-	(4)	[(3)(1)](48)
Foreign-currency contracts	(2,202)	(2,934)	-	(9)	1,376	-	-	(3,769)	[(3)](1,101)
Share contracts	(752)	(675)	-	-	763	-	-	(664)	[(3)]10
Commodity and other contracts	-	(1)	-	-	-	-	-	(1)	-
Embedded derivatives	(18)	(8)	-	-	5	-	-	(21)	-
Total	(2,520)	(3,946)	-	(19)	2,049	-	-	(4,436)	(1,308)

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

E. During the period, there were no transfers of items measured at fair value from Level 3 measurement to Level 2 measurement, with the exception of transfers due to transaction counterparty risk. In accordance with the policy of the banking corporation, transfers from level to level are recognized as occurring at the end of the reported period.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3

	September 30, 2022			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Assets				
Bonds of foreign financial institutions	**181**	Quote from transaction counterparty		-
Net balances in respect of derivative instruments				
NIS-CPI contracts	**(325)**	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.56%-5.12% (0.96%)
Other interest contracts	**96**	Interest-rate derivatives pricing model	Transaction counterparty risk	0.16%-4.07% (1.10%)
Foreign-currency contracts	**1,085**	Option pricing model	Transaction counterparty risk	0.16%-15.03% (0.79%)
Share contracts	**3,111**	Share derivatives pricing model	Transaction counterparty risk	0.56%-3.16% (0.64%)
Share contracts	**4**	Option pricing model	Quote from counterparty	-
Foreign-currency contracts	**-**	Option pricing model	Quote from counterparty	-
Other interest contracts	**2**	Option pricing model	Standard deviation	109.00%-134.00% (129.00%)
Commodity and other contracts	**(2)**	Currency derivatives pricing model	Transaction counterparty risk	0.56%-1.49% (1.02%)
Embedded derivatives[(1)]	**1**	Option pricing model	Quote from counterparty	-
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	**171**	Valuation		
Non-accruing credit the collection of which is contingent on collateral	**259**	Tradable assets – market value less an appropriate safety coefficient		
		Non-tradable assets – discounted cash flow less an appropriate safety coefficient		

Sensitivity analysis of fair-value measurements classified as Level 3:
(1) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Unaudited

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3 (continued)

	September 30, 2021			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Assets				
Bonds of foreign financial institutions	167	Quote from transaction counterparty		-
Net balances in respect of derivative instruments				
NIS-CPI contracts	(101)	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-3.72% (0.54%)
Other interest contracts	39	Interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-14.77% (1.62%)
Foreign-currency contracts	(2,025)	Option pricing model	Transaction counterparty risk	0.04%-14.17% (0.49%)
Share contracts	348	Share derivatives pricing model	Transaction counterparty risk	0.04%-13.94% (0.79%)
Share contracts	23	Option pricing model	Quote from counterparty	-
Foreign-currency contracts	2	Option pricing model	Quote from counterparty	-
Commodity and other contracts	(1)	Currency derivatives pricing model	Transaction counterparty risk	0.04%-0.61% (0.43%)
Embedded derivatives(1)	(23)	Option pricing model	Quote from counterparty	-
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	459	Valuation		
Collateral-dependent impaired credit	506	Tradable assets – market value less an appropriate safety coefficient		
		Non-tradable assets – discounted cash flow less an appropriate safety coefficient		

Sensitivity analysis of fair-value measurements classified as Level 3:
(1) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 15 Balances and Fair-Value Estimates of Financial Instruments (continued)

Audited

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3 (continued)

	December 31, 2021			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Assets				
Bonds of foreign financial institutions	160	Quote from transaction counterparty		-
Net balances in respect of derivative instruments				
NIS-CPI contracts	(137)	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-1.84% (0.68%)
Other interest contracts	(4)	Interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-14.23% (1.12%)
Foreign-currency contracts	(3,769)	Option pricing model	Transaction counterparty risk	0.04%-14.29% (0.37%)
Share contracts	(687)	Share derivatives pricing model	Transaction counterparty risk	0.04%-1.79% (0.20%)
Share contracts	21	Option pricing model	Quote from counterparty	-
Other interest contracts	2	Option pricing model	Standard deviation	37.00%-62.00% (48.00%)
Commodity and other contracts	(1)	Currency derivatives pricing model	Transaction counterparty risk	0.09%-0.09% (0.09%)
Embedded derivatives(1)	(21)	Option pricing model	Quote from counterparty	-
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	338	Valuation		
Collateral-dependent impaired credit	440	Tradable assets – market value less an appropriate safety coefficient		
		Non-tradable assets – discounted cash flow less an appropriate safety coefficient		

Sensitivity analysis of fair-value measurements classified as Level 3:
(1) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 16 Regulatory Initiatives

Regulatory updates in various areas of activity that may affect the activity of the Group were released during the reported period. Regulatory updates that are material and relevant to the activity of the Bank are described below, as at the reported period. For further details and additional information regarding various matters in which no change occurred during the reported period, see Note 35 to the Annual Financial Statements of the Bank for 2021.

The coronavirus crisis and the banking system

In light of the adjustments in the activity of the banking system necessary due to the coronavirus crisis, during the course of 2020 the Bank of Israel issued a dedicated directive, Proper Conduct of Banking Business Directive 250, containing all of the adjustments to the Proper Conduct of Banking Business Directives aimed at coping with the coronavirus, including a series of regulatory reliefs for coping with the coronavirus crisis. In view of the stabilization of the condition of the economy, on December 28, 2021, the Bank of Israel issued an update to Directive 250 in which most of the reliefs were eliminated or formalized in the relevant directives, while some were extended until the end of June 2022.

In view of the effect of the coronavirus crisis on the assets of banks and the continued trend of erosion in the leverage ratio of the banking system, on May 15, 2022, the Banking Supervision Department issued an update (no. 20) to Proper Conduct of Banking Business Directive 250, in which the Bank of Israel extended the period of the relief established in the directive, reducing the leverage ratio by one-half of a percentage point, until December 31, 2023. After that date, the banking system is required to return to the leverage ratios mandated prior to the relief, within two quarters.

Regulatory reforms for increased competition in the banking system

In recent years, many regulatory initiatives have been formulated that are primarily aimed at increasing competition and encouraging innovation in the banking system in Israel. Some of these initiatives have been put into practice, while others are still in various phases of formulation and implementation, including the following.

Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel

The Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017, was published in January 2017, on the basis of the report of the public committee appointed by the Minister of Finance and the Governor of the Bank of Israel (the Strum Committee).

Note 16 Regulatory Initiatives (continued)

Following a discussion of the Economics Committee of December 27, 2021, regarding the reduction of credit facilities, the Ministry of Finance and the chairperson of the Economics Committee agreed, in coordination with the Bank of Israel, to decrease the reduction of credit facilities in credit cards established in the Strum Law. Accordingly, on January 30, 2022, an order of the Minister of Finance was approved that amends Section 9(c) of the Law for Increasing Competition and Reducing Concentration in the Banking Market, extending the reliefs granted by an additional year, until January 31, 2023, such that credit facilities are to be reduced by 45% of the total credit facilities granted to the public in 2015, instead of 50%, and the lowest threshold for the reduction of an existing credit facility is NIS 7,500 instead of NIS 5,000. The rate of reduction will change to 49% in 2023; credit facilities lower than NIS 8,500 will not be taken into account in the calculation of the reduction of credit facilities. The amendment of this section will allow the Bank to mitigate the harm to its customers as a result of the reduction of credit facilities.

Open API

On November 4, 2021, the Knesset passed legislation concerning the promotion of open banking – the Financial Information Services Law, 2021. The law emphasizes the following matters, among others: a system of agreements between the customer (including all partners in the account), the information services provider, and the consumer of the information; prohibition of collection of fees for the service; the option to cancel the service; information-security arrangements; etc. The law took effect on June 14, 2022.

The law specifies sets of information to become operational on the following dates: Phase 3, which includes access to additional information of the customer (credit, deposits, and savings), on October 31, 2022; and Phase 4, which includes information regarding the customers' securities portfolio, to be completed by June 14, 2023. Expansion of the information for corporations is scheduled to occur in two increments: information regarding corporations with turnover of up to NIS 5 million and a single authorized signatory (small businesses), in January 2023; and other corporations in December 2023.

On February 23, 2022, the Bank of Israel issued an update of Proper Conduct of Banking Business Directive 368 containing various adjustments of the language established in the law, removing directives that created duplication with respect to the law, and adjusting schedules to the implementation stages established therein.

Expansion of the Credit Data Law to the business sector

On July 20, 2022, the Governor of the Bank of Israel announced that he would exercise his authority to expand the scope of the Credit Data Law to corporations, in order to improve access to credit for small and mid-sized businesses and increase competition in this area. Upon formulation of the rules required for the expansion of the existing database to credit data of corporations, the Governor will hold consultations with the Minister of Justice and present the rules for approval by the Economics Committee of the Knesset, as stated in the law, concurrently with the promotion of legislative amendments that may be necessary to adjust the directives of the law.

Note 16 Regulatory Initiatives (continued)

Regulatory initiatives in the area of payments

Memorandum of Law for Regulation of Engagement in Payment Services, 2022

The memorandum of law, released on January 10, 2022, is aimed at regulating engagement in payment services provided by non-bank entities and their relationship with banks, to allow such entities to join the payments market as significant players. Pursuant to the memorandum of law, services that will require licensing and supervision by the Israel Securities Authority include, among others: issuing means of payment, giving payment orders, clearing activities, transferring money to a beneficiary without managing an account, managing a payment account allowing the transfer of payments for goods and services, etc.

In view of the developments in the field of payments and digital wallet activity, the Bank of Israel issued a call for information regarding payments via mobile phone, on June 16, 2021. Further to the committee established to formulate the policy of the Bank of Israel on this subject, information was sought from Israeli and international entities with suitable experience and knowledge in the area of payments via mobile phone or other smart devices, with an emphasis on the use of information derived in the course of such payments, and regarding the possibility to execute payment transfers between different applications using peer-to-peer technology (P2P payments), particularly the following issues: use of information derived from mobile payment activity; advantages and disadvantages of the creation of an interface for P2P payments between different applications; and aspects of competition, fair market conditions, efficiency and innovation, market dynamics, and consumer protection.

The Bank of Israel subsequently released the conclusions of the committee, on January 11, 2022, including the following: (1) the view of the Bank of Israel, in principle, with regard to information created and collected at the various financial entities regarding customers is that the information belongs to the customers, and the customer therefore has the right to decide which parties are exposed to such information and how it is used; accordingly, the Bank of Israel believes that (2) financial entities are permitted to use information they receive with the consent of their customers, for the uses agreed to by the customers, subject to all laws. It was also emphasized that the adaptation of privacy protection law in Israel to European law is expected, among other things, to resolve the issues of the use of information, in all matters pertaining to information collected in the course of providing a service, across sectors in the Israeli economy.

On August 9, 2022, the Governor of the Bank of Israel declared the EMV Ashrait Protocol system, operated by the Association for Management of EMV Protocol Terminals in Israel (Registered Non-profit Organization), a controlled system in accordance with the Payment Systems Law, 2008. The declaration will allow supervision of the system, to ensure its stability, effectiveness, and sound operation.

Payment Services Draft Memorandum of Law (Amendment No. 2, Payment Initiation), 2022 – the draft memorandum of law, issued on October 12, 2022, is aimed at regulating two additional payment services: basic initiation services, including payment instruction initiation and debit authorization initiation; and authorized initiation services. The memorandum focuses on consumer protection in connection with these services.

Note 16 Regulatory Initiatives (continued)

Protection of privacy

The Protection of Privacy Bill (Amendment 14), 2022, passed in the first reading in the Knesset on January 5, 2022. The amendment is expected to adapt the existing regulation in Israel in this area to the technological and societal developments, and to the European legislation (GDPR); to reduce the requirement to register databases; and to expand the administrative enforcement authority of the Privacy Protection Authority.

On June 22, 2022, the Knesset plenum passed, in a preliminary reading, the Protection of Privacy Bill (Amendment – Deletion from Databases), 2022, aimed at formalizing in legislation the right to demand the deletion of information regarding oneself from a database. This legislative proceeding will continue within the procedure of legislating Amendment 14 to the Protection of Privacy Law, as noted above.

On July 31, 2022, the Privacy Protection Authority issued an opinion statement in which the authority seeks to clarify its interpretation of the "duty to inform in the course of the collection and use of personal information" established in Section 11 of the Law for the Protection of Privacy. Section 11 of the law states that contacting a person to request information for the purpose of holding or using the information in a database must be accompanied by a notice indicating to whom the information will be provided, and for what purpose; the purpose for which the information is requested; and whether the person is subject to a legal obligation to submit the information, or whether the submission of the information depends on the person's will and consent. In this regard, the authority has clarified that the duty to inform applies in any instance in which a person is contacted and, in the course of the contact, personal information regarding the person is collected, either when the information is provided under the force of legal authority or when the information is provided of the person's free will, and obligates the contact initiator to state whether a legal obligation to provide the information applies.

On September 4, 2022, the Competition Authority issued a draft opinion statement on the subject of the receipt of information at the Competition Authority and perusal of the information by parties that are not the providers of the information. The objectives of the draft are to reflect a uniform, public policy establishing boundaries for the conduct of the Competition Authority with information providers, and the obligations of information providers when responding to demands for data.

Directives of the Bank of Israel on additional matters that were issued or took effect during the reported period

- **Proper Conduct of Banking Business Directive 329B, "Sale of Housing Loans and Cooperations to Provide Housing Loans" –** On October 6, 2022, the Bank of Israel issued a final version of the directive establishing a regulatory framework for housing loan sale and syndication transactions. The directive sets limits on sales: housing loan portfolios are to be selected randomly, provided that the quality of the loan sold does not constitute a criterion for its inclusion in or exclusion from the portfolio being sold. Banks are required to retain at least 10% of each loan in a sale transaction; the loan portfolio must contain loans that have existed for at least twelve months prior to the sale. The amount of the housing loans sold shall not exceed 10% of the balance of the housing loan portfolio.

Note 16 Regulatory Initiatives (continued)

- **Update of Reporting Directive 823 –** On October 2, 2022, the Bank of Israel issued an update of Reporting Directive 823, "Monthly Report on Credit to the Public and Deposits from the Public by Linkage Base and Operating Segment," further to the letter of the Supervisor of Banks of September 7, 2022, on the subject, "Fairness to consumers in a changing financial environment." The update to the reporting directive contains adjustments to allow significant expansion of the publication of actual interest rates paid by each bank for NIS deposits and actual rates collected in granting credit, to enable customers to easily compare the terms offered by different banks and select the product best suited to them. The update of the directive is expected be in effect as of December 31, 2022.
- **The Banking Order (Service to Customers) (Supervision of Services of Transactions by Clerks, Transactions in Direct Channels, Expanded Track, and Expanded Plus Track), 2022**, was updated on September 1, 2022. The order expands supervision over current-account fees for the following services: the service of a "transaction by a clerk," the service of a "transaction in a direct channel," and services consisting of the services "transaction by a clerk" and "transaction in a direct channel." On November 6, 2022, the Bank of Israel issued two additional updates: a draft update of the Banking Rules (Service to Customers) (Fees); and a new draft of the Banking Order (Service to Customers) (Supervision of Services of the Basic Track, Expanded Track, Expanded Plus Track, Transactions in Direct Channels, and Transactions by Clerks). The updates are aimed at providing relief to customers and updating the method of charging current-account fees such that the bank calculates the least expensive payment method for the customer each month.
- **Proper Conduct of Banking Business Directive 427, "Advanced Payment Services" –** On June 19, 2022, the Banking Supervision Department issued a new directive establishing disclosure requirements applicable to banking corporations with respect to payment transactions executed using payment applications, such that the following information shall be presented to the customer: the name of the payment application through which the payment transaction was executed, the name of the paying party or the beneficiary with which the customer executed the payment transaction, the date of the transaction, and the amount of the transaction; the purpose of the payment transaction, if specified by the customer in the course of the transaction, shall be presented in the customer's current account. The directive takes effect on January 1, 2023.

Note 16 Regulatory Initiatives (continued)

- **Update of Proper Conduct of Banking Business Directive 362, "Cloud Computing" –** On June 13, 2022, the Banking Supervision Department issued a final version of the update of Proper Conduct of Banking Business Directive 362, "Cloud Computing," and Supervision Reporting Directive 881, "Reporting on Cloud Computing." The update eliminates the prohibition that applied up to this point and permits the banking system to use cloud computing in core systems, subject to strict corporate-governance requirements and tightening of risk-management procedures. It was also determined that the use of cloud-computing services constitutes a subtype of outsourcing, and therefore a bank that uses cloud-computing services is also subject to the requirements of Proper Conduct of Banking Business Directive 359A concerning outsourcing. This directive takes effect on January 1, 2023. With regard to contracts executed prior to the date of publication of this directive, the bank must adapt the contracts to this directive to the extent necessary, at the next date of renewal of the contract, and no later than four years from the inception date. With regard to contracts executed after the date of publication of this directive but before the inception date, the bank must adapt the contracts to this directive, to the extent necessary, no later than one year from the inception date.
- **Proper Conduct of Banking Business Directive 460, "Presentation of Data on Activity in Securities Deposits" –** On June 13, 2022, the Banking Supervision Department issued an update of the directive in which, among other matters: an exception was granted for categories of customers that meet the definition of a "market maker" and a "trader arena," as well as customers who receive securities custody services from the bank; the rate of yield is calculated without taking tax expenses into consideration, as detailed in the guidelines included in the periodic reporting to the customer in the annex to the directive; the calculation of the yield for a customer who receives investment advising services shall also include structured deposits, even for customers who have ceased receiving investment services, but a structured deposit is still maintained in their account. The directive will take effect by January 1, 2023.
- **Update of Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy"** – On May 25, 2022, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy," in which loans to finance land at a financing rate greater than 80% are added to the list of debts weighted as heightened risk, with a risk weight of 150% or more. The update took effect on June 30, 2022; however, its effect on capital adequacy can be spread into quarterly installments until June 30, 2023.
- **Updates of Proper Conduct of Banking Business Directive 411, "Money Laundering and Terrorism Financing Prohibition Risk Management" –** On May 9, 2022, the Banking Supervision Department issued a final version of the update of Section 87A of Proper Conduct of Banking Business Directive 411. This section formalizes the principles and requirements of the banking system in management of the risk of the prohibition of money laundering and prohibition of financing of terrorism entailed in the provision of payment services in the course of activity in virtual currencies, in view of the high potential risk inherent in this activity. Requirements specified in the directive include the following: establishment of policies and procedures for the provision of payment services in the course of activity in virtual currencies; periodic risk assessment; and semiannual reporting to management and the board of directors.

Note 16 Regulatory Initiatives (continued)

On October 24, 2021, the Banking Supervision Department issued an update of Directive 411, including, among other matters, the addition of Annex B2, which concerns regulation of aspects of the prohibition of money laundering in advanced payment services, such as payment applications. The risk assessment, as prepared by the Banking Supervision Department within the formulation of the regulation, indicated that money laundering and terrorism financing prohibition risks involved in the activity of payment services are not high, at this time, given strict restrictions, including restriction of activity volumes and credit facilities. Pursuant to the update of the directive, banks are permitted to establish alternative methods of identification and verification with respect to some of the requirements of the Money Laundering Prohibition Order, 2001 (Duties of Identification, Reporting, and Record Keeping of Banking Corporations for the Prevention of Money Laundering and Financing of Terrorism). The inception date for Annex B2 is one year from the date of publication of the update to the directive, i.e. October 24, 2022, applicable to both new customers and existing customers. Banks prepared accordingly are permitted to act according to the update of the directive earlier than the aforesaid inception date, provided that they have notified the Banking Supervision Department in writing. An update of Proper Conduct of Banking Business Directive 411 was issued on September 19, 2022, postponing the inception date to January 15, 2023.

- **Update of Proper Conduct of Banking Business Directive 451, "Procedures for Housing Loans" –** On January 31, 2022, the Banking Supervision Department issued an update of Directive 451, concerning housing loan procedures, according to which the Bank is required, among other matters, to:
  - Present three tracks, the composition of which is determined by the Banking Supervision Department, in order to improve customers' ability to perform comparisons.
  - Grant in-principle approval to customers within five business days of the date of submission of a loan application;
  - Provide an online calculator available to the public allowing simulations of different compositions of housing loans for different ranges of time;
  - Present information to customers, in their account on the bank's website, according to specified data, in a fixed format, at semiannual frequency.

  This directive took effect on August 31, 2022.

  Further to the foregoing, on July 7, 2022, the Banking Supervision Department issued another update in which, among other matters, banks are required to present, in the online calculator, the amount of the first monthly payment, the amount of the highest expected monthly payment according to the forecast, and the total amount predicted to be paid by the end of the term of the loan. A requirement to present the "overall predicted interest" in various compositions was also added.
- **Update of Proper Conduct of Banking Business Directive 449, "Simplification of Agreements for Customers" –** On June 14, 2022, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 449, adjusting the directive in view of the update to Proper Conduct of Banking Business Directive 451, "Procedures for Housing Loans."

Note 16 Regulatory Initiatives (continued)

New legislation

- **The Banking Law (Service to Customers) (Amendment 34), 2022 –** The Banking Law (Service to Customers) (Amendment 34), 2022, which limits the amount of the fee that banks are permitted to charge for opening a housing loan file to up to NIS 360, was published in the Official Gazette of the Israeli Government on June 22, 2022. This law took effect on August 22, 2022.
  On July 21, 2022, the Supervisor of Banks issued a letter clarifying several issues in connection with the implementation of the law: the law applies to all types of customers of banks, including individuals, small businesses, and large businesses. Accordingly, the directive established also applies to all types of customers, in all matters pertaining to the "fee for processing a housing loan application"; the price restriction established in the amendment to the law with regard to housing loans, as defined in Section 9B of the law, applies indirectly to all types of housing loans, as defined in the Fee Rules.
- **The Criminal Information and Rehabilitation of Offenders Law, 2019 –** Issued in January 2019 and took effect on July 12, 2022. This law replaces the Criminal Register and Rehabilitation of Offenders Law, 1981; its purpose is to redefine the appropriate equilibrium between the need to maintain a repository of criminal information and consider such information and the rehabilitation of offenders. Section 38 of the law establishes a normative prohibition on considering criminal information by anyone not entitled to receive it, and a prohibition on considering additional information pertaining to the criminal information that becomes known in other ways, such as from rulings and from the media.
- **Memorandum of Law for Adjudication of Interest and Linkage, 2022 –** The Memorandum of Law for Adjudication of Interest and Linkage, 2022, was released on March 1, 2022. The memorandum of law seeks to apply several amendments to the Law for Adjudication of Interest and Linkage, based on the recommendations of the interministerial committee appointed in 2018 to examine interest rates according to the Adjudication of Interest Law. Among other matter, the updates include two alternatives for the calculation of the basic interest rate only (NIS and linked), and a change and reduction in the penalty interest mechanism. The memorandum of law passed in the first reading in the plenum in June 2022.

These regulatory initiatives affect the future business of the Bank. The Bank is examining the business and operational implications, both in the immediate range, for implementation purposes, and the longer-term impacts. Such effects cannot always be quantified when they initially arise, and depend, among other matters, on consumer behavior patterns, additional related regulatory changes, and the conduct of other market players.

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5. Corporate governance

5.1. Internal audit

Details regarding the Group's internal auditing, including the professional standards under which internal audit operates and the considerations involved in formulating the annual and multi-year work plans, are provided in the Annual Report for 2021.

Further to the statements in the Annual Report for 2021 regarding the changeover in the position of Chief Internal Auditor of the Bank and the approval of the Board of Directors for the appointment of Dr. Amir Bachar, Adv., to the position of Chief Internal Auditor, on March 31, 2022, the Supervisor of Banks notified the Bank that in accordance with his authority under Sections 11A and 14E(c)(1) of the Banking Ordinance, 1941, he does not object to the appointment of Dr. Amir Bachar to this position. The appointment took effect on June 1, 2022.

5.2. Other matters

In March and April 2022, the Board of Directors of the Bank adopted standards, in accordance with the directives of the Companies Regulations (Rules Concerning Remuneration and Expenses for External Directors) (Temporary Order), 2022, with regard to remuneration for participation in meetings of the Board of Directors and the board committees, pursuant to which the participation of a director using means of communication due to restrictions as a result of the coronavirus is classified as participation in a regular meeting. The Board of Directors subsequently classified the participation of the directors using means of communication in meetings from March 2020 forward according to the standards established. Further to the foregoing, in April 2022 the Bank paid supplementary remuneration to the directors (including former directors who served during the aforesaid period) in a total amount of approximately NIS 1.9 million (plus VAT).

In May 2022, the Board of Directors of the Bank approved a policy for diversity in the composition of the board, within which, as part of the overall considerations regarding the composition of the board and its collective qualifications, the board will aspire to a composition consisting, at a rate of 40% or more, of people from population segments underrepresented in senior offices in business (such as women, ethnic minorities, ultra-orthodox people, etc.), and in any event shall act subject to the directives of the law applicable to a banking corporation without a controlling core, with the aim of maintaining gender diversity at a rate of at least 30%. When formulating a request presenting needs to the Committee for the Appointment of Directors in advance of a general meeting where the appointment of directors is on the agenda, the Board of Directors will examine its existing level of diversity and include a request for the Committee for the Appointment of Directors to propose, if possible, candidates to allow the realization of this policy. It is clarified that even if, for any reason, the rate of gender diversity on the Board of Directors of the Bank does not meet the threshold noted above, there shall be no impairment of its qualifications or of the validity of the resolutions of the Board of Directors.

Further to the statements in the Annual Report for 2021 regarding the expected changeover in the position of Chief Internal Auditor of the Bank and the approval of the Board of Directors for the appointment of Dr. Amir Bachar, who served as Chief Risk Officer, to the position of Chief Internal Auditor, on March 31, 2022, the Supervisor of Banks notified the Bank that in accordance with his authority under Sections 11A and 14E(c)(1) of the Banking Ordinance, 1941, he does not object to the appointment of Dr. Bachar to this position.

On April 13, 2022, the Board of Directors, at the recommendation of the CEO of the Bank, approved the addition of Ms. Merav Ben Shushan Cohen, who had served in the preceding six years as Head of the Asset and Liability Management Area in the Financial Markets and International Banking Division, to the Board of Management of the Bank, and her appointment to the position of Chief Risk Officer and Head of Risk Management. Ms. Ben Shushan Cohen is replacing Dr. Amir Bachar in this role. On May 12, 2022, the Supervisor of Banks notified the Bank that he does not object to the appointment of Ms. Ben Shushan Cohen to this position. This appointment, as well as the appointment of Dr. Amir Bachar to the position of Chief Internal Auditor and the appointment of Mr. Zeev Hayo to the position of Head of Banking Services, took effect on June 1, 2022.

Mr. Asaf Azulay, who served as Head of Marketing at the Bank, ended his service on May 15, 2022, and left the Bank. Mr. Azulay was replaced in this position by Mr. Igal Bareket, who joined the Bank.

On June 26, 2022, the Board of Directors, at the recommendation of the CEO of the Bank, approved the organizational changes and appointments described below: The units of the Innovation and Strategy Division were reassigned to the divisions of the Bank. The Financial Markets and International Banking Division, headed by Yadin Antebi, oversees the investment arm and the business and strategic development of the Bank; in addition to Poalim Equity (the non-financial investment arm of the Bank), it was also given responsibility for the corporate business development units and for Bit. The strategy, data, and analytics units were transferred from the Innovation and Strategy Division and brought under the responsibility of the Finance Division, headed by Ram Gev.

The accountancy unit of the Bank was separated from the Finance Division, and the Chief Accountant, Guy Kalif, now reports directly to the CEO of the Bank.

Golan Scherman, who headed the Innovation and Strategy Division, went on unpaid leave in July 2022.

In addition, Mr. Tsahi Cohen, who headed the Corporate Banking Division, announced his intention to retire from the Bank after some 28 years of work, of which ten years as a member of the Board of Management of the Bank, and ended his service on July 19, 2022. At the recommendation of the CEO, the Board of Directors approved the appointment to the position of Head of Corporate Banking of Itamar Furman, whose previous position was manager of the Corporate Banking Area in the Corporate Banking Division, and who during his 23 years at the Bank also served as head of the Infrastructure, Energy, and Capital Market Sector, and in various other roles in the Corporate Banking Division and the Financial Markets Division. On July 14, 2022, the Supervisor of Banks notified the Bank that he does not object to the appointment of Mr. Furman to this position, and the appointment took effect on July 20, 2022.

On September 4, 2022, Ms. Rivka Hadasa Gugig was appointed to the position of Chief Transformation Officer (CTRO), reporting to the CEO of the Bank.

In June 2022, the Remuneration Committee (pursuant to Regulation 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (the "Relief Regulations")) and the Board of Directors approved the renewal of an insurance policy providing coverage for liability of directors and officers at the Bank Group and monetary indebtedness imposed upon them due to their function as officers, also including coverage for the company in respect of amounts for which it indemnifies officers and in respect of securities claims. The insurance coverage has liability limits of USD 183 million, as well as additional coverage for directors and officers (Side A) with liability limits of USD 72 million (total coverage of USD 255 million), beginning July 1, 2022, for a period of twelve months. The total premium for the aforesaid insurance coverage is approximately USD 7.4 million.

At the annual general meeting convened on August 11, 2022, the following resolutions were discussed and passed: (1) discussion of the Financial Statements and the Report of the Board of Directors and Board of Management of the Bank for 2021; (2) approval of the reappointment of Somekh Chaikin (KPMG), Certified Public Accountants, and Ziv Haft (BDO), Certified Public Accountants, as the joint auditors of the Bank until the end of the next annual general meeting of the Bank; (3) approval of updated terms of service for the Chairman of the Board, Mr. Ruben Krupik, among other matters following the update of Proper Conduct of Banking Business Directive 301 and 301A issued in April 2022 with regard to the duties of the chairperson of the board of directors and the terms of service of board chairpersons at banks without a controlling core; (4) approval of the appointment of David Avner as an external director pursuant to the Companies Law (who also meets the conditions for qualification as an external director pursuant to Directive 301 of the Supervisor of Banks ("Directive 301")), for an additional term of service of three years; (5) approval of the appointment of Noam Hanegbi as an external director pursuant to Directive 301, for an additional term of service of three years; (6) approval of the appointment of Dr. David Zvilichovsky (for an additional term of service) and Odelia Levanon as directors with "other" status, i.e. who are not external directors pursuant to the Companies Law or pursuant to Directive 301, for a period of three years.

All of the candidates for service as directors were proposed to the general meeting by the Committee for the Appointment of Directors at Banking Corporations. In September 2022, the Supervisor of Banks gave notice that he did not object to the aforesaid appointments of directors, and the appointments took effect.

In May 2022, the Board of Directors of the Bank approved the Environment, Social, and Governance (ESG) Report of the Bank for 2021. This was the fifteenth consecutive annual report, and was written in accordance with the GRI standards at the highest transparency level (Comprehensive Option). This year, for the first time, the report also complied with the SASB standards.

Further to the private offering for international investors in October 2021, in September 2022 the Bank issued its Green Bond Report on the financing or refinancing of Eligible Green Projects, as defined in the offering documents, and the environmental impact of the projects. The reports are available on the Bank's website.

Further to the statements in Note 25B(12) to the Annual Financial Statements regarding the agreement contracted by the Bank to acquire a property to be built in Tel Aviv, which will be used as the central headquarters where the head-office units of the Bank, which are currently situated in several buildings, will be relocated and centralized, in October 2022 the Bank exercised an option to acquire an additional area of approximately 6,000 sq.m. (at the level of the building envelope, before finishing work and adaptation), in consideration for approximately NIS 80 million.

Further to the statements in Section 7.2 of the Corporate Governance and Additional Information chapter of the Annual Report concerning fixed assets, the Bank is examining alternatives for the betterment of properties currently used by head-office units, which are expected to be vacated, as noted, in the course of the relocation to the headquarters building that has been acquired (with an area of more than 50,000 sq.m.). During the third quarter of 2022, the Local Committee on Planning and Construction approved filing of a conditional plan regarding several head-office properties.

Decentralization of the controlling core of the Bank and transition to a bank without a controlling core

Until November 2018, Ms. Shari Arison held the permit for control of the Bank, through Arison Holdings (1998) Ltd. ("Arison Holdings"). On November 22, 2018, Ms. Arison's control permit was replaced by a permit to hold means of control, which she received from the Bank of Israel (a "holding permit"), allowing the control of the Bank to be decentralized, and the Bank became a banking corporation without a controlling core. Pursuant to the terms of the holding permit, Ms. Arison, who holds approximately 5.62% of the shares of the Bank at the date of publication of this statement, is required to sell her holdings in the Bank in excess of 5% within several years (according to the original permit – by November 2022, with an option for extension by two additional years, with the approval of the Supervisor of Banks; on June 10, 2021, Arison Holdings gave notice that the Supervisor of Banks had extended the period within which it must sell means of control of the Bank in excess of 5%, as noted, by one year, until November 20, 2023). For additional information regarding the holding permit, the change in the structure of control of the Bank in 2018, and the consequences thereof, see Section 6.6 in the Corporate Governance section of the Annual Financial Statements of the Bank for 2018.

6. Additional information regarding the business of the banking corporation and the management thereof

The Bank Group provides banking and financial services in various operating segments, in and outside Israel.

6.1. Operating segments based on the management approach

6.1.1. Private Customer Segment

General information and segment structure

The Bank provides a wide range of services to private customers, including routine account-management services, credit granting for various purposes, deposits, savings plans, and capital-market activity. In addition, the Bank offers services and solutions to customers with complex financial needs, through advanced products, global asset management, and a professional service package, which includes meetings, proactively initiated telephone calls, and an advanced advisory system aided by decision support tools.

As at the date of the report on financial position, services are provided to customers through a network of 169 branches, in addition to Poalim Close to You service points, advising centers, Platinum Centers for selected customers, and two mobile branches serving customers at locations nationwide.

In addition to the extensive branch network, the Bank offers its customers a wide range of self-service and digital service options, allowing customers to conduct banking activities in independent, efficient, available channels. These include self-service stations at branches and on customer premises, Poalim Online, Poalim Mobile, the Poalim by Telephone call center, the Pro contact center for digitally oriented customers, the interactive voice response (IVR) system for information and transactions, written messages on the website and application, and social media.

As part of the Bank's approach to service and social responsibility, the Bank considers accessibility to people with disabilities an essential issue and its duty as a business; accordingly, all of the Bank's services have been made accessible to people with disabilities.

There has been an ongoing trend over the last few years of growth in banking activity through unstaffed channels (self-service automated teller machines, the website, applications, the mobile site, and the automated voice response at the Poalim by Telephone call center). Note that 85% of common banking transactions of customers of the Bank are performed through digital services and self-service.

In addition to this trend, the Bank has increased the use of the service for scheduling appointments with bankers in advance, and added channels for scheduling appointments, to reduce wait times at branches and allow customers a high-quality, professional, individual encounter.

Products and services

As part of the Bank's strategy of enhancing value for customers and guiding customers at important decision points in their lives, the Bank offers a range of products and services to its customers, including services for groups of customers with common characteristics (the High Tech Zone Club, Poalim Young and the Student Club, and Poalim Wonder), services through the direct channels, and the development of dedicated applications (the Open application for opening accounts, the Bit application, and the capital-market trading application).

With regard to the agreement signed with Electra Consumer Products (1970) Ltd. (ECP) and Cartisei Ashrai LeIsrael Ltd. (CAL), see Note 10A(5) to the Condensed Financial Statements.

Capital market activity

The activity of the Bank Group in the capital market includes a range of activities and financial services, in various fields: trading, operations, and custody in Israeli securities (including Maof); trading in foreign securities; and research and advisory services for customers in the area of the capital market. Some of these activities are performed directly by the Bank, while others are performed by subsidiaries, each of which specializes and engages in a specified field.

The Bank provides financial advising services at fourteen Poalim Invest advising centers, as well as through the Platinum Unit, the Corporate Banking Division, and Poalim Pro.

Bank Hapoalim investment advisors provide their customers with professional, innovative advisory services using advanced tools and systems, through understanding their needs, maximizing value, and strengthening relationships in a personal service package tailored to each customer.

Pension advising

The Bank offers pension advising and retirement planning services through a network of advisors located throughout Israel. The Bank is connected to the pension clearing house, and receives information through the clearing house for the purpose of providing advisory services. The Bank holds a pension advisor's license and employs licensed advisors at fourteen Poalim Invest pension advising centers and a national retirement planning center. The Bank has signed distribution agreements with most of the management companies of provident funds and pension funds. The Bank, as an objective advisor, is entitled to a uniform distribution fee for the distribution of the funds, in accordance with the regulations.

The Capital Market, Insurance, and Savings Authority is acting to promote a legislative amendment aimed at permitting banking corporations to provide advisory services by telephone and through digital means. Accordingly, on July 21, 2022, the Capital Market, Insurance, and Savings Authority announced another extension of its non-enforcement position, in effect until three months have elapsed from the date of convening of the 25th Knesset. According to the position letter, the Authority will not take enforcement measures against banking corporations that provide pension advising through digital means or by telephone to existing customers in the area of pension advising.

The draft Supervision of Financial Services Law (Pension Advising, Marketing, and Clearing Systems) (Amendment 11), 2022, passed by the Ministers' Committee in the first quarter of 2022, has not yet been passed by the government; it will likely be passed after the elections.

On December 20, 2021, the Capital Market, Insurance, and Savings Authority issued an update of the circular concerning a uniform structure for the transmission of information in the pension savings market. The circular establishes the structure of uniform interfaces used by institutional entities, license holders, employers, and other consumers of information in the area of pension savings within the transmission of information and execution of various business transactions conducted among them. The transmission of information in a uniform structure allows more sophisticated processes of information flow in the market, and forms the foundation for the operation of a central pension clearing system.

In addition, as part of the streamlining of work processes in the market, and in light of technological developments, the circular establishes shorter timeframes for the transmission of information and execution of transactions, and makes up-to-date information accessible to all market players. The directives of the circular are to be implemented, gradually, by 2025.

Marketing and distribution

Marketing and distribution in Israel are conducted through the branches of the Bank, at Poalim by Telephone, through the direct channels (self-service devices, the website, and the application), and on the Bank's Facebook page, both proactively and in response to customers' inquiries. Marketing initiatives are also reflected in advertising in newspapers, on television, on the Internet, on the radio, on billboards, and at branches.

Customers

The segment consists of private customers who receive services through the branches, Poalim by Telephone, and the digital channels. Services provided are adapted to the characteristics of the various customers.

Competition

The level of competition has continued to rise in recent years. Causes include technological developments and customers' growing willingness to receive services remotely, concurrently with the removal of barriers to the entry of new competitors and reinforcement of small and medium-sized competitors. Competition continues to expand to encompass financial and non-bank players such as credit-card companies, insurance companies, fintech companies, and other retail organizations. The open banking reform, the implementation of the Law for Increasing Competition in the Banking System (the "Strum Law"), and the Credit Data Law have also contributed to increased intensity of competition in this sector. The Bank continues to adapt its operating model to provide full responsiveness to its customers, according to the changes in their needs and characteristics, while providing full services in a wide range of areas and products, made accessible through a range of service channels.

Technological changes that may have a material impact on the segment

In 2022, the trend of increased customer preference for digital services continued, with continued growth in this area. Accordingly and in light of customer demand, the Bank continues to expand its digital capabilities and value offers.

Premarket trading on the Capital Market app – This quarter, a feature was added to the Capital Market app allowing trading orders to be sent during the premarket phase, so that customers who trade in securities listed on stock markets in the United States can trade through the application before the trading day begins.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

Heightened regulation has been evident in recent years, as part of the plan to increase competition in the banking market, which affects this segment. For further details, see Note 16 to the Condensed Financial Statements.

Table 6-1: Results of operations and principal data of the Private Customer Segment

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	NIS millions			
Total net interest income	**1,025**	490	**2,146**	1,475
Non-interest financing income	**1**	1	**6**	4
Total net financing profit	**1,026**	491	**2,152**	1,479
Fees and other income	**449**	360	**1,208**	1,078
Total income	**1,475**	851	**3,360**	2,557
Provision (income) for credit losses	**47**	(2)	**(7)**	(397)
Total operating and other expenses	**938**	957	**2,844**	2,836
Profit (loss) before taxes	**490**	(104)	**523**	118
Provision for taxes (tax benefit) on profit (loss)	**171**	(40)	**182**	43
Net profit (loss) attributed to shareholders of the Bank	**319**	(64)	**341**	75
Net credit to the public at the end of the reported period	**38,535**	37,887	**38,535**	37,887
Deposits from the public at the end of the reported period	**235,040**	225,512	**235,040**	225,512

Net profit attributed to the Private Customer Segment totaled NIS 341 million in the first nine months of 2022, compared with NIS 75 million in the same period last year. The change mainly resulted from an increase in net financing profit, offset by a decrease in income from credit losses compared with the same period last year.

Net financing profit totaled NIS 2,152 million in the first nine months of 2022, compared with NIS 1,479 million in the same period last year. The increase resulted from the effect of the increase in the shekel and dollar interest rates.

Income from fees and other income totaled NIS 1,208 million in the first nine months of 2022, compared with NIS 1,078 million in the same period last year. The increase mainly resulted from an increase in credit-card fees and account-management fees, partly offset by a decrease in capital-market fees.

Income from credit losses in the amount of NIS 7 million was recorded in the first nine months of 2022, compared with income in the amount of NIS 397 million in the same period last year. Most of the change resulted from higher income recorded in the comparison period, due to a decrease in the collective allowance, as a result of the improvement in macroeconomic parameters and the continued decrease in the volume of debts in deferral of payments.

Operating and other expenses of the segment totaled NIS 2,844 million in the first nine months of 2022, compared with NIS 2,836 million in the same period last year.

Net credit to the public totaled approximately NIS 38.5 billion as at September 30, 2022, compared with approximately NIS 39.1 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 235.0 billion as at September 30, 2022, compared with approximately NIS 225.8 billion as at December 31, 2021.

For additional information regarding credit risk with respect to private individuals, see "Credit risk" in the section "Review of risks" in the Report of the Board of Directors and Board of Management.

6.1.2. Small Business Segment

General information and segment structure

The Bank provides a range of banking services and financial products to small businesses. The segment's activities are conducted through the Bank's nationwide branch network and through the direct channels (see the section "Private Customer Segment" above). The branch network also provides necessary services to business customers of the Corporate and Commercial Segments.

Services for the segment's customers include routine account management, alongside extensive efforts aimed at support for and growth of this segment, including targeted credit tailored to customers' needs through a wide range of products.

Products and services

The Bank offers a wide range of products and services to its customers, within its strategy of focusing on the expansion of its activity in the Small Business Segment, including financing for business activities and a set of products and services for the expansion of a business, all integrated with advanced digital services offering solutions for routine business activities as well as financing needs. The Bank has also continued the activity of the Financial Growth Center, which provides small businesses across Israel with knowledge and tools for business management and growth.

Marketing and distribution

Marketing and distribution in Israel are conducted face-to-face or over the telephone at the Bank's branches, through Poalim by Telephone, and through the various digital properties, both proactively and in response to customers' inquiries. Marketing initiatives are also reflected in advertising in newspapers, on television, on the Internet, on the radio, on billboards, and at branches. In recent years, the Bank has significantly expanded its use of marketing via digital media, on the Internet and on mobile applications, which allows a targeted approach to customers according to their interests and the characteristics of their online activity.

Customers

The Small Business Segment provides financial services and products to small and mid-sized businesses from a wide range of economic sectors. The segment also handles the private accounts of business clients.

Competition

Activity in this segment requires expertise and in-depth familiarity with the customer in order to provide full, comprehensive, professional service and to manage credit risks. Over recent years, non-bank competitors have entered this field, such as credit-card companies and non-bank financiers, as well as fintech companies. The Bank works to continually adapt the products and services provided to its customers, and to provide access through a range of service channels.

Technological changes that may have a material impact on the segment

The growth trend in customers active on the digital channels and in the number of business and retail customers executing transactions using the digital properties continued in the first half of 2022.

New business application

The rollout of the new business application was expanded to all customers in the second quarter of 2022. The application brings easy banking to business clients, to provide relief and allow them to execute transactions for routine management of the business and obtain current information on everything happening in their business account efficiently and easily.

The new application provides simple access to all information and transactions for the management of a business account, a new design displaying all of the essential information in one place, and easy and quick transitions between areas (fund transfers, salaries, deposits, signing transactions, and more). The application is fast and convenient, and centers the business client and the way each client wants to manage their business account.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

For information regarding regulatory initiatives that may have an impact on the activity of the segment, see Note 16 to the Condensed Financial Statements.

Table 6-2: Results of operations and principal data of the Small Business Segment

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	NIS millions			
Total net interest income	**527**	323	**1,247**	959
Non-interest financing income	**2**	1	**5**	3
Total net financing profit	**529**	324	**1,252**	962
Fees and other income	**171**	139	**474**	416
Total income	**700**	463	**1,726**	1,378
Provision (income) for credit losses	**20**	(40)	**74**	(108)
Total operating and other expenses	**327**	341	**997**	998
Profit (loss) before taxes	**353**	162	**655**	488
Provision for taxes (tax benefit) on profit (loss)	**122**	56	**227**	178
Net profit (loss) attributed to shareholders of the Bank	**231**	106	**428**	310
Net credit to the public at the end of the reported period	**34,770**	32,003	**34,770**	32,003
Deposits from the public at the end of the reported period	**69,182**	63,198	**69,182**	63,198

Principal changes in net profit and balance sheet balances

Net profit attributed to the Small Business Segment totaled NIS 428 million in the first nine months of 2022, compared with NIS 310 million in the same period last year. The increase mainly resulted from an increase in net financing profit, offset by recognition of a provision for credit losses, compared with income from credit losses in the same period last year.

Net financing profit totaled NIS 1,252 million in the first nine months of 2022, compared with NIS 962 million in the same period last year. Most of the increase resulted from an increase in the volume of credit and deposits from the public, along with an increase in the shekel and dollar interest rates.

Income from fees totaled NIS 474 million in the first nine months of 2022, compared with NIS 416 million in the same period last year. The increase mainly resulted from an increase in credit-card fees, account-management fees, and conversion differences.

A provision for credit losses in the amount of approximately NIS 74 million was recorded in the first nine months of 2022, compared with income in the amount of approximately NIS 108 million in the same period last year. Most of the change resulted from recognition of income recorded in the comparison period against a decrease in the collective allowance, due to the improvement in macroeconomic parameters.

Operating and other expenses of the segment totaled NIS 997 million in the first nine months of 2022, compared with NIS 998 million in the same period last year.

Net credit to the public totaled approximately NIS 34.8 billion as at September 30, 2022, compared with approximately NIS 33.9 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 69.2 billion as at September 30, 2022, compared with approximately NIS 66.1 billion as at December 31, 2021.

6.1.3. Housing Loan Segment

General information and segment structure

The Bank offers housing loans to private customers, from Bank funds as well as through government assistance programs, at Mishkan representative offices within branches located nationwide.

Applications for in-principle approval of housing loans can also be submitted via digital channels and Poalim by Telephone.

Products and services

The main activity of this segment is granting housing loans. This activity is targeted to customers who apply for a loan for one of the following purposes:

- A loan for the acquisition, construction, expansion, or renovation of a home.
- A loan for the acquisition of land for the construction of a home, or acquisition of an interest in a home.
- A loan granted with a mortgage on a home, other than for business purposes.
- A loan for the prepayment of a loan as described above.

Mortgage underwriting is performed and examined based on four essential components: repayment capability, collateral (the proposed property to be pledged), financing rate, and spreads.

Marketing and distribution

Marketing and distribution are carried out through Mishkan representative offices within the branches of the Bank, as well as through Poalim by Telephone and Poalim Online. Marketing and distribution activities are also conducted through various media channels, such as billboards at construction sites.

Customers

The Bank grants housing loans to private and business customers with accounts at the Bank or at other banks.

Competition

The area of housing loans is characterized by a high level of competition. Housing loans are a significant economic transaction for households, and customers therefore tend to conduct market surveys and compare prices, on their own behalf or through external mortgage advisors. In this context, the Bank of Israel is promoting a significant consumer reform, through amendment of Proper Conduct of Banking Business Directive 451, which would affect all mortgage takers in Israel, on three levels: transparency of information for customers; ability to compare offers; and simplicity, ease of understanding, and efficiency in the mortgage taking process, as detailed below.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

- **Proper Conduct of Banking Business Directive 451, Procedures for Granting Housing Loans –** On August 31, 2022, the mortgage transparency reform of the Bank of Israel took effect, within an extensive amendment of Directive 451. Main topics of the update: a uniform structure for in-principle approvals; uniform mortgage packages for all banks; SLA of five business days (seven business days in exceptional cases) for in-principle approval; publication of an online calculator; online conduct; and additional accessible information, both for taking a mortgage and for considering whether it is worthwhile to refinance a mortgage. In accordance with the directive, an online calculator has been posted on the Bank's website, as of September 30, 2022, containing the required data under the amended directive.
- **Proper Conduct of Banking Business Directive 449, Simplification of Agreements for Customers –** An amendment of the directive took effect on August 31, 2022, aimed at adapting the method of calculation of the data regarding the "total predicted interest" (the actual cost of the credit) presented in the agreement simplification table (which serves as the first page of the loan contract) to the method of calculation established in the amendment to Directive 451, with the necessary modifications.
- **The Banking Law (Service to Customers) (Amendment 34) (Limit on Housing Loan Application Filing Fees), 2022 –** The Banking Law (Service to Customers) (Amendment 34), 2022, which limits the amount of the fee that banks are permitted to charge for opening a housing loan file to NIS 360, was published in the Official Gazette of the Israeli Government on June 22, 2022. The law took effect on August 22, 2022.

- **Draft amendments to Proper Conduct of Banking Business Directive 329, Limits on Granting Housing Loans, and Proper Conduct of Banking Business Directive 203, Credit Risk –** Drafts of Directives 329 and 203 were issued on October 2, 2022, describing principles for granting a "reverse mortgage" loan (a loan in which a residence is mortgaged, for borrowers over the age of 60, where the repayment date is not known in advance, and there are no monthly payments on the loan principal), and the risk weight to be applied thereto.

For additional information regarding regulatory initiatives that may have an impact on the activity of the segment, see Note 16 to the Condensed Financial Statements.

Table 6-3: Results of operations and principal data of the Housing Loan Segment

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	NIS millions			
Total net interest income	**348**	299	**1,010**	845
Fees and other income	**14**	19	**36**	43
Total income	**362**	318	**1,046**	888
Provision (income) for credit losses	**(4)**	9	**34**	(231)
Total operating and other expenses	**111**	106	**337**	299
Profit (loss) before taxes	**255**	203	**675**	820
Provision for taxes (tax benefit) on profit (loss)	**86**	68	**233**	298
Net profit (loss) attributed to shareholders of the Bank	**169**	135	**442**	522
Net credit to the public at the end of the reported period	**125,769**	109,462	**125,769**	109,462

Principal changes in net profit and balance sheet balances

Net profit attributed to the Housing Loan Segment totaled NIS 442 million in the first nine months of 2022, compared with NIS 522 million in the same period last year. The decrease mainly resulted from the recognition of a provision for credit losses, compared with income from credit losses in the same period last year, and from an increase in operating expenses, partly offset by an increase in net financing profit.

Net financing profit totaled NIS 1,010 million in the first nine months of 2022, compared with NIS 845 million in the same period last year. The increase mainly resulted from an increase in interest income, due to growth in the volume of credit.

A provision for credit losses in the amount of approximately NIS 34 million was recorded in the first nine months of 2022, compared with income in the amount of approximately NIS 231 million in the same period last year. Most of the change resulted from recognition of income recorded in the same period last year against a decrease in the collective allowance, due to the improvement in macroeconomic parameters and the continued decrease in the volume of debts in deferral of payments.

Operating and other expenses of the segment totaled NIS 337 million in the first nine months of 2022, compared with NIS 299 million in the same period last year.

Net credit to the public totaled approximately NIS 125.8 billion as at September 30, 2022, compared with approximately NIS 114.6 billion as at December 31, 2021. The increase mainly resulted from increased demand for housing loans during the reported period.

For additional information regarding risks in the housing-loan portfolio, see the section "Housing loans" in the chapter "Review of risks" in the Report of the Board of Directors and Board of Management.

6.1.4. Commercial Segment

General information and segment structure

The Commercial Segment provides a wide range of banking services to middle-market business clients. The segment operates through business centers for established customers and business centers for growing customers. Operational services for the segment's customers are provided by service centers.

In the first quarter of 2022, based on the decision to expand the Bank's focus on the high-tech sector, this activity was centralized in a new unit whose mission is to develop value offers for high-tech customers within the focus area, thereby also solidifying the Bank's market share. The unit provides banking services including credit and guarantees, foreign-currency activity, current accounts, etc.

Customers

The main areas of activity of the segment's customers are industry, commerce, and construction and real estate. These customers primarily operate in the domestic market; the segment also serves customers engaged in import and export activities.

Table 6-4: Management approach operating segments – results of operations and principal data of the Commercial Segment

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	NIS millions			
Total net interest income	**424**	312	**1,123**	886
Non-interest financing income	**(7)**	3	**(16)**	10
Total net financing profit	**417**	315	**1,107**	896
Fees and other income	**119**	113	**371**	324
Total income	**536**	428	**1,478**	1,220
Provision (income) for credit losses	**(11)**	6	**(77)**	(62)
Total operating and other expenses	**147**	148	**439**	436
Profit (loss) before taxes	**400**	274	**1,116**	846
Provision for taxes (tax benefit) on profit (loss)	**145**	100	**402**	321
Net profit (loss) attributed to shareholders of the Bank	**255**	174	**714**	525
Net credit to the public at the end of the reported period	**56,470**	49,568	**56,470**	49,568
Deposits from the public at the end of the reported period	**50,554**	46,597	**50,554**	46,597

Principal changes in net profit and balance sheet balances

Net profit attributed to the Commercial Segment totaled NIS 714 million in the first nine months of 2022, compared with NIS 525 million in the same period last year. The increase mainly resulted from an increase in net financing profit and an increase in income from fees and other income.

Net financing profit totaled NIS 1,107 million in the first nine months of 2022, compared with NIS 896 million in the same period last year. The increase mainly resulted from an increase in the volume of credit and deposits, and from the increase in the shekel and dollar interest rates.

Income from fees totaled NIS 371 million in the first nine months of 2022, compared with NIS 324 million in the same period last year. The increase mainly resulted from an increase in fees from financing transactions and an increase in credit-handling fees.

Income from credit losses in the amount of approximately NIS 77 million was recorded in the first nine months of 2022, compared with NIS 62 million in the same period last year.

Operating and other expenses of the segment totaled NIS 439 million in the first nine months of 2022, compared with NIS 436 million in the same period last year.

Net credit to the public totaled approximately NIS 56.5 billion as at September 30, 2022, compared with approximately NIS 52.8 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 50.6 billion as at September 30, 2022, compared with approximately NIS 49.4 billion as at December 31, 2021.

6.1.5. Corporate Segment

General information and segment structure

The Corporate Segment specializes in providing financial services to large corporations in Israel. Credit granting constitutes its principal area of activity. The segment operates through four sectors, each of which contains specialist Customer Relationship Managers (CRMs):

- Real estate;
- Industry, commerce, and hotels;
- Energy infrastructures and capital market;
- Project and infrastructure financing.

The sector also specializes in complex financing products, including foreign-trade financing, financing of working capital, financing of assets overseas, complex financing transactions, syndication, and credit-risk sales.

Also operating within the Corporate Banking Division is the Special Credit Area, which coordinates the handling of customers experiencing financial difficulties in the Corporate and Commercial Segments and endeavors to assist them in restructuring by providing business support.

Table 6-5: Management approach operating segments – results of operations and principal data of the Corporate Segment

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	NIS millions			
Total net interest income	**551**	401	**1,423**	1,129
Non-interest financing income	**18**	22	**47**	61
Total net financing profit	**569**	423	**1,470**	1,190
Fees and other income	**171**	151	**495**	434
Total income	**740**	574	**1,965**	1,624
Provision (income) for credit losses	**(68)**	(233)	**(617)**	(622)
Total operating and other expenses	**196**	181	**590**	536
Profit (loss) before taxes	**612**	626	**1,992**	1,710
Provision for taxes (tax benefit) on profit (loss)	**220**	230	**716**	647
Net profit (loss) attributed to shareholders of the Bank	**392**	396	**1,276**	1,063
Net credit to the public at the end of the reported period[1]	**103,604**	89,915	**103,604**	89,915
Deposits from the public at the end of the reported period	**81,638**	77,134	**81,638**	77,134

(1) Includes the balance of credit in respect of borrowing and lending activity and in respect of limiting of exposure in derivatives in the amount of approximately NIS 11,837 million as at September 30, 2022, and in the amount of approximately NIS 6,848 million as at September 30, 2021.

Principal changes in net profit and balance sheet balances

Net profit attributed to the Corporate Segment totaled NIS 1,276 million in the first nine months of 2022, compared with NIS 1,063 million in the same period last year. The increase mainly resulted from an increase in net financing profit, partly offset by an increase in operating and other expenses.

Net financing profit totaled NIS 1,470 million in the first nine months of 2022, compared with NIS 1,190 million in the same period last year. The increase mainly resulted from an increase in credit volumes and the increase in the shekel and dollar interest rates.

Income from fees totaled NIS 495 million in the first nine months of 2022, compared with NIS 434 million in the same period last year. The increase mainly resulted from an increase in capital-market fees and fees from financing transactions, partly offset by a decrease in syndication fees.

Income from credit losses in the amount of NIS 617 million was recorded in the first nine months of 2022, compared with income in the amount of NIS 622 million in the same period last year. The comparison period last year was mainly influenced by improvement in macroeconomic parameters, primarily due to lifting of the restrictions of the coronavirus period. The income in the reported period mainly resulted from income due to a decrease in the individual allowance and repayment of problematic debts.

Operating and other expenses of the segment totaled NIS 590 million in the first nine months of 2022, compared with NIS 536 million in the same period last year. The increase resulted from an increase in regular salary expenses in the segment.

Net credit to the public totaled approximately NIS 103.6 billion as at September 30, 2022, compared with approximately NIS 96.3 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 81.6 billion as at September 30, 2022, compared with approximately NIS 85.3 billion as at December 31, 2021.

6.1.6. International activity

General information

The international activity of the Bank Group includes the New York branch and representative offices in the United States, and Bank Pozitif in Turkey, as well as relationships with banks around the world.

Most of the international business banking activity of the Bank is conducted through the New York branch, which focuses on providing comprehensive banking services to Israeli companies operating in the United States, as well as to local companies and clients, including credit, foreign trade, deposits, and dealing-room services. The New York branch also offers its customers FDIC deposit insurance. The branch also grants credit through the acquisition of participations.

Activity with banks includes trading through dealing rooms, cooperation in foreign trade and international trade financing, project financing, clearing of payments, and capital-market services (see the section "Credit exposure to foreign financial institutions").

In the area of global private banking, the Bank is completing the process of discontinuing its operations overseas and closing its subsidiaries, as detailed below.

Main international banking units

New York branch

Most of the Bank Group's international business banking is conducted through the New York branch and through representative offices, as well as through relationships maintained with banks around the world. The New York branch has activity in the middle-market sector in the United States, through the development of relationships with and granting of direct credit to local commercial clients. The branch also operates in the syndication market, as a complementary activity.

Hapoalim (Switzerland) Ltd. (Hapoalim Switzerland)

In September 2017, the Bank decided to act to discontinue the activity of Hapoalim Switzerland; since then, its global private banking customer assets have been sold or transferred. At present, there are no remaining customers at Hapoalim Switzerland. The Bank is acting to return the banking license.

Hapoalim (Luxembourg) S.A. (Hapoalim Luxembourg)

The banking license of Hapoalim Luxembourg was returned to the European Central Bank in January 2021, and a liquidator was appointed for the company in October 2021.

Activity of the Bank in Turkey

The Bank Group holds Bank Pozitif, in Turkey, which is engaged in corporate banking.
In accordance with the strategy of the Bank, the Bank is acting to sell its investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.
Following the contentions of the minority shareholder of Pozitif and the legal proceedings initiated with the aim of revoking resolutions passed by the general meeting of Pozitif, the Bank, on January 31, 2022, signed an agreement with the minority shareholder pursuant to which the Bank would acquire the holdings of the minority shareholder (30.17%) in consideration for a total of USD 5 million, such that the Bank would hold 100% of the share capital of Bank Pozitif, and the parties would mutually waive contentions towards one another. The minority shareholder filed a motion with the court to withdraw its claim (which will be examined within the hearing scheduled for all of the claims later this year). The transaction was completed on March 10, 2022, and thereafter the Bank holds Bank Pozitif in full.
According to the estimates of the Bank, the transaction will help realize the process of withdrawing from activity in Turkey and contribute to the continued sound management of Bank Pozitif.
For details regarding the instructions of the Bank of Israel to raise the weighting rates of risk-adjusted assets and regarding the deduction of the credit line facility from supervisory capital, see Note 9J to the Condensed Financial Statements.

Legislative restrictions, standards, and special constraints applicable to international activity

The activity of the International Banking Segment in the various countries is subject to standards relevant to the nature of the activity of the Group in the countries in which its business is conducted (cross-border regulations), and to regulatory supervision by various government agencies in the countries in which the overseas offices of the Bank operate, including requirements concerning capital, holdings of liquid assets, compliance, the prohibition of money laundering, etc.

In addition, rules and limits are imposed by the Bank of Israel on the international activity of the Bank Group, pursuant to legislation and regulations, as well as the provisions of permits granted by the Bank of Israel for the acquisition of subsidiaries and/or opening of branches abroad.
For details regarding the conclusion of the investigation of the Bank Group's business with American customers and the FIFA affair, see Note 10C to the Condensed Financial Statements.

Table 6-6: Results of operations and principal data of the International Activity Segment

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	NIS millions			
Total net interest income	**189**	125	**476**	341
Non-interest financing income	**14**	1	**(1)**	1
Total net financing profit	**203**	126	**475**	342
Fees and other income	**6**	6	**21**	24
Total income	**209**	132	**496**	366
Provision (income) for credit losses	**33**	9	**84**	13
Total operating and other expenses	**119**	115	**320**	356
Profit (loss) before taxes	**57**	8	**92**	(3)
Provision for taxes (tax benefit) on profit (loss)	**22**	23	**49**	59
Net profit (loss):				
Before attribution to non-controlling interests	**35**	(15)	**43**	(62)
Attributed to non-controlling interests	**-**	2	**(1)**	5
Net profit (loss) attributed to shareholders of the Bank	**35**	(13)	**42**	(57)
Net credit to the public at the end of the reported period	**17,030**	14,405	**17,030**	14,405
Deposits from the public at the end of the reported period	**23,314**	19,981	**23,314**	19,981

Principal changes in net profit and balance sheet balances

Net profit attributed to the International Activity Segment totaled NIS 42 million in the first nine months of 2022, compared with a loss in the amount of NIS 57 million in the same period last year.

The principal changes in the results of international activity are set out below:

- Net profit of the New York branch totaled approximately NIS 110 million in the first nine months of 2022, compared with net profit of approximately NIS 67 million in the same period last year. The increase mainly resulted from an increase in net interest income, mainly due to the increase in the interest rate and an increase in credit balances.
- The loss of Hapoalim Switzerland totaled approximately NIS 45 million in the first nine months of 2022, compared with a loss in the amount of approximately NIS 115 million in the same period last year. The decrease mainly resulted from a decrease in expenses in connection with the reduction of activity and implementation of the resolution concerning the Bank Group's business with American customers.

Total net credit to the public in international activity amounted to approximately NIS 17.0 billion as at September 30, 2022, compared with approximately NIS 13.9 billion as at December 31, 2021.

- Net credit to the public at the New York branch totaled approximately NIS 16.9 billion as at September 30, 2022, compared with approximately NIS 13.7 billion as at December 31, 2021. Most of the credit and growth of credit are in activity in the middle-market sector.
- Net credit to the public at Bank Pozitif in Turkey totaled approximately NIS 0.1 billion as at September 30, 2022, compared with NIS 0.2 billion as at December 31, 2021.

Total deposits from the public in international activity amounted to approximately NIS 23.3 billion as at September 30, 2022, compared with approximately NIS 20.3 billion as at December 31, 2021, mostly originating with the New York branch.

6.1.7. Financial Management Segment

General information and structure

The activity of this segment includes:

- Activity in the banking book – Management of assets and liabilities, including the management of market and liquidity risks (for details regarding these risks, see the section "Review of risks" in the Report of the Board of Directors and Board of Management), through the establishment of internal transfer prices, investment portfolio management, issuance of bonds and subordinated notes, and the execution of transactions in derivative financial instruments. The segment's activity in the banking book is mostly conducted through the Asset and Liability Management (ALM) units in Israel and abroad, and through the Nostro Investment Management Unit, which is responsible for managing the portfolio of government and corporate bonds and the portfolio of shares, and for coordination of activity at the group level.
- Activity in the trading books – Market making and trading activity in the dealing rooms in the areas of foreign currency, interest rates, government bonds, and OTC derivatives.
- Trading activity with customers, in two areas:
    - Execution of transactions in securities and in tradable derivatives, through two dealing rooms: a dealing room for Israeli securities and a dealing room for foreign securities, as well as securities custody services.
    - OTC transactions in derivative financial instruments in NIS, foreign currency, interest rates, indices, and commodities through the dealing room. Service is provided to a range of customers, including institutional entities, business firms, selected private customers, and foreign customers, through dedicated desks providing personal service.
- The activity of this segment with customers also includes support for the development and pricing of sophisticated financial products. Awareness of the activities offered by the dealing room has grown steadily in recent years, leading the Bank to offer a broader range of products with a higher level of sophistication, such as derivatives, including interest-rate options in NIS, exotic options, and sophisticated interest-rate products.

Table 6-7: Management approach operating segments – results of operations and principal data of the Financial Management Segment[1]

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	**2022**	2021
	NIS millions			
Total net interest income	**572**	615	**2,114**	1,671
Non-interest financing income	**87**	184	**203**	783
Total net financing profit	**659**	799	**2,317**	2,454
Fees and other income	**33**	37	**118**	100
Total income	**692**	836	**2,435**	2,554
Provision (income) for credit losses	**28**	(1)	**45**	-
Total operating and other expenses	**123**	129	**354**	373
Profit (loss) before taxes	**541**	708	**2,036**	2,181
Provision for taxes (tax benefit) on profit (loss)	**195**	265	**677**	750
Profit (loss) after taxes	**346**	443	**1,359**	1,431
The Bank's share in profits of equity-basis investees, after taxes	**16**	12	**89**	39
Net profit (loss):				
Before attribution to non-controlling interests	**362**	455	**1,448**	1,470
Attributed to non-controlling interests	**-**	1	**-**	3
Net profit (loss) attributed to shareholders of the Bank	**362**	456	**1,448**	1,473
Net credit to the public at the end of the reported period	**5,404**	2,057	**5,404**	2,057
Deposits from the public at the end of the reported period	**67,971**	73,061	**67,971**	73,061

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.

Principal changes in net profit and balance sheet balances

Net profit attributed to the Financial Management Segment totaled NIS 1,448 million in the first nine months of 2022, compared with NIS 1,473 million in the same period last year.

Net financing profit of the segment totaled NIS 2,317 million in the first nine months of 2022, compared with NIS 2,454 million in the same period last year. The decrease mainly resulted from losses recorded from investment in shares, and from a change in the differences between the fair value of derivatives that are part of the asset and liability management of the Bank and the measurement of the same assets on an accrual basis, compared with profits in the same period last year. This decrease was partly offset by an increase in income from linkage differentials due to changes in the rate of the known CPI between the periods.

Fees and other income totaled NIS 118 million in the first nine months of 2022, compared with NIS 100 million in the same period last year.

Net credit to the public totaled approximately NIS 5.4 billion as at September 30, 2022, compared with approximately NIS 1.9 billion as at December 31, 2021. The increase primarily resulted from an increase in deposits to limit exposure from derivative instruments.
Deposits from the public totaled approximately NIS 68.0 billion as at September 30, 2022, compared with approximately NIS 78.1 billion as at December 31, 2021. The decrease mainly resulted from reduced balances of major depositors.

6.1.8. Adjustments

This section includes activities of the Bank Group with negligible volumes, each of which does not form a reportable segment. This includes, among other things: (1) the results of the subsidiaries Poalim Sahar Ltd. and Peilim Investment Portfolio Management Ltd.; (2) capital gains from the sale of buildings and equipment; (3) legal and other provisions and expenses in connection with the investigation of the Bank Group's business with American customers which are not attributed to international activity; (4) adjustments of inter-segmental activities.

Principal changes in net profit and balance sheet balances

Net profit attributed to the segment totaled NIS 91 million in the first nine months of 2022, compared with net profit in the amount of NIS 69 million in the same period last year. The increase mainly resulted from a decrease in operating expenses.
Fees and other income totaled NIS 183 million in the first nine months of 2022, compared with NIS 171 million in the same period last year.
Operating and other expenses of the segment totaled approximately NIS 45 million in the first nine months of 2022, compared with NIS 64 million in the same period last year. The decrease mainly resulted from a decrease in legal fees related to the investigation of the Bank Group's business with American customers.

6.2. Ratings of the Bank

The following ratings have been assigned to the Bank by rating agencies in Israel and abroad:

Table 6-8: Ratings

Bank Hapoalim

Rater	Rating subject	Rating	Rating outlook	Date of rating/ rating approval
Maalot	Long-term issuer rating	ilAAA	Stable	July 26, 2022
	Bonds (Series 100, 200)(1)	ilAAA		July 26, 2022
	Subordinated notes(2)	ilAA+		July 26, 2022
	Subordinated notes with a loss-absorption mechanism (Series E, F)(3)	ilAA		July 26, 2022
	Capital notes (Series C)(4)	ilAA-		July 26, 2022
Midroog	Long-term deposits	Aaa.il	Stable	November 9, 2022
	Short-term deposits	P-1.il		November 9, 2022
	Bonds (Series 100, 200)(1)	Aaa.il	Stable	November 9, 2022
	Subordinated notes(2)	Aa1.il	Stable	November 9, 2022
	Subordinated notes with a loss-absorption mechanism (Series E, F)(3)	Aa2.il(hyb)	Stable	November 9, 2022
International rating agency – S&P	Long-term issuer rating(5)	A	Stable	July 20, 2022
	Short-term issuer rating(5)	A-1		July 20, 2022
	Subordinated notes with a loss-absorption mechanism (Poalim $1 CoCo RM)(6)	BBB		July 20, 2022
International rating agency – Moody's	Long-term deposit rating	A2	Stable	July 26, 2022
	Short-term deposit rating	P-1		July 26, 2022
International rating agency – Fitch	Long-term issuer rating	A	Stable	March 28, 2022
	Short-term issuer rating	F1+		March 28, 2022
	Subordinated notes with a loss-absorption mechanism (Poalim $1 CoCo RM)(6)	BBB		March 28, 2022

(1) An identical rating was also given to bonds issued by Hapoalim Hanpakot (Series 32, 34, 35, 36), and assigned as a preliminary rating to Series 101 and 102 of bonds which the Bank is considering issuing.
(2) The rating refers to subordinated notes (Series N, O, P) issued by Hapoalim Hanpakot.
(3) An identical rating was also given to subordinated notes with a loss-absorption mechanism issued by Hapoalim Hanpakot (Series R, S, T, U), and assigned as a preliminary rating to Series G of subordinated notes with a loss-absorption mechanism which the Bank is considering issuing.
(4) This series was redeemed in full, in early redemption, on November 2, 2022; previously, it was traded on the Retzef Mosdi'im (TACT Institutional) system.
(5) As of August 2021, S&P assigns a rating identical to the rating of the Bank to the New York Hapoalim branch, which is not a separate legal entity.
(6) Traded on the Retzef Mosdi'im (TACT Institutional) system.

Table 6-8: Ratings (continued)

State of Israel

Rater	Long-term rating	Short term	Rating outlook
International rating agency – S&P	AA-	A-1+	Stable
International rating agency – Moody's	A1		Positive(1)
International rating agency – Fitch	A+	F1+	Stable

(1) In April 2022, Moody's upgraded its rating outlook for Israel from Stable to Positive.

6.3. Social involvement and contribution to the community; social banking

Bank Hapoalim, alongside its business operations, has been committed for many years to the advancement of the society and community of Israel, and has taken action to reduce inequalities and create equal opportunities.

Based on this approach, the Poalim Community Foundation, within the Social Banking Center, promotes hundreds of initiatives aimed at strengthening employment, education, and financial resilience and lessening inequalities for hundreds of thousands of adults, children, and adolescents from every part of Israel. This extensive activity is conducted through partnerships forged with non-profits and social organizations, and takes the form of community engagement, monetary donations, and money-equivalent contributions.

The community engagement of Poalim Community in the first nine months of 2022 was expressed in a cumulative financial expenditure of approximately NIS 21 million.

The Bank decided to continue to focus, this year, on promoting high-quality employment, to increase individuals' social mobility, independence, sense of capability, and well-being. This effort is conducted through high-quality training and job placement for people from socially and geographically peripheral regions; providing tools and guidance; supporting entrepreneurship, small businesses, and the high-tech industry; encouraging higher education; and empowering the generation of the future.

In the area of social mobility, it is evident that learning and higher education are levers for the reduction of social inequalities. The Bank has therefore chosen, again this year, to support training for twenty-first-century professions and encourage excellence by granting scholarships to students. The Bank supports three main ventures in this area:

- Poalim Success scholarship fund – The Bank provided tuition aid for approximately 100 students nationwide, with the aim of supporting young people with potential from socially and geographically peripheral regions of Israel and helping to expand the range of their future employment opportunities.
- Amanina – The Bank granted 60 scholarships to Arab students admitted to universities and academic colleges in Israel for undergraduate degrees.
- Saleh Falah Foundation – The Bank granted scholarships to 50 Druze students.

To endeavor to expand the impact of these programs, the students contribute to the community under the terms of the scholarships. The community activities include assistance for adolescents at Educating for Excellence centers, promoting digital literacy for senior citizens in the Arab community, and financial education for Druze adolescents.

Beyond the monetary scholarship, the students also benefit from workshops and other tools, financed by the Bank, for preparation for the world of future employment (in areas such as writing a resume, networking, and preparing for a job interview), within a training program held at the Bank Club.

The Bank also supported several programs promoting inclusion of young people and university graduates from population groups underrepresented in quality employment in the high-tech sector and at government ministries, including Kav Mashve, ITWorks, and more.

Within its support for small businesses, the Bank sponsors the Keren-Shemesh Business Community. The community provides support through mentoring to assist small-business owners in socially and geographically peripheral regions in making a living, for themselves and for others. The small business community met at a peak event, where the Entrepreneur of the Year Award was given, and representatives of the Bank awarded the Bank Hapoalim Business Success Award to a selected small business.

The Bank also supported two programs in collaboration with the non-profit organization Yozmot Atid: From Employee to Self-Employed, a program for salaried employees who wish to become self-employed; and East-West, a program for women from eastern and western Jerusalem.

Poalim Passover for Culture and Business in Israel – To make the culture and heritage of Israel accessible to every segment of Israeli society, and to help organizations and small businesses, the Bank invited all Israelis to travel during the holiday of Passover and visit a wide range of sites across the country, free of charge, for the seventeenth time.

Over 200,000 people visited dozens of museums, heritage sites, and small businesses in Southern Israel that were open to the public at no cost, at the initiative of the Bank and with its full sponsorship. Sixty day or night tours were also offered, nationwide, by licensed tour guides.

The Social Pop Up project was held at Ben Shemen Forest, for the first time, drawing more than 17,000 visitors.

Employee volunteering

Summer Youth project – During the summer, 1,192 teenaged children of employees participated in the project, volunteering at 248 community venues. Volunteers from the Bank distributed 750 food packages to elderly people and Holocaust survivors in advance of the Jewish holidays of the month of Tishrei. Total community volunteering hours: 47,680.

Matan Campaign – The first digital version of the campaign was introduced, after twenty years. 1,240 employees participated, donating a total of 130 vacation days and NIS 338,000, which the Bank matched from the Poalim Community Foundation, so that a total of NIS 676,000 was donated to the community through the campaign.

Financial growth

As of the third quarter of 2022, approximately 410,000 people have used content from the Financial Growth Center, receiving tools for astute financial behavior, free of charge, presented in some 940,000 pages of content.

Over 12,000 people participated in lectures held by the Bank this year, on a range of burning issues such as women's retirement and raising the retirement age for women, the women's investment community, negotiating to buy property in a boiling real-estate market, and more.

7. Appendices

7.1. Material developments in income and expenses by quarter

Table 7-1: Quarterly developments in total net financing profit

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions						
Interest income	**5,139**	4,304	3,403	2,813	3,071	3,209	2,591
Interest expenses	**(1,503)**	(1,117)	(687)	(352)	(506)	(701)	(358)
Net interest income	**3,636**	3,187	2,716	2,461	2,565	2,508	2,233
Non-interest financing income (expenses)	**115**	(19)	148	219	212	201	449
Total reported financing profit	**3,751**	3,168	2,864	2,680	2,777	2,709	2,682
Excluding effects not from regular activity:							
Income from realization and adjustments to fair value of bonds	**4**	(14)	46	37	57	49	59
Profit (loss) from investments in shares	**(59)**	(190)	30	94	120	92	293
Adjustments to fair value of derivative instruments(1)	**(199)**	(77)	(73)	(6)	(21)	(7)	29
Financing income (expenses) from tax hedging of investments overseas and hedges of currency exposures of non-monetary items, and others(2)	**(17)**	17	(49)	22	23	35	(37)
Total income from regular financing activity(3)	**4,022**	3,432	2,910	2,533	2,598	2,540	2,338

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.

(2) The effect of hedging the asymmetry in the tax liability in respect of exchange-rate differences in investments in subsidiaries overseas, which are not included in the income base for the calculation of the provision for tax, in contrast to exchange-rate differences in respect of financing sources. The Bank hedges against tax exposure in respect of investments overseas by establishing surplus financing sources against such investments.

(3) Financing profit excluding extraordinary effects, and excluding effects arising mainly from the timing of recording in accounting.
Of which, in respect of the effects of changes in the CPI: income of NIS 330 million in the third quarter of 2022; income of NIS 516 million in the second quarter of 2022; income of NIS 301 million in the first quarter of 2022; income of NIS 44 million in the fourth quarter of 2021; income of NIS 159 million in the third quarter of 2021; income of NIS 190 million in the second quarter of 2021; and income of NIS 12 million in the first quarter of 2021.

Table 7-2: Provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments, by quarter**

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions						
Individual provision for credit losses	**45**	121	149	223	112	129	89
Decrease in individual allowance for credit losses and recovery of charged off debts	**(196)**	(129)	(699)	(203)	(300)	(378)	(144)
Net individual provision (income) for credit losses	**(151)**	(8)	(550)	20	(188)	(249)	(55)
Net provision (income) in respect of the collective allowance for credit losses and net charge-offs	**196**	99	(50)	167	(64)	(398)	(453)
Total provision (income) for credit losses*	**45**	91	(600)	187	(252)	(647)	(508)
* Of which:							
Net provision (income) for credit losses in respect of commercial credit risk	**(22)**	76	(586)	189	(253)	(303)	(203)
Net provision (income) for credit losses in respect of housing credit risk	**(4)**	6	32	5	9	(172)	(68)
Net provision (income) for credit losses in respect of other private credit risk	**69**	(16)	(46)	(8)	(8)	(172)	(237)
Net provision (income) for credit losses in respect of risk of credit to banks and governments	**2**	25	-	1	-	-	-
Total provision (income) for credit losses	**45**	91	(600)	187	(252)	(647)	(508)
Provision as a percentage of total credit to the public:***							
Percentage of individual provision (income) for credit losses	**0.05%**	0.13%	0.16%	0.26%	0.13%	0.16%	0.11%
Gross provision (income) for credit losses as a percentage of the average recorded balance of credit to the public****	**0.25%**	0.24%	0.11%	0.45%	0.06%	(0.34%)	(0.47%)
Provision (income) for credit losses as a percentage of the average recorded balance of credit to the public	**0.05%**	0.10%	(0.66%)	0.21%	(0.30%)	(0.81%)	(0.66%)
Net charge-offs in respect of credit to the public as a percentage of the average recorded balance of credit to the public	**(0.03%)**	-	(0.06%)	0.06%	(0.21%)	(0.12%)	0.03%
Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public	**(1.85%)**	0.16%	(4.37%)	4.07%	(13.70%)	(7.76%)	1.62%

** Including in respect of housing credit.
*** Annualized.
**** The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged-off debts.

Table 7-3: Details of fees and other income, by quarter

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions						
Fees							
Account-management fees	**223**	218	211	217	197	192	187
Securities activity	**185**	193	210	203	186	194	221
Credit cards, net	**177**	93	69	75	75	70	55
Credit processing	**61**	51	56	59	53	46	62
Financing transaction fees	**163**	161	174	170	161	147	139
Conversion differences	**85**	82	77	83	70	65	70
Other fees	**90**	105	92	91	96	88	83
Total fees	**984**	903	889	898	838	802	817
Other income	**18**	17	95	56	29	22	82
Total fee income and other income	**1,002**	920	984	954	867	824	899

Table 7-4: Details of operating and other expenses, by quarter

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions						
Wages	**1,076**	1,068	1,161	919	1,153	1,165	1,096
Maintenance and depreciation of buildings and equipment	**382**	369	326	348	332	316	337
Others[(1)]	**514**	559	471	638	514	499	486
Total	**1,972**	1,996	1,958	1,905	1,999	1,980	1,919

(1) In the fourth quarter of 2021, an expense was included in respect of a settlement in connection with a class action concerning the investigation of the Bank Group's business with American customers, in the amount of NIS 50 million.

7.2. Rates of interest income and expenses

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1]

	For the three months ended September 30					
	2022			2021		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income*
	NIS millions		%	NIS millions		%
A. Average balances and interest rates						
Interest-bearing assets						
Credit to the public[3]:						
In Israel	**349,025**	**3,985**	**4.57%**	305,590	2,763	3.62%
Outside Israel	**17,827**	**245**	**5.50%**	15,156	151	3.99%
Total	**366,852**	**[4]4,230**	**4.61%**	320,746	[4]2,914	3.63%
Credit to governments:						
In Israel	**1,964**	**14**	**2.85%**	2,065	13	2.52%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,964**	**14**	**2.85%**	2,065	13	2.52%
Deposits with banks:						
In Israel	**4,913**	**11**	**0.90%**	2,247	9	1.60%
Outside Israel	**222**	**3**	**5.41%**	145	-	-
Total	**5,135**	**14**	**1.09%**	2,392	9	1.51%
Deposits with central banks:						
In Israel	**114,079**	**434**	**1.52%**	135,216	34	0.10%
Outside Israel	**8,821**	**51**	**2.31%**	11,935	5	0.17%
Total	**122,900**	**485**	**1.58%**	147,151	39	0.11%
Securities borrowed or purchased under agreements to resell:						
In Israel	**1,045**	**3**	**1.15%**	1,057	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,045**	**3**	**1.15%**	1,057	-	-

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Before deduction of the average balance sheet balance of the allowance for credit losses, including debts that do not accrue interest income.
(4) Fees in the amount of NIS 151 million were included in interest income in the three-month period ended September 30, 2022 (September 30, 2021: NIS 176 million).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended September 30					
	2022			2021		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income*
	NIS millions		%	NIS millions		%
A Average balances and interest rates (continued)						
Interest-bearing assets (continued)						
Bonds held to maturity and available for sale[3]:						
In Israel	**73,040**	**311**	**1.70%**	59,433	82	0.55%
Outside Israel	**3,656**	**22**	**2.41%**	3,106	8	1.03%
Total	**76,696**	**333**	**1.74%**	62,539	90	0.58%
Bonds held for trading[3]:						
In Israel	**7,716**	**61**	**3.16%**	1,924	6	1.25%
Outside Israel	**1**	**-**	**-**	2	-	-
Total	**7,717**	**61**	**3.16%**	1,926	6	1.25%
Other assets:						
In Israel	**356**	**(1)**	**(1.12%)**	186	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**356**	**(1)**	**(1.12%)**	186	-	-
Total interest-bearing assets	**582,665**	**5,139**	**3.53%**	538,062	3,071	2.28%
Non-interest-bearing debtors in respect of credit cards	**7,508**	**-**	**-**	7,171	-	-
Other non-interest-bearing assets[4]	**58,418**	**-**	**-**	44,790	-	-
Total assets	**648,591**	**-**	**-**	590,023	-	-
Total interest-bearing assets attributed to activities outside Israel	**30,527**	**321**	**4.21%**	30,344	164	2.16%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) The average balance of unrealized gains (losses) from adjustments to fair value of bonds held for trading and of gains (losses) from bonds available for sale, which are included in equity within accumulated other comprehensive income, in the amount of NIS (1,813) million for the three months ended September 30, 2022 (September 30, 2021: NIS 298 million), were deducted from (added to) the average balance of bonds available for sale and of bonds held for trading.
(4) Includes derivative instruments and other non-interest-bearing assets; net of the allowance for credit losses.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended September 30					
	2022			2021		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense*
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing liabilities						
Deposits from the public:						
In Israel	**278,859**	**1,003**	**1.44%**	251,616	236	0.38%
On demand	**138,600**	**349**	**1.01%**	133,954	10	0.03%
Fixed term	**140,259**	**654**	**1.87%**	117,662	226	0.77%
Outside Israel	**20,297**	**83**	**1.64%**	17,561	23	0.52%
On demand	**6,327**	**28**	**1.77%**	8,180	6	0.29%
Fixed term	**13,970**	**55**	**1.57%**	9,381	17	0.72%
Total	**299,156**	**1,086**	**1.45%**	269,177	259	0.38%
Deposits from the government:						
In Israel	**399**	**1**	**1.00%**	499	1	0.80%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**399**	**1**	**1.00%**	499	1	0.80%
Deposits from central banks:						
In Israel	**4,148**	**(1)**	**(0.10%)**	4,173	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**4,148**	**(1)**	**(0.10%)**	4,173	-	-
Deposits from banks:						
In Israel	**5,217**	**3**	**0.23%**	4,842	1	0.08%
Outside Israel	**86**	**1**	**4.65%**	165	-	-
Total	**5,303**	**4**	**0.30%**	5,007	1	0.08%
Securities lent or sold under agreements to repurchase:						
In Israel	**7,197**	**49**	**2.72%**	793	1	0.50%
Outside Israel	**2**	**-**	**-**	8	1	50.00%
Total	**7,199**	**49**	**2.72%**	801	2	1.00%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended September 30					
	2022			2021		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense*
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing liabilities (continued)						
Bonds:						
In Israel	**26,914**	**357**	**5.31%**	19,812	240	4.85%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**26,914**	**357**	**5.31%**	19,812	240	4.85%
Other liabilities:						
In Israel	**172**	**7**	**-**	1,033	3	-
Outside Israel	**-**	**-**	**-**	37	-	-
Total	**172**	**7**	**-**	1,070	3	-
Total interest-bearing liabilities	**343,291**	**1,503**	**1.75%**	300,538	506	0.67%
Non-interest-bearing deposits from the public	**225,997**	**-**	**-**	223,500	-	-
Non-interest-bearing creditors in respect of credit cards	**4,610**	**-**	**-**	7,815	-	-
Other non-interest-bearing liabilities[3]	**27,876**	**-**	**-**	15,850	-	-
Total liabilities	**601,774**	**-**	**-**	547,703	-	-
Total capital means	**46,817**	**-**	**-**	42,320	-	-
Total liabilities and capital means	**648,591**	**-**	**-**	590,023	-	-
Interest spread	**-**	**-**	**1.78%**	-	-	1.61%
Net return on interest-bearing assets[4]						
In Israel	**552,138**	**3,399**	**2.46%**	507,718	2,425	1.91%
Outside Israel	**30,527**	**237**	**3.11%**	30,344	140	1.85%
Total	**582,665**	**3,636**	**2.50%**	538,062	2,565	1.91%
Total interest-bearing liabilities attributed to activities outside Israel	**20,385**	**84**	**1.65%**	17,771	24	0.54%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Includes derivative instruments.
(4) Net return – net interest income divided by total interest-bearing assets.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the nine months ended September 30					
	2022			2021		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income*
	NIS millions		%	NIS millions		%
A. Average balances and interest rates						
Interest-bearing assets						
Credit to the public[3]:						
In Israel	**341,975**	**10,710**	**4.18%**	292,628	7,944	3.62%
Outside Israel	**16,861**	**597**	**4.72%**	14,752	438	3.96%
Total	**358,836**	**[4]11,307**	**4.20%**	307,380	[4]8,382	3.64%
Credit to governments:						
In Israel	**1,962**	**43**	**2.92%**	2,109	34	2.15%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,962**	**43**	**2.92%**	2,109	34	2.15%
Deposits with banks:						
In Israel	**4,347**	**39**	**1.20%**	3,543	32	1.20%
Outside Israel	**160**	**3**	**2.50%**	125	1	1.07%
Total	**4,507**	**42**	**1.24%**	3,668	33	1.20%
Deposits with central banks:						
In Israel	**127,601**	**620**	**0.65%**	129,460	97	0.10%
Outside Israel	**9,637**	**72**	**1.00%**	10,237	10	0.13%
Total	**137,238**	**692**	**0.67%**	139,697	107	0.10%
Securities borrowed or purchased under agreements to resell:						
In Israel	**1,023**	**3**	**0.39%**	941	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,023**	**3**	**0.39%**	941	-	-

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Before deduction of the average balance sheet balance of the allowance for credit losses, including debts that do not accrue interest income.
(4) Fees in the amount of NIS 456 million were included in interest income in the nine-month period ended September 30, 2022 (September 30, 2021: NIS 465 million).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the nine months ended September 30					
	2022			2021		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income*
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing assets (continued)						
Bonds held to maturity and available for sale[3]:						
In Israel	**63,418**	**589**	**1.24%**	57,691	275	0.64%
Outside Israel	**3,552**	**44**	**1.65%**	3,138	21	0.89%
Total	**66,970**	**633**	**1.26%**	60,829	296	0.65%
Bonds held for trading[3]:						
In Israel	**7,706**	**126**	**2.18%**	3,104	18	0.77%
Outside Israel	**1**	**-**	**-**	2	-	-
Total	**7,707**	**126**	**2.18%**	3,106	18	0.77%
Other assets:						
In Israel	**370**	**-**	**-**	322	1	0.41%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**370**	**-**	**-**	322	1	0.41%
Total interest-bearing assets	**578,613**	**12,846**	**2.96%**	518,052	8,871	2.28%
Non-interest-bearing debtors in respect of credit cards	**7,282**	**-**	**-**	6,777	-	-
Other non-interest-bearing assets[4]	**54,236**	**-**	**-**	42,896	-	-
Total assets	**640,131**	**-**	**-**	567,725	-	-
Total interest-bearing assets attributed to activities outside Israel	**30,211**	**716**	**3.16%**	28,254	470	2.22%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) The average balance of unrealized gains (losses) from adjustments to fair value of bonds held for trading and of gains (losses) from bonds available for sale, which are included in equity within accumulated other comprehensive income, in the amount of NIS (1,245) million for the nine months ended September 30, 2022 (September 30, 2021: NIS 326 million), were deducted from (added to) the average balance of bonds available for sale and of bonds held for trading.
(4) Includes derivative instruments and other non-interest-bearing assets; net of the allowance for credit losses.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[(1)] (continued)

	For the nine months ended September 30					
	2022			2021		
	Average balance[(2)]	Interest expenses	Rate of expense	Average balance[(2)]	Interest expenses	Rate of expense*
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing liabilities						
Deposits from the public:						
In Israel	**268,455**	**1,836**	**0.91%**	240,380	702	0.39%
On demand	**139,150**	**483**	**0.46%**	120,802	26	0.03%
Fixed term	**129,305**	**1,353**	**1.40%**	119,578	676	0.75%
Outside Israel	**19,545**	**149**	**1.02%**	17,183	80	0.62%
On demand	**7,187**	**44**	**0.82%**	7,428	20	0.36%
Fixed term	**12,358**	**105**	**1.13%**	9,755	60	0.82%
Total	**288,000**	**1,985**	**0.92%**	257,563	782	0.40%
Deposits from the government:						
In Israel	**569**	**4**	**0.94%**	569	3	0.70%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**569**	**4**	**0.94%**	569	3	0.70%
Deposits from central banks:						
In Israel	**4,164**	**(1)**	**(0.03%)**	3,283	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**4,164**	**(1)**	**(0.03%)**	3,283	-	-
Deposits from banks:						
In Israel	**5,449**	**7**	**0.17%**	4,566	6	0.18%
Outside Israel	**108**	**1**	**1.23%**	169	2	1.58%
Total	**5,557**	**8**	**0.19%**	4,735	8	0.23%
Securities lent or sold under agreements to repurchase:						
In Israel	**6,293**	**69**	**1.46%**	649	1	0.21%
Outside Israel	**2**	**-**	**-**	6	1	22.22%
Total	**6,295**	**69**	**1.46%**	655	2	0.41%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the nine months ended September 30					
	2022			2021		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense*
	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)						
Interest-bearing liabilities (continued)						
Bonds:						
In Israel	**26,674**	**1,227**	**6.13%**	21,466	765	4.75%
Outside Israel	**-**	**-**	**-**	4	-	-
Total	**26,674**	**1,227**	**6.13%**	21,469	765	4.75%
Other liabilities:						
In Israel	**366**	**15**	**-**	1,067	5	-
Outside Israel	**-**	**-**	**-**	25	-	-
Total	**366**	**15**	**5.46%**	1,092	5	0.61%
Total interest-bearing liabilities	**331,625**	**3,307**	**1.33%**	289,366	1,565	0.72%
Non-interest-bearing deposits from the public	**233,451**	**-**	**-**	210,314	-	-
Non-interest-bearing creditors in respect of credit cards	**4,568**	**-**	**-**	7,455	-	-
Other non-interest-bearing liabilities[3]	**25,448**	**-**	**-**	19,604	-	-
Total liabilities	**595,092**	**-**	**-**	526,739	-	-
Total capital means	**45,039**	**-**	**-**	40,986	-	-
Total liabilities and capital means	**640,131**	**-**	**-**	567,725	-	-
Interest spread	**-**	**-**	**1.63%**	-	-	1.56%
Net return on interest-bearing assets[4]						
In Israel	**548,402**	**8,973**	**2.18%**	489,798	6,919	1.88%
Outside Israel	**30,211**	**566**	**2.50%**	28,254	387	1.83%
Total	**578,613**	**9,539**	**2.20%**	518,052	7,306	1.88%
Total interest-bearing liabilities attributed to activities outside Israel	**19,655**	**150**	**1.02%**	17,387	83	0.64%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Includes derivative instruments.
(4) Net return – net interest income divided by total interest-bearing assets.

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended September 30					
	2022			2021		
	Average balance[2]	Interest income (expenses)	Rate of income (expense)	Average balance[2]	Interest income (expenses)	Rate of income (expense)*
	NIS millions		%	NIS millions		%
B. Average balances and interest rates – additional information regarding interest-bearing assets and liabilities attributed to activity in Israel						
Israeli currency unlinked						
Total interest-bearing assets	**431,529**	**3,378**	**3.13%**	408,566	1,969	1.93%
Total interest-bearing liabilities	**225,516**	**(583)**	**(1.03%)**	200,167	(85)	(0.17%)
Interest spread	**-**	**-**	**2.10%**	-	-	1.76%
Israeli currency CPI-linked						
Total interest-bearing assets	**60,927**	**1,070**	**7.02%**	52,864	776	5.87%
Total interest-bearing liabilities	**32,000**	**(485)**	**(6.06%)**	30,715	(347)	(4.52%)
Interest spread	**-**	**-**	**0.96%**	-	-	1.35%
Foreign currency (includes Israeli currency linked to foreign currency)						
Total interest-bearing assets	**59,682**	**370**	**2.48%**	46,288	162	1.40%
Total interest-bearing liabilities	**65,390**	**(351)**	**(2.15%)**	51,886	(50)	(0.39%)
Interest spread	**-**	**-**	**0.33%**	-	-	1.01%
Total activity in Israel						
Total interest-bearing assets	**552,138**	**4,818**	**3.49%**	507,718	2,907	2.29%
Total interest-bearing liabilities	**322,906**	**(1,419)**	**(1.76%)**	282,768	(482)	(0.68%)
Interest spread	**-**	**-**	**1.73%**	-	-	1.61%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the nine months ended September 30					
	2022			2021		
	Average balance[2]	Interest income (expenses)	Rate of income (expense)	Average balance[2]	Interest income (expenses)	Rate of income (expense)*
	NIS millions		%	NIS millions		%
B. Average balances and interest rates – additional information regarding interest-bearing assets and liabilities attributed to activity in Israel (continued)						
Israeli currency unlinked						
Total interest-bearing assets	**434,105**	**7,788**	**2.39%**	395,548	5,728	1.93%
Total interest-bearing liabilities	**220,132**	**(906)**	**(0.55%)**	189,465	(260)	(0.18%)
Interest spread	**-**	**-**	**1.84%**	-	-	1.75%
Israeli currency CPI-linked						
Total interest-bearing assets	**58,819**	**3,511**	**7.96%**	51,354	2,189	5.68%
Total interest-bearing liabilities	**31,422**	**(1,630)**	**(6.92%)**	32,017	(1,054)	(4.39%)
Interest spread	**-**	**-**	**1.04%**	-	-	1.29%
Foreign currency (includes Israeli currency linked to foreign currency)						
Total interest-bearing assets	**55,478**	**831**	**2.00%**	42,896	484	1.50%
Total interest-bearing liabilities	**60,416**	**(621)**	**(1.37%)**	50,498	(168)	(0.44%)
Interest spread	**-**	**-**	**0.63%**	-	-	1.06%
Total activity in Israel						
Total interest-bearing assets	**548,402**	**12,130**	**2.95%**	489,798	8,401	2.29%
Total interest-bearing liabilities	**311,970**	**(3,157)**	**(1.35%)**	271,980	(1,482)	(0.73%)
Interest spread	**-**	**-**	**1.60%**	-	-	1.56%

* Reclassified.
(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).

Table 7-5: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	For the three months ended September 30, 2022 vs. Three months ended September 30, 2021			For the nine months ended September 30, 2022 vs. Nine months ended September 30, 2021		
	Increase (decrease) due to change[2]		Net change	Increase (decrease) due to change[2]		Net change
	Quantity	Price		Quantity	Price	
	NIS millions					
C. Analysis of changes in interest income and expenses						
Interest-bearing assets						
Credit to the public:						
In Israel	**496**	**726**	**1,222**	**1,545**	**1,221**	**2,766**
Outside Israel	**37**	**57**	**94**	**75**	**84**	**159**
Total	**533**	**783**	**1,316**	**1,620**	**1,305**	**2,925**
Other interest-bearing assets:						
In Israel	**4**	**685**	**689**	**64**	**899**	**963**
Outside Israel	**(15)**	**78**	**63**	**(1)**	**88**	**87**
Total	**(11)**	**763**	**752**	**63**	**987**	**1,050**
Total interest income	**522**	**1,546**	**2,068**	**1,683**	**2,292**	**3,975**
Interest-bearing liabilities						
Deposits from the public:						
In Israel	**98**	**669**	**767**	**192**	**942**	**1,134**
Outside Israel	**11**	**49**	**60**	**18**	**51**	**69**
Total	**109**	**718**	**827**	**210**	**993**	**1,203**
Other interest-bearing liabilities:						
In Israel	**121**	**49**	**170**	**362**	**179**	**541**
Outside Israel	**(1)**	**1**	**-**	**(1)**	**(1)**	**(2)**
Total	**120**	**50**	**170**	**361**	**178**	**539**
Total interest expenses	**229**	**768**	**997**	**571**	**1,171**	**1,742**
Total interest income less interest expenses	**293**	**778**	**1,071**	**1,112**	**1,121**	**2,233**

(1) Data presented after the effect of hedging derivative instruments.
(2) The change attributed to change in quantity was calculated by multiplying the new price by the change in quantity. The change attributed to change in price was calculated by multiplying the old quantity by the change in price.

Active market

A market in which transactions in an asset or liability are executed at a sufficient frequency and volume in order to provide pricing information on a regular basis.

Average duration

Weighted average term to maturity of the principal and interest payments on a bond.

B2B

Business to business

A business activity in which a product is sold or a service is provided by an organization to another organization.

Basel 2/Basel 3

Risk-management regulations for banks, established by the Basel Committee, which supervises and sets standards for supervision of banks worldwide.

Bid-ask spread

The spread between a proposed buying and selling price. Essentially, the difference between the highest price that a buyer is willing to pay for an asset and the lowest price at which the seller is willing to sell it.

Bond

A security that constitutes a certificate of obligation to pay a debt, in which the issuer promises to pay the holder of the bond the amount of principal issued, plus interest/coupon payments, at fixed intervals or upon fulfillment of a particular condition; a financial instrument that can be used by the government and by firms to borrow money from the public.

CPI

Consumer price index

An index published by the Central Bureau of Statistics, measuring monthly changes in the prices of products and services that compose the "consumption basket" of an average family.

CVA

Credit valuation adjustment

Calculation of credit risk in derivatives reflecting the potential expected loss to the bank in the event of default by the counterparty.

Debt

A contractual right to receive money on demand, or at fixed or fixable intervals, recognized in the balance sheet of the banking corporation as an asset (e.g. deposits with banks, bonds, securities purchased or sold in agreements to resell, credit to the public, credit to the government, etc.). Debts do not include deposits with the Bank of Israel or assets in respect of derivative instruments.

Debt contingent on collateral

Debt expected to be repaid exclusively from the collateral, where there are no other available and reliable repayment sources.

Derivative instrument

A financial instrument or future contract, the value of which is derived from the value of an underlying asset, for which a market exists wherein its value can be determined.

Dormant shares

Shares held directly by the company itself. These shares are denied rights to capital or voting in the company.

FATCA

Foreign Accounts Tax Compliance Act

An American law aimed at improving tax enforcement, pursuant to which financial entities outside the United States must report to the US tax authorities on accounts maintained with them and owned by anyone obligated to report to these authorities, even if not a resident of the United States.

FDIC

Federal Deposit Insurance Corporation

The Federal Deposit Insurance Corporation in the United States.

Financial instrument

Any contract that creates a financial asset in one entity and a financial liability or equity instrument in another entity.

FINMA

Swiss Financial Market Supervisory Authority

The government agency that supervises financial institutions in Switzerland.

Fixed-term deposits

Deposits in which the depositor does not have the right or authorization to withdraw funds for at least six days from the date of the deposit.

GRI

Global Reporting Initiative

An international standard for reporting on sustainability and corporate social responsibility.

ICAAP

Internal Capital Adequacy Assessment Process

An internal process to assess capital adequacy and establish strategy to ensure the capital adequacy of banking corporations. The process is designed to ensure that banking corporations hold adequate capital to support all of the risks inherent in their activities, and that they develop and apply appropriate processes to manage risks. Among other elements, the process includes setting capital targets, performing capital planning processes, and examining the condition of capital under a variety of extreme scenarios.

Indebtedness

As defined in Proper Conduct of Banking Business Directive 313.

LDC

Less developed country

A country classified by the World Bank as having low or medium revenue.

LTV

Loan to value ratio

The amount of a loan (including an unutilized approved credit facility) as a percentage of the pledged asset (according to the banking corporation's share in the pledge).

MTM

Mark to market

Revaluation of a derivative instrument based on price quotes from relevant markets, or in the absence thereof, based on alternative evaluation methods.

NPL

Non-performing loan

Impaired credit not accruing interest income.

Obligo

Total indebtedness; total liabilities of the customer to the Bank.

Off-balance sheet credit

Commitments to grant credit and guarantees (excluding derivative instruments).

On-demand deposits

Deposits other than fixed-term deposits.

OTC derivative

Over-the-counter derivative

A derivative instrument in which financial institutions contract during the ordinary course of business, for which a market exists where its value can be determined.

Repurchase/resale agreements

Agreements to purchase or sell securities in consideration for cash or securities, in which, at the time of the transaction, the seller and the buyer agree to perform the reverse transaction at a date and price agreed upon in advance.

Securitization

Non-bank capital raising by a financial entity through special bonds reflecting the expected cash flows in respect of pooled loans.

Subordinated notes

Notes in which rights are subordinate to the claims of all other creditors of the banking corporation, excluding other notes and notes of the same type.

Supervisory capital

Supervisory capital comprises two tiers: Tier 1 capital and Tier 2 capital, as defined in Proper Conduct of Banking Business Directive 202.

Syndication

A transaction in which several lenders jointly grant a loan to a single borrower, but each lender provides a loan to the borrower in a specific amount and has the right to repayment by the borrower. Groups of lenders frequently finance loans together when the amount granted is higher than the amount that any one lender is willing to lend.

Tier 1 capital

Going-concern capital, including common equity Tier 1 capital and additional Tier 1 capital, as defined in Proper Conduct of Banking Business Directive 202.

Tier 2 capital

Gone-concern capital, as defined in Proper Conduct of Banking Business Directive 202.

VaR

Value at risk

A commonly used statistical model for the quantification of market risks. The model uses historical data to assess the maximum expected loss in respect of a particular position or portfolio, for a defined time horizon, at a defined significance level.