Q1
2022

Bank Hapoalim

Condensed Quarterly Financial Statements as at March 31, 2022

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Bank Hapoalim

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 May 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 March 31, 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 March 31, 2022

Equity	Profitability	Credit growth	Credit quality
11.17% Common equity Tier 1 capital ratio	**15.6%** Return on equity	**3.0%** Corporate and commercial credit	**0.92%** NPL*
43,230 NIS Shareholders' equity	**1,654 NIS** Net profit	**4.1%** Housing credit	**1.36%** 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 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 March 31		For the year ended December 31
	2022	2021	2021
Main performance indicators			
Return of net profit on equity attributed to shareholders of the Bank*[(1)]	**15.6%**	13.5%	11.8%
Return of net profit attributed to shareholders of the Bank on equity excluding extraordinary items*[(1)(2)]	**15.6%**	13.5%	11.9%
Return on average assets[(1)]	**1.05%**	0.99%	0.85%
Ratio of income[(3)] to average assets[(1)]	**2.43%**	2.63%	2.48%
Ratio of net interest income to average assets[(1)]	**1.72%**	1.64%	1.68%
Ratio of fees to average assets[(1)]	**0.56%**	0.60%	0.58%
Efficiency ratio – cost-income ratio	**50.9%**	53.6%	54.2%
Efficiency ratio – cost-income ratio excluding extraordinary items[(2)]	**50.9%**	53.6%	51.0%
Financing margin from regular activity[(1)(4)]	**1.91%**	1.80%	1.79%
Liquidity coverage ratio (LCR)	**123%**	139%	124%
Net stable financing ratio (NSFR)[(5)]	**134%**		**136%

	As at		
	March 31, 2022	March 31, 2021	December 31, 2021
Ratio of common equity Tier 1 capital to risk components[(6)]	**11.17%**	11.67%	10.96%
Ratio of total capital to risk components[(6)]	**14.44%**	14.65%	14.22%
Leverage ratio[(6)]	**6.12%**	6.65%	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 calculated 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 March 31, 2022, take into account the transitional directives for implementation of the accounting standards concerning 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 March 31		For the year ended December 31
	2022	2021	2021
Main credit quality indicators			
Allowance for credit losses as a percentage of credit to the public*	**1.36%**	1.82%	1.43%
Credit to the public, non-accruing or in arrears of 90 days or more, as a percentage of credit to the public*	**0.94%**	1.53%	1.20%
Net charge-offs as a percentage of average credit to the public	**(0.06%)**	0.03%	(0.06%)
Income in respect of credit losses as a percentage of average credit to the public	**(0.66%)**	(0.66%)	(0.37%)
	NIS millions		
Main profit and loss data			
Net profit attributed to shareholders of the Bank	**1,654**	1,354	4,914
Net profit attributed to shareholders of the Bank excluding extraordinary items(1)	**1,654**	1,354	4,957
Net interest income	**2,716**	2,233	9,767
Income in respect of credit losses	**(600)**	(508)	(1,220)
Net financing profit**	**2,864**	2,682	10,848
Non-interest income	**1,132**	1,348	4,625
Total income	**3,848**	3,581	14,392
Of which: fees	**889**	817	3,355
Operating and other expenses	**1,958**	1,919	7,803
Operating and other expenses excluding extraordinary items(1)	**1,958**	1,919	7,753
Of which: salaries and related expenses	**1,161**	1,096	4,333
Additional data			
Net profit per share attributed to shareholders of the Bank – basic (in NIS)	**1.24**	1.01	3.68
Total dividend per share (in agorot)(2)	**-**	-	110.65

* 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, 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 in arrears of 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		
	March 31, 2022	March 31, 2021	December 31, 2021
	NIS millions		
Main balance sheet data			
Total assets	**637,625**	554,398	638,781
Of which: Cash and deposits with banks	**178,317**	159,943	189,283
Securities	**68,604**	64,798	71,105
Net credit to the public	**364,257**	306,117	352,623
Net problematic credit risk	**8,077**	9,349	7,926
Credit to the public not accruing interest income (NPL)*	**3,394**	3,282	2,897
Total liabilities	**594,394**	513,540	596,034
Of which: Deposits from the public	**519,776**	455,394	525,072
Deposits from banks	**11,370**	6,942	11,601
Bonds and subordinated notes	**27,411**	21,415	25,582
Shareholders' equity	**43,230**	40,835	42,735
Additional data			
Share price at end of period (in NIS)	**31.8**	26.0	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 in arrears of 90 days or more are classified as non-accruing credit. If, for convenience, the balance of credit to the public not accruing interest income (NPL) as at December 31, 2021, were restated, the balance thereof 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 March 31, 2022.

1.4. Objectives and business strategy

In late 2021, the Board of Management and Board of Directors of the Bank approved the strategic plan; within this process, the objectives and business strategy for 2022-2024 were established. The plan approved constitutes 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 strategic plan 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 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 strategic plan 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 Bank estimates that the "distributed bank" scenario, in which financial services are distributed among banks and technological players, has a high probability of realization, 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.

Capital and liquidity targets are taken into consideration in the Bank's strategic and financial planning.

The vision of the Bank: Committed to growth through innovative and fair banking for our customers

The strategic plan was formulated as a reflection of the vision adopted by the Bank last year – "Committed to growth through innovative and fair banking for our customers."

Corporate strategy

The Bank will work to create growth in the volume of its activity with retail, commercial, and corporate banking customers. The growth plan is based on three main 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.

For more extensive information regarding the strategy of the Bank and its expression in the various areas of the Bank's activity, see the section "Objectives and business strategy" in the Report of the Board of Directors and Board of Management for 2021.

The bank is currently working to formulate a new strategic plan to guide its activity in the medium to long term.

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 macro conditions. Special importance should be accorded to the impacts of the spread of the coronavirus, worldwide and in Israel; to the condition of the global economy; to the economic, political, and security situation in Israel and in the region; and to 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

The world economy is now contending with the belated impacts of the coronavirus pandemic, and of the associated fiscal and monetary policies. Inflation rates soared sharply, initially in response to rising energy and commodity prices, but over time the price gain became more comprehensive. The outbreak of war in Ukraine in February contributed to an additional increase in energy and commodity prices, further exacerbating inflation. 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 and the expectation of continued rapid rate hikes led to downward adjustments of financial asset prices, including equities and bonds.

The United States economy contracted by 1.4%, in annualized terms, in the first quarter of 2022; moderate growth of 0.8% was recorded in the Eurozone, with high variance among member countries. In the labor markets, the number of people employed in the United States and Europe continued to rise, with employment rates nearing pre-crisis levels. However, despite the decrease in unemployment rates, the number of available jobs continues to rise. At the moment, economic data indicate a certain deceleration of growth, but the developments in the financial markets can be said to reflect worries over an economic downturn, due to the outbreak of inflation and the rising tensions in Europe.

Core inflation for the twelve months ended in March reached 6.5% in the United States, and 2.9% in the Eurozone. The central bank in the United States raised the interest rate in March, for the first time since 2010, from 0.25% to 0.5%. In May, the rate was raised again, to 1.0%. Federal Reserve board members, as well as the markets, expect additional rapid rate hikes later this year. In Europe too, a first increase in the interest rate is expected in the second half of this year.

The emerging markets showed a mixed trend. The increase in prices of fuel and food was severely harmful to weak populations in low-income countries; several emerging markets saw sharp acceleration in inflation, which hurt economic activity. In Russia and Ukraine, sharp contraction of product is expected due to the effects of the war, which are likely to spill over to countries that have extensive ties with Russia. The Chinese economy grew at a rate of approximately 6.8% in the first quarter of 2022, although some deceleration of growth has been apparent there in recent months, due to factors including an increase in coronavirus cases and lockdowns imposed on large areas of China.

Economic activity in Israel

Product contracted at an annualized rate of 1.6% in the first quarter, following exceptionally high growth rates in the preceding three quarters. The first part of the quarter was influenced by the coronavirus case wave caused by the Omicron variant; the war in Ukraine began in the later part of the quarter. The government decided not to impose restrictions on economic activity despite the high case rates, leading to a moderate impact of the coronavirus wave on the economy. With regard to the war in Ukraine, because Russia and Ukraine do not account for a large share of Israel's trade, the direct effect on the economy is not significant. The conflict led to a steep increase in energy prices in Europe, as well as an increase in prices of commodities, which are likely to affect the Israeli economy going forward. The global decrease in share prices and the increase in inflation led to a slight decrease in private consumption in the first quarter. Exports of goods and services also decreased. The residential real-estate market showed gains in investments in construction as well as in demand for homes. The increase in housing prices accelerated, to an annualized rate of 16.3%. The trend towards improvement in the labor market continued, with unemployment falling to 3.4% in March, similar to pre-pandemic levels. The number of available jobs is high, and wages in the business sector are trending up. Looking ahead, we see risk factors that may slow down activity and intensify risks. The high global inflation has led to a turning point in monetary policy and an increase in capital prices and risk premiums in financial markets. Inflation has eroded the purchasing power of the public, and the falling market prices are impairing the public's sense of wealth. However, the starting point for the economy is strong, including still-low inflation compared to the rest of the world, a low budget deficit, and a high rate of private savings.

Fiscal and monetary policy

A budget surplus of NIS 23.4 billion was accrued in the first quarter, compared with a deficit of NIS 23.3 billion in the same quarter last year. The cumulative budget deficit for the twelve months ended in March fell to 1.4% of GDP. The main explanation for the decrease in the deficit is a sharp increase in state tax revenues, due to the growth, the large number of real-estate deals, and the increase in asset prices.

The Bank of Israel interest rate remained unchanged at 0.1% in the first quarter, and was raised to 0.35% in the decision on April 11, 2022. In view of the high inflation and the expectation of further interest-rate increases in the United States and additional countries, the markets are pricing in expectations of continued increases in the interest rate in the coming months.

Inflation and exchange rates

The "known" consumer price index rose by 1.2% in the first quarter of 2022, a high rate compared to the typical seasonal characteristics of the first quarter of the year. The CPI for March 2022 was up by 0.6%, higher than the CPI for March of last year by 3.5%. The CPI for April rose by 0.8%. The increase in inflation is a global phenomenon that developed during 2021, and intensified in recent months due to the war in Ukraine. However, it is apparent that the present price gains are not just a reaction to supply-side shocks arising from impairment of delivery processes or increases in energy prices; the gains have become broader and include rising prices of domestic services. Inflation in Israel is still moderate relative to most developed countries, mainly due to a lack of dependence on global natural-gas prices.

The shekel depreciated by 2.1% against the US dollar in the first quarter, and by 0.1% against the currency basket. The Bank of Israel ended its foreign-currency purchasing plan in late 2021, and has not renewed it. In January 2022, the Bank of Israel purchased foreign currency at a value of USD 356 (not as part of a plan), but there were no purchases in February or March this year. In April 2022, the shekel depreciated by 4.4% against the dollar, mainly due to the global appreciation of the American currency, but also as a result of purchases of foreign currency by institutional entities in response to falling global equity prices.

Financial and capital markets

The rising inflation environment and the expectations of a restrictive monetary policy, combined with the tempering effects of the war between Russia and Ukraine on economic activity and commodity prices, weighed on world equity markets, while volatility increased. Overall in the first quarter of 2022, the S&P 500 index in the United States fell by 5.0% and the EuroStoxx 50 index fell by 9.2%, while the TA-125 index rose by 2.0%. Daily turnovers in shares and convertibles continued to rise, reaching NIS 2.6 billion in the first quarter of 2022, a steep increase compared with the average turnover in the first quarter of 2021. The declines in Israel and globally continued in April and May; from the end of March to mid-May, the S&P 500 index in the United States fell by 11.2%, and the Tel Aviv 125 index fell by 6.5%.

Long-term bond yields rose sharply in the first quarter of 2022. In the United States, yields of ten-year government bonds rose from 1.51% at the end of 2021 to 2.34% at the end of the first quarter of 2022. Yields rose in Israel too, with ten-year government bonds increasing from 1.24% to 2.17% during this period. The increase in yields continued all the more strongly in April and May 2022. As of May 15, yields had risen by approximately an additional 60 basis points in the United States, and by approximately 45 basis points in Israel.

Overall in the first quarter, the unlinked government bond index fell by 4.5%, while the CPI-linked government bond index fell by 3.9%. The corporate bond index fell by 2.3% during the quarter, while yield spreads against government bonds rose to approximately 1.66%. The expansion of spreads continued in April and May. Capital raising by non-financial Israeli companies through bonds totaled approximately NIS 13.3 billion, more moderate than in the second half of 2021, but a sharp increase compared with NIS 9.1 billion raised in the same quarter last year. Most of the increase in funding stemmed from companies in the real-estate sector. The increase in funding reflects the continued improvement in economic activity, alongside heightened expectations of an increase in the interest rate in Israel.

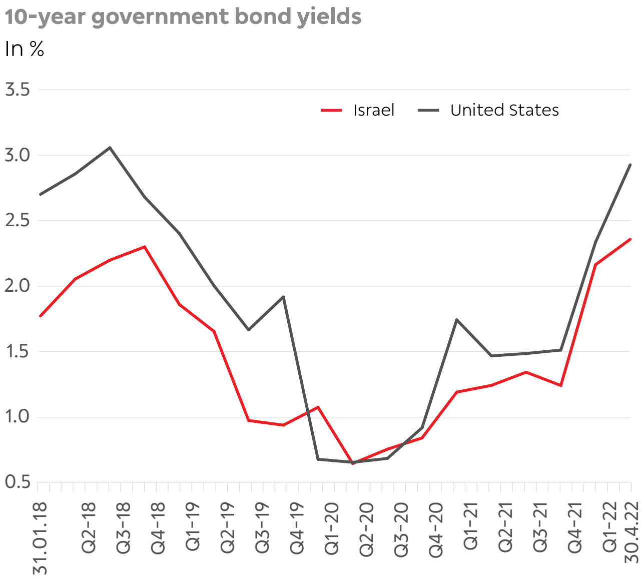
Table 2-1: Data regarding changes in the consumer price index and in exchange rates

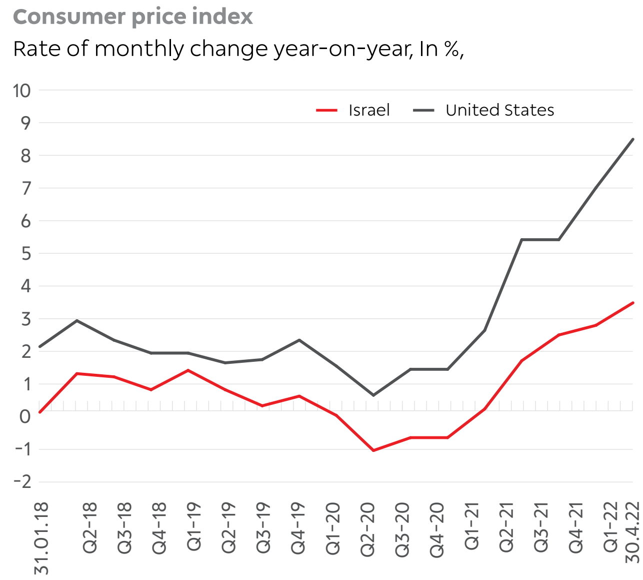
	For the three months ended March 31		For the year 2021
	2022	2021	
Rate of increase (decrease) in "known" CPI	**1.17%**	0.10%	2.40%
Rate of increase (decrease) in USD exchange rate	**2.12%**	3.70%	(3.27%)
Rate of increase (decrease) in EUR exchange rate	**0.11%**	(0.80%)	(10.76%)
Rate of increase (decrease) in CHF exchange rate	**0.88%**	(3.04%)	(6.72%)
Rate of increase (decrease) in TRY exchange rate	**(6.90%)**	(7.46%)	(46.11%)

Data regarding the Bank of Israel interest rate

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

Diagram 2-1: Government bond yields and the consumer price index





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, political, and health-related factors have 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 associated expansionary fiscal and monetary policies. Inflation rates soared sharply, initially in response to rising energy and commodity prices, but over time the price gain became more comprehensive. In the international political arena, the outbreak of war in Ukraine in February caused an increase in energy and commodity prices, further exacerbating global inflation. 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. The Bank and its customers are exposed to financial asset prices, which also affect the shareholders' equity of the Bank. As the struggle to lower inflation and the policies aimed at reining in inflation persist, the credit risks to which the Bank is exposed may also increase. In terms of the health-related aspect, while the various restrictions imposed due to the coronavirus outbreak have been lifted and routines have resumed, there is still concern over new coronavirus variants that may necessitate the reinstatement of some restrictions, which would impede economic activity.

In 2021, due to an increase in demand in the economy, combined with business decisions of the Bank, credit activity at the Bank grew significantly, including credit for construction and real estate; this led to a decrease in the capital ratio, the leverage ratio, and the liquidity ratio. The growth in credit slowed in the first quarter of 2022. In view of the various regulatory limits, the Bank applies various methods to manage the risk and comply with the limits, such as syndication transactions and the acquisition of insurance, to mitigate exposure. The Bank is in compliance with the aforesaid regulatory requirements.

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 and cyber incident risk:** 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. The 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. 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, with the primary aim of 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.), as well as from the incremental 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 formulated a strategic plan for 2024-2022, in continuation of the implementation of the previous strategic plan, with the necessary adjustments and revisions. Among other matters, the plan encompasses actions in the areas of 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, 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 1,654 million in the first three months of 2022, compared with profit in the amount of NIS 1,354 million in the same period last year. The increase in profit mainly resulted from an increase of approximately 7.5% in the total income of the Bank and an increase in income from credit losses.

Net return on equity attributed to shareholders of the Bank was 15.6% in the first three months of 2022, compared with 13.5% in the same period last year.

Table 2-2: Condensed statement of profit and loss

	For the three months ended		Change
	March 31, 2022	March 31, 2021	
	NIS millions		
Interest income	**3,403**	2,591	31.3%
Interest expenses	**(687)**	(358)	91.9%
Net interest income	**2,716**	2,233	21.6%
Non-interest financing income	**148**	449	(67.0%)
Net financing profit*	**2,864**	2,682	6.8%
Provision (income) for credit losses	**(600)**	(508)	18.1%
Net financing profit after provision for credit losses	**3,464**	3,190	8.6%
Fees and other income*	**984**	899	9.5%
Operating and other expenses	**1,958**	1,919	2.0%
Profit before taxes	**2,490**	2,170	14.7%
Provision for taxes on profit	**862**	826	4.4%
Profit after taxes	**1,628**	1,344	21.1%
The Bank's share in profits of equity-basis investees, after taxes	**27**	7	285.7%
Net profit:			
Before attribution to non-controlling interests	**1,655**	1,351	22.5%
Loss (profit) attributed to non-controlling interests	**(1)**	3	(133.3%)
Attributed to shareholders of the Bank	**1,654**	1,354	22.2%
Return of net profit**	**15.6%**	13.5%	15.2%

* 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
	March 31, 2022	March 31, 2021	
	NIS millions		
Interest income	**3,403**	2,591	31.3%
Interest expenses	**(687)**	(358)	91.9%
Net interest income	**2,716**	2,233	21.6%
Non-interest financing income	**148**	449	(67.0%)
Total reported financing profit	**2,864**	2,682	6.8%
Excluding effects not from regular activity:			
Income from realization and adjustments to fair value of bonds	**46**	59	(22.0%)
Profit from investments in shares	**30**	293	(89.8%)
Adjustments to fair value of derivative instruments(1)	**(73)**	29	(351.7%)
Financing expenses from tax hedging of investments overseas and hedges of currency exposures of non-monetary items(2)	**(38)**	(43)	(11.6%)
Other	**(11)**	6	(283.3%)
Total effects not from regular activity	**(46)**	344	(113.4%)
Total income from regular financing activity(3)	**2,910**	2,338	24.5%

(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 301 million in the first quarter of 2022, compared with income in the amount of NIS 12 million in the first quarter of 2021.

Profit from regular financing activity totaled NIS 2,910 million in the first three months of 2022, compared with a total of NIS 2,338 million in the same period last year. The increase resulted from the effect of the increase in credit volumes and an increase in income from linkage differentials, due to changes in the rate of the known CPI between the periods.

Total reported financing income amounted to NIS 2,864 million in the first three months of 2022, compared with a total of NIS 2,682 million in the same period last year, an increase of approximately 6.8%. The increase resulted from an increase in profit from regular financing activity, as noted above. By contrast, profits from investment in shares decreased, and a loss occurred 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.

Diagram 2-2: Net financing profit

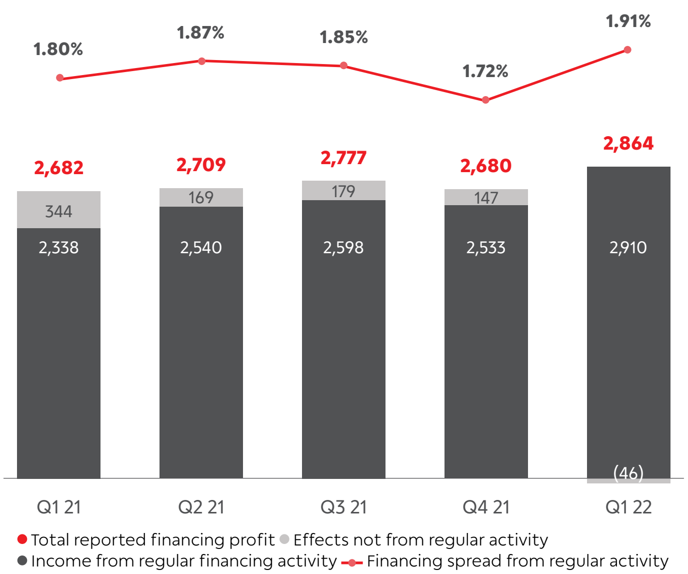


Table 2-4: Principal data regarding interest income and expenses

	For the three months ended			
	March 31, 2022		March 31, 2021	
	Interest income (expenses)	Rate of income (expense)	Interest income (expenses)	Rate of income (expense)*
	NIS millions/percent			
Interest income	**3,403**	**2.36%**	2,591	2.09%
Interest expenses	**(687)**	**(0.85%)**	(358)	(0.52%)
Net interest income	**2,716**	**1.51%**	2,233	1.57%
Net interest income as a percentage of the balance of interest-bearing assets		**1.89%**		1.80%

* 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 three 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. In addition, interest income increased due to an increase in credit volumes.

In the first three months of 2021, the ratio of net interest income to the balance of interest-bearing assets increased by 0.09% 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. On the other hand, a decrease occurred due to an increase in the average balance of interest-bearing assets, including an increase in the volume of liquid assets.

For further details, see the section "Rates of interest income and expenses" in the Corporate Governance Report.

The provision for credit losses amounted to income of approximately NIS 600 million in the first three months of 2022, compared with income in the amount of NIS 508 million in the same period last year.

The net individual provision amounted to income of approximately NIS 550 million in the first three months of 2022, compared with income in the amount of approximately NIS 55 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 income of approximately NIS 50 million in the first three months of 2022, compared with income in the amount of approximately NIS 453 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, and from the substantial decrease in the volume of debts in deferral of payments.

The income in the first quarter of 2022 was mainly influenced by a decrease in the inventory of debts in default and the improvement in risk indicators in the portfolio, concurrently with continued growth of the portfolio and corresponding macroeconomic growth.

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	
	March 31, 2022	March 31, 2021
	NIS millions	
Individual provision for credit losses	**149**	89
Decrease in individual allowance for credit losses and recovery of charged off debts	**(699)**	(144)
Net individual provision (income) for credit losses	**(550)**	(55)
Net provision (income) in respect of the collective allowance for credit losses and net charge-offs	**(50)**	(453)
Total provision (income) for credit losses*	**(600)**	(508)
* Of which:		
Net provision (income) for credit losses in respect of commercial credit risk	**(586)**	(203)
Net provision (income) for credit losses in respect of housing credit risk	**32**	(68)
Net provision (income) for credit losses in respect of other private credit risk	**(46)**	(237)
Net provision (income) for credit losses in respect of risk of credit to banks and governments	**-**	-
Total provision (income) for credit losses	**(600)**	(508)
	%	
Provision (income) as a percentage of total credit to the public:[1]		
Percentage of individual provision (income) for credit losses	**0.16%**	0.11%
Gross provision (income) for credit losses as a percentage of the average recorded balance of credit to the public[2]	**0.11%**	(0.47%)
Provision (income) for credit losses as a percentage of the average recorded balance of credit to the public	**(0.66%)**	(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	**(0.06%)**	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	**(4.37%)**	1.62%

(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 984 million in the first three months of 2022, compared with NIS 899 million in the same period last year.

Income from operating fees totaled NIS 889 million in the first three months of 2022, compared with NIS 817 million in the same period last year. The increase derived from most areas of activity, with an emphasis on an increase in account-management fees and an increase of approximately 25% in fees from financing transactions, mainly due to an increase in business activity. Fees from securities activity remained high, similar to the trend seen in 2021, due to high turnovers in the capital market.

Other income totaled NIS 95 million in the first three months of 2022, compared with NIS 82 million in the same period last year. The increase mainly resulted from capital gains from the sale of real-estate properties.

Table 2-6: Details of fees and other income

	For the three months ended		Change
	March 31, 2022	March 31, 2021	
	NIS millions		
Fees			
Account-management fees	**211**	187	12.8%
Securities activity	**210**	221	(5.0%)
Credit cards, net	**69**	55	25.5%
Credit processing	**56**	62	(9.7%)
Financing transaction fees	**174**	139	25.2%
Conversion differences	**77**	70	10.0%
Other fees	**92**	83	10.8%
Total operating fees	**889**	817	8.8%
Total others	**95**	82	15.9%
Total operating income and other income	**984**	899	9.5%

Operating and other expenses totaled NIS 1,958 million in the first three months of 2022, compared with NIS 1,919 million in the same period last year.

Table 2-7: Details of operating and other expenses

	For the three months ended		Change
	March 31, 2022	March 31, 2021	
	NIS millions		
Wages	**1,161**	1,096	5.9%
Maintenance and depreciation of buildings and equipment	**326**	337	(3.3%)
Other expenses	**471**	486	(3.1%)
Total operating and other expenses	**1,958**	1,919	2.0%

Salary expenses totaled NIS 1,161 million in the first three months of 2022, compared with NIS 1,096 million in the same period last year, an increase of 5.9%. The increase in salary expenses mainly resulted from an increase in the expense for bonuses, due to an increase in return rates, and an increase in the provision for vacations compared with the same period last year.

Expenses for maintenance and depreciation of buildings and equipment totaled NIS 326 million in the first three months of 2022, compared with NIS 337 million in the same period last year, a decrease of approximately 3.3%, which mainly resulted from a decrease in maintenance expenses due to a reduction in space.

Other expenses totaled NIS 471 million in the first three months of 2022, compared with NIS 486 million in the same period last year. The decrease mainly resulted from a decrease in legal expenses in connection with the investigation of the Bank Group's business with American customers, as well as from a decrease in expenses due to the reduction of activities outside Israel.

The provision for taxes on profit from continued operations totaled NIS 862 million in the first three months of 2022, compared with a total of NIS 826 million in the same period last year; the increase mainly resulted from an increase in profit before tax.

The Bank's share in profits of equity-basis investees after tax amounted to profit of NIS 27 million in the first three months of 2022, compared with profit in the amount of NIS 7 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 totaled profit in the amount of NIS 1 million in the first three months of 2022, compared with a loss in the amount of NIS 3 million in the same period last year.

Net profit attributed to shareholders of the Bank totaled NIS 1,654 million in the first three months of 2022, compared with a total of NIS 1,354 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 1.24 in the first three months of 2022, compared with NIS 1.01 in the same period last year.

2.2.2. Developments in comprehensive income

Table 2-8: Comprehensive income

	For the three months ended	
	March 31, 2022	March 31, 2021
	NIS millions	
Net profit before attribution to non-controlling interests	**1,655**	1,351
Net profit (loss) attributed to non-controlling interests	**1**	(3)
Net profit attributed to shareholders of the Bank	**1,654**	1,354
Other comprehensive income (loss) before taxes:		
Net adjustments in respect of bonds available for sale at fair value	**(1,508)**	(582)
Adjustments of employee benefit liabilities*	**321**	(17)
Other comprehensive income (loss) before taxes	**(1,187)**	(599)
Effect of related tax	**390**	204
Other comprehensive loss before attribution to non-controlling interests, after taxes	**(797)**	(395)
Net of other comprehensive income attributed to non-controlling interests	**1**	-
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes	**(798)**	(395)
Comprehensive income before attribution to non-controlling interests	**858**	956
Comprehensive income (loss) attributed to non-controlling interests	**2**	(3)
Comprehensive income attributed to shareholders of the Bank	**856**	959

* 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 856 million in the first three months of 2022, compared with a total of NIS 959 million in the same period last year. The decrease in comprehensive income in the quarter was influenced by a decrease in the amount of approximately NIS 1.5 billion in adjustments in respect of bonds available for sale, due to an increase of approximately 1.3% in the shekel interest rate and an increase of approximately 1.2%-1.6% in the dollar interest rate for medium-range average durations. This decrease was 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.

Note that the increase in shekel and dollar interest-rate curves continued in the early second quarter of 2022, leading to an additional decrease in the amount of approximately NIS 0.4 billion (before tax) in adjustments of government bonds near the date of publication of the financial statements. An offsetting effect resulted from the increase in the interest rate used to discount employee benefit liabilities, in the amount of NIS 0.3 billion (before tax) near the date of publication of the financial statements.

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

The consolidated balance sheet as at March 31, 2022, totaled NIS 637.6 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
	March 31, 2022	December 31, 2021	
	NIS millions		
Total assets	**637,625**	638,781	(0.2%)
Net credit to the public	**364,257**	352,623	3.3%
Cash and deposits with banks	**178,317**	189,283	(5.8%)
Securities	**68,604**	71,105	(3.5%)
Deposits from the public	**519,776**	525,072	(1.0%)
Bonds and subordinated notes	**27,411**	25,582	7.2%
Shareholders' equity	**43,230**	42,735	1.2%

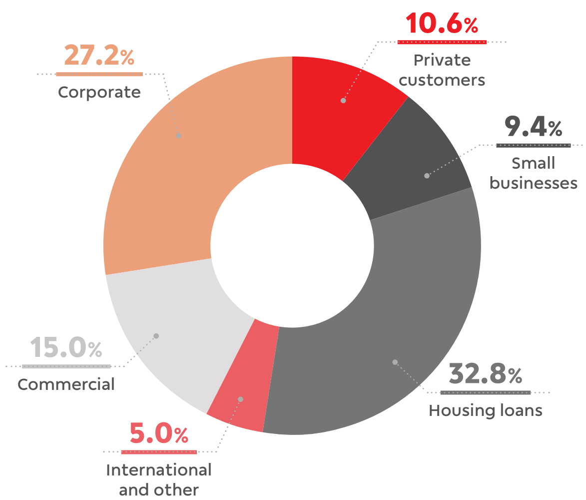
2.3.1. Structure and development of assets and liabilities

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
	March 31, 2022	December 31, 2021	
	NIS millions		
Private customers	**38,655**	39,139	(1.2%)
Small businesses	**34,357**	33,899	1.4%
Housing loans	**119,298**	114,633	4.1%
Commercial	**54,700**	52,758	3.7%
Corporate	**98,924**	96,335	2.7%
International activity	**14,593**	13,946	4.6%
Financial management	**3,730**	1,913	95.0%
Total	**364,257**	352,623	3.3%

Diagram 2-3: Segmentation of credit by principal segment as at March 31, 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)]

	March 31, 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)]	**3,405**	**772**	**4,177**	3,973	812	4,785	3,635	812	4,447
Substandard credit risk	**1,128**	**123**	**1,251**	963	152	1,115	1,366	152	1,518
Special mention credit risk	**3,446**	**763**	**4,209**	3,213	658	3,871	3,148	658	3,806
Total problematic credit risk*	**7,979**	**1,658**	**9,637**	8,149	1,622	9,771	8,149	1,622	9,771
Net problematic credit risk	**6,691**	**1,386**	**8,077**	6,363	1,433	7,796	6,468	1,458	7,926
* Of which, accruing debts in arrears of 90 days or more[(4)]	**71**	**-**	**71**	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 in arrears of 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 in arrears of 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.

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
	March 31, 2022	December 31, 2021	
	NIS millions		
Off-balance sheet financial instruments, excluding derivatives			
Documentary credit	**1,745**	1,996	(12.6%)
Guarantees and other commitments*	**73,843**	69,533	6.2%
Unutilized credit-card credit facilities under the Bank's responsibility	**10,831**	11,333	(4.4%)
Unutilized revolving overdraft and other credit facilities in on-demand accounts*	**39,547**	41,534	(4.8%)
Irrevocable commitments to grant credit approved but not yet provided, and commitments to provide guarantees	**89,598**	97,741	(8.3%)

* Includes off-balance sheet credit risk in the amount of approximately NIS 38,069 million, in respect of which insurance was acquired from foreign insurance companies (December 31, 2021: NIS 11,053 million).

Off-balance sheet financial instruments decreased in the first three months of 2022. The decrease was influenced by most types of instruments, and 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 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 68.6 billion as at March 31, 2022, compared with approximately NIS 71.1 billion at the end of 2021, a decrease of approximately 3.5%, which mainly resulted from the sale of government bonds during the first quarter of 2022 and a decrease in the value of these bonds.

Income from realization and adjustments to fair value of bonds in the amount of approximately NIS 46 million was recorded in the first three months of 2022, compared with income in the amount of approximately NIS 59 million in the same quarter 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 1,456 million was recorded in respect of changes in the value of bonds, compared with a decrease in the amount of approximately NIS 486 million in the same quarter last year. The changes in value of bonds in the available-for-sale portfolio were allocated to the capital reserve. The increase in shekel and dollar interest-rate curves continued in the early second quarter of 2022, leading to an additional decrease in the amount of approximately NIS 0.4 billion (before tax) in the value of government bonds near the date of publication of the financial statements.

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 amounts to a negative balance of approximately NIS 388 million. This balance will continue to be presented in shareholders' equity, and will be 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 3.9 billion, reflecting a continued trend of growth in investments in 2021, and an increase in the value of the shares.

Profit in the amount of approximately NIS 30 million was recorded in respect of the share portfolio of the Bank in the first three months of 2022, compared with profit in the amount of approximately NIS 293 million in the same quarter last year. The decrease mainly resulted from profits recorded from revaluation of shares in the same quarter 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							
March 31, 2022								
Israeli government bonds	**3,279**	**4.8%**	**32,539**	**47.4%**	**4,523**	**6.6%**	**40,341**	**58.8%**
US government bonds	**1,577**	**2.3%**	**15,024**	**21.9%**	**285**	**0.4%**	**16,886**	**24.6%**
Government bonds – other foreign countries	**-**	**-**	**1,143**	**1.7%**	**2**	**0.0%**	**1,145**	**1.7%**
Total government bonds	**4,856**	**7.1%**	**48,706**	**71.0%**	**4,810**	**7.0%**	**58,372**	**85.1%**
Corporate bonds – Israel	**300**	**0.4%**	**-**	**-**	**-**	**-**	**300**	**0.4%**
Corporate bonds – foreign countries	**-**	**-**	**4,998**	**7.3%**	**1,056**	**1.5%**	**6,054**	**8.8%**
Total corporate bonds	**300**	**0.4%**	**4,998**	**7.3%**	**1,056**	**1.5%**	**6,354**	**9.2%**
Shares	**-**	**-**	**3,878**	**5.7%**	**-**	**-**	**3,878**	**5.7%**
Total securities	**5,156**	**7.5%**	**57,582**	**84.0%**	**5,866**	**8.5%**	**68,604**	**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%

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

	Balance as at March 31, 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	**373**	**5.9%**	447	6.7%
Industry	**824**	**13.0%**	1,050	15.7%
Electricity and water supply	**195**	**3.1%**	359	5.4%
Information and communications	**209**	**3.3%**	222	3.3%
Banks and financial institutions	**4,181**	**65.7%**	3,843	57.5%
Commerce	**-**	**0.0%**	41	0.6%
Transportation and storage	**212**	**3.3%**	318	4.8%
Other sectors	**360**	**5.7%**	402	6.0%
Total corporate bonds	**6,354**	**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
	March 31, 2022	December 31, 2021	
	NIS millions		
Deposits from the public	**519,776**	525,072	(1.0%)
Deposits from banks	**11,370**	11,601	(2.0%)
Deposits from the government	**605**	752	(19.6%)
Total	**531,751**	537,425	(1.1%)

The balance of deposits totaled approximately NIS 531.8 billion as at March 31, 2022, compared with a total of approximately NIS 537.4 billion at the end of 2021. The decrease mainly resulted from a decrease in balances of major depositors.

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 for which the Bank Group provides custody, management, operational, and advisory services

	Balance as at		Change
	March 31, 2022	December 31, 2021	
	NIS millions		
Securities[(1)]	**759,761**	769,900	(1.3%)
Mutual fund assets[(2)]	**101,012**	102,810	(1.7%)

(1) Including securities balances of provident funds and mutual funds for which the Bank Group provides custody services.
(2) Value of assets of mutual funds receiving services related to account management at various volumes.

The decrease in volume of securities of customers of the Bank Group in the first quarter of 2022 was mainly influenced by the decrease in the markets.

Bonds and subordinated notes totaled approximately NIS 27.4 billion as at March 31, 2022, compared with approximately NIS 25.6 billion at the end of 2021, an increase of approximately 7.1%. 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.

For additional information, see the section "Capital adequacy," below.

Table 2-17: Details of bonds and subordinated notes

	March 31, 2022		December 31, 2021	
	Balance sheet value	Of which: tradable*	Balance sheet value	Of which: tradable
	NIS millions			
Subordinated notes	**11,673**	**9,629**	11,211	9,580
Bonds	**15,738**	**15,738**	14,371	14,371
Total bonds and subordinated notes	**27,411**	**25,367**	25,582	23,951

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

Table 2-18: Derivative instruments

	March 31, 2022			December 31, 2021		
	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value	Notional value
	NIS millions					
Interest contracts	**5,225**	**5,479**	**444,043**	4,075	4,566	401,309
Currency contracts	**5,473**	**5,848**	**370,560**	6,282	7,263	356,848
Share-related contracts	**3,153**	**3,054**	**180,087**	2,624	2,558	157,552
Commodity and service contracts (including credit derivatives)	**23**	**23**	**1,186**	3	3	198
Total	**13,874**	***14,404**	**995,876**	12,984	*14,390	915,907

* Of which: net fair value of liabilities in respect of embedded derivatives in the amount of NIS 19 million (December 31, 2021: NIS 40 million), included in the balance sheet in the item "deposits from the public."

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 March 31, 2022, is NIS 1,336,485,845 par value, composed of ordinary shares of par value NIS 1 each. This is the issued capital excluding 891,266 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. Since the first quarter of 2017, 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, in accordance with the growth strategy of the Bank, as detailed below.

In view of the notification of the Banking Supervision Department of March 29, 2020, and its temporary order (see Section 2 concerning capital adequacy, below) in connection with the spread of the coronavirus, the Board of Directors of the Bank resolved, on March 31, 2020, that in light of the uncertainty in macroeconomic conditions, and in order to comply with the purpose of the directives and policy of the Banking Supervision Department, until the end of the period of the temporary order and until conditions were clearer, the Bank would continue to refrain from performing distributions from ongoing earnings.

On July 26, 2021, the Banking Supervision Department issued a circular updating the temporary order. On September 30, 2021, the Supervisor of Banks extended the period of validity of the temporary order until December 31, 2021. The explanatory materials noted, among other matters, that distribution in an amount greater than 30% of the profits of a bank (in 2020 and 2021) would not be considered cautious and conservative capital planning, and that such distribution would also be possible during the period of validity of the temporary order. It was also noted that banking corporations were expected to continue to use the capital and liquidity surpluses they enjoyed in order to increase credit and support economic activity, rather than for distribution.

On December 27, 2021, the Banking Supervision Department issued an update of the temporary order pursuant to which the temporary order would expire as of January 1, 2022, with respect to dividend distribution.

Further to foregoing, on August 1, 2021, the Board of Directors of the Bank announced the distribution of dividends in the amount of NIS 616.8 million, constituting 30% of the net profit of the Bank in 2020. In addition, at the date of approval of the financial statements for the third quarter, the Board of Directors approved distribution of a dividend at a rate of 30% of the profits of the third quarter of 2021 (a total of NIS 362 million), with added distribution of NIS 500 million in respect of profits accrued in the first half of 2021, i.e. total distribution in the amount of NIS 862 million, paid out on December 8, 2021.

Further to the trends seen in 2021, during the first quarter demand for credit in the economy remained high in most segments of activity, particularly housing and corporate credit.

In accordance with its growth strategy and risk appetite, the Bank directed capital resources to respond to this demand. In addition, shekel and dollar interest-rate curves rose sharply, which influenced capital reserves and partly offset the effect of the profit for the period. The trend of market volatility is also evident in the period following the end of the quarter, along with rising uncertainty in the global and local economic environment, including in connection with a possible deceleration in global activity. In light of all of the foregoing and in view of the prioritization of continued implementation of the growth strategy, the Board of Directors resolved to retain existing and accumulated capital surpluses, at this stage, and to refrain from declaring dividend distribution this quarter, despite the level of the reported capital ratios.

The Bank aspires to return to a trajectory of ongoing dividend distribution soon, while maintaining balanced growth, and estimates that the level of capital ratios of the Bank, as reflected in this report, and the scope of growth are important milestones on the path towards potentially renewing dividend distribution in respect of the second quarter of 2022 and going forward. Distributions and the rate thereof are subject, among other matters, to the results of the Bank, market trends and developments, macroeconomic conditions, and the effect of the implementation of future regulatory directives, as well as compliance with legal tests.

Table 2-19: Details of dividends paid

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
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 is being 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 was 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 March 31, 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 10.5% (except during the period of the Temporary Order of the Bank of Israel aimed at coping with the coronavirus crisis, in which the internal capital target and the capital ratio required by the Banking Supervision Department were lowered by 1%).

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:

- Actuarial changes resulting from changes in the interest rate for the calculation of the Bank's liabilities, or other actuarial assumptions.
- 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.

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 0.3 billion, respectively. The sensitivity of the capital reserve arising from adjustments for actuarial changes, net, after tax effect, to a theoretical increase in the discount rate is estimated at an increase in the amount of approximately NIS 0.3 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 subordinated notes bear interest at a rate of 0.84%.

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 initial 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

	March 31, 2022	March 31, 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(1)	**43,494**	41,012	42,772
Additional Tier 1 capital	**-**	244	244
Total Tier 1 capital(1)	**43,494**	41,256	43,016
Tier 2 capital	**12,737**	10,216	12,490
Total overall capital(1)	**56,231**	51,472	55,506
2. Weighted balances of risk-adjusted assets			
Credit risk(2)	**362,795**	324,431	363,588
Market risks	**3,693**	3,852	4,097
Operational risk	**22,964**	23,090	22,595
Total weighted balances of risk-adjusted assets(2)	**389,452**	351,373	390,280
		%	
3. Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components	**11.17%**	11.67%	10.96%
Ratio of Tier 1 capital to risk components	**11.17%**	11.74%	11.02%
Ratio of total capital to risk components	**14.44%**	14.65%	14.22%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department(3)	**10.23%**	9.23%	9.21%
Minimum total capital ratio required by the Banking Supervision Department(3)	**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. The data also include adjustments in respect of the efficiency plans, allocated in equal parts over five years, beginning at the inception date thereof. For additional details regarding the effect of the efficiency plan adjustments, see Note 9I to the Condensed Financial Statements. In addition, the data include adjustments in respect of the effect of the initial implementation of accounting principles concerning estimated credit losses, which are to be gradually reduced until December 31, 2024; for further details, see Note 9K to the Condensed Financial Statements.

(2) A total of NIS 253 million as at March 31, 2022, NIS 275 million as at December 31, 2021, and NIS 503 million as at March 31, 2021, was deducted from the total weighted balances of risk-adjusted assets, due to adjustments in respect of the efficiency plans, which, in accordance with the approval of the Banking Supervision Department, are allocated gradually over five years from inception. In addition, a total of NIS 358 million as at March 31, 2022, was deducted from the total weighted balances of risk-adjusted assets in respect of the effect of the initial implementation of accounting principles concerning expected credit losses.

(3) 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 above in this section), were 9.0% and 12.5%, respectively. A capital requirement was 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 common equity Tier 1 capital as at March 31, 2022, mainly resulted from net profit for the period, a decrease in off-balance sheet credit balances, and an increase in the scope of credit insurance and guarantees. This increase was offset by the growth in credit and the decrease in capital reserves.

(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 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). Implementation of the directive begins on the date of its publication. The period of validity of the Temporary Order was extended until June 30, 2022. Subsequently, the relief continues to apply until December 31, 2023, provided that the leverage ratio does not fall below the lower of the leverage ratio on June 30, 2022, and the minimum leverage ratio applicable to the banking corporation prior to the Temporary Order (6.0%, as noted).

A circular was issued on May 15, 2022, extending the period of the relief until December 31, 2023; after that date, the requirement is to return to the leverage ratio required prior to the Temporary Order (6.0%, as noted) within two quarters.

Table 2-21: Leverage ratio

	March 31, 2022	March 31, 2021	December 31, 2021
	NIS millions		
Consolidated data			
Tier 1 capital*	**43,494**	41,256	43,016
Total exposures*	**710,706**	620,054	713,511
	%		
Leverage ratio	**6.12%**	6.65%	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 March 31, 2022, estimated at approximately 0.03%, is allocated 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 initial implementation of accounting principles concerning estimated credit losses, which are to be 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 March 31, 2022, is estimated at approximately 0.04%.

The increase in the leverage ratio as at March 31, 2022, resulted from a decrease in exposures, mainly due to a decrease in balances of cash and deposits with banks and an increase in Tier 1 capital.

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 March 31, 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	**754**	**14**	**537**	**229**	**373**	**34**	**798**	**-**	**2,739**	**125**	**2,864**
Fees and other income	**302**	**41**	**239**	**86**	**142**	**27**	**24**	**113**	**974**	**10**	**984**
Total income	**1,056**	**55**	**776**	**315**	**515**	**61**	**822**	**113**	**3,713**	**135**	**3,848**
Provision (income) for credit losses	**(14)**	**-**	**(15)**	**(180)**	**(401)**	**-**	**-**	**-**	**(610)**	**10**	**(600)**
Operating and other expenses	**903**	**47**	**479**	**106**	**151**	**37**	**110**	**32**	**1,865**	**93**	**1,958**
Profit (loss) before taxes	**167**	**8**	**312**	**389**	**765**	**24**	**712**	**81**	**2,458**	**32**	**2,490**
Provision for taxes (tax benefit) on profit (loss)	**55**	**2**	**106**	**137**	**273**	**8**	**236**	**34**	**851**	**11**	**862**
Net profit (loss) attributed to shareholders of the Bank	**112**	**6**	**206**	**252**	**492**	**16**	**503**	**47**	**1,634**	**20**	**1,654**
Balance of gross credit to the public at the end of the reported period	**153,741**	**830**	**61,217**	**39,245**	**94,816**	**3,103**	**-**	**-**	**352,952**	**16,341**	**369,293**
Balance of deposits from the public at the end of the reported period	**159,779**	**35,401**	**95,548**	**35,426**	**82,416**	**90,791**	**-**	**-**	**499,361**	**20,415**	**519,776**

(1) Includes housing loans in the amount of NIS 21.3 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 March 31, 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	709	10	493	195	297	23	835	-	2,562	120	2,682
Fees and other income	294	39	218	69	113	25	35	96	889	10	899
Total income	1,003	49	711	264	410	48	870	96	3,451	130	3,581
Provision (income) for credit losses	(305)	-	(26)	(44)	(141)	2	-	-	(514)	6	(508)
Operating and other expenses	873	44	457	99	143	38	99	36	1,789	130	1,919
Profit (loss) before taxes	435	5	280	209	408	8	771	60	2,176	(6)	2,170
Provision for taxes (tax benefit) on profit (loss)	176	2	107	86	173	3	245	22	814	12	826
Net profit (loss) attributed to shareholders of the Bank	259	3	173	123	235	5	535	38	1,371	(17)	1,354
Balance of gross credit to the public at the end of the reported period	134,155	563	54,678	32,400	73,468	1,528	-	-	296,792	14,988	311,780
Balance of deposits from the public at the end of the reported period	159,088	34,216	83,920	30,339	57,245	71,414	-	-	436,222	19,172	455,394

(1) Includes housing loans in the amount of NIS 18.3 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 shareholders of the Bank in the Household Segment totaled NIS 112 million in the first quarter of 2022, compared with NIS 259 million in the same quarter last year. The decrease mainly resulted from a decrease in income from credit losses, compared with the same quarter last year, offset by an increase in net financing profit.

Net financing profit totaled NIS 754 million in the first quarter of 2022, compared with NIS 709 million in the same quarter last year. The increase resulted from an increase in interest income due to growth in the volume of credit, mainly housing credit.

Income from credit losses in the amount of approximately NIS 14 million was recorded in the first quarter of 2022, compared with NIS 305 million in the same quarter last year. Most of the decrease resulted from higher income recorded in the comparison quarter in the collective allowance, including in respect of housing loans, due to the improvement in macroeconomic parameters and the continued decrease in the volume of debts in deferral of payments, which led to a decrease in collective allowance rates, in addition to the continued downward trend in automatic charge-offs and a decrease in provisions recorded on an individual basis.

Operating and other expenses of the segment totaled NIS 903 million in the first quarter of 2022, compared with NIS 873 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates, and an increase in the provision for vacations, compared with the same quarter last year.

Credit to the public totaled approximately NIS 153.7 billion as at March 31, 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 159.8 billion as at March 31, 2022, compared with approximately NIS 156.8 billion as at December 31, 2021.

Private Banking Segment

Net profit attributed to shareholders of the Bank in the Private Banking Segment totaled NIS 6 million in the first quarter of 2022, compared with NIS 3 million in the same quarter last year. The increase mainly resulted from an increase in net financing profit, offset by an increase in operating and other expenses.

Net financing profit totaled NIS 14 million in the first quarter of 2022, compared with NIS 10 million in the same quarter last year. The increase mainly resulted from an increase in the volume of activity.

Operating and other expenses of the segment totaled NIS 47 million in the first quarter of 2022, compared with NIS 44 million in the same quarter last year. The increase mainly resulted from an increase in bonus expenses, as a result of higher return rates compared with the same quarter last year.

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

Deposits from the public totaled approximately NIS 35.4 billion as at March 31, 2022, compared with NIS 33.9 billion as at December 31, 2021.

Small Business and Microbusiness Segment

Net profit attributed to shareholders of the Bank in the Small Business and Microbusiness Segment totaled NIS 206 million in the first quarter of 2022, compared with NIS 173 million in the same quarter last year. Most of the increase resulted from an increase in net financing profit in comparison to the same quarter last year, and from an increase in fees and other income. This increase was partly offset by an increase in operating and other expenses.

Net financing profit totaled NIS 537 million in the first quarter of 2022, compared with NIS 493 million in the same quarter last year. The increase resulted from an increase in credit balances.

Fees and other income totaled NIS 239 million in the first quarter of 2022, compared with NIS 218 million in the same quarter last year. The increase mainly resulted from an increase in account-management fees and fees from financing transactions, partly offset by a decrease in capital-market fees.

Income from credit losses in the amount of NIS 15 million was recorded in the first quarter of 2022, compared with NIS 26 million in the same quarter last year. Most of the decrease resulted from higher income recorded in the comparison quarter in the collective allowance, due to the improvement in macroeconomic parameters.

Operating and other expenses of the segment totaled NIS 479 million in the first quarter of 2022, compared with NIS 457 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates, and an increase in the provision for vacations, compared with the same quarter last year.

Credit to the public totaled approximately NIS 61.2 billion as at March 31, 2022, compared with approximately NIS 60.3 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 95.5 billion as at March 31, 2022, compared with approximately NIS 94.9 billion as at December 31, 2021.

Mid-sized Business Segment

Net profit attributed to shareholders of the Bank in the Mid-sized Business Segment totaled NIS 252 million in the first quarter of 2022, compared with NIS 123 million in the same quarter last year. The increase mainly resulted from an increase in income from credit losses compared with the same quarter last year, and from an increase in net financing profit.

Net financing profit totaled NIS 229 million in the first quarter of 2022, compared with NIS 195 million in the same quarter last year. The increase mainly resulted from an increase in credit balances.

Fees and other income totaled NIS 86 million in the first quarter of 2022, compared with NIS 69 million in the same quarter last year. The increase mainly resulted from an increase in fees from financing transactions.

Income from credit losses in the amount of approximately NIS 180 million was recorded in the first quarter of 2022, compared with NIS 44 million in the same quarter last year. Most of the increase resulted from a decrease in the individual allowance.

Operating and other expenses totaled approximately NIS 106 million in the first quarter of 2022, compared with NIS 99 million in the same quarter last year. The increase mainly resulted from an increase in expenses, due to an increase in bonus expenses, as a result of higher return rates compared with the same quarter last year.

Credit to the public totaled approximately NIS 39.2 billion as at March 31, 2022, compared with approximately NIS 38.3 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 35.4 billion as at March 31, 2022, compared with approximately NIS 33.6 billion as at December 31, 2021.

Large Business Segment

Net profit attributed to shareholders of the Bank in the Large Business Segment totaled NIS 492 million in the first quarter of 2022, compared with NIS 235 million in the same quarter last year. The increase mainly resulted from an increase in income from credit losses compared with the same quarter last year, and from an increase in net financing profit.

Net financing profit totaled NIS 373 million in the first quarter of 2022, compared with NIS 297 million in the same quarter last year. The increase mainly resulted from an increase in credit balances.

Fees and other income totaled NIS 142 million in the first quarter of 2022, compared with NIS 113 million in the same quarter last year. The increase mainly resulted from an increase in fees from financing transactions.

Income from credit losses in the amount of approximately NIS 401 million was recorded in the first quarter of 2022, compared with NIS 141 million in the same quarter last year. The increase mainly resulted from a decrease in the individual allowance.

Operating and other expenses of the segment totaled approximately NIS 151 million in the first quarter of 2022, compared with NIS 143 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates compared with the same quarter last year.

Credit to the public totaled approximately NIS 94.8 billion as at March 31, 2022, compared with approximately NIS 89.4 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 82.4 billion as at March 31, 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 shareholders of the Bank in the Institutional Entity Segment totaled NIS 16 million in the first quarter of 2022, compared with NIS 5 million in the same quarter last year. The increase mainly resulted from an increase in net financing profit.

Net financing profit totaled NIS 34 million in the first quarter of 2022, compared with NIS 23 million in the same quarter last year.

Credit to the public totaled approximately NIS 3.1 billion as at March 31, 2022, compared with approximately NIS 4.2 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 90.8 billion as at March 31, 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 shareholders of the Bank in the Financial Management Segment totaled NIS 503 million in the first quarter of 2022, compared with NIS 535 million in the same quarter last year. The decrease mainly resulted from a decrease in net financing profit.

Net financing profit totaled NIS 798 million in the first quarter of 2022, compared with NIS 835 million in the same quarter last year. The decrease mainly resulted from a decrease in profits from investment in shares, and from loss recorded 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, compared with profit in the same period last year. This decrease was 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 24 million in the first quarter of 2022, compared with NIS 35 million in the same quarter last year.

Other Segment (activity in Israel)

Net profit attributed to shareholders of the Bank in the segment totaled NIS 47 million in the first quarter of 2022, compared with net profit in the amount of NIS 38 million in the same quarter last year. The increase mainly resulted from an increase in capital gains from the sale of real-estate properties.

Fees and other income totaled NIS 113 million in the first quarter of 2022, compared with NIS 96 million in the same quarter last year. The increase resulted from an increase in other income from capital gains from the sale of real-estate properties.

International Activity Segment

Net profit attributed to shareholders of the Bank in the International Activity Segment totaled NIS 20 million in the first quarter of 2022, compared with a loss in the amount of NIS 17 million in the same quarter 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 43 million in the first quarter of 2022, compared with net profit of approximately NIS 20 million in the same quarter last year. The change mainly resulted from an increase in income, due to an increase in volumes of credit to the public and lower financing costs on deposits.
- The loss of Hapoalim Switzerland totaled approximately NIS 19 million in the first quarter of 2022, compared with a loss in the amount of approximately NIS 41 million in the same quarter last year. The decrease in loss resulted from a decrease in legal expenses in connection with the Bank Group's business with American customers, and a decrease in expenses arising from the process of closure of the activity.

Total credit to the public in international activity amounted to approximately NIS 16.3 billion as at March 31, 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 16.1 billion as at March 31, 2022, compared with NIS 15.3 billion as at December 31, 2021. Credit in middle-market activity totaled approximately NIS 14.1 billion, of which a total of approximately NIS 5.9 billion in respect of syndication transactions, compared with approximately NIS 13.0 billion as at December 31, 2021, of which a total of approximately NIS 5.5 billion in respect of syndication transactions.
- Credit to the public at Bank Pozitif in Turkey totaled approximately NIS 0.2 billion as at March 31, 2022, similar to the balance as at December 31, 2021.

Total deposits from the public in international activity amounted to approximately NIS 20.4 billion as at March 31, 2022, compared with approximately NIS 20.5 billion as at December 31, 2021, mostly originating with the New York branch. In middle-market activity, deposits totaled approximately NIS 8.4 billion, compared with approximately NIS 9.1 billion as at December 31, 2021. The balance of brokered CD deposits from the public totaled approximately NIS 11.9 billion, compared with approximately NIS 11.4 billion as at December 31, 2021.

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 March 31, 2022								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
	NIS millions								
Net financing profit	**495**	**335**	**326**	**332**	**438**	**110**	**828**	**-**	**2,864**
Fees and other income	**379**	**146**	**11**	**128**	**166**	**8**	**33**	**113**	**984**
Total income	**874**	**481**	**337**	**460**	**604**	**118**	**861**	**113**	**3,848**
Provision (income) for credit losses	**(53)**	**41**	**32**	**(54)**	**(586)**	**10**	**10**	**-**	**(600)**
Operating and other expenses	**940**	**334**	**111**	**145**	**202**	**76**	**125**	**25**	**1,958**
Profit (loss) before taxes	**(13)**	**106**	**194**	**369**	**988**	**32**	**726**	**88**	**2,490**
Provision for taxes (tax benefit) on profit (loss)	**(4)**	**36**	**67**	**131**	**353**	**13**	**231**	**35**	**862**
Net profit (loss) attributed to shareholders of the Bank	**(9)**	**70**	**127**	**238**	**635**	**18**	**522**	**53**	**1,654**
Net credit to the public at the end of the reported period	**38,655**	**34,357**	**119,298**	**54,700**	**98,924**	**14,593**	**3,730**	**-**	**364,257**
Deposits from the public at the end of the reported period	**230,674**	**65,110**	**-**	**51,407**	**81,411**	**20,237**	**70,937**	**-**	**519,776**

(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 7,651 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 March 31, 2021								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
	NIS millions								
Net financing profit	498	318	268	285	377	106	830	-	2,682
Fees and other income	365	139	12	103	147	9	33	91	899
Total income	863	457	280	388	524	115	863	91	3,581
Provision (income) for credit losses	(229)	(45)	(68)	(39)	(135)	6	2	-	(508)
Operating and other expenses	920	322	91	136	170	128	116	36	1,919
Profit (loss) before taxes	172	180	257	291	489	(19)	745	55	2,170
Provision for taxes (tax benefit) on profit (loss)	68	73	102	119	199	8	236	21	826
Net profit (loss) attributed to shareholders of the Bank	104	107	155	172	290	(26)	518	34	1,354
Net credit to the public at the end of the reported period	37,225	31,139	100,650	43,832	78,102	13,502	1,667	-	306,117
Deposits from the public at the end of the reported period	224,406	57,368	-	40,670	59,979	18,844	54,127	-	455,394

(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 3,864 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. The investment policy of Poalim Equity is consistent with the restrictions of the Banking (Licensing) Law, and therefore includes, among other matters, minority interests only (in general, up to 20% in any means of control). Poalim Equity invests in various sectors, in non-financial and technological companies in Israel and outside Israel.
- Investment banking in Israel and overseas; within this activity, Poalim Equity provides a range of services including financial and strategic consulting for mergers and acquisitions, and guidance for companies in various investments in Israel and overseas.
- Poalim Equity also holds Poalim IBI Management and Underwriting Ltd. (a public company, at a holding rate of approximately 26.94%), which provides consulting, underwriting, and management services for public offerings in Israel and for capital raising through private offerings.

The balance of investments of Poalim Equity totaled approximately NIS 2.9 billion as at March 31, 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 0.9 billion as at March 31, 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 three months of 2022 amounted to profit of approximately NIS 81 million, compared with profit in the amount of approximately NIS 109 million in the same period last year. The decrease in the contribution mainly resulted from profits recorded from revaluation of shares in the same period last year.

Return of net profit on investment of the Poalim Equity Group reached NIS 12.5% in the first three months of 2022, in annualized terms, compared with 29.7% in the same period last year.

The Bank's investment in Poalim Equity totaled NIS 2.7 billion as at March 31, 2022, compared with NIS 2.4 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 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 5 million in the first three months of 2022, compared with a loss in the amount of CHF 10 million in the same period last year. The results of operations in Switzerland reflect the decrease in expenses arising from the closure procedures and 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 currently operates in Turkey through Bank Pozitif, which specializes in corporate banking. Within the Bank's strategic plan, a decision has been made to act to sell the investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.

The minority shareholder of Bank Pozitif (who had holdings of 30.17%), who previously raised contentions against the Bank with regard to alleged influence of the Bank over the management of Bank Pozitif, has initiated legal proceedings (himself and through directors on his behalf) against Bank Pozitif, with the aim of revoking resolutions passed by the general meeting of Bank Pozitif.

Accordingly, on January 31, 2022, the Bank 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 engagement in this agreement helps the Bank realize the process of withdrawing from activity in Turkey and will 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.

The net balance of credit to the public of Bank Pozitif totaled TRY 788 million (approximately NIS 170 million) as at March 31, 2022, compared with a balance in the amount of TRY 967 million (approximately NIS 225 million) at the end of 2021.

The business results of the Bank Pozitif Group in the first three months of 2022 amounted to profit of approximately TRY 28 million, compared with profit in the amount of approximately TRY 3 million in the same period last year. The profit for the quarter mainly resulted from the effects of exchange-rate differences.

The total investment of the Bank in Bank Pozitif, in capital and other means, after recognition of a loss from impairment, totaled NIS 108 million as at March 31, 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 March 31, 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 is Dr. A. Bachar until May 31, 2022. Ms. M. Ben Shushan Cohen will serve in this position as of that date. For details, see the section "Other matters" in the Corporate Governance Report.

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, 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 March 31, 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 in arrears of 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.

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

In view of the coronavirus outbreak of early 2020 and its possible impacts on the condition of the economy and of borrowers, with the aim of encouraging banking corporations to act to stabilize borrowers who fail or are likely to fail to fulfill their contractual payment obligations due to the crisis of the spread of the coronavirus, the Bank of Israel issued several outlines aimed at permitting changes in the terms of debts, within the effort to cope with the crisis of the spread of the coronavirus, while establishing emphases for the treatment of debts the terms of which have been changed. Pursuant to the outlines, it has been determined that changes in the terms of loans do not automatically lead to the assignment of a troubled debt restructuring classification to the loans when short-term changes in payments are performed, due to the crisis, for borrowers who were not previously in arrears. It is noted that the volume of debts the terms of which have been changed and which are in deferral of payments decreased considerably beginning in 2021. Details are presented below regarding the balance of debts the terms of which were changed beginning in March 2020, as part of the measures to cope with the coronavirus, which were not classified as troubled debt restructuring, in accordance with the instructions of the Banking Supervision Department, as noted above. The data represent the balance of debts at the reporting date, after repayments performed on debts for which the payment deferral period has ended.

Table 3-1: Details regarding the balance of debts the terms of which have been changed[1] in the course of coping with the crisis of the spread of the coronavirus which are not classified as troubled debt restructuring

	Debts in payment deferral at report date[1]		
	Recorded debt balance	Number of loans	Amount of deferred payments
	NIS millions		
Large businesses	372	13	66
Mid-sized businesses	115	26	62
Small businesses and microbusinesses	340	672	108
Private individuals excluding housing	8	81	2
Housing loans	461	817	37
Total – Israel	1,296	1,609	275
Activity overseas	24	1	21
Total as at March 31, 2022	**[3]1,320**	**1,610**	**296**
Total as at December 31, 2021	1,459	2,467	292

(1) The payment deferral period is the cumulative period of deferrals granted to a debt from the beginning of the efforts to cope with the coronavirus, not including deferrals to which the borrower is entitled under any law.
(2) Of which: debts not accruing interest income in the amount of NIS 132 million (impaired debts not accruing interest income, December 31, 2021: NIS 107 million).
(3) Of which: including state-backed loans in the amount of approximately NIS 354 million in deferral of payments (December 31, 2021: NIS 337 million).

Further details regarding recorded debt balance of debts in payment deferral					Further details regarding debts in payment deferral by duration of deferral[1]		Debts for which the payment deferral period has ended at the report date	
Problematic debts	Non-problematic debts						Recorded debt balance	Of which: in arrears of 30 days or more
	Debts not at credit execution rating	Debts at credit execution rating in arrears of 30 days or more	Debts at credit execution rating not in arrears	Total non-problematic debts	Debts deferred by more than 3 months, up to 6 months	Debts deferred by more than 6 months		
NIS millions								
98	3	-	271	274	2	259	2,129	-
51	11	-	53	64	1	63	1,670	-
25	21	-	294	315	18	258	4,539	34
-	1	-	7	8	1	2	2,014	29
15	19	15	412	446	15	419	16,754	606
189	55	15	1,037	1,107	37	1,001	27,106	669
-	-	-	24	24	-	24	1,951	6
[2]189	**55**	**15**	**1,061**	**1,131**	**37**	**1,025**	**29,057**	**675**
281	162	38	978	1,178	95	1,016	31,069	754

State-backed loans

In view of the coronavirus outbreak, the State resolved on the establishment of a dedicated loan fund, primarily to assist small, mid-sized, and large businesses 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:

- Interest rate – zero for the first year (paid to the bank by the State); Prime + 1.5% from the second year forward.
- Period – up to ten years, including a grace period of up to twelve months.
- In addition, deferral of loan payments for periods of up to one year was approved, in loans for which the first grace period has ended and no more than three principal payments have been performed. In January 2022, reliefs were approved, until April 30, 2022, within which loan payments can be deferred for a period of one additional year at any point in the lifetime of the loan.
- Customer collateral – up to 5% of the amount of the loan approved.
- Loan amounts in two loan tracks (general and amplified): the lower of 40% of the annual revenue of the customer or NIS 20 million.

As at the first quarter of 2022, approximately 84% of the balance of the state-backed credit is to small businesses and microbusinesses, and the remainder is to mid-sized and large businesses. The risk of this credit is hedged by the State at the following rates: up to 85% in specific credit, and no more than 15% for the overall portfolio in the general track; and up to 95% in specific credit, and no more than 60% for the overall portfolio in the amplified track launched on June 21, 2020. The amplified track consists of businesses substantially hurt by the spread of the coronavirus that demonstrate a significant decrease in revenue in 2020, compared with the preceding year, and do not have the independent ability to cope with the cash-flow damages.

Table 3-2: Details regarding the recorded debt balance of state-backed loans within the effort to cope with the coronavirus

	Balance as at	
	March 31, 2022	December 31, 2021
	NIS millions	
Small businesses and microbusinesses	**3,788**	4,024
Mid-sized businesses	**627**	752
Large businesses	**103**	233
Total	**4,518**	5,009

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

	Balance as at March 31, 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	**210,657**	**116,366**	**31,857**	**358,880**	203,236	111,739	31,624	346,599
Off-balance sheet credit risk	**142,420**	**9,583**	**17,481**	**169,484**	151,375	10,594	17,583	179,552
Total credit risk at credit execution rating	**353,077**	**125,949**	**49,338**	**528,364**	354,611	122,333	49,207	526,151
Credit risk not at credit execution rating								
a. Non-problematic – balance sheet	**6,157**	**2,752**	**2,284**	**11,193**	7,381	2,793	2,468	12,642
b. Total problematic[2]	**6,708**	**581**	**690**	**7,979**	6,836	595	718	8,149
Problematic accruing*	**4,173**	**-**	**401**	**4,574**	3,930	-	246	4,176
Problematic non-accruing*	**2,535**	**581**	**289**	**3,405**	2,906	595	472	3,973
Total balance sheet credit risk not at credit execution rating	**12,865**	**3,333**	**2,974**	**19,172**	14,217	3,388	3,186	20,791
Off-balance sheet credit risk not at credit execution rating	**2,860**	**34**	**124**	**3,018**	3,454	39	165	3,658
Total credit risk not at credit execution rating	**15,725**	**3,367**	**3,098**	**22,190**	17,671	3,427	3,351	24,449
Of which: debts accruing interest income in arrears of 90 days or more*	**32**	**-**	**39**	**71**	40	-	44	84
Total overall credit risk of the public	**368,802**	**129,316**	**52,436**	**550,554**	372,282	125,760	52,558	550,600
Additional information regarding total nonperforming assets								
a. Non-accruing debts*	**2,524**	**581**	**289**	**3,394**	2,888	595	472	3,955
b. Assets received in respect of discharged credit	**32**	**-**	**-**	**32**	31	-	-	31
Total nonperforming assets of the public	**2,556**	**581**	**289**	**3,426**	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.

(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.

In the first quarter of 2022, total credit risk at credit execution rating increased, mainly due to the effect of the housing segment. In commercial credit, total credit risk at credit execution rating decreased slightly, mainly due to a decrease in off-balance sheet credit risk. Total credit risk at credit execution rating as a percentage of the overall total credit risk of the public improved in each sector and in the portfolio as a whole.

Table 3-4: Additional information regarding changes in non-accruing credit to the public[(1)]

	For the three months ended March 31, 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	**80**	**194**	**274**
Debts that resumed accruing interest income during the period	**(167)**	**(296)**	**(463)**
Debts charged off	**(47)**	**(34)**	**(81)**
Debts repaid	**(230)**	**(61)**	**(291)**
Balance of non-accruing debts at end of period	**2,524**	**870**	**3,394**
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 restructuring for effect of initial implementation of CECL[(1)]	**(80)**	**(171)**	**(251)**
Restructured during the period	**40**	**58**	**98**
Debts in restructuring charged off	**(33)**	**(29)**	**(62)**
Debts in restructuring that resumed accruing interest income during the period	**(127)**	**(159)**	**(286)**
Debts in restructuring repaid	**(18)**	**(44)**	**(62)**
Balance of non-accruing troubled debt restructuring at end of period	**1,311**	**278**	**1,589**

* 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 three months ended March 31, 2021, refer to impaired credit and were not restated. For further details, see Note 1C to the Condensed Financial Statements.

Table 3-4: Additional information regarding changes in non-accruing credit to the public[1] (continued)

	For the three months ended March 31, 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	326	52	378
Debts returned to unimpaired classification	(42)	(2)	(44)
Impaired debts charged off	(88)	(28)	(116)
Impaired debts repaid	(129)	(51)	(180)
Balance of impaired debts at end of period	3,288	710	3,998
Change in balance in troubled debt restructuring			
Balance in troubled debt restructuring at beginning of year	2,012	698	2,710
Restructured during the period	33	49	82
Debts in restructuring charged off	(39)	(24)	(63)
Debts in restructuring restored to unimpaired classification or repaid	(84)	(50)	(134)
Balance in troubled debt restructuring at end of period	1,922	673	2,595

(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 three months ended March 31, 2021, refer to impaired credit and were not restated. For further details, see Note 1C to the Condensed Financial Statements.

Table 3-5: 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							
	March 31, 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	**1.18%**	**0.49%**	**0.83%**	**0.92%**	1.39%	0.52%	1.36%	1.11%
Balance of credit to the public, non-accruing or in arrears of 90 days or more, as a percentage of the balance of credit to the public	**1.19%**	**0.49%**	**0.94%**	**0.94%**	1.41%	0.52%	1.48%	1.13%
Problematic credit as a percentage of the balance of credit to the public	**3.12%**	**0.49%**	**1.98%**	**2.16%**	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	**5.99%**	**2.78%**	**8.54%**	**5.19%**	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	**(1.11%)**	**0.11%**	**(0.53%)**	**(0.66%)**	(0.30%)	(0.21%)	(1.24%)	(0.37%)
Net charge-offs as a percentage of the average balance of credit to the public	**0.11%**	**-**	**(0.05%)**	**0.06%**	0.09%	-	0.07%	0.06%
Analysis of allowance for credit losses in respect of credit to the public								
Allowance for credit losses as a percentage of the balance of credit to the public	**1.76%**	**0.37%**	**2.35%**	**1.36%**	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	**149.4%**	**76.8%**	**283.0%**	**148.4%**	143.4%	68.9%	183.9%	137.0%
Allowance for credit losses as a percentage of the balance of credit to the public, non-accruing or in arrears of 90 days or more	**147.5%**	**76.8%**	**249.4%**	**145.3%**	141.4%	68.9%	168.2%	134.2%
Ratio of allowance for credit losses to net charge-offs	**16.0**	**-**	**(51.1)**	**22.9**	24.1	410.0	34.7	27.4

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 quarter of 2022, compared with the end of 2021:

- Non-accruing credit as a percentage of the balance of credit to the public
- Balance of credit to the public, non-accruing or in arrears of 90 days or more, as a percentage of the balance of credit to the public
- Problematic credit as a percentage of the balance of credit to the public
- Credit not at credit execution rating as a percentage of the balance of credit to the public

For each of the indicators noted above, the improvement was recorded in each of the sectors, particularly private individuals, other, and commercial.

- In the indicators of the provision for credit losses, cumulatively for all sectors, income was recorded, similar to the data for December 2021. In the provision for credit losses as a percentage of the average balance of credit to the public, the rate of income is higher than in the data for December 2021, mainly influenced by recoveries in the commercial segment. Net charge-offs as a percentage of the average balance of credit to the public were stable.
- The allowance for credit losses as a percentage of the balance of credit to the public decreased, influenced by income recorded from recoveries.

3.2.2. Classification and analysis of credit risk by economic sector

Table 3-6: Credit risk by economic sector

	March 31, 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
	NIS millions						
Industry	**32,971**	**32,088**	**421**	**140**	**79**	**(14)**	**336**
Construction and real estate – construction	**95,129**	**93,460**	**926**	**558**	**(299)**	**(5)**	**659**
Construction and real estate – real-estate activities	**35,327**	**34,770**	**137**	**92**	**37**	**(28)**	**470**
Commerce	**40,964**	**39,330**	**640**	**221**	**14**	**(4)**	**345**
Financial services	**48,104**	**47,864**	**153**	**2**	**(154)**	**(4)**	**144**
Other business services	**16,523**	**15,317**	**132**	**41**	**36**	**2**	**209**
Public and community services	**9,442**	**8,952**	**69**	**29**	**12**	**-**	**209**
Other sectors	**51,965**	**47,295**	**3,593**	**1,451**	**(299)**	**(1)**	**1,484**
Total commercial	**330,425**	**319,076**	**6,071**	**2,534**	**(574)**	**(54)**	**3,856**
Private individuals – housing loans	**128,744**	**125,404**	**561**	**558**	**32**	**-**	**478**
Private individuals – other	**52,238**	**49,142**	**694**	**291**	**(46)**	**3**	**860**
Total public – activity in Israel	**511,407**	**493,622**	**7,326**	**3,383**	**(588)**	**(51)**	**5,194**
Total banks in Israel and government of Israel	**48,366**	**48,366**	**-**	**-**	**-**	**-**	**-**
Total activity in Israel	**559,773**	**541,988**	**7,326**	**3,383**	**(588)**	**(51)**	**5,194**
Total public – activity overseas	**39,147**	**34,742**	**2,311**	**773**	**(12)**	**(4)**	**702**
Banks and governments overseas	**48,136**	**47,976**	**-**	**-**	**-**	**-**	**2**
Total activity overseas	**87,283**	**82,718**	**2,311**	**773**	**(12)**	**(4)**	**704**
Total activity in Israel and overseas	**647,056**	**624,706**	**9,637**	**4,156**	**(600)**	**(55)**	**5,898**

(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, assets 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 383,835; 64,726; 658; 13,874; and 183,963 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.

Table 3-6: Credit risk by economic sector (continued)

	March 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	31,679	30,514	704	240	(46)	29	283
Construction and real estate – construction	80,716	79,065	727	448	8	(4)	578
Construction and real estate – real-estate activities	29,164	27,143	507	176	(81)	11	475
Commerce	38,638	36,208	1,222	399	(30)	9	927
Financial services	41,717	41,409	170	6	5	-	246
Other business services	15,409	14,164	195	100	(13)	6	205
Public and community services	8,573	8,144	83	43	(6)	-	79
Other sectors	43,984	38,875	3,787	1,685	(49)	(6)	1,619
Total commercial	289,880	275,522	7,395	3,097	(212)	45	4,412
Private individuals – housing loans	108,676	105,602	631	-	(68)	-	684
Private individuals – other	52,061	48,146	768	712	(237)	3	784
Total public – activity in Israel	450,617	429,270	8,794	3,809	(517)	48	5,880
Banks in Israel	2,231	2,231	-	-	-	-	-
Israeli government	47,257	47,257	-	-	-	-	-
Total activity in Israel	500,105	478,758	8,794	3,809	(517)	48	5,880
Total public – activity overseas	33,376	28,081	2,844	808	9	(25)	515
Banks and governments overseas	38,065	37,902	-	-	-	-	5
Total activity overseas	71,441	65,983	2,844	808	9	(25)	520
Total activity in Israel and overseas	571,546	544,741	11,638	4,617	(508)	23	6,400

(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, assets 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 328,552; 61,995; 892; 11,366; and 168,741 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 the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist which are in arrears of 90 days or more.

Table 3-6: 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, assets 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 373,312; 67,454; 1,253; 12,985; and 194,116 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 the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist which are in arrears of 90 days or more.

3.2.3. Construction and real estate

Activity in the construction and real-estate sectors was characterized by significant growth beginning in 2021, reflected, among other matters, in high demand for homes, a significant increase in sales of new homes, and rising housing prices.

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. This led to growth in the credit portfolio in the construction and real-estate sectors, with a moderate increase in financing rates, along with some erosion of credit spreads (for details, see Note 12 to the Condensed Financial Statements, "Supervisory Operating Segments"). The growth of the portfolio slowed in the first quarter of 2022. The Bank is operating within its credit risk management limits and 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.

Table 3-7: Segmentation of credit risk of the Bank Group in the construction and real-estate sectors, by principal area of activity

	Balance as at March 31, 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	**2,867**	**938**	**917**	**4,722**	**(745)**	**3,977**
Construction for industry	**301**	**56**	**42**	**399**	**-**	**399**
Housing construction	**26,573**	**37,377**	[3]**45,613**	**109,563**	**(45,878)**	**63,685**
Yield-generating properties	**24,253**	**5,836**	**915**	**31,004**	**(822)**	**30,182**
Other	**9,845**	**6,794**	**7,277**	**23,916**	**(3,223)**	**20,693**
Corporate Banking Division total	**63,839**	**51,001**	**54,764**	**169,604**	**(50,668)**	**118,936**
Retail Banking Division	**8,804**	**1,992**	**724**	**11,520**	**-**	**11,520**
Total activity in Israel	**72,643**	**52,993**	**55,488**	**181,124**	**(50,668)**	**130,456**
Activity overseas	**8,617**	**3,794**	**4**	**12,415**	**-**	**12,415**
Total credit risk	**81,260**	**56,787**	**55,492**	**193,539**	**(50,668)**	**142,871**

(1) Balance of contracts before the effect of haircuts of Sale Law guarantees.
(2) Includes balance sheet credit risk in the amount of approximately NIS 7,608 million in respect of which insurance was acquired from insurance companies for the portfolio of credit for land.
(3) Includes off-balance sheet credit risk in the amount of approximately NIS 38,069 million in respect of which insurance was acquired from foreign insurance companies for the portfolio of Sale Law guarantees.

Table 3-7: Segmentation of credit risk of the Bank Group in the construction and real-estate sectors, 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	24,805	36,949	[3]41,917	103,671	(41,972)	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	61,279	53,847	50,649	165,775	(46,388)	119,387
Retail Banking Division	8,809	2,145	692	11,646	-	11,646
Total activity in Israel	70,088	55,992	51,341	177,421	(46,388)	131,033
Activity overseas	8,075	3,283	22	11,380	(2)	11,378
Total credit risk	78,163	59,275	51,363	188,801	(46,390)	142,411

(1) Balance of contracts before the effect of haircuts of Sale Law guarantees.
(2) Includes balance sheet credit risk in the amount of approximately NIS 5,786 million in respect of which insurance was acquired from insurance companies for the portfolio of credit for land.
(3) Includes off-balance sheet credit risk in the amount of approximately NIS 11,053 million in respect of which insurance was acquired from foreign insurance companies for the portfolio of Sale Law guarantees.

Overall credit risk in the construction and real-estate sectors totaled approximately NIS 143 billion as at March 31, 2022. Total risk of credit to the public in the construction and real-estate sectors increased by approximately 0.3% in the first quarter of 2022. Most of the exposure is at the Corporate Banking Division (mid-sized and large customers), at approximately 83% of total credit risk in the construction and real-estate sectors.

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 include 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 3-8: Analysis of the credit quality of the Bank Group in the construction and real-estate sectors

	Balance as at		Change
	March 31, 2022	December 31, 2021	
	NIS millions		
Credit risk at credit execution rating			
Non-problematic credit risk	**138,453**	137,438	0.7%
Credit risk not at credit execution rating			
Problematic accruing (up to December 31, 2021: problematic unimpaired)	**598**	524	14.1%
Non-accruing (up to December 31, 2021: impaired)	**1,275**	1,368	(6.8%)
Non-problematic	**2,545**	3,081	(17.4%)
Total credit risk not at credit execution rating	**4,418**	4,973	(11.2%)
Total credit risk	**142,871**	142,411	0.3%

Total credit risk not at credit execution rating decreased by 11.2% in the first quarter of 2022.

Table 3-9: Risk of credit to the public in the construction and real-estate sectors at the Corporate Banking Division, by financing rate (LTV) and absorption capacity[1]

	Balance as at March 31, 2022				
	Real estate in construction processes[2]	Completed properties	Land	Other	Total
	NIS millions				
Financing rate[3]					
Up to 45%	-	**3,233**	**2,405**	-	**5,638**
Over 45% up to 65%	-	**6,530**	**7,020**	-	**13,550**
Over 65% up to 85%	-	**7,093**	**16,510**	-	**23,603**
Over 85%	-	**470**	**593**	-	**1,063**
Absorption capacity[4]					
Up to 25%	**1,076**	-	-	-	**1,076**
Over 25% up to 50%	**25,557**	-	-	-	**25,557**
Over 50% up to 75%	**17,196**	-	-	-	**17,196**
Over 75%	**51,100**	-	-	-	**51,100**
Other[5]	-	-	-	**30,821**	**30,821**
Total credit risk before haircuts and deductions – Corporate Banking Division	**94,929**	**17,326**	**26,528**	**30,821**	**169,604**
Effect of haircuts and deductions	-	-	-	-	**(50,668)**
Total Corporate Banking Division credit risk	-	-	-	-	**118,936**

(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.
(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 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.
(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 3-9: Risk of credit to the public in the construction and real-estate sectors at the Corporate Banking Division, by financing rate (LTV) and absorption capacity[(1)(2)] (continued)

	Balance as at December 31, 2021				
	Real estate in construction processes[(3)]	Completed properties	Land	Other	Total
	NIS millions				
Financing rate[(4)]					
Up to 45%	-	2,993	3,373	-	6,366
Over 45% up to 65%	-	7,176	6,638	-	13,814
Over 65% up to 85%	-	7,008	14,335	-	21,343
Over 85%	-	633	501	-	1,134
Absorption capacity[(5)]					
Up to 25%	1,704	-	-	-	1,704
Over 25% up to 50%	27,345	-	-	-	27,345
Over 50% up to 75%	17,005	-	-	-	17,005
Over 75%	45,423	-	-	-	45,423
Other[(6)]	-	-	-	31,641	31,641
Total credit risk before haircuts and deductions – Corporate Banking Division	91,477	17,810	24,847	31,641	165,775
Effect of haircuts and deductions	-	-	-	-	46,388
Total Corporate Banking Division credit risk	-	-	-	-	119,387

(1) Presented for the first time in the Financial Statements as at December 31, 2021.
(2) 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.
(3) "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.
(4) The financing rate is the ratio of credit risk 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.
(5) 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.
(6) "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 2.4% of the total balance of completed properties and land at the Corporate Banking Division in the first quarter of 2022, compared with 2.7% in December 2021. Credit with absorption capacity of up to 25% for real estate in construction processes constitutes approximately 1.1% of the total balance of real estate in construction processes at the Corporate Banking Division in the first quarter of 2022, compared with 1.9% in December 2021. Note that on March 20, 2022, the Banking Supervision Department issued a draft pursuant to which loans designated for the acquisition of land for the purpose of development or construction at a rate exceeding 75% of the value of the acquired asset (LTV) would be 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.

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 of the Bank Group in the construction and real-estate sectors," 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 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.

Changes and trends in portfolio quality are reflected in the Bank's calculations of the collective allowance for credit losses. In 2021, the collective allowance coefficient in the construction and real-estate sector was adjusted 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.

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 3-10: Principal exposures to foreign countries[1]

	March 31, 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	**31,232**	**9,766**	**40,998**	33,895	8,596	42,491
Switzerland	**3,888**	**2,033**	**5,921**	3,230	946	4,176
England	**9,435**	**6,743**	**16,178**	8,265	6,203	14,468
Germany	**1,568**	**5,895**	**7,463**	1,622	1,434	3,056
France	**2,317**	**1,204**	**3,521**	1,854	1,127	2,981
Others	**12,799**	**3,370**	**16,169**	12,348	3,146	15,494
Total exposures to foreign countries	**61,239**	**29,011**	**90,250**	61,214	21,452	82,666
Of which: total exposure to PIGS (Portugal, Italy, Greece, and Spain)	**257**	**49**	**306**	170	58	228
Of which: total exposure to LDCs	**739**	**59**	**798**	774	61	835
Of which: total exposure to countries with liquidity problems*	**259**	**26**	**285**	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.

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 March 31, 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 3-11: Exposure of the Bank Group to foreign financial institutions[1]

	March 31, 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-	**4,112**	**6,055**	**10,167**	1,823	2,792	4,615
A+ to A-	**12,006**	**12,774**	**24,780**	12,204	6,296	18,500
BBB+ to BBB-	**551**	**169**	**720**	500	161	661
BB+ to B-	**5**	**9**	**14**	3	16	19
Lower than B-	**-**	**-**	**-**	-	-	-
Unrated	**84**	**74**	**158**	141	57	198
Total present credit exposures to foreign financial institutions	**16,758**	**19,081**	**35,839**	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. However, credit exposure to foreign financial institutions backed by government guarantees is not included.
(2) Deposits with banks, credit to the public, investments in bonds, securities borrowed or purchased in agreements to resell, and other assets 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 35.8 billion on March 31, 2022, an increase of approximately NIS 11.8 billion, compared with approximately NIS 24.0 billion at the end of 2021. This increase resulted from an increase in off-balance sheet exposure in the amount of approximately NIS 9.8 billion, which mainly resulted from the acquisition of insurance for Sale Law guarantees and increased insurance for the portfolio of credit for land from foreign insurance companies. Approximately 97.5% 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: 48.4% in banks and bank holding companies, 51.3% 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 (79.6%), the United States (17.3%), and South and East Asian countries (3.1%).

3.2.6. Risks in the housing loan portfolio

Table 3-12: Risks in the housing loan portfolio

	Balance as at		
	March 31, 2022	March 31, 2021	December 31, 2021
	NIS millions		
Credit balances			
Loans from Bank funds	**119,744**	101,340	115,166
Loans from Finance Ministry funds*	**944**	1,020	961
Grants from Finance Ministry funds*	**243**	183	229
Total	**120,931**	102,543	116,356

	For the three months ended		For the year ended
	March 31, 2022	March 31, 2021	December 31, 2021
	NIS millions		
Execution of housing loans			
Total loans from Bank funds	**7,912**	5,046	28,683
Loans from Finance Ministry funds			
Loans	**13**	13	69
Grants	**12**	10	57
Total from Finance Ministry funds	**25**	23	126
Total new loans	**7,937**	5,069	28,809
Old loans refinanced from Bank funds	**672**	404	2,794
Total loans granted	**8,609**	5,473	31,603

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

Table 3-13: Development of amounts in arrears in housing loans and allowance for credit losses

	Recorded debt balance	Amount in arrears of 90 days or more, of total problematic debts	Rate of amount in arrears	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						
March 31, 2022	**119,744**	**94**	**0.08%**	**482**	**0.40%**	**581**	**0.49%**
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 expected credit losses, housing loans the principal or interest of which is in arrears of 90 days or more are classified as debts not accruing interest income.

In the first three months of 2022, the rate of arrears, 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, mainly resulted from the implementation of the directives concerning current expected credit losses (CECL).

Development of housing credit balances

Table 3-14: 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		Recorded debt balance in NIS millions	Rate of change during the period
	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 %		
March 31, 2022	**29,618**	**24.7%**	**47,498**	**39.8%**	**13,463**	**11.2%**	**29,025**	**24.2%**	**140**	**0.1%**	**119,744**	**4.0%**
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, the rate of arrears, 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 3-15: Developments in housing credit balances, last five quarters

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Balances at end of period	**119,744**	115,166	109,989	105,466	101,340
Change in balances	**4.0%**	4.7%	4.3%	4.1%	1.9%
Execution of new loans	**7,937**	8,829	7,752	7,159	5,069

Housing loan data – percentage of total new loans executed

Table 3-16: Characteristics of housing credit granted by the Bank

	For the three months ended				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Characteristics					
Financing rate over 60%	**42.2%**	41.0%	40.0%	41.8%	41.5%
Ratio of repayment to income greater than 40% (for purchases of homes and in monthly payments)	**0.1%**	-	0.1%	0.1%	0.1%
Percentage with floating rates	**59.6%**	60.1%	60.4%	59.8%	58.6%
Percentage of all-purpose loans	**2.7%**	3.8%	4.5%	3.8%	5.2%
Loans for investment purposes as a percentage of total purchases of homes	**11.2%**	11.8%	11.1%	9.3%	10.6%
Principal planned for repayment after age 67 (excluding investments)	**8.0%**	8.2%	8.1%	8.1%	8.0%
Average original term to maturity of loans for purchases of homes, in years (excluding bridge loans)	**24.6**	24.6	24.6	24.5	24.5

In the first quarter of 2022, balances of housing loans increased by 4% in comparison to December 2021.
In portfolio quality indicators, an increase (worsening) was recorded in the indicator of financing rates over 60%, influenced by the increase in housing prices. The indicator of payment to income ratios greater than 40% remained at a similar level to preceding quarters. A decrease was recorded in the indicator of the percentage of execution of floating-rate loans and in the percentage of all-purpose loans. The average term to maturity of loans for purchases of homes was stable.

3.2.7. Credit to private customers (excluding housing)

Credit is granted to private customers in accordance with the credit and collateral policies and 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 3-17: Balance of credit to private individuals in Israel

	Balance as at		Change	
	March 31, 2022	December 31, 2021		
	NIS millions			
Balance sheet				
Negative balance in current accounts	**2,550**	2,522	28	1.1%
Loans[1]	**24,329**	24,073	256	1.1%
Of which: bullet and balloon loans	**48**	43	5	11.6%
Credit for purchases of motor vehicles[2]	**3,235**	3,376	(141)	(4.2%)
Debtors in respect of credit-card activity	**4,716**	4,838	(122)	(2.5%)
Total balance sheet credit risk	**34,830**	34,809	21	0.1%
Off-balance sheet				
Off-balance sheet credit risk	**17,602**	17,743	(141)	(0.8%)
Total credit risk	**52,432**	52,552	(120)	(0.2%)

(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.

Table 3-18: Distribution of risk of balance sheet credit to private individuals in Israel, by average income[1] and loan size

	March 31, 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	**1,421**	**1,019**	**1,157**	**3,597**	1,455	1,023	1,137	3,615
20 to 40	**1,261**	**826**	**1,029**	**3,116**	1,309	835	1,041	3,185
40 to 80	**2,735**	**2,241**	**1,996**	**6,972**	2,840	2,261	1,968	7,069
80 to 150	**2,664**	**3,922**	**3,739**	**10,325**	2,746	4,001	3,711	10,458
150 to 300	**817**	**2,488**	**5,549**	**8,854**	799	2,478	5,345	8,622
Over 300	**198**	**164**	**1,604**	**1,966**	153	159	1,548	1,860
Total	**9,096**	**10,660**	**15,074**	**34,830**	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 3-19: Distribution of risk of balance sheet credit to private individuals in Israel, by borrowers' financial asset portfolio balance

	March 31, 2022	December 31, 2021
	Balance sheet credit risk	
	NIS millions	
Size of financial asset portfolio, in NIS thousands		
Up to 10	**18,166**	18,216
10 to 50	**6,440**	6,424
50 to 200	**5,268**	5,276
200 to 500	**2,353**	2,358
Over 500	**2,603**	2,535
Total	**34,830**	34,809

Table 3-20: Distribution of risk of balance sheet credit to private individuals in Israel, by type of interest and remaining repayment period

	March 31, 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	**3,091**	**5,130**	**8,221**	2,982	5,235	8,217
1 to 3 years	**6,511**	**79**	**6,590**	6,705	89	6,794
3 to 5 years	**11,466**	**88**	**11,554**	11,527	88	11,615
Over 5 years	**8,382**	**83**	**8,465**	8,094	89	8,183
Total	**29,450**	**5,380**	**34,830**	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.

The balance of loans to private individuals in Israel, including credit for the purchase of motor vehicles, increased by approximately 0.4% in the first quarter of 2022 in comparison to December 31, 2021. Total balance sheet credit risk increased by approximately 0.1% in this period. Off-balance sheet credit risk decreased by approximately 0.8%.

3.2.8. Leveraged financing

Table 3-21: Exposures of the Bank in respect of leveraged financing, by economic sector of the borrower

	March 31, 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 – construction	1	**11**	**216**	**227**
Construction and real estate – real-estate activities	2	**998**	**393**	**1,391**
Hotels, hospitality, and food services	1	**240**	**-**	**240**
Mining and quarrying*	2	**561**	**-**	**561**
Commerce	1	**350**	**-**	**350**
Financial services and insurance services	1	**644**	**-**	**644**
Industry	1	**422**	**-**	**422**
Total	9	**3,226**	**609**	**3,835**

* Net of charge-offs and an individual allowance for credit losses in the amount of approximately NIS 270 million.

	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

3.2.9. Credit risk in respect of exposure to major borrowers

Table 3-22: 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

	March 31, 2022			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Electricity supply	**1**	**2,598**	**890**	**3,488**
Construction and real estate – construction	**5**	**3,797**	**4,055**	**7,852**
Construction and real estate – civil engineering	**1**	**899**	**1,004**	**1,903**
Hotels, hospitality, and food services	**1**	**1,195**	**196**	**1,391**
Information and communications	**1**	**901**	**497**	**1,398**
Financial services	**11**	**10,851**	**10,380**	**21,231**
Industry	**2**	**995**	**3,533**	**4,528**
Total	**22**	**21,236**	**20,555**	**41,791**

	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 March 31, 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 3-23: 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 March 31, 2022

	March 31, 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	**5,034**	**1,999**	**189**	**7,036**	**9**	**7,027**	**16.3%**

(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.

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 decline 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).
- **Spread 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 (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 3-24: Adjusted* net fair value of the financial instruments of the Bank and its consolidated companies

	March 31, 2022			December 31, 2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Adjusted net fair value*	**40,769**	**1,409**	**42,178**	39,052	331	39,383
Of which: banking book	**39,879**	**1,326**	**41,205**	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 Condensed Financial Statements.

Table 3-25: Effect of scenarios of changes in interest rates on the adjusted* net fair value of the Bank and its consolidated companies

	March 31, 2022			December 31, 2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Parallel changes						
1% parallel increase	**137**	**219**	**356**	442	227	669
Of which: banking book	**139**	**258**	**397**	414	233	647
1% parallel decrease	**(34)**	**(227)**	**(261)**	(450)	(154)	(604)
Of which: banking book	**(39)**	**(266)**	**(305)**	(430)	(157)	(587)
Non-parallel changes						
Steepening(1)	**(183)**	**77**	**(106)**	(246)	(42)	(288)
Flattening(2)	**415**	**(60)**	**355**	436	67	503
Increase in short-term interest rate	**471**	**24**	**495**	536	96	632
Decrease in short-term interest rate	**(489)**	**1**	**(488)**	(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.

Table 3-26: Effect of scenarios of changes in interest rates on net interest income and on non-interest financing income

	March 31, 2022			December 31, 2021		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	NIS millions					
1% parallel increase	**1,602**	**(114)**	**1,488**	1,391	(12)	1,379
Of which: banking book	**1,602**	**(75)**	**1,527**	1,391	(37)	1,354
1% parallel decrease	**(704)**	**6**	**(698)**	(716)	(57)	(773)
Of which: banking book	**(704)**	**(40)**	**(744)**	(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 fall to zero. In the foreign-currency segment, the interest-rate curve falls to the lower of zero or the existing negative interest rate. In some of the scenarios, the theoretical loss in the event of a negative interest rate (below the floor) may be higher. 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.

The shekel and dollar interest-rate curves rose during the first quarter of 2022, and the CPI-linked interest-rate curve rose moderately. In addition, interest rates of the central banks in Israel and the United States rose recently, 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 in the Report on Risks. 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 target" in the Report on Risks. 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. The transfer does not affect the interest-rate position of the Bank in terms of value sensitivity or income sensitivity.

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 3-27: 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

	March 31, 2022		December 31, 2021	
	NIS millions			
	10% increase	10% decrease	10% increase	10% decrease
USD	**(88)**	**250**	74	225
EUR	**(21)**	**49**	*27	*40
	3% increase	3% decrease	3% increase	3% decrease
CPI	**582**	**(589)**	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 3-28: Liquidity coverage ratio (LCR)*

	For the three months ended March 31, 2022	For the three months ended March 31, 2021	For the three months ended December 31, 2021
		%	
a. Consolidated data			
Liquidity coverage ratio	**123%**	139%	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%
b. Bank data			
Liquidity coverage ratio	**122%**	139%	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 3-29: Net stable financing ratio (NSFR)

	March 31, 2022	December 31, 2021*
	%	
Consolidated data		
Net stable financing ratio	**134%**	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.

The average liquidity coverage ratio decreased slightly in the first quarter of 2022 in comparison to the preceding quarter, due to an increase in credit.

The net stable financing ratio at the end of the first quarter of 2022 is 134%, consolidated, while the minimum requirement is 100%. The net stable financing ratio decreased slightly during the first quarter of 2022, due to growth of credit beyond the increase in stable financing sources.

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 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 2021, the Bank was provided with an updated letter of indemnity valid until July 15, 2022, with an option for the State to extend this period until December 31, 2022. The letter of immunity was also extended until July 15, 2022.

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, see Note 10C to the Condensed Financial Statements.

3.6. Other risks

For details and more extensive information regarding legal risk, reputational risk, regulatory and legislative risk, economic risk, strategic risk, and environmental risk (including climate risk), see the Report on Risks: Pillar 3 Disclosure and Additional Information Regarding Risks as at March 31, 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). For further details, also see Note 1C 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 limitations of historical information, 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, the Chief Financial 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 planned to be completed during the second half of the year.

Evaluation of controls and procedures concerning disclosure

The Board of Management of the Bank, in cooperation with the Chief Executive Officer, the Chief Financial Officer, and the Chief Accountant of the Bank, has assessed the effectiveness of the controls and procedures concerning disclosure at the Bank as at March 31, 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 March 31, 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.

Ruben Krupik
Chairman of the Board of Directors

Dov Kotler
President and Chief Executive Officer

Tel-Aviv, May 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 March 31, 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, May 22, 2022

CFO Declaration

I, Ram Gev, declare that:

1. I have reviewed the quarterly report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the quarter ended on March 31, 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.

Ram Gev
Senior Deputy Managing Director,
Chief Financial Officer

Tel-Aviv, May 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 March 31, 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, May 22, 2022

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2022

Bank Hapoalim

Condensed Financial Statements
as at March 31, 2022

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 March 31, 2022 and the related condensed consolidated interim statements of profit and loss, comprehensive income, changes in equity and cash flows for the three month period 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, May 22, 2022

Condensed Consolidated Statement of Profit and Loss
for the period ended March 31, 2022

NIS millions

	Note	For the three months ended March 31		For the year ended December 31
		2022	2021	2021
	Note	Unaudited		Audited
Interest income	2	**3,403**	2,591	11,684
Interest expenses	2	**(687)**	(358)	(1,917)
Net interest income		**2,716**	2,233	9,767
Provision (income) for credit losses	6 ,13	**(600)**	(508)	(1,220)
Net interest income after provision for credit losses		**3,316**	2,741	10,987
Non-interest income				
Non-interest financing income	3	**148**	449	1,081
Fees		**889**	817	3,355
Other income		**95**	82	189
Total non-interest income		**1,132**	1,348	4,625
Operating and other expenses				
Salaries and related expenses		**1,161**	1,096	4,333
Maintenance and depreciation of buildings and equipment		**326**	337	1,333
Other expenses		**471**	486	2,137
Total operating and other expenses		**1,958**	1,919	7,803
Profit before taxes		**2,490**	2,170	7,809
Provision for taxes on profit		**862**	826	2,958
Profit after taxes		**1,628**	1,344	4,851
The Bank's share in profits of equity-basis investees, after taxes		**27**	7	49
Net profit (loss)				
Before attribution to non-controlling interests		**1,655**	1,351	4,900
Loss (profit) attributed to non-controlling interests		**(1)**	3	14
Attributed to shareholders of the Bank		**1,654**	1,354	4,914
Earnings per ordinary share in NIS				
Basic earnings				
Net profit attributed to shareholders of the Bank		**1.24**	1.01	3.68
Diluted earnings				
Net profit attributed to shareholders of the Bank		**1.24**	1.01	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

Ram Gev
Senior Deputy
Managing Director,
Chief Financial Officer

Guy Kalif
Member of the Board
of Management,
Chief Accountant

Tel Aviv, May 22, 2022

Condensed Consolidated Statement of Comprehensive Income

for the period ended March 31, 2022

NIS millions

	Note	For the three months ended March 31		For the year ended December 31
		2022	2021	2021
		Unaudited		Audited
Net profit before attribution to non-controlling interests		**1,655**	1,351	4,900
Net loss (profit) attributed to non-controlling interests		**1**	(3)	(14)
Net profit attributed to shareholders of the Bank		**1,654**	1,354	4,914
Other comprehensive income (loss) before taxes:	4			
Net adjustments in respect of bonds available for sale at fair value		**(1,508)**	(582)	(575)
Adjustments of employee benefit liabilities*		**321**	(17)	(314)
Other comprehensive income (loss) before taxes		**(1,187)**	(599)	(889)
Effect of related tax		**390**	204	300
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes		**(797)**	(395)	(589)
Net of other comprehensive income (loss) attributed to non-controlling interests		**1**	-	-
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**(798)**	(395)	(589)
Comprehensive income (loss) before attribution to non-controlling interests		**858**	956	4,311
Comprehensive income (loss) attributed to non-controlling interests		**2**	(3)	(14)
Comprehensive income attributed to shareholders of the Bank		**856**	959	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 March 31, 2022

NIS millions

		March 31		December 31
		2022	2021	2021
	Note	Unaudited		Audited
Assets				
Cash and deposits with banks		**178,317**	159,943	189,283
Securities[(1)(2)]	5	**68,604**	64,798	71,105
Securities borrowed or purchased under agreements to resell		**658**	892	1,253
Credit to the public		**369,293**	311,780	357,729
Allowance for credit losses		**(5,036)**	(5,663)	(5,106)
Net credit to the public	6, 13	**364,257**	306,117	352,623
Credit to governments		**1,911**	2,106	1,969
Investments in equity-basis investees		**966**	566	853
Buildings and equipment		**3,492**	3,245	3,555
Assets in respect of derivative instruments	11	**13,874**	11,366	12,984
Other assets[(1)]		**5,546**	5,365	5,156
Total assets		**637,625**	554,398	638,781
Liabilities and capital				
Deposits from the public	7	**519,776**	455,394	525,072
Deposits from banks		**11,370**	6,942	11,601
Deposits from the government		**605**	556	752
Securities lent or sold under agreements to repurchase		**6,432**	3	3,426
Bonds and subordinated notes		**27,411**	21,415	25,582
Liabilities in respect of derivative instruments	11	**14,385**	11,363	14,350
Other liabilities (of which: 860; 732; 797, respectively, allowance for credit losses in respect of off-balance sheet credit instruments)[(1)]		**14,415**	17,867	15,251
Total liabilities		**594,394**	513,540	596,034
Shareholders' equity	9	**43,230**	40,835	42,735
Non-controlling interests		**1**	23	12
Total capital		**43,231**	40,858	42,747
Total liabilities and capital		**637,625**	554,398	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 period ended March 31, 2022

Unaudited
NIS millions

	For the three months ended March 31, 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 for 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) for the year	**-**	**-**	**-**	**-**	**1,654**	**1,654**	**1**	**1,655**
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	**-**	**3**	**3**	**-**	**-**	**3**	**-**	**3**
Net other comprehensive income (loss) after tax effect	**-**	**-**	**-**	**(798)**	**-**	**(798)**	**1**	**(797)**
Decrease in non-controlling interests due to increase in rate of holding in subsidiary[(2)]	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**	**(13)**
Balance as at March 31, 2022	**8,200**	**19**	**8,219**	**(2,396)**	**37,407**	**43,230**	**1**	**43,231**

* Excluding a balance of 891,166 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 period ended March 31, 2022 (continued)

Unaudited
NIS millions

	For the three months ended March 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	-	-	-	-	1,354	1,354	(3)	1,351
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	3	3	-	-	3	-	3
Exercise of equity compensation into shares	1	(1)	-	-	-	-	-	-
Net other comprehensive income (loss) after tax effect	-	-	-	(395)	-	(395)	-	(395)
Balance as at March 31, 2022	8,184	19	8,203	(1,404)	34,036	40,835	23	40,858

* Excluding a balance of 1,455,368 treasury shares.

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

Condensed Statement of Changes in Equity
for the period ended March 31, 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 period ended March 31, 2022

NIS millions

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Cash flows from (for) operating activity			
Net profit for the period	**1,655**	1,351	4,900
Adjustments necessary to present cash flows from operating activity			
The Bank's share in losses (profits) of equity-basis investees	**(27)**	(7)	(49)
Depreciation of buildings and equipment	**158**	143	602
Amortizations	**-**	4	15
Provision (income) for credit losses	**(600)**	(508)	(1,220)
Loss (gain) from sale of bonds available for sale and shares not held for trading	**(52)**	(96)	(256)
Realized and unrealized loss (gain) from adjustments to fair value of securities held for trading	**6**	37	54
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	**(25)**	(289)	(566)
Gain from realization and impairment of affiliates (including discontinued operation)	**7**	(6)	(13)
Gain from realization of buildings and equipment	**(14)**	(64)	(92)
Change in benefit due to share-based payment transactions	**-**	(11)	(6)
Net change in liabilities in respect of employee benefits	**3**	(13)	(11)
Deferred taxes, net	**(183)**	249	684
Loss (gain) from sale of credit portfolios	**4**	-	-
Dividends received from equity-basis investees	**43**	8	34
Adjustments in respect of exchange-rate differences	**(352)**	(391)	588
Accumulation differentials included in investing and financing activities	**57**	(489)	732
Net change in current assets	**-**	-	-
Assets in respect of derivative instruments	**(890)**	3,524	1,906
Securities held for trading	**3,568**	2,922	1,854
Other assets	**(151)**	469	214
Net change in current liabilities			
Liabilities in respect of derivative instruments	**35**	(5,441)	(2,454)
Other liabilities	**(183)**	1,067	(1,738)
Net cash from (for) operating activity	**3,059**	2,459	5,178

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

Condensed Consolidated Statement of Cash Flows
for the period ended March 31, 2022 (continued)

NIS millions

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Cash flows for investing activity			
Deposits with banks	**(24)**	(214)	122
Credit to the public[1]	**(11,395)**	*(3,830)	(46,428)
Credit to governments	**54**	87	225
Securities borrowed or purchased under agreements to resell	**595**	(524)	(885)
Acquisition of bonds held to maturity	**(1,225)**	(187)	(190)
Proceeds from redemption of bonds held to maturity	**-**	115	115
Acquisition of bonds available for sale and shares not held for trading	**(5,233)**	(6,564)	(33,226)
Proceeds from sale of bonds available for sale and shares not held for trading	**2,889**	10,441	29,859
Proceeds from redemption of bonds available for sale	**2,027**	569	6,039
Acquisition of credit portfolios	**(34)**	*-	(472)
Proceeds from sale of credit portfolios	**637**	-	-
Investment in equity-basis investees	**(129)**	(11)	(282)
Acquisition of buildings and equipment	**(105)**	(100)	(886)
Proceeds from realization of buildings and equipment	**24**	95	140
Net cash from (for) investing activity	**(11,919)**	(123)	(45,869)
Cash flows from (for) financing activity			
Deposits from banks	**(231)**	351	5,010
Deposits from the public	**(6,781)**	20,177	83,084
Deposits from the government	**(147)**	(205)	(9)
Securities lent or sold under agreements to repurchase	**3,006**	(3)	3,420
Issuance of bonds and subordinated notes	**2,437**	-	8,123
Redemption of bonds and subordinated notes	**(752)**	(2,029)	(6,174)
Dividend paid to shareholders of the Bank	**-**	-	(1,479)
Acquisition of minority interests in a subsidiary	**(16)**	-	-
Net cash from (for) financing activity	**(2,484)**	18,291	91,975
Increase (decrease) in cash	**(11,344)**	20,627	51,284
Balance of cash at beginning of period	**188,594**	137,900	137,898
Effect of changes in exchange rates on cash balances	**352**	391	(588)
Balance of cash at end of period	**177,602**	158,918	188,594
Interest and taxes paid and/or received			
Interest received	**2,828**	2,390	10,108
Interest paid	**(312)**	(555)	(1,708)
Dividends received	**5**	4	33
Income tax paid	**(546)**	(336)	(1,608)
Income tax received	**7**	-	4

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

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 March 31, 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 May 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. 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.

Note 1 Significant Accounting Policies (continued)

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

On March 28, 2018, the Banking Supervision Department issued a letter on the subject, "Adoption of updates of generally accepted accounting principles for banks in the United States – allowances for credit losses and additional directives." The letter adopts generally accepted accounting principles in the United States concerning allowances for expected credit losses, 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 date of granting of the credit 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.

On January 31, 2021, the Banking Supervision Department issued a file of questions and answers regarding implementation of the new rules concerning expected credit losses. Among other matters, the questions and answers include clarifications regarding the manner of classification and return of debts in restructuring to an accruing track.

Note 1 Significant Accounting Policies (continued)

In addition, on February 2, 2021, the Banking Supervision Department issued a circular on the subject, "Expected credit losses from financial instruments," which, among other matters, eliminates the requirement to calculate a collective allowance at a minimum rate of 0.35% in respect of housing loans and eliminates the requirement to calculate a minimum allowance according to the method of the extent of arrears. 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 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.

Note 1 Significant Accounting Policies (continued)

	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: trading book	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 an d 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.

(2) Update of accounting policies following the initial implementation of new accounting rules concerning 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 sound 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 in arrears 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 in arrears of 30 days or more when the account remains continuously in deviation from the approved credit facility for 30 days or more, or if, within the credit facility, amounts credited to the account are not sufficient to cover the debt within a period of 180 days.

Note 1 Significant Accounting Policies (continued)

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 arrears 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 in arrears of 90 days or more, 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 state of the arrears of the debt. For that purpose, the Bank monitors the state of the days of arrears, determined in reference to the contractual repayment terms. Such debts that are in arrears of 90 days or more 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 in arrears of 90 days or more.

Troubled debt restructuring

In order to determine whether a debt arrangement executed by the Bank constitutes troubled debt restructuring, the Bank performs a qualitative examination of all of the terms of the arrangement 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 arrangement. Debts the terms of which have been modified in troubled debt restructuring are classified as non-accruing debt.

Returning non-accruing debt to accruing debt status

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

1. 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).
2. The debt is well-secured and in collection proceedings.

Note 1 Significant Accounting Policies (continued)

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 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.

(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 period of the financial asset, taking into account estimated early repayments. The contractual period 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.

Note 1 Significant Accounting Policies (continued)

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 period 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.

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; credit granting policies and procedures of the Bank, including changes in credit granting 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 trading book, 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.

Note 1 Significant Accounting Policies (continued)

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 determined against recording of 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.

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 loans collection of which is dependent on collateral. 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 debt the collection of which is dependent on collateral, 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 in arrears of 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).

Note 1 Significant Accounting Policies (continued)

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 in arrears of 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.

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

The publication of LIBOR interest rates in four currencies (euro, British pound, Japanese yen, and Swiss franc) was discontinued at the end of 2021. LIBOR interest rates of 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 the ISDA (International Swaps and Derivatives Association) and the ARRC (Alternative Reference Rate Committee) have formulated alternatives to these interest rates, new legal language, and proposals for substitution mechanisms. The anticipated change will affect 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 is preparing for the substitution of the reference rate for the financial products it offers to customers, and adapting its technological systems to the new interest rates and mechanisms.
In late January 2020, letters were sent to customers of the Bank describing the future change, according to the information in the possession of the Bank at that time. An additional letter was sent in February 2021, containing updates based on the additional information that had come to the attention of the Bank. In the last quarter of 2021, letters were sent containing the possibilities available to customers and the conversion method of the products in their possession.
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 in the last quarter of 2021 and is continuing to act to replace the legal agreements with the customers and 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 with the aim of reducing the risks arising from the interest-rate substitution process.

Note 1 Significant Accounting Policies (continued)

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 intends to apply the reliefs with respect to the relevant contracts where alternative benchmark rates are 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.

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

	Total transactions as at March 31, 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	**14,447**	**3,628**	8,890	2,731
Deposits	**845**	**29**	210	15
Derivatives (gross) – par value	**127,360**	**1,418**	60,088	920

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

Note 2 Interest Income and Expenses

Unaudited
NIS millions

	For the three months ended March 31	
	2022	2021
A. Interest income*		
From credit to the public	**3,208**	2,416
From credit to governments	**13**	9
From deposits with banks	**16**	14
From deposits with the Bank of Israel and from cash	**34**	30
From bonds	**132**	122
Total interest income	**3,403**	2,591
B. Interest expenses*		
On deposits from the public	**(324)**	(210)
On deposits from the government	**(1)**	(1)
On deposits from banks	**(1)**	(3)
On securities lent or sold under agreements to repurchase	**(7)**	-
On bonds and subordinated notes	**(352)**	(144)
On other liabilities	**(2)**	-
Total interest expenses	**(687)**	(358)
Total net interest income	**2,716**	2,233
C. Details of net effect of hedging derivative instruments on interest income and expenses**		
Interest income	**(35)**	(27)
Interest expenses	**1**	4
D. Details of interest income from bonds on a cumulative basis		
Held to maturity	**1**	4
Available for sale	**103**	113
Held for trading	**28**	5
Total included in interest income	**132**	122

* 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 March 31	
	2022	2021
1. From activity in derivative instruments		
Total from activity in derivative instruments[1]	**976**	1,519
2. From investment in bonds		
Gains from sale of bonds available for sale	**96**	155
Losses from sale of bonds available for sale[2]	**(44)**	(59)
Total from investment in bonds	**52**	96
3. Net exchange-rate differences	**(1,047)**	(1,555)
4. Gains (losses) from investment in shares		
Net realized and unrealized gains from adjustments to fair value of shares not held for trading[3][4]	**25**	289
Dividend from shares not held for trading	**5**	4
Adjustment to fair value of investment in affiliate	**(7)**	6
Total from investment in shares	**23**	299
5. Net gains (losses) in respect of securitization transactions	**-**	-
6. Net gains in respect of loans sold	**(4)**	-
7. Net credit insurance costs	**(20)**	-
Total non-interest financing income (expenses) in respect of non-trading activities	**(20)**	359

(1) Derivative instruments constituting part of the asset and liability management system of the Bank, which are not designated for hedging.
(2) Including provisions for impairment in the amount of approximately NIS 0 million for the three-month period ended March 31, 2022 (approximately NIS 0 million for the three-month period ended March 31, 2021).
(3) Including provisions for impairment in the amount of approximately NIS 3 million for the three-month period ended March 31, 2022 (approximately NIS 7 million for the three-month period ended March 31, 2021).
(4) Including gains and losses from measurement at fair value of shares with readily determinable fair value, and upward or downward adjustments of shares without 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 March 31	
	2022	2021
Net income in respect of derivative instruments held for trading	**174**	127
Net realized and unrealized losses from adjustments to fair value of bonds held for trading[(1)]	**(6)**	(37)
Total non-interest financing income in respect of trading activities**	**168**	90
Total non-interest financing income	**148**	449
Details of non-interest financing income in respect of trading activities, by risk exposure:		
Interest rate exposure	**5**	6
Foreign currency exposure	**153**	76
Share exposure	**10**	8
Total	**168**	90

* 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(5) million for the three-month period ended March 31, 2022 (NIS (24) million for the three-month period ended March 31, 2021).

Note 4 Accumulated Other Comprehensive Income (Loss)

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 March 31, 2022 and 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		
	Unaudited				
Balance as at January 1, 2022	**105**	**(1,701)**	**(1,596)**	**2**	**(1,598)**
Net change during the period	**(1,008)**	**211**	**(797)**	**1**	**(798)**
Balance as at March 31, 2022	**(903)**	**(1,490)**	**(2,393)**	**3**	**(2,396)**
Balance as at January 1, 2021	489	(1,496)	(1,007)	2	(1,009)
Net change during the period	(384)	(11)	(395)	-	(395)
Balance as at March 31, 2021	105	(1,507)	(1,402)	2	(1,404)

2. 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		
	Audited				
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 March 31, 2022 and 2021

	For the three months ended					
	March 31, 2022			March 31, 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	**(1,456)**	**483**	**(973)**	(486)	168	(318)
(Gains) losses in respect of bonds available for sale reclassified to the statement of profit and loss(1)	**(52)**	**17**	**(35)**	(96)	30	(66)
Net change during the period	**(1,508)**	**500**	**(1,008)**	(582)	198	(384)
Employee benefits						
Net actuarial profit (loss) during the period*	**274**	**(94)**	**180**	(58)	20	(38)
Net (gains) losses reclassified to the statement of profit and loss(2)	**47**	**(16)**	**31**	41	(14)	27
Net change during the period	**321**	**(110)**	**211**	(17)	6	(11)
Total net change during the period	**(1,187)**	**390**	**(797)**	(599)	204	(395)
Changes in components of other comprehensive income (loss) attributed to non-controlling interests						
Total net change during the period	**1**	**-**	**1**	-	-	-
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank						
Total net change during the period	**(1,188)**	**390**	**(798)**	(599)	204	(395)

* 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)

2. 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

	March 31, 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	**3,279**	**3,279**	**-**	**-**	**(39)**	**3,240**
Foreign governments	**1,577**	**1,577**	**-**	**-**	**(4)**	**1,573**
Financial institutions in Israel	**300**	**312**	**(12)**	**15**	**-**	**315**
Total bonds held to maturity	**5,156**	**5,168**	**(12)**	**15**	**(43)**	**5,128**

	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	**32,539**	**32,966**	**-**	**130**	**(557)**	**32,539**
Foreign governments	**16,167**	**16,690**	**-**	**27**	**(550)**	**16,167**
Foreign financial institutions	**3,185**	**3,210**	**-**	**5**	**(30)**	**3,185**
Foreign others	**1,813**	**1,805**	**-**	**20**	**(12)**	**1,813**
Total bonds and debentures available for sale	**53,704**	**54,671**	**-**	**(1)182**	**(1)(1,149)**	**53,704**

	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	**3,878**	**3,674**	**-**	**(2)241**	**(2)(37)**	**3,878**
Of which: shares without readily determinable fair value(3)	**2,185**	**2,185**	**-**	**-**	**-**	**2,185**
Total securities not held for trading	**62,738**	**63,513**	**(12)**	**438**	**(1,229)**	**62,710**

* 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. There was no change in the allowance during the period.

(1) Included in equity in the item "adjustments for presentation of bonds available for sale at fair value" within other comprehensive income.

(2) Charged 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)

Unaudited
NIS millions

	March 31, 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	**4,523**	**4,569**	**-**	**2**	**(48)**	**4,523**
Foreign governments	**287**	**294**	**-**	**1**	**(8)**	**287**
Foreign financial institutions	**696**	**715**	**-**	**9**	**(28)**	**696**
Foreign others	**360**	**373**	**-**	**-**	**(13)**	**360**
Total securities held for trading	**5,866**	**5,951**	**-**	**(1)12**	**(1)(97)**	**5,866**
Total securities(2)(3)	**68,604**	**69,464**	**(12)**	**450**	**(1,326)**	**68,576**

	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	**15,925**	**(557)**	**-**	**(557)**	**-**	**-**	**-**	**-**
Foreign governments	**12,689**	**(405)**	**-**	**(405)**	**1,287**	**(145)**	**-**	**(145)**
Foreign financial institutions	**1,823**	**(30)**	**-**	**(30)**	**-**	**-**	**-**	**-**
Foreign others	**570**	**(8)**	**-**	**(8)**	**136**	**(4)**	**-**	**(4)**
Total bonds and debentures available for sale	**31,007**	**(1,000)**	**-**	**(1,000)**	**1,423**	**(149)**	**-**	**(149)**

* 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) Charged to the statement of profit and loss.
(2) Of which: securities in the amount of approximately NIS 15.3 billion pledged to lenders.
(3) Securities loaned in the amount of NIS 248 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

	March 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	189	189	-	-	189
Financial institutions in Israel	312	312	8	-	320
Total bonds held to maturity	501	501	8	-	509

	Balance sheet value	Amortized cost	Accumulated other comprehensive income		Fair value*
			Gains	Losses	
2) Bonds available for sale					
Bonds and debentures					
Israeli government	41,755	41,552	242	(39)	41,755
Foreign governments	10,665	10,872	72	(279)	10,665
Foreign financial institutions	3,033	2,972	80	(19)	3,033
Foreign others	2,785	2,694	91	-	2,785
Total bonds and debentures available for sale	58,238	58,090	(1)485	(1)(337)	58,238

	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	2,803	2,522	(2)287	(2)(6)	2,803
Of which: shares without a readily determinable fair value	1,748	1,748	-	-	1,748
Total securities not held for trading	61,542	61,113	780	(343)	61,550

* 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) Charged to the statement of profit and loss.

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

	March 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	3,254	3,215	40	(1)	3,254
Foreign governments	2	2	-	-	2
Total bonds and debentures held for trading	3,256	3,217	40	(1)	**3,256
Shares					
Total securities held for trading	3,256	3,217	(1)40	(1)(1)	3,256
Total securities(2)	64,798	64,330	820	(344)	64,806

	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	7,097	(37)	-	(37)	913	(2)	-	(2)
Foreign governments	5,377	(271)	-	(271)	691	(8)	-	(8)
Foreign financial institutions	117	(19)	-	(19)	-	-	-	-
Total bonds and debentures available for sale	12,591	(327)	-	(327)	1,604	(10)	-	(10)

* 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.
** Of which: securities in the amount of NIS 2,366 million are classified as securities held for trading because the Bank chose to measure them according to the fair-value option, despite the fact that they were not acquired for trading purposes.
(1) Charged to the statement of profit and loss.
(2) Of which: securities in the amount of approximately NIS 5.7 billion pledged to lenders.

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 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 securities available for sale at fair value" within other comprehensive income.
(2) Charged 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	(3)63	(3)(8)	8,939
Total securities(1)(2)(4)	71,105	70,476	925	(289)	71,112

	December 31, 2021							
	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) Included in equity in the item "adjustments for presentation of securities available for sale at fair value" within other comprehensive income.
(2) Charged 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.
(4) Of which: securities in the amount of approximately NIS 11.6 billion pledged to lenders.

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 amounts to a negative balance of approximately NIS 388 million. This balance will continue to be presented in shareholders' equity, and will be 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

	March 31, 2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	**186,458**	**-**	**621**	**187,079**	**68,246**	**255,325**
Debts examined on a collective basis	**28,306**	**119,699**	**34,209**	**182,214**	**5,156**	**187,370**
Total(1)	**214,764**	**119,699**	**34,830**	**369,293**	**73,402**	**442,695**
(1) Of which:						
Non-accruing debts	**2,524**	**581**	**289**	**3,394**	**-**	**3,394**
Debts in arrears of 90 days or more	**32**	**-**	**39**	**71**	**-**	**71**
Other problematic debts	**4,134**	**-**	**362**	**4,496**	**-**	**4,496**
Total problematic debts	**6,690**	**581**	**690**	**7,961**	**-**	**7,961**
Allowance for credit losses in respect of debts						
Debts examined on an individual basis	**3,322**	**-**	**191**	**3,513**	**2**	**3,515**
Debts examined on a collective basis	**450**	**446**	**627**	**1,523**	**12**	**1,535**
Total allowance for credit losses(2)	**3,772**	**446**	**818**	**5,036**	**14**	**5,050**
(2) Of which: allowance in respect of non-accruing debts	**545**	**48**	**133**	**726**	**-**	**726**
Of which: allowance in respect of other problematic debts	**467**	**-**	**95**	**562**	**-**	**562**

* 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 45 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)

	March 31, 2021					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance						
Debts examined on an individual basis	150,253	-	896	151,149	16,772	167,921
Debts examined on a collective basis(1)	26,861	101,285	32,485	160,631	-	160,631
(1) Of which: debts for which the allowance is calculated based on the extent of arrears	55	101,174	-	101,229	-	101,229
Total(2)	177,114	101,285	33,381	311,780	16,772	328,552
(2) Of which:						
Debts in restructuring	1,922	-	673	2,595	-	2,595
Other impaired debts	1,366	-	37	1,403	-	1,403
Total impaired debts	3,288	-	710	3,998	-	3,998
Debts in arrears of 90 days or more	86	656	35	777	-	777
Other problematic debts	5,219	-	21	5,240	-	5,240
Total problematic debts	8,593	656	766	10,015	-	10,015
Allowance for credit losses in respect of debts						
In respect of debts examined on an individual basis	3,725	-	105	3,830	5	3,835
In respect of debts examined on a collective basis(3)	512	690	631	1,833	-	1,833
Total allowance for credit losses(4)	4,237	690	736	5,663	5	5,668
(3) Of which: allowance calculated based on the extent of arrears***	-	690	-	690	-	690
(4) Of which: allowance in respect of impaired debts	1,298	-	100	1,398	-	1,398

* 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 55 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 method of the extent of arrears, calculated on a collective basis, in the amount of approximately NIS 542 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 the extent of arrears	39	115,018	-	115,057	-	115,057
Total[2]	207,794	115,127	34,808	357,729	15,585	373,314
(2) Of which:						
Debts in 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 in arrears of 90 days or more	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 the extent of arrears***	-	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 method of the extent of arrears, 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)

NIS millions

2. Change in allowance for credit losses

	For the three months ended March 31, 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	**(586)**	**32**	**(46)**	**(600)**	**-**	**(600)**
Charge-offs	**(82)**	**(1)**	**(95)**	**(178)**	**-**	**(178)**
Recoveries of debts charged off in previous years	**141**	**1**	**91**	**233**	**-**	**233**
Net charge-offs	**59**	**-**	**(4)**	**55**	**-**	**55**
Allowance for credit losses as at March 31, 2022[1] (unaudited)	**4,553**	**482**	**861**	**5,896**	**14**	**5,910**
(1) Of which: in respect of off-balance sheet credit instruments	**781**	**36**	**43**	**860**	**-**	**860**

	For the three months ended March 31, 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]	(203)	(68)	(237)	(508)	-	(508)
Charge-offs	(119)	(1)	(87)	(207)	-	(207)
Recoveries of debts charged off in previous years	99	1	84	184	-	184
Net charge-offs	(20)	-	(3)	(23)	-	(23)
Allowance for credit losses as at March 31, 2021[2] (unaudited)	4,919	690	786	6,395	5	6,400
(1) Of which: in respect of off-balance sheet credit instruments	(18)	-	(31)	(49)	-	(49)
(2) Of which: in respect of off-balance sheet credit instruments	682	-	50	732	-	732

Note 7 Deposits from the Public

NIS millions

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

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
In Israel			
On demand			
Non-interest bearing	**241,227**	202,406	233,518
Interest bearing	**136,105**	112,887	145,743
Total on demand	**377,332**	315,293	379,261
Fixed term	**122,029**	120,929	125,305
Total deposits from the public in Israel*	**499,361**	436,222	504,566
Outside Israel			
On demand			
Non-interest bearing	**1,617**	1,362	1,527
Interest bearing	**7,520**	7,733	8,368
Total on demand	**9,137**	9,095	9,895
Fixed term	**11,278**	10,077	10,611
Total deposits from the public outside Israel	**20,415**	19,172	20,506
Total deposits from the public	**519,776**	455,394	525,072
* Of which:			
Deposits of private individuals	**195,180**	193,304	190,674
Deposits of institutional entities	**90,791**	71,414	101,287
Deposits of corporations and others	**213,390**	171,504	212,605

B. Deposits from the public by size

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
Deposit ceiling			
Up to 1	**151,153**	148,358	147,494
Over 1 up to 10	**117,126**	113,042	114,756
Over 10 up to 100	**75,453**	64,408	74,023
Over 100 up to 500	**54,161**	47,342	51,346
Over 500	**121,883**	82,246	137,453
Total	**519,776**	455,396	525,072

Note 8 Employee Benefits

NIS millions

A. Employee benefit liabilities

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
Early retirement and severance pay			
Amount of liability	**7,943**	7,757	8,167
Fair value of plan assets	**(4,084)**	(3,890)	(4,073)
Surplus liability over plan assets (included in other liabilities)	**3,859**	3,867	4,094
Grant for non-utilization of sick days			
Amount of liability	**380**	369	409
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**380**	369	409
25-year service grant			
Amount of liability	**35**	35	36
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**35**	35	36
Other benefits at end of employment and post-employment			
Amount of liability	**672**	693	726
Fair value of plan assets	**-**	-	-
Surplus liability over plan assets (included in other liabilities)	**672**	693	726
Total			
Surplus liabilities in respect of employee benefits over plan assets included in the item "other liabilities"*	**4,946**	4,964	5,265
* Of which: in respect of benefits for employees overseas	**9**	25	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 March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Net commitment in respect of forecast benefit at beginning of period	**5,229**	4,918	4,918
Service cost	**46**	39	163
Interest cost	**13**	20	70
Deposits by plan participants	**(4)**	-	(16)
Actuarial loss (profit)	**(269)**	55	489
Changes in foreign-currency exchange rates	**(5)**	3	(2)
Benefits paid	**(99)**	(106)	(393)
Net commitment in respect of forecast benefit at end of period	**4,911**	4,929	5,229
Net commitment in respect of cumulative benefit at end of period	**4,661**	4,705	4,906

* Includes post-retirement benefits, including a sick-day grant paid at retirement.
** The amounts presented are net of plan assets. For further details, see Section (d) below.

b. Amounts recognized in the consolidated balance sheet

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
Early retirement and severance pay			
Amounts recognized in the item "other liabilities"	**4,911**	4,929	5,229

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

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
Net actuarial loss	**2,258**	2,282	2,579
Closing balance in accumulated other comprehensive income	**2,258**	2,282	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

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
Commitment in respect of forecast benefit	**8,995**	8,819	9,302
Commitment in respect of cumulative benefit	**8,745**	8,595	8,979
Fair value of plan assets	**(4,084)**	(3,890)	(4,073)

2. Expense for the period

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

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Service cost	**46**	39	163
Interest cost	**13**	20	70
Subtraction of unrecognized amounts:			
Net actuarial loss (profit)	**47**	41	173
Total subtraction of unrecognized amounts	**47**	41	173
Net total benefit cost	**106**	100	406

b. Changes in plan assets and in benefit commitments recognized in other comprehensive income (loss), before tax effect

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Net actuarial loss (profit) for the period	**(269)**	55	489
Subtraction of actuarial profit (loss)	**(47)**	(41)	(173)
Changes in foreign-currency exchange rates	**(5)**	3	(2)
Total recognized in other comprehensive income (loss)	**(321)**	17	314
Net total benefit cost	**106**	100	406
Total recognized in net benefit cost for the period and in other comprehensive income	**(215)**	117	720

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

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
Capitalization rate	**0.39%**	0.30%	(0.19%)
Rate of increase in the CPI	**1.50%**	1.50%	1.50%
Rate of increase in remuneration[(1)]	**0.5%-7.6%**	0.0%-7.5%	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 March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Capitalization rate	**(0.19%)**	0.37%	0.07%
Rate of increase in remuneration	**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		
	March 31		December 31	March 31		December 31
	2022	2021	2021	**2022**	2021	2021
	Unaudited		Audited	Unaudited		Audited
	NIS millions					
Capitalization rate	**(415)**	(423)	(464)	**493**	504	554

* 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:

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
Liability for severance pay	**3,892**	3,703	3,876
Amounts funded for severance pay	**(3,853)**	(3,638)	(3,822)
Net liability	**39**	65	54

Note 8 Employee Benefits (continued)

NIS millions

C. Cash flows

1. Deposits

	Forecast	Actual deposits		
		For the three months ended March 31		For the year ended December 31
	2022*	**2022**	2021	2021
	Unaudited			Audited
Deposits	**160**	**40**	37	163

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

2. Benefits the Bank expects to pay in the future

Year	
2022	442
2023	377
2024	356
2025	340
2026	322
2027-2031	1,337
2032 forward	2,121
Total	5,295

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 (up to 372 thousand shares), 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. The shares will be allocated shortly after the publication of these financial statements.

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 and the draft update of the supervisory directives on this matter, 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. The Bank is preparing to implement the directives of the update, which will take effect with reference to the serving Chairman by October 2022.

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. Since the first quarter of 2017, 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, in accordance with the growth strategy of the Bank, as detailed below.

In view of the notification of the Banking Supervision Department of March 29, 2020, and its temporary order in connection with the spread of the coronavirus, the Board of Directors of the Bank resolved, on March 31, 2020, that in light of the uncertainty in macroeconomic conditions, and in order to comply with the purpose of the directives and policy of the Banking Supervision Department, until the end of the period of the temporary order and until conditions were clearer, the Bank would continue to refrain from performing distributions from ongoing earnings.

On July 26, 2021, the Banking Supervision Department issued a circular updating the temporary order. On September 30, 2021, the Supervisor of Banks extended the period of validity of the temporary order until December 31, 2021. The explanatory materials noted, among other matters, that distribution in an amount greater than 30% of the profits of a bank (in 2020 and 2021) would not be considered cautious and conservative capital planning, and that such distribution would also be possible during the period of validity of the temporary order. It was also noted that banking corporations were expected to continue to use the capital and liquidity surpluses they enjoyed in order to increase credit and support economic activity, rather than for distribution.

On December 27, 2021, the Banking Supervision Department issued an update of the temporary order pursuant to which the temporary order would expire as of January 1, 2022, with respect to dividend distribution.

Further to foregoing, on August 1, 2021, the Board of Directors of the Bank announced the distribution of dividends in the amount of NIS 616.8 million, constituting 30% of the net profit of the Bank in 2020. In addition, at the date of approval of the financial statements for the third quarter, the Board of Directors approved distribution of a dividend at a rate of 30% of the profits of the third quarter of 2021 (a total of NIS 362 million), with added distribution of NIS 500 million in respect of profits accrued in the first half of 2021, i.e. total distribution in the amount of NIS 862 million, paid out on December 8, 2021.

Further to the trends seen in 2021, during the first quarter demand for credit in the economy remained high in most segments of activity, particularly housing and corporate credit.

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

In accordance with its growth strategy and risk appetite, the Bank directed capital resources to respond to this demand. In addition, shekel and dollar interest-rate curves rose sharply, which influenced capital reserves and partly offset the effect of the profit for the period. The trend of market volatility is also evident in the period following the end of the quarter, along with rising uncertainty in the global and local economic environment, including in connection with a possible deceleration in global activity. In light of all of the foregoing and in view of the prioritization of continued implementation of the growth strategy, the Board of Directors resolved to retain existing and accumulated capital surpluses, at this stage, and to refrain from declaring dividend distribution this quarter, despite the level of the reported capital ratios.

The Bank aspires to return to a trajectory of ongoing dividend distribution soon, while maintaining balanced growth, and estimates that the level of capital ratios of the Bank, as reflected in this report, and the scope of growth are important milestones on the path towards potentially renewing dividend distribution in respect of the second quarter of 2022 and going forward. Distributions and the rate thereof are subject, among other matters, to the results of the Bank, market trends and developments, macroeconomic conditions, and the effect of the implementation of future regulatory directives, as well as compliance with legal tests.

B. Dividend payments

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
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 is being 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

	March 31, 2022	March 31, 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(1)	**43,494**	41,012	42,772
Additional Tier 1 capital	**-**	244	244
Total Tier 1 capital(1)	**43,494**	41,256	43,016
Tier 2 capital	**12,737**	10,216	12,490
Total overall capital(1)	**56,231**	51,472	55,506
2. Weighted balances of risk-adjusted assets			
Credit risk(2)	**362,795**	324,431	363,588
Market risks	**3,693**	3,852	4,097
Operational risk	**22,964**	23,090	22,595
Total weighted balances of risk-adjusted assets(2)	**389,452**	351,373	390,280
	%		
3. Ratio of capital to risk components			
Ratio of common equity Tier 1 capital to risk components	**11.17%**	11.67%	10.96%
Ratio of Tier 1 capital to risk components	**11.17%**	11.74%	11.02%
Ratio of total capital to risk components	**14.44%**	14.65%	14.22%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department(3)	**10.23%**	9.23%	9.21%
Minimum total capital ratio required by the Banking Supervision Department(3)	**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. The data also include adjustments in respect of the efficiency plans, allocated in equal parts over five years, beginning at the inception date thereof. For additional details regarding the effect of the efficiency plan adjustments, see Section I below. In addition, the data include adjustments in respect of the effect of the initial implementation of accounting principles concerning estimated credit losses, which are to be gradually reduced until December 31, 2024; for further details, see Section K below.

(2) A total of NIS 253 million as at March 31, 2022, NIS 275 million as at December 31, 2021, and NIS 503 million as at March 31, 2021, was deducted from the total weighted balances of risk-adjusted assets, due to adjustments in respect of the efficiency plans, which, in accordance with the approval of the Banking Supervision Department, are allocated gradually over five years from inception. In addition, a total of NIS 358 million as at March 31, 2022, was deducted from the total weighted balances of risk-adjusted assets in respect of the effect of the initial implementation of accounting principles concerning expected credit losses.

(3) 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 was 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

	March 31, 2022	March 31, 2021	December 31, 2021
	Unaudited		Audited
Common equity Tier 1 capital			
Total capital	**43,231**	40,858	42,747
Differences between total capital and common equity Tier 1 capital	**(1)**	(13)	(4)
Total common equity Tier 1 capital, before supervisory adjustments and deductions	**43,230**	40,845	42,743
Supervisory adjustments and deductions:			
Deferred tax assets	**(16)**	(27)	(28)
Other supervisory adjustments and deductions – common equity Tier 1 capital*	**(188)**	(184)	(154)
Total supervisory adjustments and deductions, before efficiency plan adjustments and before adjustments for estimated credit losses – common equity Tier 1 capital	**(204)**	(211)	(182)
Total efficiency plan adjustments – common equity Tier 1 capital**	**194**	378	211
Total adjustments for estimated credit losses – common equity Tier 1 capital***	**274**	-	-
Total common equity Tier 1 capital, after supervisory adjustments and deductions	**43,494**	41,012	42,772
Additional Tier 1 capital			
Total additional Tier 1 capital	**-**	244	244
Total Tier 1 capital, after supervisory adjustments and deductions	**43,494**	41,256	43,016
Tier 2 capital			
Tier 2 capital – instruments, before deductions	**8,202**	6,161	7,945
Tier 2 capital – allowance for credit losses, before deductions	**4,535**	4,055	4,545
Total Tier 2 capital	**12,737**	10,216	12,490
Total overall capital	**56,231**	51,472	55,506

* The balance as at March 31, 2022, includes a total of NIS 143 million; the balance as at December 31, 2021, includes a total of NIS 140 million; and the balance as at March 31, 2021, includes a total of NIS 167 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 for efficiency plans and estimated credit losses on the common equity Tier 1 capital ratio

	March 31, 2022	March 31, 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 efficiency plan adjustments and before the effect of adjustments for estimated credit losses	**11.03%**	11.55%	10.90%
Effect of efficiency plan adjustments*	**0.06%**	0.12%	0.06%
Effect of adjustments for estimated credit losses**	**0.08%**	-	-
Ratio of common equity Tier 1 capital to risk components	**11.17%**	11.67%	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:

- 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.
- 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.

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 March 31, 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
	%	
The Bank in consolidated data	**(0.03%)**	**(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 was 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 March 31, 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 10.5% (except during the period of the Temporary Order of the Bank of Israel aimed at coping with the coronavirus crisis, in which the internal capital target and the capital ratio required by the Banking Supervision Department were lowered by 1%).

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.

Since the reliefs were granted, the Bank has announced personnel efficiency plans of a total scope of NIS 1,114 million, net of tax effect.

The effect of the aforesaid plans was allocated 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 0.06% as at March 31, 2022.

J. The subsidiary of the Bank in Turkey

In view of the economic and political situation in Turkey, and as part of the strategic plan 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 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 January 2019, a letter was received from the Banking Supervision Department in Israel concerning the subsidiary of the Bank in Turkey, Bank Pozitif. In the letter, the Bank of Israel stated that the activity of the Bank in Turkey exposes it to significant risks, and therefore, until the realization of the full holdings of the Bank in Bank Pozitif, the Bank was required to increase the risk weighting rates of risk-adjusted assets in respect of the activity of Bank Pozitif, in the calculation of the consolidated capital ratio only, as follows:

- Beginning January 1, 2020, risk-adjusted assets in respect of the activity of Bank Pozitif would be weighted at a rate of at least 300%.
- Beginning January 1, 2021, risk-adjusted assets in respect of the activity of Bank Pozitif would be weighted at a rate of at least 600%.

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 34 million is utilized as at the end of March 2022, at an interest rate below market terms (see below). 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 aforesaid effects, in total, on the common equity Tier 1 capital ratio of the Bank as at March 31, 2022, amount to a reduction of 0.06%.

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

Near the date of publication of the financial statements, a letter was received from the Banking Supervision Department in Israel permitting the Bank to reduce the weighting rate of risk-adjusted assets in respect of the activity of Bank Pozitif to 300% (instead of 600%, as noted above). The effect of the implementation of this directive is expected to raise the common equity Tier 1 capital ratio of the Bank by approximately 0.02%; the directive will be implemented beginning with the financial statements for the second quarter of 2022.
In December 2021, the Bank renewed a credit line for Bank Pozitif at a volume of approximately USD 45 million, at an interest rate below market terms, for twelve months, or until such time as the Bank ceases to be a principal shareholder of Bank Pozitif, whichever is earlier. The pricing of the credit line takes into consideration, among other matters, the special circumstances of Bank Pozitif and of the relationship with the minority shareholder, and the efforts of the Bank to sell its investment in Bank Pozitif, in view of the challenging condition of the Turkish economy and of Bank Pozitif, as well as the position of the tax authorities in Turkey, as detailed below. Bank Pozitif has received a notice from the tax authorities in Turkey, in connection with a tax audit for 2018, according to which, in their view, the pricing of the credit line collected by the Bank at that time was above market terms, according to their estimate, and the amounts of interest paid in respect thereof are therefore to be calculated and taxed as dividend payments.

K. Effect of the implementation of accounting principles concerning 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 initial 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 charge 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 March 31, 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 subordinated notes bear interest at a rate of 0.84%.

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

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).

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 was added, on the subject of the treatment of counterparty credit risk. 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.

The Bank is in process to implement the directive. According to the estimates of the Bank, the directive will lead to an increase in capital requirements in respect of derivative instruments and a decrease in the leverage ratio, and will affect the calculation of the sole borrower limit; however, at this stage it is not possible to reliably quantify the scope of this effect.

Pursuant to the circular, Directive 208A was also added, on the subject of new approaches to capital allocation in respect of CVA risk. The directive presents several possible approaches to the calculation of capital allocation in respect of CVA risk. Implementation of the directive is required as of January 1, 2023. However, according to a circular released by the Banking Supervision Department on February 21, 2022, implementation of the directive has been postponed until January 1, 2025.

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

A draft update of Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy – Standardized Approach – Credit Risk" was issued on March 20, 2022. Pursuant to the draft, loans designated for the acquisition of land for the purpose of development or construction at a rate exceeding 75% 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 directive has not yet been approved as final; to the best of the knowledge of the Bank, discussions are underway regarding its inception date and method of implementation. In light of the foregoing, the Bank cannot estimate the extent of the effect of the directive. However, if implemented with respect to the existing inventory of debts, it would lead to an increase in risk-adjusted assets.

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

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 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). Implementation of the directive begins on the date of its publication. The period of validity of the Temporary Order was extended until June 30, 2022. Subsequently, the relief continues to apply until December 31, 2023, provided that the leverage ratio does not fall below the lower of the leverage ratio on June 30, 2022, and the minimum leverage ratio applicable to the banking corporation prior to the Temporary Order (6.0%, as noted).

A circular was issued on May 15, 2022, extending the period of the relief until December 31, 2023; after that date, the requirement is to return to the leverage ratio required prior to the Temporary Order (6.0%, as noted) within two quarters.

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

O. Leverage ratio (continued)

	March 31, 2022	March 31, 2021	December 31, 2021
	Unaudited		Audited
	NIS millions		
a. Consolidated data			
Tier 1 capital*	**43,494**	41,256	43,016
Total exposures*	**710,706**	620,054	713,511
	%		
Leverage ratio	**6.12%**	6.65%	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 March 31, 2022, estimated at approximately 0.03%, is allocated 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 initial implementation of accounting principles concerning 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 March 31, 2022, is estimated at 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 March 31, 2022		
The Bank in consolidated data	**(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 64.

	For the three months ended March 31, 2022	For the three months ended March 31, 2021	For the three months ended December 31, 2021
	Unaudited		Audited
	%		
a. Consolidated data			
Liquidity coverage ratio	**123%**	139%	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%	100%
b. Bank data			
Liquidity coverage ratio	**122%**	139%	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.

	March 31, 2022	December 31, 2021*
	%	
Consolidated data		
Net stable financing ratio	**134%**	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

	March 31		December 31
	2022	2021	2021
	Unaudited		Audited
1. Commitment to purchase securities	**987**	*767	932
2. Construction and acquisition of buildings and equipment	**847**	27	866

* Restated.

3. Credit selling activity

The following table summarizes the credit selling activity of the Bank:

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Book value of credit sold	**641**	-	-
Consideration received in cash	**637**	-	-
Net total from sale of credit	**(4)**	-	-

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.

The Land Policy and the Sale Law Guarantee Policy were acquired from international insurance companies with high credit ratings (A- or higher), allowing the Bank to reduce the capital allocation in respect of the insured portfolio, and allowing the Bank to reduce the indebtedness in respect of the insured amount from the total sectoral indebtedness of the economic sector of real estate.

Note 10 Contingent Liabilities and Special Commitments (continued)

5. On May 10, 2022, the Bank signed a document of principles with Electra Consumer Products (1970) Ltd. (ECP) and Cartisei Ashrai LeIsrael Ltd. (CAL) in which it agreed to enter into an agreement for a triple collaboration to found a joint customer club based on non-bank credit cards. 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. ECP will suggest value offers for purchases at existing retail chains of the ECP Group and at additional retail chains. The parties will share the profits arising from activity in the club cards and from the credit on the cards, and will commit to limited exclusivity periods, all under the terms established in the document of principles. The parties intend to apply the commercial terms in the document of principles to existing Bitcard cards, and, subject to all laws, to convert these cards to the new club. The collaboration, which shall be maintained for a period of ten years, is subject to a number of suspending conditions, including receipt of a permit from the Competition Authority and signing of a detailed agreement on the basis of the document of principles. There is no certainty that the collaboration will be completed or that the required permit will be received.

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.

The additional exposure in respect of claims filed against the Bank on various matters, as at March 31, 2022, that have a "reasonably possible" probability of materialization amounts to approximately NIS 525 million.

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.

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 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).

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

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.

2. 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.

3. 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. A ruling on the motion has not yet been given.

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:
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 not yet submitted a reply to the certification petition.

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.

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.

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 proceeding described in Note 25E(c)(4) to the 2021 Annual Report – the court ordered the Bank to submit a written reply to the appeal, and set a date for a hearing of the proceeding, on January 18, 2023.

Note 10 Contingent Liabilities and Special Commitments (continued)

B. Legal proceedings (continued)

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 June 14, 2022. 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. The Bank must submit its response to the amended motion for disclosure of documents filed by the petitioner thirty days after receiving the court ruling on the pending motion.

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 (Civil Appeal 1451/22).

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).

Note 10 Contingent Liabilities and Special Commitments (continued)

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. A Cease and Desist Order 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 brings to an end the Tax Investigation conducted by the US authorities against the Bank Group.
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.

Note 10 Contingent Liabilities and Special Commitments (continued)

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 employee discipline, 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 money laundering prohibition 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 eighty 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 Bank 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 (Note10B(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)(1) 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).

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates

Unaudited
NIS millions

A. Nominal amount of derivative instruments

	March 31, 2022		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	**6,311**	**49,114**	**55,425**
Options written	**99**	**5,287**	**5,386**
Options bought	**321**	**5,637**	**5,958**
Swaps[(1)]	**20,374**	**356,900**	**377,274**
Total[(2)]	**27,105**	**416,938**	**444,043**
Of which: hedging derivatives	**14,500**	**-**	**14,500**
Foreign-currency contracts			
Future and forward contracts	**20,482**	**258,591**	**279,073**
Options written	**-**	**27,114**	**27,114**
Options bought	**347**	**28,788**	**29,135**
Swaps	**288**	**34,950**	**35,238**
Total[(3)]	**21,117**	**349,443**	**370,560**
Of which: hedging derivatives	**-**	**-**	**-**
Share-related contracts			
Future and forward contracts	**-**	**37,796**	**37,796**
Options written	**1,514**	**34,239**	**35,753**
Options bought[(4)]	**421**	**34,239**	**34,660**
Swaps	**764**	**71,114**	**71,878**
Total	**2,699**	**177,388**	**180,087**
Commodity and other contracts			
Future and forward contracts	**-**	**48**	**48**
Options written	**-**	**549**	**549**
Options bought	**-**	**588**	**588**
Swaps	**-**	**1**	**1**
Total	**-**	**1,186**	**1,186**
Total nominal amount	**50,921**	**944,955**	**995,876**

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 199,484 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 39,737 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 28,241 million.
(4) Of which: traded on the stock exchange in the amount of NIS 34,239 million.

Note 11 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

Unaudited
NIS millions

A. Nominal amount of derivative instruments (continued)

	March 31, 2021		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	3,038	24,025	27,063
Options written	-	3,890	3,890
Options bought	100	3,890	3,990
Swaps[(1)]	17,539	301,860	319,399
Total[(2)]	20,677	333,665	354,342
Of which: hedging derivatives	12,013	-	12,013
Foreign-currency contracts			
Future and forward contracts	12,278	266,315	278,593
Options written	-	23,725	23,725
Options bought	290	22,228	22,518
Swaps	278	34,943	35,221
Total[(3)]	12,846	347,211	360,057
Of which: hedging derivatives	-	-	-
Share-related contracts			
Future and forward contracts	-	28,122	28,122
Options written	1,675	20,237	21,912
Options bought[(4)]	481	20,237	20,718
Swaps	897	29,158	30,055
Total	3,053	97,754	100,807
Commodity and other contracts			
Future and forward contracts	-	36	36
Options written	-	3	3
Options bought	-	3	3
Total	-	42	42
Total nominal amount	36,576	778,672	815,248

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 167,337 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 28,398 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 21,528 million.
(4) Of which: traded on the stock exchange in the amount of NIS 20,237 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

	March 31, 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	**568**	**4,657**	**5,225**	**645**	**4,834**	**5,479**
Of which: hedging derivatives	**349**	**-**	**349**	**283**	**-**	**283**
Foreign-currency contracts	**327**	**5,146**	**5,473**	**128**	**5,720**	**5,848**
Share-related contracts	**39**	**3,114**	**3,153**	**34**	**3,020**	**3,054**
Commodity and other contracts	**-**	**23**	**23**	**-**	**23**	**23**
Total gross assets (liabilities) in respect of derivatives[(1)]	**934**	**12,940**	**13,874**	**807**	**13,597**	**14,404**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**934**	**12,940**	**13,874**	**807**	**13,597**	**14,404**
Of which: not subject to a netting arrangement or similar arrangements	**76**	**1,698**	**1,774**	**127**	**1,932**	**2,059**

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 19 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)

	March 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	416	4,567	4,983	662	4,824	5,486
Of which: hedging derivatives	212	-	212	436	-	436
Foreign-currency contracts	95	4,874	4,969	39	4,475	4,514
Share-related contracts	50	1,362	1,412	49	1,356	1,405
Commodity and other contracts	-	2	2	-	2	2
Total gross assets (liabilities) in respect of derivatives(1)	561	10,805	11,366	750	10,657	11,407
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	561	10,805	11,366	750	10,657	11,407
Of which: not subject to a netting arrangement or similar arrangements	85	1,197	1,282	177	952	1,129

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 44 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

* Reclassified.
(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 March 31		For the year ended December 31
	2022	2021	2021
	Interest income (expenses)		
	Unaudited		Audited
Profit (loss) from fair-value hedges			
Hedged items	**(247)**	(554)	(613)
Hedging derivatives	**250**	570	622

2. Items hedged in fair-value hedges

	Balance as at March 31, 2022		Balance as at March 31, 2021		Balance as at December 31, 2021	
	Book value	Cumulative fair-value adjustments that increased (decreased) the book value	Book value	Cumulative fair-value adjustments that increased the book value	Book value	Cumulative fair-value adjustments that increased the book value
	Unaudited				Audited	
Securities	**12,111**	**(272)**	12,620	202	11,851	131
Subordinated notes	**3,054**	**(168)**	-	-	3,118	(12)

3. Effect of derivatives not designated as hedging instruments on the statement of profit and loss

	For the three months ended March 31		For the year ended December 31
	2022	2021	2021
	Profit (loss) recognized in income (expenses) from activity in derivative instruments[(1)]		
	Unaudited		Audited
Interest contracts	**6**	33	14
Foreign-currency contracts	**1,134**	1,584	(1,460)
Share-related contracts	**10**	29	16
Total	**1,150**	1,646	(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

	March 31, 2022					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
Positive gross fair value of derivative instruments	**232**	**7,570**	**2,103**	**229**	**3,740**	**13,874**
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	**-**	**(4,898)**	**(1,482)**	**-**	**(1,171)**	**(7,551)**
Credit risk mitigation in respect of cash collateral received	**-**	**(2,565)**	**(172)**	**(189)**	**(1,654)**	**(4,580)**
Net total assets in respect of derivative instruments	**232**	**107**	**449**	**40**	**915**	**1,743**
Off-balance sheet credit risk in respect of derivative instruments(1)	**420**	**5,471**	**2,875**	**111**	**7,519**	**16,396**
Off-balance sheet credit risk mitigation	**-**	**(2,176)**	**(669)**	**-**	**(2,298)**	**(5,143)**
Total gross credit risk in respect of derivative instruments	**652**	**13,041**	**4,978**	**340**	**11,259**	**30,270**
Balance sheet balance of liabilities in respect of derivative instruments(2)	**144**	**5,424**	**2,168**	**-**	**6,668**	**14,404**
Gross amounts not offset in the balance sheet:						
Financial instruments	**-**	**(4,898)**	**(1,482)**	**-**	**(1,171)**	**(7,551)**
Cash collateral pledged	**-**	**(369)**	**(105)**	**-**	**(2,164)**	**(2,638)**
Net total liabilities in respect of derivative instruments	**144**	**157**	**581**	**-**	**3,333**	**4,215**

(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, negative fair value of embedded derivative instruments in the amount of NIS 19 million (March 31, 2021: NIS 44 million; December 31, 2021: 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)

	March 31, 2021					
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Others	Total
Positive gross fair value of derivative instruments	203	5,359	1,900	126	3,778	11,366
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(4,908)	(1,580)	(7)	(1,316)	(7,811)
Credit risk mitigation in respect of cash collateral received	-	(440)	(97)	(119)	(1,404)	(2,060)
Net total assets in respect of derivative instruments	203	11	223	-	1,058	1,495
Off-balance sheet credit risk in respect of derivative instruments(1)	406	4,052	2,252	104	5,321	12,135
Off-balance sheet credit risk mitigation	-	(2,232)	(695)	(3)	(1,510)	(4,440)
Total gross credit risk in respect of derivative instruments	609	9,411	4,152	230	9,099	23,501
Balance sheet balance of liabilities in respect of derivative instruments(2)	236	5,748	2,094	7	3,322	11,407
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(4,908)	(1,580)	(7)	(1,316)	(7,811)
Cash collateral pledged	-	(603)	(388)	-	(807)	(1,798)
Net total liabilities in respect of derivative instruments	236	237	126	-	1,199	1,798

(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, negative fair value of embedded derivative instruments in the amount of NIS 19 million (March 31, 2021: NIS 44 million; December 31, 2021: 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	Others	Total
Positive gross fair value of derivative instruments	225	6,641	2,420	282	3,416	12,984
Gross amounts not offset in the balance sheet:						
Credit risk mitigation in respect of financial instruments	-	(3,989)	(1,554)	-	(683)	(6,226)
Credit risk mitigation in respect of cash collateral received	-	(2,415)	(382)	(257)	(1,736)	(4,790)
Net total assets in respect of derivative instruments	225	237	484	25	997	1,968
Off-balance sheet credit risk in respect of derivative instruments(1)	480	4,939	2,770	105	7,046	15,340
Off-balance sheet credit risk mitigation	-	(1,752)	(699)	-	(2,108)	(4,559)
Total gross credit risk in respect of derivative instruments	705	11,580	5,190	387	10,462	28,324
Balance sheet balance of liabilities in respect of derivative instruments(2)	200	4,276	2,495	-	7,419	14,390
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(3,989)	(1,554)	-	(683)	(6,226)
Cash collateral pledged	-	(12)	(199)	-	(3,752)	(3,963)
Net total liabilities in respect of derivative instruments	200	275	742	-	2,984	4,201

(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, negative fair value of embedded derivative instruments in the amount of NIS 19 million (March 31, 2021: NIS 44 million; December 31, 2021: 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)

	March 31, 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	**4,947**	**5,821**	**21,245**	**7,724**	**39,737**
Other	**40,000**	**101,220**	**198,209**	**64,877**	**404,306**
Foreign-currency contracts	**221,384**	**99,062**	**35,765**	**14,349**	**370,560**
Share-related contracts	**94,079**	**79,335**	**4,996**	**1,677**	**180,087**
Commodity and other contracts (including credit derivatives)	**1,079**	**82**	**25**	**-**	**1,186**
Total	**361,489**	**285,520**	**260,240**	**88,627**	**995,876**

	March 31, 2021				
	Unaudited				
Total	301,252	214,932	219,816	79,248	815,248

	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 activity segments

	For the three months ended March 31, 2022		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	**1,598**	**1,173**	**4**
Interest expenses for externals	**(78)**	**-**	**-**
Net interest income:			
From externals	**1,520**	**1,173**	**4**
Inter-segmental	**(767)**	**(847)**	**-**
Total net interest income	**753**	**326**	**4**
Non-interest income:			
Non-interest financing income	**1**	**-**	**-**
Fees and other income	**302**	**10**	**50**
Total non-interest income	**303**	**10**	**50**
Total income	**1,056**	**336**	**54**
Provision (income) for credit losses	**(14)**	**32**	**-**
Operating and other expenses:			
For externals	**903**	**112**	**51**
Inter-segmental	**-**	**-**	**-**
Total operating and other expenses	**903**	**112**	**51**
Profit (loss) before taxes	**167**	**192**	**3**
Provision for taxes (tax benefit) on profit (loss)	**55**	**64**	**1**
Profit (loss) after taxes	**112**	**128**	**2**
The Bank's share in profits of equity-basis investees	**-**	**-**	**-**
Net profit (loss) before attribution to non-controlling interests	**112**	**128**	**2**
Loss (profit) attributed to non-controlling interests	**-**	**-**	**-**
Net profit (loss) attributed to shareholders of the Bank	**112**	**128**	**2**

Unaudited
NIS millions

For the three months ended March 31, 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	
5	585	289	564	6	186	-	3,233	170	3,403
(24)	(20)	(38)	(43)	(68)	(391)	-	(662)	(25)	(687)
(19)	565	251	521	(62)	(205)	-	2,571	145	2,716
33	(31)	(27)	(165)	80	881	-	4	(4)	-
14	534	224	356	18	676	-	2,575	141	2,716
-	3	5	17	16	122	-	164	(16)	148
41	239	86	142	27	24	113	974	10	984
41	242	91	159	43	146	113	1,138	(6)	1,132
55	776	315	515	61	822	113	3,713	135	3,848
-	(15)	(180)	(401)	-	-	-	(610)	10	(600)
47	479	106	151	37	102	40	1,865	93	1,958
-	-	-	-	-	8	(8)	-	-	-
47	479	106	151	37	110	32	1,865	93	1,958
8	312	389	765	24	712	81	2,458	32	2,490
2	106	137	273	8	236	34	851	11	862
6	206	252	492	16	476	47	1,607	21	1,628
-	-	-	-	-	27	-	27	-	27
6	206	252	492	16	503	47	1,634	21	1,655
-	-	-	-	-	-	-	-	(1)	(1)
6	206	252	492	16	503	47	1,634	20	1,654

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory activity segments (continued)

	For the three months ended March 31, 2022		
	Activity in Israel		
	Households[4]		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	**148,346**	**116,456**	**3,414**
Of which: investments in equity-basis investees[1]	**-**	**-**	**-**
Average balance of gross credit to the public[1]	**149,037**	**116,711**	**3,414**
Balance of gross credit to the public at the end of the reported period	**153,741**	**119,248**	**4,344**
Balance of non-accruing debts	**846**	**557**	**-**
Balance of debts in arrears of more than 90 days	**39**	**-**	**-**
Average balance of liabilities[1]	**157,721**	**-**	**-**
Of which: average balance of deposits from the public[1]	**157,687**	**-**	**-**
Balance of deposits from the public at the end of the reported period	**159,779**	**-**	**-**
Average balance of risk-adjusted assets[1][2]	**102,572**	**66,618**	**4,136**
Balance of risk-adjusted assets at the end of the reported period[2]	**103,562**	**67,741**	**4,080**
Average balance of assets under management[1][3]	**69,171**	**-**	**-**
Segmentation of net interest income:			
Spread from credit granting activity	**702**	**326**	**4**
Spread from deposit taking activity	**51**	**-**	**-**
Other	**-**	**-**	**-**
Total net interest income	**753**	**326**	**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 21.3 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Unaudited
NIS millions

For the three months ended March 31, 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	
729	**59,714**	**38,733**	**89,177**	**2,469**	**263,696**	**235**	**603,099**	**29,952**	**633,051**
-	**-**	**-**	**-**	**-**	**888**	**-**	**888**	**-**	**888**
734	**60,412**	**39,393**	**91,149**	**2,163**	**-**	**-**	**342,888**	**15,836**	**358,724**
830	**61,217**	**39,245**	**94,816**	**3,103**	**-**	**-**	**352,952**	**16,341**	**369,293**
-	**467**	**355**	**985**	**-**	**-**	**-**	**2,653**	**741**	**3,394**
-	**31**	**1**	**-**	**-**	**-**	**-**	**71**	**-**	**71**
34,842	**93,953**	**34,635**	**80,107**	**98,356**	**68,754**	**9**	**568,377**	**21,662**	**590,039**
34,841	**93,690**	**34,383**	**79,616**	**98,322**	**-**	**-**	**498,539**	**20,982**	**519,521**
35,401	**95,548**	**35,426**	**82,416**	**90,791**	**-**	**-**	**499,361**	**20,415**	**519,776**
1,131	**74,225**	**51,341**	**110,858**	**3,176**	**21,053**	**4,702**	**369,058**	**20,809**	**389,867**
1,153	**74,284**	**50,098**	**109,814**	**3,591**	**21,213**	**4,567**	**368,282**	**21,170**	**389,452**
53,967	**44,985**	**28,788**	**113,718**	**356,668**	**89,834**	**4,364**	**761,495**	**-**	**761,495**
3	**507**	**215**	**342**	**2**	**1,281**	**-**	**3,052**	**156**	**3,208**
11	**27**	**9**	**14**	**14**	**(424)**	**-**	**(298)**	**(26)**	**(324)**
-	**-**	**-**	**-**	**2**	**(181)**	**-**	**(179)**	**11**	**(168)**
14	**534**	**224**	**356**	**18**	**676**	**-**	**2,575**	**141**	**2,716**

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory activity segments (continued)

	For the three months ended March 31, 2021		
	Activity in Israel		
	Households		
	Total	Of which: housing loans	Of which: credit cards
Interest income from externals	1,078	650	4
Interest expenses for externals	(56)	-	-
Net interest income:			
From externals	1,022	650	4
Inter-segmental	(314)	(382)	-
Total net interest income	708	268	4
Non-interest income:			
Non-interest financing income	1	-	-
Fees and other income	294	12	40
Total non-interest income	295	12	40
Total income	1,003	280	44
Provision (income) for credit losses	(305)	(68)	-
Operating and other expenses:			
For externals	873	91	45
Inter-segmental	-	-	-
Total operating and other expenses	873	91	45
Profit (loss) before taxes	435	257	(1)
Provision for taxes (tax benefit) on profit (loss)	176	105	-
Profit (loss) after taxes	259	152	(1)
The Bank's share in profits of equity-basis investees	-	-	-
Net profit (loss) before attribution to non-controlling interests	259	152	(1)
Loss (profit) attributed to non-controlling interests	-	-	-
Net profit (loss) attributed to shareholders of the Bank	259	152	(1)

Unaudited
NIS millions

For the three months ended March 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	
1	505	227	397	5	231	-	2,444	147	2,591
(21)	(14)	(17)	(23)	(47)	(148)	-	(326)	(32)	(358)
(20)	491	210	374	(42)	83	-	2,118	115	2,233
30	(1)	(18)	(89)	55	339	-	2	(2)	-
10	490	192	285	13	422	-	2,120	113	2,233
-	3	3	12	10	413	-	442	7	449
39	218	69	113	25	35	96	889	10	899
39	221	72	125	35	448	96	1,331	17	1,348
49	711	264	410	48	870	96	3,451	130	3,581
-	(26)	(44)	(141)	2	-	-	(514)	6	(508)
44	457	99	143	38	96	39	1,789	130	1,919
-	-	-	-	-	3	(3)	-	-	-
44	457	99	143	38	99	36	1,789	130	1,919
5	280	209	408	8	771	60	2,176	(6)	2,170
2	107	86	173	3	245	22	814	12	826
3	173	123	235	5	526	38	1,362	(18)	1,344
-	-	-	-	-	7	-	7	-	7
3	173	123	235	5	533	38	1,369	(18)	1,351
-	-	-	-	-	2	-	2	1	3
3	173	123	235	5	535	38	1,371	(17)	1,354

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory activity segments (continued)

	For the three months ended March 31, 2021		
	Activity in Israel		
	Households[4]		
	Total	Of which: housing loans	Of which: credit cards
Average balance of assets[1]	129,852	99,077	3,489
Of which: investments in equity-basis investees[1]	-	-	-
Average balance of gross credit to the public[1]	131,332	99,864	3,489
Balance of gross credit to the public at the end of the reported period	134,155	100,994	4,628
Balance of impaired debts	709	-	-
Balance of debts in arrears of more than 90 days	666	631	-
Average balance of liabilities[1]	157,042	-	-
Of which: average balance of deposits from the public[1]	157,039	-	-
Balance of deposits from the public at the end of the reported period	159,088	-	-
Average balance of risk-adjusted assets[1][2]	94,510	57,870	4,474
Balance of risk-adjusted assets at the end of the reported period[2]	94,107	58,288	4,363
Average balance of assets under management[1][3]	65,671	-	-
Segmentation of net interest income:			
Spread from credit granting activity	654	268	4
Spread from deposit taking activity	54	-	-
Other	-	-	-
Total net interest income	708	268	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 18.3 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Unaudited
NIS millions

For the three months ended March 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	
504	53,156	30,829	65,057	3,612	235,796	106	518,912	25,881	544,793
-	-	-	-	-	561	-	561	-	561
511	54,143	31,562	67,059	3,212	-	-	287,819	15,292	303,111
563	54,678	32,400	73,468	1,528	-	-	296,792	14,988	311,780
-	943	323	1,263	-	-	-	3,238	760	3,998
-	82	4	-	-	-	-	752	25	777
33,716	80,998	28,890	56,086	68,801	60,230	9	485,772	19,403	505,175
33,716	80,894	28,808	55,966	68,754	-	-	425,177	18,391	443,568
34,216	83,920	30,339	57,245	71,414	-	-	436,222	19,172	455,394
1,196	66,029	45,289	92,521	6,242	20,140	4,649	330,576	18,992	349,568
1,127	66,556	46,326	93,332	6,186	19,315	5,159	332,108	19,265	351,373
48,632	37,772	19,569	83,936	350,679	43,941	4,148	654,348	-	654,348
1	470	186	276	2	687	-	2,276	140	2,416
9	20	6	9	8	(280)	-	(174)	(36)	(210)
-	-	-	-	3	15	-	18	9	27
10	490	192	285	13	422	-	2,120	113	2,233

Note 12 Supervisory Operating Segments (continued)

Information regarding supervisory activity 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:			
For 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 activity 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 in arrears of more than 90 days	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 March 31, 2022								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	362	346	1,175	381	583	131	(262)	-	2,716
Inter-segmental	130	(13)	(849)	(45)	(161)	1	937	-	-
Non-interest financing income	3	2	-	(4)	16	(22)	153	-	148
Total net financing profit	495	335	326	332	438	110	828	-	2,864
Fees and other income	379	146	11	128	166	8	33	113	984
Total income	874	481	337	460	604	118	861	113	3,848
Provision (income) for credit losses	(53)	41	32	(54)	(586)	10	10	-	(600)
Operating and other expenses:									
From externals	899	311	116	134	174	76	212	36	1,958
Inter-segmental	41	23	(5)	11	28	-	(87)	(11)	-
Profit (loss) before taxes	(13)	106	194	369	988	32	726	88	2,490
Provision for taxes (tax benefit) on profit (loss)	(4)	36	67	131	353	13	231	35	862
Profit (loss) after taxes	(9)	70	127	238	635	19	495	53	1,628
The Bank's share in profits of equity-basis investees, after taxes	-	-	-	-	-	-	27	-	27
Net profit (loss):									
Before attribution to non-controlling interests	(9)	70	127	238	635	19	522	53	1,655
Attributed to non-controlling interests	-	-	-	-	-	1	-	-	1
Attributed to shareholders of the Bank	(9)	70	127	238	635	18	522	53	1,654
Net credit to the public at the end of the reported period	38,655	34,357	119,298	54,700	98,924	14,593	3,730	-	364,257
Deposits from the public at the end of the reported period	230,674	65,110	-	51,407	81,411	20,237	70,937	-	519,776

(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 7,651 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 March 31, 2021								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
Net interest income:									
From externals	388	305	651	310	442	101	36	-	2,233
Inter-segmental	108	12	(383)	(28)	(86)	(1)	378	-	-
Non-interest financing income	2	1	-	3	21	6	416	-	449
Total net financing profit	498	318	268	285	377	106	830	-	2,682
Fees and other income	365	139	12	103	147	9	33	91	899
Total income	863	457	280	388	524	115	863	91	3,581
Provision (income) for credit losses	(229)	(45)	(68)	(39)	(135)	6	2	-	(508)
Operating and other expenses:									
From externals	908	243	125	129	164	128	184	38	1,919
Inter-segmental	12	79	(34)	7	6	-	(68)	(2)	-
Profit (loss) before taxes	172	180	257	291	489	(19)	745	55	2,170
Provision for taxes (tax benefit) on profit (loss)	68	73	102	119	199	8	236	21	826
Profit (loss) after taxes	104	107	155	172	290	(27)	509	34	1,344
The Bank's share in profits of equity-basis investees, after taxes	-	-	-	-	-	-	7	-	7
Net profit (loss):									
Before attribution to non-controlling interests	104	107	155	172	290	(27)	516	34	1,351
Attributed to non-controlling interests	-	-	-	-	-	1	2	-	3
Attributed to shareholders of the Bank	104	107	155	172	290	(26)	518	34	1,354
Net credit to the public at the end of the reported period	37,225	31,139	100,650	43,832	78,102	13,502	1,667	-	306,117
Deposits from the public at the end of the reported period	224,406	57,368	-	40,670	59,979	18,844	54,127	-	455,394

(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 3,864 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			Business 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

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 March 31, 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	**(586)**	**32**	**(46)**	**(600)**	**-**	**(600)**
Charge-offs	**(82)**	**(1)**	**(95)**	**(178)**	**-**	**(178)**
Recoveries of debts charged off in previous years	**141**	**1**	**91**	**233**	**-**	**233**
Net charge-offs	**59**	**-**	**(4)**	**55**	**-**	**55**
Allowance for credit losses as at March 31, 2022(1) (unaudited)	**4,553**	**482**	**861**	**5,896**	**14**	**5,910**
(1) Of which: in respect of off-balance sheet credit instruments	**781**	**36**	**43**	**860**	**-**	**860**

* 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 three months ended March 31, 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)	(203)	(68)	(237)	(508)	-	(508)
Charge-offs	(119)	(1)	(87)	(207)	-	(207)
Recoveries of debts charged off in previous years	99	1	84	184	-	184
Net charge-offs	(20)	-	(3)	(23)	-	(23)
Allowance for credit losses as at March 31, 2021(2) (unaudited)	4,919	690	786	6,395	5	6,400
(1) Of which: in respect of off-balance sheet credit instruments	(18)	-	(31)	(49)	-	(49)
(2) Of which: in respect of off-balance sheet credit instruments	682	-	50	732	-	732

* 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 and 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

	March 31, 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	**186,458**	**-**	**621**	**187,079**	**68,246**	**255,325**
Examined on a collective basis	**28,306**	**119,699**	**34,209**	**182,214**	**5,156**	**187,370**
Total debts*	**214,764**	**119,699**	**34,830**	**369,293**	**73,402**	**442,695**
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	**3,322**	**-**	**191**	**3,513**	**2**	**3,515**
Examined on a collective basis	**450**	**446**	**627**	**1,523**	**12**	**1,535**
Total allowance for credit losses	**3,772**	**446**	**818**	**5,036**	**14**	**5,050**

* 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 45 million, of commercial borrowers, or granted to purchasing groups in the process of construction (March 31, 2021: NIS 55 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 and 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)

	March 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	150,253	-	896	151,149	16,772	167,921
Examined on a collective basis(1)	26,861	101,285	32,485	160,631	-	160,631
Total debts*	177,114	101,285	33,381	311,780	16,772	328,552
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	3,725	-	105	3,830	5	3,835
Examined on a collective basis(2)	512	690	631	1,833	-	1,833
Total allowance for credit losses	4,237	690	736	5,663	5	5,668
(1) Of which: allowance for which was calculated according to the extent of arrears	55	101,174	-	101,229	-	101,229
(2) Of which: allowance for which was calculated according to the extent of arrears***	-	690	-	690	-	690

* 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 45 million, of commercial borrowers, or granted to purchasing groups in the process of construction (March 31, 2021: NIS 55 million; December 31, 2021: NIS 39 million).

*** Includes the allowance beyond the amount required according to the method of the extent of arrears, calculated on a collective basis (March 31, 2021: NIS 542 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 and 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
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
(1) Of which: allowance for which was calculated according to the extent of arrears	39	115,018	-	115,057	-	115,057
(2) Of which: allowance for which was calculated according to the extent of arrears***	-	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 45 million, of commercial borrowers, or granted to purchasing groups in the process of construction (March 31, 2021: NIS 55 million; December 31, 2021: NIS 39 million).

*** Includes the allowance beyond the amount required according to the method of the extent of arrears, calculated on a collective basis (March 31, 2021: NIS 542 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 arrears

	March 31, 2022					
	Sound	Problematic[1]		Total	Accruing debts[2] – additional information	
		Accruing[2]	Non-accruing		In arrears of 90 days or more	In arrears of 30 to 89 days[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	43,405	119	201	43,725	6	31
Construction and real estate – real-estate activities	28,629	41	80	28,750	1	9
Financial services	23,488	142	2	23,632	-	1
Commercial – other	92,515	2,399	1,524	96,438	25	69
Total commercial	188,037	2,701	1,807	192,545	32	110
Private individuals – housing loans[4]	118,609	-	557	119,166	-	609
Private individuals – other	34,089	401	289	34,779	39	89
Total public – activity in Israel	340,735	3,102	2,653	346,490	71	808
Activity of borrowers outside Israel						
Public – commercial						
Construction and real estate	7,799	173	625	8,597	-	1
Commercial – other	12,238	1,292	92	13,622	-	6
Total commercial	20,037	1,465	717	22,219	-	7
Private individuals	560	-	24	584	-	15
Total public – activity overseas	20,597	1,465	741	22,803	-	22
Total public	361,332	4,567	3,394	369,293	71	830

(1) Non-accruing, substandard, or special mention credit risk.
(2) Classified as problematic debts accruing interest income.
(3) Accruing interest income. Debts in arrears of 30 to 89 days in the amount of approximately NIS 57 million (March 31, 2021: NIS 42 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 60 million (March 31, 2021: NIS 59 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 arrears (continued)

	March 31, 2021					
	Non-problematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		In arrears of 90 days or more[3]	In arrears of 30 to 89 days[4]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	32,941	156	207	33,304	8	15
Construction and real estate – real-estate activities	22,398	321	162	22,881	1	4
Financial services	18,406	142	6	18,554	2	4
Commercial – other	78,927	2,816	2,154	83,897	75	53
Total commercial	152,672	3,435	2,529	158,636	86	76
Private individuals – housing loans[5]	100,158	631	-	100,789	631	563
Private individuals – other	32,567	56	709	33,332	35	78
Total public – activity in Israel	285,397	4,122	3,238	292,757	752	717
Banks in Israel	92	-	-	92	-	-
Israeli government	934	-	-	934	-	-
Total activity in Israel	286,423	4,122	3,238	293,783	752	717

* 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 the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 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 in arrears of 30 to 89 days in the amount of NIS 42 million were classified as unimpaired problematic debts.
(5) Includes a balance of housing loans arranged in a settlement with the borrower in the amount of NIS 59 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 arrears (continued)

	March 31, 2021					
	Non-problematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		In arrears of 90 days or more[3]	In arrears of 30 to 89 days[4]
Activity of borrowers outside Israel						
Public – commercial						
Construction and real estate	5,694	450	381	6,525	-	-
Commercial – other	10,155	1,420	378	11,953	-	13
Total commercial	15,849	1,870	759	18,478	-	13
Private individuals	519	25	1	545	25	9
Total public – activity overseas	16,368	1,895	760	19,023	25	22
Banks overseas	14,570	-	-	14,570	-	10
Governments overseas	1,176	-	-	1,176	-	-
Total activity overseas	32,114	1,895	760	34,769	25	32
Total public	301,765	6,017	3,998	311,780	777	739
Total banks	14,662	-	-	14,662	-	10
Total governments	2,110	-	-	2,110	-	-
Total	318,537	6,017	3,998	328,552	777	749

* 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 the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 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 in arrears of 30 to 89 days of NIS 42 million as at March 31, 2021, were classified as unimpaired 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 arrears (continued)

	December 31, 2021					
	Non-problematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		In arrears of 90 days or more[3]	In arrears of 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 the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 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 in arrears of 30 to 89 days of NIS 44 million as at December 31, 2021, were classified as unimpaired problematic debts.
(5) Includes a balance of housing loans arranged in a settlement with the borrower in the amount of NIS 57 million as at December 31, 2021.

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 arrears (continued)

	December 31, 2021					
	Non-problematic	Problematic[(1)]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[(2)]		In arrears of 90 days or more[(3)]	In arrears of 30 to 89 days[(4)]
Activity of borrowers 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 the extent of arrears exists, and housing loans for which an allowance based on the extent of arrears does not exist, which are in arrears of 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 in arrears of 30 to 89 days in the amount of NIS 44 million as at December 31, 2021, were classified as unimpaired problematic debts.

Note 13 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Credit quality – the status of debts in arrears

The status of debts in arrears is monitored routinely, and serves as one of the key indicators of credit quality. The status of debts in arrears is determined based on actual days of arrears. Debts are treated as nonperforming debts (debts not accruing interest income) after 90 days in arrears, as is any debt that has undergone troubled debt restructuring and has resumed accruing interest when it is 30 days in arrears relative to the new terms of the debt. With regard to debts evaluated on a collective basis, the status of arrears affects the classification of the debt (the classification is more severe for more extensive arrears); debts are charged off by the Bank after 150 days in arrears.

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

	March 31, 2022						Recorded debt balance of revolving loans*	Total
	Recorded debt balance of fixed-term credit to the public granted in the year							
	2022	2021	2020	2019	2018	Previous		
Borrower activity in Israel								
Public – commercial								
Construction and real estate – total	20,313	23,992	5,754	3,076	2,249	3,444	13,647	72,475
Credit at credit execution rating	20,181	23,474	5,564	2,970	2,185	3,286	13,443	71,103
Non-problematic credit not at credit execution rating	99	390	172	71	48	50	101	931
Accruing problematic credit	21	49	10	12	9	27	32	160
Non-accruing credit	12	79	8	23	7	81	71	281
Commercial – other – total	27,626	30,064	13,482	7,602	4,516	11,443	25,337	120,070
Credit at credit execution rating	26,501	28,826	11,516	7,151	4,124	10,503	23,983	112,604
Non-problematic credit not at credit execution rating	521	776	612	326	266	178	720	3,399
Accruing problematic credit	541	303	557	88	96	482	474	2,541
Non-accruing credit	63	159	797	37	30	280	160	1,526
Private individuals – housing loans – total	9,424	28,995	18,536	13,777	9,880	38,554	-	119,166
LTV up to 60%**	5,394	16,914	10,740	8,350	6,629	25,409	-	73,436
LTV over 60% up to 75%**	3,908	11,628	7,528	5,260	3,139	11,234	-	42,697
LTV over 75%**	122	453	268	167	112	1,911	-	3,033
Credit not in arrears at credit execution rating	9,280	28,459	18,055	13,328	9,452	36,924	-	115,498
Credit not in arrears not at credit execution rating	102	431	383	334	300	952	-	2,502
In arrears of 30-89 days	40	75	68	73	70	283	-	609
In arrears of 90 days or more	-	32	30	42	58	395	-	557
Non-accruing credit	-	32	30	42	58	395	-	557
Private individuals – other – total	9,272	11,494	4,664	2,983	2,208	1,589	2,569	34,779
Credit not in arrears at credit execution rating	9,076	10,766	4,237	2,589	1,819	1,150	2,170	31,807
Credit not in arrears not at credit execution rating	195	714	407	375	368	415	370	2,844
In arrears of 30-89 days	1	8	16	14	15	14	21	89
In arrears of 90 days or more	-	6	4	5	6	10	8	39
Non-accruing credit	10	40	42	50	57	88	2	289
Total credit to the public – activity in Israel	66,635	94,545	42,436	27,438	18,853	55,030	41,553	346,490
Activity of borrowers outside Israel								
Total credit to the public – activity overseas	5,211	6,261	3,095	2,178	1,831	2,498	1,729	22,803
Non-problematic credit	4,997	6,237	2,831	1,773	1,360	1,672	1,727	20,597
Accruing problematic credit	214	24	106	179	455	486	1	1,465
Non-accruing credit	-	-	158	226	16	340	1	741
Total credit to the public	71,846	100,806	45,531	29,616	20,684	57,528	43,282	369,293

* As at March 31, 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*

	March 31, 2022					
	Balance of non-accruing debts(1) for which an allowance exists	Allowance	Balance of non-accruing debts(1) 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	**132**	**31**	**69**	**201**	**1,335**	**-**
Construction and real estate – real-estate activities	**11**	**2**	**69**	**80**	**875**	**-**
Financial services	**2**	**1**	**-**	**2**	**268**	**-**
Commercial – other	**1,308**	**386**	**216**	**1,524**	**4,277**	**5**
Total commercial	**1,453**	**420**	**354**	**1,807**	**6,755**	**5**
Private individuals – housing loans	**557**	**46**	**-**	**557**	**622**	**8**
Private individuals – other	**289**	**133**	**-**	**289**	**1,041**	**2**
Total public – activity in Israel	**2,299**	**599**	**354**	**2,653**	**8,418**	**15**
Activity of borrowers outside Israel						
Total credit to the public – activity overseas	**535**	**127**	**206**	**741**	**945**	**-**
Total**	**2,834**	**726**	**560**	**3,394**	**9,363**	**15**
** Of which:						
Measured individually at present value of cash flows	**1,714**	**495**	**351**	**2,065**	**-**	**-**
Measured individually at fair value of collateral	**104**	**11**	**209**	**313**	**-**	**-**
Measured on a collective basis	**1,016**	**220**	**-**	**1,016**	**-**	**-**

* As at March 31, 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 74 million would have been recorded.
Additional information: the total average recorded debt balance of non-accruing debts in the three months ended March 31, 2022, is NIS 3,444 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)

	March 31, 2021					
	Balance[1] of impaired debts for which an individual allowance exists[2]	Individual allowance[2]	Balance 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	105	27	102	207	1,449	3
Construction and real estate – real-estate activities	91	9	71	162	1,017	-
Financial services	5	1	1	6	275	-
Commercial – other	1,865	1,082	289	2,154	5,104	5
Total commercial	2,066	1,119	463	2,529	7,845	8
Private individuals – other	708	100	1	709	1,587	11
Total public – activity in Israel	2,774	1,219	464	3,238	9,432	19
Activity of borrowers outside Israel						
Public – commercial						
Construction and real estate	174	121	207	381	423	1
Commercial – other	93	58	285	378	637	3
Total commercial	267	179	492	759	1,060	4
Private individuals	1	-	-	1	4	-
Total public – activity overseas	268	179	492	760	1,064	4
Total public**	3,042	1,398	956	3,998	10,496	23
** Of which:						
Measured individually at present value of cash flows	2,856	1,321	530	3,386	-	-
Debts in troubled debt restructuring	2,090	967	505	2,595	-	-

* As at March 31, 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 83 million would have been recorded.
Additional information: the total average recorded debt balance of impaired debts in the three months ended March 31, 2021, is NIS 3,963 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 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
Activity of borrowers 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 March 31, 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.
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

	March 31, 2022				
	Recorded debt balance				
	Not accruing interest income	Accruing,[1] in arrears of 90 days or more	Accruing,[1] in arrears of 30 to 89 days	Accruing,[1] not in arrears	Total[2]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	**33**	**-**	**-**	**17**	**50**
Construction and real estate – real-estate activities	**23**	**-**	**-**	**3**	**26**
Financial services	**2**	**-**	**-**	**3**	**5**
Commercial – other	**981**	**-**	**-**	**137**	**1,118**
Total commercial	**1,039**	**-**	**-**	**160**	**1,199**
Private individuals – housing loans	**3**	**-**	**-**	**-**	**3**
Private individuals – other	**275**	**-**	**-**	**332**	**607**
Total public – activity in Israel	**1,317**	**-**	**-**	**492**	**1,809**
Activity of borrowers outside Israel					
Total public – activity overseas	**272**	**-**	**-**	**86**	**358**
Total public	**1,589**	**-**	**-**	**578**	**2,167**

(1) Accruing interest income.
(2) As at March 31, 2022, debts that have undergone troubled debt restructuring in the amount of NIS 2,161 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)

	March 31, 2021				
	Recorded debt balance				
	Not accruing interest income	Accruing,[1] in arrears of 90 days or more	Accruing,[1] in arrears of 30 to 89 days	Accruing,[1] not in arrears	Total[2]
Borrower activity in Israel					
Public – commercial					
Construction and real estate – construction	30	-	-	22	52
Construction and real estate – real-estate activities	8	-	-	5	13
Financial services	4	-	-	2	6
Commercial – other	1,370	-	-	165	1,535
Total commercial	1,412	-	-	194	1,606
Private individuals – other	244	-	-	429	673
Total public – activity in Israel	1,656	-	-	623	2,279
Activity of borrowers outside Israel					
Total public – activity overseas	223	-	-	93	316
Total public	1,879	-	-	716	2,595

(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] in arrears of 90 days or more	Accruing,[1] in arrears of 30 to 89 days	Accruing,[1] not in arrears	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
Activity of borrowers 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 March 31, 2022			In the three months ended March 31, 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	**37**	**7**	**7**	35	4	3
Construction and real estate – real-estate activities	**8**	**9**	**9**	7	1	1
Financial services	**1**	**-**	**-**	3	2	2
Commercial – other	**190**	**35**	**24**	182	48	27
Total commercial	**236**	**51**	**40**	227	55	33
Private individuals – housing loans	**26**	**3**	**3**	-	-	-
Private individuals – other	**1,257**	**56**	**55**	1,070	50	49
Total public – activity in Israel	**1,519**	**110**	**98**	1,297	105	82
Activity of borrowers outside Israel						
Total public – activity overseas	**2**	**-**	**-**	4	-	-
Total public	**1,521**	**110**	**98**	1,301	105	82

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 March 31, 2022		In the three months ended March 31, 2021	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel				
Public – commercial				
Construction and real estate – construction	**30**	**2**	29	1
Construction and real estate – real-estate activities	**4**	**-**	4	-
Financial services	**4**	**-**	-	-
Commercial – other	**143**	**7**	151	12
Total commercial	**181**	**9**	184	13
Private individuals – other	**737**	**10**	733	11
Total public – activity in Israel	**918**	**19**	917	24
Activity of borrowers outside Israel				
Total public – activity overseas	**2**	**-**	3	-
Total public	**920**	**19**	920	24

* Debts that became debts in arrears of 30 days or more during the reported year, which underwent troubled debt restructuring during the 12 months preceding the date on which they became debts in arrears.

5. Additional information regarding non-accruing credit and balances in arrears

	March 31, 2022							
	Not in arrears or in arrears of up to 90 days	In arrears of 90 to 180 days	In arrears of over 180 days, up to 1 year	In arrears of over 1 year, up to 3 years	In arrears of over 3 years, up to 5 years	In arrears of over 5 years, up to 7 years	In arrears of more than 7 years	Total
Commercial	**1,771**	**76**	**247**	**249**	**73**	**6**	**102**	**2,524**
Housing loans	**-**	**258**	**126**	**110**	**37**	**12**	**38**	**581**
Private individuals – other	**274**	**15**	**-**	**-**	**-**	**-**	**-**	**289**
Total	**2,045**	**349**	**373**	**359**	**110**	**18**	**140**	**3,394**

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

Year-end balances by financing ratio (LTV)*, repayment type, and interest type

		March 31, 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%	**74,006**	**1,183**	**46,960**	**4,562**
	Over 60%	**44,761**	**414**	**29,006**	**3,897**
Secondary lien or no lien		**932**	**24**	**675**	**1,159**
Total		**119,699**	**1,621**	**76,641**	**9,618**

		March 31, 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%	63,526	1,453	40,488	4,042
	Over 60%	36,833	403	24,392	3,580
Secondary lien or no lien		926	31	566	288
Total		101,285	1,887	65,446	7,910

		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 early repayment (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

	March 31		December 31	March 31		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	**1,745**	1,300	1,996	**8**	9	9
(b) Credit guarantees	**6,846**	5,621	6,758	**57**	37	36
(c) Guarantees to purchasers of homes***	**(1)36,739**	(1)*22,769	(1)*32,974	**65**	61	131
(d) Other guarantees and liabilities****	**30,258**	*26,368	*29,801	**247**	175	170
(e) Unutilized credit facilities for credit cards under the responsibility of the Bank	**10,831**	13,110	11,333	**19**	46	31
(f) Unutilized revolving overdraft and other credit facilities in on-demand accounts	**(1)39,547**	(1)*44,935	(1)41,534	**56**	146	116
(g) Irrevocable commitments to grant credit approved but not yet drawn*****	**54,813**	*50,298	64,021	**394**	182	210
(h) Commitments to issue guarantees	**34,785**	29,206	33,720	**14**	76	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 83 million (March 31, 2021: NIS 83 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 the amount of approximately NIS 38,069 million in respect of which insurance was acquired from foreign insurance companies (March 31, 2021: NIS 11,174 million; December 31, 2021: NIS 11,053 million).

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

	March 31, 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	**4,956**	**1,081**	**211**	**588**	**10**	**6,846**
Guarantees to purchasers of homes	**4,562**	**124**	**-**	**-**	**32,053**	**36,739**
Guarantees and other commitments	**15,403**	**7,278**	**1,964**	**5,613**	**-**	**30,258**
Commitments to issue guarantees	**15,320**	**15,291**	**4,108**	**66**	**-**	**34,785**
Total	**40,241**	**23,774**	**6,283**	**6,267**	**32,063**	**108,628**

	March 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
	Unaudited					
Credit guarantees	4,244	609	136	614	18	5,621
Guarantees to purchasers of homes	3,981	-	-	2	*18,786	*22,769
Guarantees and other commitments	11,355	6,749	1,417	4,069	*2,778	*26,368
Commitments to issue guarantees	8,821	16,158	3,587	640	-	29,206
Total	28,401	23,516	5,140	5,325	21,582	83,964

	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

	March 31, 2022						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	**164,970**	**-**	**13,032**	**157**	**158**	**-**	**178,317**
Securities	**32,441**	**1,138**	**27,891**	**2,786**	**470**	**3,878**	**68,604**
Securities borrowed or purchased under agreements to resell	**658**	**-**	**-**	**-**	**-**	**-**	**658**
Net credit to the public[2]	**273,109**	**54,963**	**26,128**	**4,466**	**2,794**	**2,797**	**364,257**
Credit to governments	**21**	**191**	**516**	**1,183**	**-**	**-**	**1,911**
Investments in equity-basis investees	**71**	**-**	**-**	**-**	**-**	**895**	**966**
Buildings and equipment	**-**	**-**	**-**	**-**	**-**	**3,492**	**3,492**
Assets in respect of derivative instruments	**6,330**	**1,361**	**4,324**	**195**	**257**	**1,407**	**13,874**
Other assets	**4,170**	**4**	**114**	**6**	**29**	**1,223**	**5,546**
Total assets	**481,770**	**57,657**	**72,005**	**8,793**	**3,708**	**13,692**	**637,625**
Liabilities							
Deposits from the public	**384,429**	**10,834**	**107,065**	**10,821**	**3,807**	**2,820**	**519,776**
Deposits from banks	**7,199**	**-**	**3,903**	**240**	**28**	**-**	**11,370**
Deposits from the government	**347**	**-**	**257**	**1**	**-**	**-**	**605**
Securities lent or sold under agreements to repurchase	**-**	**-**	**6,432**	**-**	**-**	**-**	**6,432**
Bonds and subordinated notes	**3,615**	**20,742**	**3,054**	**-**	**-**	**-**	**27,411**
Liabilities in respect of derivative instruments	**6,782**	**2,287**	**3,495**	**183**	**243**	**1,395**	**14,385**
Other liabilities	**8,284**	**4,483**	**696**	**41**	**269**	**642**	**14,415**
Total liabilities	**410,656**	**38,346**	**124,902**	**11,286**	**4,347**	**4,857**	**594,394**
Surplus assets (liabilities)	**71,114**	**19,311**	**(52,897)**	**(2,493)**	**(639)**	**8,835**	**43,231**
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	**(55,654)**	**103**	**52,400**	**2,774**	**377**	**-**	**-**
Options in the money, net (in terms of underlying asset)	**637**	**-**	**(501)**	**(30)**	**(106)**	**-**	**-**
Options out of the money, net (in terms of underlying asset)	**1,029**	**-**	**(672)**	**(558)**	**201**	**-**	**-**
Overall total	**17,126**	**19,414**	**(1,670)**	**(307)**	**(167)**	**8,835**	**43,231**
Options in the money, net (nominal present value)	**670**	**-**	**(1,041)**	**143**	**228**	**-**	**-**
Options out of the money, net (nominal present value)	**2,873**	**-**	**(1,925)**	**(1,852)**	**904**	**-**	**-**

* 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

	March 31, 2021						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	145,218	-	14,165	236	324	-	159,943
Securities	37,776	296	21,057	2,462	404	2,803	64,798
Securities borrowed or purchased under agreements to resell	892	-	-	-	-	-	892
Net credit to the public[2]	226,640	50,273	21,618	4,170	2,251	1,165	306,117
Credit to governments	256	-	693	1,157	-	-	2,106
Investments in equity-basis investees	62	-	-	-	-	504	566
Buildings and equipment	-	-	-	-	-	3,245	3,245
Assets in respect of derivative instruments	5,299	568	3,834	464	450	751	11,366
Other assets	4,149	7	71	29	13	1,096	5,365
Total assets	420,292	51,144	61,438	8,518	3,442	9,564	554,398
Liabilities							
Deposits from the public	328,702	10,567	100,074	11,192	3,637	1,222	455,394
Deposits from banks	5,714	-	939	277	12	-	6,942
Deposits from the government	337	2	217	-	-	-	556
Securities lent or sold under agreements to repurchase	-	-	-	-	3	-	3
Bonds and subordinated notes	242	21,173	-	-	-	-	21,415
Liabilities in respect of derivative instruments	5,126	857	3,656	576	442	706	11,363
Other liabilities	12,053	4,565	523	67	183	476	17,867
Total liabilities	352,174	37,164	105,409	12,112	4,277	2,404	513,540
Surplus assets (liabilities)	68,118	13,980	(43,971)	(3,594)	(835)	7,160	40,858
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(44,726)	(4,602)	45,707	3,175	446	-	-
Options in the money, net (in terms of underlying asset)	2,195	-	(2,232)	83	(46)	-	-
Options out of the money, net (in terms of underlying asset)	91	-	(739)	476	172	-	-
Overall total	25,678	9,378	(1,235)	140	(263)	7,160	40,858
Options in the money, net (nominal present value)	2,365	-	(3,251)	647	239	-	-
Options out of the money, net (nominal present value)	823	-	(3,010)	1,346	841	-	-

* 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 early repayment of housing loans, in accordance with the estimates of the Bank, based on an examination of the historical data regarding early repayment in relation to parameters that explain such repayment. The effect of these assumptions on fair value resulted in an increase of the fair value by NIS 334 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

	March 31, 2022				
	Balance sheet balance	Fair value(1)			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	**178,317**	**3,153**	**-**	**175,154**	**178,307**
Securities*	**68,604**	**52,135**	**13,778**	**2,663**	**68,576**
Securities borrowed or purchased under agreements to resell	**658**	**-**	**-**	**658**	**658**
Net credit to the public***	**364,257**	**6,546**	**-**	**355,552**	**362,098**
Credit to governments	**1,911**	**-**	**-**	**1,969**	**1,969**
Assets in respect of derivative instruments	**13,874**	**1,374**	**10,000**	**2,500**	**13,874**
Other financial assets	**610**	**51**	**-**	**559**	**610**
Total financial assets**	**628,231**	**63,259**	**23,778**	**539,055**	**626,092**
Financial liabilities					
Deposits from the public***	**519,776**	**11,579**	**-**	**508,809**	**520,388**
Deposits from banks	**11,370**	**-**	**-**	**11,179**	**11,179**
Deposits from the government	**605**	**-**	**-**	**610**	**610**
Securities lent or sold under agreements to repurchase	**6,432**	**-**	**-**	**6,427**	**6,427**
Bonds and subordinated notes	**27,411**	**15,357**	**1,608**	**11,248**	**28,213**
Liabilities in respect of derivative instruments	**14,385**	**1,386**	**6,959**	**6,040**	**14,385**
Other financial liabilities	**5,961**	**51**	**-**	**5,910**	**5,961**
Total financial liabilities**	**585,940**	**28,373**	**8,567**	**550,223**	**587,163**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	**-**	**-**	**-**	**324**	**324**

* Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 2,185 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 84,890 million and in the amount of NIS 31,944 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 19 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

A. Balances and fair-value estimates of financial instruments (continued)

	March 31, 2021				
	Balance sheet balance	Fair value(1)			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	159,943	3,838	-	156,137	159,975
Securities*	64,798	48,406	13,971	2,429	64,806
Securities borrowed or purchased under agreements to resell	892	-	-	892	892
Net credit to the public***	306,117	3,555	-	304,825	308,380
Credit to governments	2,106	-	-	2,112	2,112
Assets in respect of derivative instruments	11,366	746	7,718	2,902	11,366
Other financial assets	468	7	-	458	465
Total financial assets**	**545,690	56,552	21,689	469,755	547,996
Financial liabilities					
Deposits from the public***	455,394	3,962	-	453,164	457,126
Deposits from banks	6,942	-	-	6,876	6,876
Deposits from the government	556	-	-	567	567
Securities lent or sold under agreements to repurchase	3	-	-	3	3
Bonds and subordinated notes	21,415	20,015	1,554	793	22,362
Liabilities in respect of derivative instruments	11,363	748	7,625	2,990	11,363
Other financial liabilities	10,518	7	-	10,511	10,518
Total financial liabilities**	**506,191	24,732	9,179	474,904	508,815
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	-	-	-	224	224

* Includes shares and options for which no fair value is available, which are stated at cost, in the amount of NIS 1,748 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 81,354 million and in the amount of NIS 25,887 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 44 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

	March 31, 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	25,478	7,061	-	32,539
Foreign government bonds	15,396	771	-	16,167
Bonds of foreign financial institutions	-	3,022	163	3,185
Bonds of foreign others	13	1,800	-	1,813
Total bonds available for sale	40,887	12,654	163	53,704
Investments in tradable shares not held for trading	1,625	68	-	1,693
Securities held for trading				
Israeli government bonds	4,523	-	-	4,523
Foreign government bonds	287	-	-	287
Bonds of foreign others	-	360	-	360
Bonds of foreign financial institutions	-	696	-	696
Total securities held for trading	4,810	1,056	-	5,866
Assets in respect of derivative instruments				
NIS-CPI contracts	-	927	140	1,067
Other interest contracts	-	3,861	297	4,158
Foreign-currency contracts	44	3,752	1,677	5,473
Share contracts	1,330	1,458	365	3,153
Commodity and other contracts	-	2	21	23
Total assets in respect of derivative instruments	1,374	10,000	2,500	13,874
Credit in respect of securities lending	6,549	-	-	6,549
Assets in respect of activity in the Maof market	51	-	-	51
Total assets	55,296	23,778	2,663	81,737
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	559	465	1,024
Other interest contracts	-	4,189	266	4,455
Foreign-currency contracts	47	1,905	3,893	5,845
Share contracts	1,339	298	1,401	3,038
Commodity and other contracts	-	8	15	23
Liabilities in respect of embedded derivatives	-	10	9	19
Total liabilities in respect of derivative instruments	1,386	6,969	6,049	14,404
Deposits in respect of inter-customer lending	6,301	-	-	6,301
Liabilities in respect of activity in the Maof market	51	-	-	51
Liabilities in respect of securities lending	5,278	-	-	5,278
Total liabilities	13,016	6,969	6,049	26,034

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)

	March 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	34,338	7,417	-	41,755
Foreign government bonds	9,801	864	-	10,665
Bonds of foreign financial institutions	-	2,861	172	3,033
Bonds of foreign others	15	2,770	-	2,785
Total bonds available for sale	44,154	13,912	172	58,238
Investments in tradable shares not held for trading	1,018	37	-	1,055
Securities held for trading				
Israeli government bonds	3,232	22	-	3,254
Foreign government bonds	2	-	-	2
Total securities held for trading	3,234	22	-	3,256
Assets in respect of derivative instruments				
NIS-CPI contracts	-	240	116	356
Other interest contracts	-	4,228	399	4,627
Foreign-currency contracts	47	2,780	2,142	4,969
Share contracts	699	470	243	1,412
Commodity and other contracts	-	-	2	2
Total assets in respect of derivative instruments	746	7,718	2,902	11,366
Credit in respect of securities lending	3,594	-	-	3,594
Assets in respect of activity in the Maof market	7	-	-	7
Total assets	52,753	21,689	3,074	77,516
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	265	72	337
Other interest contracts	-	4,917	232	5,149
Foreign-currency contracts	47	2,257	2,212	4,516
Share contracts	701	186	472	1,359
Commodity and other contracts	-	-	2	2
Liabilities in respect of embedded derivatives	-	24	20	44
Total liabilities in respect of derivative instruments	748	7,649	3,010	11,407
Deposits in respect of inter-customer lending	3,594	-	-	3,594
Liabilities in respect of activity in the Maof market	7	-	-	7
Liabilities in respect of securities lending	368	-	-	368
Total liabilities	4,717	7,649	3,010	15,376

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

	March 31, 2022				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended March 31, 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	**-**	**-**	**313**	**313**	**[(1)]16**
Investments in shares	**-**	**-**	**91**	**91**	**[(2)]50**
Total	**-**	**-**	**404**	**404**	**66**

	March 31, 2021				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended March 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					
Impaired credit the collection of which is contingent on collateral	-	-	612	612	[(1)]7
Investments in shares	-	-	185	185	[(2)]120
Total	-	-	797	797	127

(1) 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					
Impaired credit the collection of which is contingent on collateral	-	-	440	440	(1)(18)
Investments in shares	-	-	338	338	(2)146
Total	-	-	778	778	128

(1) 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 March 31, 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 March 31, 2022	Unrealized gains (losses) in respect of instruments held as at March 31, 2022
Assets									
Securities available for sale									
Bonds of foreign financial institutions	**160**	**3**	**-**	**-**	**-**	**-**	**-**	**163**	**-**
Net balances in respect of derivative instruments									
NIS-CPI contracts	**(137)**	**(200)**	**-**	**-**	**12**	**-**	**-**	**(325)**	**-**
Other interest contracts	**(4)**	**41**	**-**	**-**	**(6)**	**-**	**-**	**31**	**-**
Foreign-currency contracts	**(3,769)**	**(554)**	**-**	**(297)**	**2,404**	**-**	**-**	**(2,216)**	**-**
Share contracts	**(664)**	**(835)**	**-**	**-**	**463**	**-**	**-**	**(1,036)**	**-**
Commodity and other contracts	**(1)**	**5**	**-**	**3**	**(1)**	**-**	**-**	**6**	**-**
Embedded derivatives	**21**	**(1)**	**-**	**-**	**(11)**	**-**	**-**	**9**	**-**
Total	**(4,436)**	**(1,539)**	**-**	**(294)**	**2,883**	**-**	**-**	**(3,386)**	**-**

(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 securities 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 March 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 March 31, 2021	Unrealized gains (losses) in respect of instruments held as at March 31, 2021
Assets									
Securities available for sale									
Bonds of foreign financial institutions	165	7	-	-	-	-	-	172	-
Net balances in respect of derivative instruments									
NIS-CPI contracts	169	(117)	-	-	(8)	-	-	44	[(3)](111)
Other interest contracts	118	65	-	2	(18)	-	-	167	[(3)(1)]55
Foreign-currency contracts	(2,202)	1,409	-	76	647	-	-	(70)	[(3)]995
Share contracts	(752)	(168)	-	4	687	-	-	(229)	[(3)](15)
Commodity and other contracts	-	-	-	-	-	-	-	-	-
Embedded derivatives	(18)	(4)	-	-	2	-	-	(20)	[(3)](3)
Total	(2,520)	1,192	-	82	1,310	-	-	64	921

(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 securities 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									
Securities 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 securities 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

	March 31, 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	**163**	Quote from transaction counterparty	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	0.04%-1.84% (0.68%)
Other interest contracts	**31**	Interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-14.23% (1.12%)
Foreign-currency contracts	**(2,216)**	Option pricing model	Transaction counterparty risk	0.04%-14.29% (0.37%)
Share contracts	**(1,043)**	Share derivatives pricing model	Transaction counterparty risk	0.04%-1.79% (0.20%)
Share contracts	**9**	Option pricing model	Quote from counterparty	-
Foreign-currency contracts	**-**	Option pricing model	Quote from counterparty	-
Other interest contracts	**(1)**	Option pricing model	Standard deviation	62.00%-75.00% (69.80%)
Commodity and other contracts	**6**	Currency derivatives pricing model	Transaction counterparty risk	0.58%-13.68% (7.81%)
Embedded derivatives[(1)]	**(9)**	Option pricing model	Quote from counterparty	-
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	**91**	Valuation		
Non-accruing credit the collection of which is contingent on collateral	**313**	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)

	March 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	172	Quote from transaction counterparty	Quote from transaction counterparty	-
Net balances in respect of derivative instruments				
NIS-CPI contracts	44	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-4.09% (1.10%)
Other interest contracts	167	Interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-14.94% (1.53%)
Foreign-currency contracts	(70)	Option pricing model	Transaction counterparty risk	0.04%-14.15% (0.41%)
Share contracts	(249)	Share derivatives pricing model	Transaction counterparty risk	0.04%-13.96% (0.46%)
Share contracts	20	Option pricing model	Quote from counterparty	-
Foreign-currency contracts	-	Option pricing model	Quote from counterparty	-
Commodity and other contracts	-	Currency derivatives pricing model	Transaction counterparty risk	0.76%-0.76% (0.76%)
Embedded derivatives(1)	(20)	Option pricing model	Quote from counterparty	-
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	185	Valuation		
Impaired credit the collection of which is contingent on collateral	612	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	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	-
Foreign-currency contracts	-	Option pricing model	Quote from counterparty	-
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		
Impaired credit the collection of which is contingent on collateral	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.

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.

On January 18, 2022, due to the spread of a new wave of the coronavirus and worries over significant worker absences in the economy as a whole, and in the banking system in particular, from a forward-looking perspective assuming continued impairment of staffing necessitating reduced public reception, the Bank of Israel issued an additional update in which reliefs were granted with regard to the opening of bank branches, until February 28, 2022. Banks were also given the option to determine that services would be provided at the branches subject to scheduled appointments, except in the case of senior citizens.

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.

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)

As part of the infant competitor protections for the credit-card companies, the Bank was required to reduce its annual credit facilities in credit cards by 50%, relative to the credit facilities it allocated in credit cards in 2015, by February 2021. The calculation of the aforesaid total credit facilities takes into account credit facilities of customers of the Bank greater than NIS 5,000. Subsequently, the Bank would not be permitted to enlarge its credit facilities for three additional years. The Order for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments) (Change in Rate and Amounts with Regard to the Reduction of Credit Facilities Pursuant to Section 9(c) of the Law) (Temporary Order), 2020, passed on November 11, 2020, stated that in light of the coronavirus crisis and the financial distress of many customers, from the end of January 2021 to the end of January 2022 the aforesaid cutback would stand at 45% of the credit facility of the customer in 2015, and up to a minimum of NIS 7,500 per month, instead of the originally established minimum of NIS 5,000. The Bank has acted to reduce the credit facilities, as required, and is in compliance with this requirement as of the date noted.

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 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%, 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 in 2023, to 49% of the total credit facilities provided to the public in 2015; 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.

Law for Online Bank Account Switching

The law for the establishment of an automatic bank account switching system, based on the CASS (Current Account Switch Service) established in England, was passed by the Knesset in February 2018, as part of the economic plan (the Arrangements Law) for 2018. According to the law, banks will be required to allow secure online transfers for customers, within seven business days, at no cost to the customer.

On December 16, 2019, the Bank of Israel issued the Banking Rules (Service to Customers) (Transferring the Financial Activity of Customers Between Banks), and Proper Conduct of Banking Business Directive 448, “Online Transfers of the Financial Activity of Customers Between Banks,” which regulates the series of actions required of the receiving bank and the transferring bank when switching banks, and specifies the obligations applicable to each bank (the transferring bank and the receiving bank).

Note 16 Regulatory Initiatives (continued)

In a related and supplementary legislative procedure, relevant adjustments were carried out during the course of 2021 in the Law for Electronic Clearing of Checks and Checks Without Cover (Legislative Amendments), 2021; the Banking Rules (Service to Customers) (Transferring the Financial Activity of Customers Between Banks) (Amendment), 2021; the Rules for Electronic Clearing of Checks; and Proper Conduct of Banking Business Directive 448, Online Transfer of Customers' Financial Activity Between Banks.
In addition, a memorandum of law on the subject, "Responsibility of a Receiving Bank," aimed at completing the legislative process and determining the arrangements for the responsibilities applicable to bank account switching, was submitted to the Knesset for a first reading on July 12, 2021. The memorandum of law proposes establishing a "single point of contact" for the customer, which would be the party responsible for completing the switching procedure, remedying flaws and errors in the process, and providing compensation in the event of damage.
Section 5B(1) of the law, the rules of the Governor, and Proper Conduct of Banking Business Directive 448 took effect on September 22, 2021, and the bank account switching system became operational.

Open API
Within the Law for Increasing Competition in the Banking System, on February 24, 2020, the Bank of Israel issued Proper Conduct of Banking Business Directive 368, "Implementation of the Open Banking Standard in Israel." The procedure established rules for viewing of the financial information of a customer by a third party. The procedure states that access to the financial information of consenting customers of the banking system shall be granted using the open API method (open banking), through a secure interface provided by the banks for third parties. The opening of the interface will allow third parties to provide financial information collection and cost comparison services, for the purpose of offering various services to customers, from a range of financial entities.
Accordingly, the Bank is required to allow the transfer of information regarding customers' accounts to third parties providing customers with consulting, cost comparison, and financial information summation services. Such transfer can be performed, subject to the customer's approval, using open API.
Phase 1, which encompasses current-account balances and transactions, became operational on April 18, 2021.
Phase 2, which includes transaction statements for bank and non-bank charge cards, and access to the issuance of orders to transfer payment from the customer's bank account, became operational on March 31, 2022.
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 is due to take effect on June 14, 2022.

Note 16 Regulatory Initiatives (continued)

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.

Initiatives to encourage competition in the capital market
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.
Proper Conduct of Banking Business Directive 460, "Presentation of Data on Activity in Securities Deposits" – On December 23, 2021, the Banking Supervision Department issued a final version of Proper Conduct of Banking Business Directive 460, a new directive that establishes a uniform format for the presentation of information and data to customers regarding their securities portfolio at a bank. The directive will take effect by January 1, 2023.

Initiatives to encourage competition in the area of mortgages
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 banking corporations are required, among other matters, to:
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 takes effect on August 31, 2022.

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, encouraging competition. 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.

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 GDPR legislation; to reduce the requirement to register databases; and to expand the administrative enforcement authority of the Privacy Protection Authority.

Note 16 Regulatory Initiatives (continued)

Directives of the Supervisor of Banks on additional matters

- **Proper Conduct of Banking Business Directive 203A, "Capital Measurement and Adequacy –** Treatment of Counterparty Credit Risk" – On March 15, 2022, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 203A on the subject, "Treatment of counterparty credit risk," adopting the Basel principles for the calculation of counterparty credit risk exposure using the standardized approach. The amendment to Directive 203 is in effect as of the date of its publication, March 15, 2022.
- **Draft new Proper Conduct of Banking Business Directive 329B, "Sales of Housing Loans and Collaborations for the Provision of Housing Loans" –** On February 9, 2022, the Banking Supervision Department issued a draft Proper Conduct of Banking Business Directive, "Sales of Housing Loans and Collaborations for the Provision of Housing Loans." The directive is aimed at codifying principles and rules for the execution of transactions between banking corporations and institutional entities, including the sale of housing loan portfolios to a non-bank corporation, housing loans in collaboration with institutional entities, and collaboration agreements for the provision of housing loans. These principles are designed, among other matters, to protect the rights of the borrowers in loan portfolios that are sold, prevent a situation of negative selection impairing the quality of the credit portfolio of a bank, and preventing the development of moral risk for the acquiring entity.
- **Proper Conduct of Banking Business Directive 312, "Business of a Banking Corporation with Related Persons" –** On February 1, 2022, the Banking Supervision Department released a final version of Proper Conduct of Banking Business Directive 312 and a file of questions and answers for implementation of the directive on the subject, "Business of a Banking Corporation with Related Persons." Within the update, several revisions were applied with the aim of reducing the burden of implementation of the requirements and clarifying definitions, without detracting from the key underlying principles.
- **Proper Conduct of Banking Business Directive 301, "Board of Directors" –** In January 2022, an update of the directive was issued, stating that appropriate representation of both sexes would be required on the boards of directors of banks, and that the board of directors would be required to establish policy on the rate of its gender diversity, including the period of time for attainment of the target (up to three years from the approval of the policy).
- **Proper Conduct of Banking Business Directive 313, "Limits on the Indebtedness of Borrowers and Groups of Borrowers" –** On December 23, 2021, the Banking Supervision Department issued an updated version clarifying the sections of the directive concerning the presumption of "control" with respect to the largest shareholder of a company, such that the definition of the term "control" in the directive does not apply when an institutional investor that is an insurer or a management company holds means of control at a rate of less than 20%. This approach is aimed at preventing "volatility" in groups of borrowers, which impedes credit planning for "groups of borrowers," particularly when the presumption of "control" is based on the temporary holding of an institutional investor in shares at a minimal amount beyond the holding of other institutional investors. This update is in effect as of the day of its publication.

Note 16 Regulatory Initiatives (continued)

- **Updates of Proper Conduct of Banking Business Directive 411, "Management of Money Laundering and Terrorism Financing Prohibition Risks" –** Two updates of this directive were issued, concerning necessary regulation and adaptation to advanced payment services:
  - On March 10, 2022, the Banking Supervision Department issued a second draft update adding a section on the subject, "Payment services in the course of activity in virtual currency of customers." This update is expected to formalize the principles and requirements of the banking system in the provision of payment services in the course of activity in virtual cryptocurrencies. Within the update, the Bank will be required to established policies and procedures for activity of this type, and to monitor, supervise, and report risk centers in this activity.
  - 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, banking corporations 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.
- **New Proper Conduct of Banking Business Directive 250A, "Transition from the LIBOR" –** The global financial system discontinued the use of the LIBOR interest rates at the beginning of 2022, with the exception of the LIBOR in the dollar currency, publication of which is due to cease in June 2023. Accordingly, on October 3, 2021, the new Proper Conduct of Banking Business Directive 250A was issued, detailing the principles for implementation of the transition from the LIBOR, with the aim of ensuring appropriate preparation of the banking system and fully addressing the potential risks and the aspects of fairness towards customers inherent in the transition from the LIBOR. The directive specifies the requirements and expectations for the banking system, including preparedness for legal, operational, conduct, and reputational risks, and aspects of fairness towards customers. The Bank has acted to ensure full congruence between the requirements of the directive and its preparations in this area. For loans based on the reference rates the publication of which has been discontinued, the Bank acted in the last quarter of 2021 and is continuing to act to replace the legal agreements with the customers and convert the products at the next interest-rate change date.

Note 16 Regulatory Initiatives (continued)

- **Proper Conduct of Banking Business Directive 420, "Sending Notices via Means of Communication" –** An update of Proper Conduct of Banking Business Directive 420 was issued on June 6, 2021, stating, among other matters, principles for effective sending of notices to customers. Within the preparations to implement the update, banks and credit-card companies are required to map and examine the various messages they send to their customers, in order to choose the communication channel best suited to each message according to the degree of materiality of the information and the necessary speed of delivery. In this context, it has been emphasized that beyond the importance of choosing the appropriate channel for the transmission of different types of messages, it is also highly important for the information presented in the message to be delivered in a clear and effective manner in terms of its form and content. The directive will take effect one year from the date of its publication.

Material new bills and bills that have taken effect

- **Memorandum of Law for Adjudication of Interest and Linkage (Amendment __), 2022 –** The Memorandum of Law for Adjudication of Interest and Linkage (Amendment __), 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 arrears interest mechanism. The memorandum of law was passed by the ministerial committee on April 3, 2022.
- **Insolvency and Economic Rehabilitation Law (Amendment 4) (Stay of Proceedings for the Formulation and Approval of a Debt Arrangement) (Temporary Order –** Novel Coronavirus), 2021. The law, passed on March 1, 2021, is aimed at creating a trajectory for coping with the increase in the number of debtors who seek debt arrangement procedures or insolvency procedures as a result of the period of the coronavirus pandemic, and to apply adaptations to the specific characteristics of these debtors, by delaying the possibility for creditors to initiate insolvency proceedings and by encouraging debtors to seek debt arrangement proceedings. This amendment took effect on March 18, 2021, for a period of one year. On January 24, 2022, a draft order was issued extending this temporary order by six months, until September 17, 2022. The stay of proceedings for the purpose of formulation and approval of a debt arrangement allows debtors to retain control over their assets during the period of the stay of proceedings, and is permitted for a period of up to three months, at the discretion of the court.

Note 16 Regulatory Initiatives (continued)

- **The Equal Pay for Male and Female Workers Law (Amendment – Mandatory Publication of Annual Report), 2020,** passed in the second and third readings on August 25, 2020, and was published in the Official Gazette of the Israeli Government. The amendment states than an employer with more than 518 employees must collect data and prepare an internal report, once a year, detailing the average wages of male and female employees, with specifics of the gaps in average wages between men and women in each segment of employees in the workplace. Once annually, the employer must provide information to every employee in the workplace regarding the segment of employees to which the employee belongs, the types of positions included in that segment, and the wage gap in that segment. The inception date of the law is sixty days from the date of publication. The first report pursuant to the directives of the law is to be prepared by June 1, 2022, with reference to the preceding year. The Bank is preparing to comply with the directives of the law.

These regulatory initiatives affect the future business of the Bank Group. The Bank is examining the legal 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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Bank Hapoalim

Corporate Governance,
Additional Information and Appendices
as at March 31, 2022

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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 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 serves 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. The appointment is expected to take effect on June 1, 2022.

5.2. Other matters

Further to the statements in this section in the Periodic Report of the Bank for 2021 regarding the terms of service of the Chairman of the Board of Directors and the draft update of the supervisory directives on this matter, 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. The Bank is preparing to implement the directives of the update, which will take effect with reference to the serving Chairman by October 2022.

On May 8, 2022, the Bank issued a preliminary notice of its intention to convene an annual general meeting of shareholders of the Bank. The agenda of the meeting is expected to include the following matters: (1) discussion of the Financial Statements and Report of the Board of Directors of the Bank for 2021; (2) appointment of external auditors; (3) appointment of an external director pursuant to Directive 301 of the Supervisor of Banks ("Directive 301"); (4) appointment of an external director pursuant to the Companies Law (who also meets the conditions for qualification as an external director pursuant to Directive 301); (5) appointment of two directors with "other" status, i.e. who are not external directors pursuant to the Companies Law or Directive 301; and (6) approval of the terms of service of the Chairman of the Board, Mr. Ruben Krupik. On March 30, 2022, the Committee for the Appointment of Directors at Banking Corporations submitted the list of its proposed candidates for service as directors to the Bank, in advance of the annual meeting. The candidates are: for the office of an external director pursuant to Directive 301 – Mr. Noam Hanegbi and Mr. Ron Shamir; for the office of an external director pursuant to the Companies Law – Mr. David Avner and Ms. Anat Peled; and for the offices of directors with "other" status (not external directors) – Ms. Odelia Levanon, Mr. Osama Hasan, and Dr. David Zvilichovsky.

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 to March 2022 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 of 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 serves 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 has served in the last 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 will replace 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, is expected to take 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 is replaced in this position by Mr. Yigal Bareket, who has joined the Bank.

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.

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 7.9% 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 174 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 approximately 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).
In October 2021, the Bank launched a loyalty (reward) program designated for its customers who hold a bank credit card (Poalim Wonder), regardless of which credit-card company operates the card. The plan is expected to replace some of the plans administered by the credit-card companies that operate the bank cards.
In November 2021, an agreement was signed between the Bank and Blender Financial Technologies Ltd. ("Blender") for the establishment of a company, to be held at a rate of 20% by the Bank and 80% by Blender, that will provide consumer credit to private individuals at brick-and-mortar and virtual points of sale in Israel. Among other matters, the agreement contains provisions regarding the financing of the company and regarding options of the Bank for acquisition (to a rate of 51%) and sale, as well as an acquisition option for Blender, all under certain circumstances. The approval of the Competition Authority for the agreement was received on February 16, 2022.

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.

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 fifteen 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.

As part of the reliefs during the period of the spread of the coronavirus, on January 25, 2022, the Capital Market, Insurance, and Savings Authority announced the extension by three additional months (until April 25, 2022) of a non-enforcement position, stating that the Authority would not take enforcement measures against banking corporations that provide pension advising through digital means or by telephone to those who were existing customers in the area of pension advising immediately prior to the notification, during the coronavirus period. Consequently, the advisors of the Bank have continued to provide pension advising via telephone to existing customers of the Bank. The Authority is also acting to promote a legislative amendment aimed at permitting banking corporations to provide advisory services by telephone and through digital means. Accordingly, on February 9, 2022, it issued the draft Law for the Supervision of Financial Services (Pension Advising, Marketing, and Clearing Systems) (Amendment 11), 2022. The draft has been approved by the ministerial committee.

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.

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. In view of the coronavirus events over the last year, the Bank has expanded its use of digital means, on the Internet and on mobile applications, which allow customers to receive service without having to visit a branch in person.

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, technological and financial ventures, 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 their needs and varying 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.

Financial Partner

The Financial Partner service in the Bank Hapoalim application was expanded in the first quarter of 2022, so that in addition to regular insights and alerts on occurrences in their accounts, tips and recommendations for better management, and the option to easily set their own financial goals and monitor achievement of the goals, customers were able to prepare for the typical expenses of the Passover holiday period. The service also provided proactive offers aimed at changing the trend in the account and emerging from a negative balance, as well as suggestions on actions to take when there are high balances in an account, to inform customers on astute management of their finances.

Chat

The rollout of the service for the category of digitally oriented customers who conduct most of their banking activity through the direct channels was completed in the first quarter of 2022. The service consists of a chatbot and a chat with a banker, allowing users to receive information and services and execute transactions without having to visit a branch or speak to a banker on the telephone, with immediate responsiveness. The interface and customer experience were also improved this quarter, and a capability was added allowing bankers to handle several chats in parallel, with the aim of delivering an available, rapid, accessible response to customers.

Written communications

Improvements were made in the first quarter of 2022 to capabilities for sending instructions for execution to a banker through the digital channels, both for digital execution of the transaction and for transmitting requests to bankers. This channel allows the transmission of orders for execution, requests for bankers, and information queries through the website, directly to the banker, without the need to visit a branch in person or make a telephone call; requests are processed within a specified timeframe. The process encompassed improvement of the process of initiating a query and communicating with a banker in writing, so that bankers can include a link to the relevant information or action in their replies; improvement of the process on the application; addition of structured forms; and more.

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 March 31	
	2022	2021
	NIS millions	
Total net interest income	**492**	496
Non-interest financing income	**3**	2
Total net financing profit	**495**	498
Fees and other income	**379**	365
Total income	**874**	863
Provision (income) for credit losses	**(53)**	(229)
Total operating and other expenses	**940**	920
Profit (loss) before taxes	**(13)**	172
Provision for taxes (tax benefit) on profit (loss)	**(4)**	68
Net profit (loss) attributed to shareholders of the Bank	**(9)**	104
Net credit to the public at the end of the reported period	**38,655**	37,225
Deposits from the public at the end of the reported period	**230,674**	224,406

The loss attributed to shareholders of the Bank in the Private Customer Segment totaled NIS 9 million in the first quarter of 2022, compared with net profit in the amount of NIS 104 million in the same quarter last year. The change mainly resulted from a decrease in income from credit losses, compared with the same quarter last year, and from an increase in operating and other expenses. By contrast, fees and other income increased.
Income from fees totaled NIS 379 million in the first quarter of 2022, compared with NIS 365 million in the same quarter last year. The increase mainly resulted from an increase in account-management fees and in credit-card fees, partly offset by a decrease in capital-market fees.
Income from credit losses in the amount of NIS 53 million was recorded in the first quarter of 2022, compared with income in the amount of NIS 229 million in the same quarter last year. Most of the decrease resulted from higher income recorded in the comparison quarter in the collective allowance, due to the improvement in macroeconomic parameters and the continued decrease in the volume of debts in deferral of payments, which led to a decrease in collective allowance rates.
Operating and other expenses of the segment totaled NIS 940 million in the first quarter of 2022, compared with NIS 920 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates, and an increase in the provision for vacations, compared with the same quarter last year.
Net credit to the public totaled approximately NIS 38.7 billion as at March 31, 2022, compared with approximately NIS 39.1 billion as at December 31, 2021.
Deposits from the public totaled approximately NIS 230.7 billion as at March 31, 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.

Solutions for customers during the crisis

In addition to the information in the Private Customer Segment, the Bank introduced several products and processes to provide relief to business clients, including state-backed loans in amounts derived from customers' business turnover.

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, a set of products and services for the expansion of a business, advanced digital services, and a service center specializing in businesses. 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 assets, 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 quarter of 2022.

New business application

A new application for businesses was introduced to customers during the quarter, bringing the progress in easy banking to business clients. The improvement is designed to ease processes for business clients, allowing them to execute transactions for routine management of the business and obtain current information on all occurrences in their account in an efficient and easy way.

The new application, being launched gradually, 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 faster and more 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 March 31	
	2022	2021
	NIS millions	
Total net interest income	**333**	317
Non-interest financing income	**2**	1
Total net financing profit	**335**	318
Fees and other income	**146**	139
Total income	**481**	457
Provision (income) for credit losses	**41**	(45)
Total operating and other expenses	**334**	322
Profit (loss) before taxes	**106**	180
Provision for taxes (tax benefit) on profit (loss)	**36**	73
Net profit (loss) attributed to shareholders of the Bank	**70**	107
Net credit to the public at the end of the reported period	**34,357**	31,139
Deposits from the public at the end of the reported period	**65,110**	57,368

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Small Business Segment totaled NIS 70 million in the first quarter of 2022, compared with NIS 107 million in the same quarter last year. The decrease mainly resulted from the recognition of a provision for credit losses, compared with income from credit losses in the same quarter last year, offset by an increase in financing profit.

Net financing profit totaled NIS 335 million in the first quarter of 2022, compared with NIS 318 million in the same quarter last year. Most of the increase resulted from an increase in credit balances.

Income from fees totaled NIS 146 million in the first quarter of 2022, compared with NIS 139 million in the same quarter last year. The increase mainly resulted from an increase in account-management fees.

A provision for credit losses in the amount of approximately NIS 41 million was recorded in the first quarter of 2022, compared with income in the amount of approximately NIS 45 million in the same quarter last year. The change mainly resulted from recognition of income recorded in the comparison quarter in the collective allowance, due to the improvement in macroeconomic parameters, which led to a decrease in collective allowance rates.

Operating and other expenses of the segment totaled NIS 334 million in the first quarter of 2022, compared with NIS 322 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates compared with the same quarter last year.

Net credit to the public totaled approximately NIS 34.4 billion as at March 31, 2022, compared with approximately NIS 33.9 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 65.1 billion as at March 31, 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 early repayment 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.

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 6-3: Results of operations and principal data of the Housing Loan Segment

	For the three months ended March 31	
	2022	2021
	NIS millions	
Total net interest income	**326**	268
Fees and other income	**11**	12
Total income	**337**	280
Provision (income) for credit losses	**32**	(68)
Total operating and other expenses	**111**	91
Profit (loss) before taxes	**194**	257
Provision for taxes (tax benefit) on profit (loss)	**67**	102
Net profit (loss) attributed to shareholders of the Bank	**127**	155
Net credit to the public at the end of the reported period	**119,298**	100,650

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Housing Loan Segment totaled NIS 127 million in the first quarter of 2022, compared with NIS 155 million in the same quarter last year. The decrease mainly resulted from the recognition of a provision for credit losses, compared with income from credit losses in the same quarter last year, and from an increase in operating expenses, partly offset by an increase in net financing profit.

Net financing profit totaled NIS 326 million in the first quarter of 2022, compared with NIS 268 million in the same quarter last year. The increase 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 32 million was recorded in the first quarter of 2022, compared with income in the amount of approximately NIS 68 million in the same quarter last year. Most of the change resulted from recognition of income recorded in the comparison quarter in the collective allowance, due to the improvement in macroeconomic parameters and the continued decrease in the volume of debts in deferral of payments, which led to a decrease in collective allowance rates.

Operating and other expenses of the segment totaled NIS 111 million in the first quarter of 2022, compared with NIS 91 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates compared with the same quarter last year.

Net credit to the public totaled approximately NIS 119.3 billion as at March 31, 2022, compared with approximately NIS 114.6 billion as at December 31, 2021.

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. The Commercial Segment also serves high-tech industry customers through the High Tech Business Center, which provides banking services including credit and guarantees, foreign-currency activity, current accounts, etc.

In the first quarter of 2022, in view of the dramatic growth of the high-tech industry in the Israeli market, and at the Bank in particular, a decision was made to expand the Bank's focus on this area through a new, expanded unit, aimed at responding to market needs, developing value offers for high-tech customers within the focus area, and solidify the Bank's share.

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. Most of the growth in this segment stems from the construction and real-estate sector.

Table 6-4: Management approach operating segments – results of operations and principal data of the Commercial Segment

	For the three months ended March 31	
	2022	2021
	NIS millions	
Total net interest income	**336**	282
Non-interest financing income	**(4)**	3
Total net financing profit	**332**	285
Fees and other income	**128**	103
Total income	**460**	388
Provision (income) for credit losses	**(54)**	(39)
Total operating and other expenses	**145**	136
Profit (loss) before taxes	**369**	291
Provision for taxes (tax benefit) on profit (loss)	**131**	119
Net profit (loss) attributed to shareholders of the Bank	**238**	172
Net credit to the public at the end of the reported period	**54,700**	43,832
Deposits from the public at the end of the reported period	**51,407**	40,670

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Commercial Segment totaled NIS 238 million in the first quarter of 2022, compared with NIS 172 million in the same quarter 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 332 million in the first quarter of 2022, compared with NIS 285 million in the same quarter last year. The increase resulted from an increase in credit balances.

Income from fees totaled NIS 128 million in the first quarter of 2022, compared with NIS 103 million in the same quarter last year. The increase mainly resulted from an increase in fees from financing transactions.

Income from credit losses in the amount of approximately NIS 54 million was recorded in the first quarter of 2022, compared with NIS 39 million in the same quarter last year. Most of the increase resulted from a decrease in the individual allowance.

Operating and other expenses of the segment totaled NIS 145 million in the first quarter of 2022, compared with NIS 136 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates compared with the same quarter last year.

Net credit to the public totaled approximately NIS 54.7 billion as at March 31, 2022, compared with approximately NIS 52.8 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 51.4 billion as at March 31, 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 March 31	
	2022	2021
	NIS millions	
Total net interest income	**422**	356
Non-interest financing income	**16**	21
Total net financing profit	**438**	377
Fees and other income	**166**	147
Total income	**604**	524
Provision (income) for credit losses	**(586)**	(135)
Total operating and other expenses	**202**	170
Profit (loss) before taxes	**988**	489
Provision for taxes (tax benefit) on profit (loss)	**353**	199
Net profit (loss) attributed to shareholders of the Bank	**635**	290
Net credit to the public at the end of the reported period[1]	**98,924**	78,102
Deposits from the public at the end of the reported period	**81,411**	59,979

(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 7,651 million as at March 31, 2022, and in the amount of approximately NIS 3,864 million as at March 31, 2021.

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the Corporate Segment totaled NIS 635 million in the first quarter of 2022, compared with NIS 290 million in the same quarter last year. The increase mainly resulted from an increase in income from credit losses, compared with the same quarter last year, and from an increase in net financing profit, partly offset by an increase in operating and other expenses.

Net financing profit totaled NIS 438 million in the first quarter of 2022, compared with NIS 377 million in the same quarter last year. The increase resulted from an increase in credit balances.

Income from fees totaled NIS 166 million in the first quarter of 2022, compared with NIS 147 million in the same quarter last year. The increase mainly resulted from an increase in fees from financing transactions and capital-market fees, partly offset by a decrease in syndication fees.

Income from credit losses in the amount of NIS 586 million was recorded in the first quarter of 2022, compared with income in the amount of NIS 135 million in the same quarter last year. The increase mainly resulted from a decrease in the individual allowance.

Operating and other expenses of the segment totaled NIS 202 million in the first quarter of 2022, compared with NIS 170 million in the same quarter last year. The increase mainly resulted from an increase in salary expenses, due to an increase in bonus expenses, as a result of higher return rates compared with the same quarter last year.

Net credit to the public totaled approximately NIS 98.9 billion as at March 31, 2022, compared with approximately NIS 96.3 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 81.4 billion as at March 31, 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.

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.

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 currently operates in Turkey through Bank Pozitif, which specializes in corporate banking. Within the Bank's strategic plan, a decision has been made to act to sell the investment in Bank Pozitif. Accordingly, the Bank is working to gradually reduce the credit portfolio of Bank Pozitif.

The minority shareholder of Bank Pozitif (who had holdings of 30.17%), who previously raised contentions against the Bank with regard to alleged influence of the Bank over the management of Bank Pozitif, has initiated legal proceedings (himself and through directors on his behalf) against Bank Pozitif, with the aim of revoking resolutions passed by the general meeting of Bank Pozitif.

Accordingly, on January 31, 2022, the Bank 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 engagement in this agreement helps the Bank realize the process of withdrawing from activity in Turkey and will 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.

Table 6-6: Results of operations and principal data of the International Activity Segment

	For the three months ended March 31	
	2022	2021
	NIS millions	
Total net interest income	**132**	100
Non-interest financing income	**(22)**	6
Total net financing profit	**110**	106
Fees and other income	**8**	9
Total income	**118**	115
Provision (income) for credit losses	**10**	6
Total operating and other expenses	**76**	128
Profit (loss) before taxes	**32**	(19)
Provision for taxes (tax benefit) on profit (loss)	**13**	8
Net profit (loss):		
Before attribution to non-controlling interests	**19**	(27)
Attributed to non-controlling interests	**(1)**	1
Net profit (loss) attributed to shareholders of the Bank	**18**	(26)
Net credit to the public at the end of the reported period	**14,593**	13,502
Deposits from the public at the end of the reported period	**20,237**	18,844

Principal changes in net profit and balance sheet balances

Net profit attributed to shareholders of the Bank in the International Activity Segment totaled NIS 18 million in the first quarter of 2022, compared with a loss in the amount of NIS 26 million in the same quarter 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 34 million in the first quarter of 2022, compared with net profit of approximately NIS 12 million in the same quarter last year. The increase mainly resulted from an increase in income, due to an increase in volumes of credit to the public and lower financing costs on deposits.
- The loss of Hapoalim Switzerland totaled approximately NIS 19 million in the first quarter of 2022, compared with a loss in the amount of approximately NIS 41 million in the same quarter last year. The decrease in loss resulted from a decrease in legal expenses in connection with the Bank Group's business with American customers, and a decrease in expenses arising from the process of closure of the activity.

Total credit to the public in international activity amounted to approximately NIS 14.6 billion as at March 31, 2022, compared with approximately NIS 13.9 billion as at December 31, 2021.

- Credit to the public at the New York branch totaled approximately NIS 14.4 billion as at March 31, 2022, compared with approximately NIS 13.7 billion as at December 31, 2021. Credit in middle-market activity totaled approximately NIS 13.8 billion, of which a total of approximately NIS 5.9 billion in respect of syndication transactions, compared with approximately NIS 12.8 billion as at December 31, 2021, of which a total of approximately NIS 5.5 billion in respect of syndication transactions.
- Credit to the public at Bank Pozitif in Turkey totaled approximately NIS 0.2 billion as at March 31, 2022, similar to the balance as at December 31, 2021.

Total deposits from the public in international activity amounted to approximately NIS 20.2 billion as at March 31, 2022, compared with approximately NIS 20.3 billion as at December 31, 2021, mostly originating with the New York branch. In middle-market activity, deposits totaled approximately NIS 8.4 billion, compared with approximately NIS 8.9 billion as at December 31, 2021. The balance of brokered CD deposits from the public totaled approximately NIS 11.9 billion, compared with approximately NIS 11.4 billion as at December 31, 2021.

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 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 March 31	
	2022	2021
	NIS millions	
Total net interest income	**675**	414
Non-interest financing income	**153**	416
Total net financing profit	**828**	830
Fees and other income	**33**	33
Total income	**861**	863
Provision (income) for credit losses	**10**	2
Total operating and other expenses	**125**	116
Profit (loss) before taxes	**726**	745
Provision for taxes (tax benefit) on profit (loss)	**231**	236
Profit (loss) after taxes	**495**	509
The Bank's share in profits of equity-basis investees, after taxes	**27**	7
Net profit (loss):		
Before attribution to non-controlling interests	**522**	516
Attributed to non-controlling interests	**-**	2
Net profit (loss) attributed to shareholders of the Bank	**522**	518
Net credit to the public at the end of the reported period	**3,730**	1,667
Deposits from the public at the end of the reported period	**70,937**	54,127

(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 shareholders of the Bank in the Financial Management Segment totaled NIS 522 million in the first quarter of 2022, compared with NIS 518 million in the same quarter last year.

Net financing profit of the segment totaled NIS 828 million in the first quarter of 2022, compared with NIS 830 million in the same quarter last year. The decrease mainly resulted from a decrease in profits from investment in shares, and from loss recorded 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, compared with profit in the same period last year. This decrease was offset by an increase in income from linkage differentials due to changes in the rate of the known CPI between the periods.

Net credit to the public totaled approximately NIS 3.7 billion as at March 31, 2022, compared with approximately NIS 1.9 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 70.9 billion as at March 31, 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 shareholders of the Bank in the segment totaled NIS 53 million in the first quarter of 2022, compared with net profit in the amount of NIS 34 million in the same quarter last year. The increase mainly resulted from an increase in capital gains from the sale of real-estate properties.

Fees and other income totaled NIS 113 million in the first quarter of 2022, compared with NIS 91 million in the same quarter last year. The increase mainly resulted from other income from capital gains from the sale of real-estate properties.

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	March 8, 2022
	Bonds (Series 100, 200)[1]	ilAAA		March 8, 2022
	Subordinated notes[2]	ilAA+		March 8, 2022
	Subordinated notes with a loss-absorption mechanism (Series E, F)[3]	ilAA		March 8, 2022
	Capital notes (Series C)[4]	ilAA-		March 8, 2022
Midroog	Long-term deposits	Aaa.il	Stable	March 8, 2021
	Short-term deposits	P-1.il		March 8, 2022
	Bonds (Series 100, 200)[1]	Aaa.il	Stable	March 8, 2022
	Subordinated notes[2]	Aa1.il	Stable	March 8, 2022
	Subordinated notes with a loss-absorption mechanism (Series E, F)[3]	Aa2.il(hyb)	Stable	March 8, 2022
International rating agency – S&P	Long-term issuer rating[5]	A	Stable	January 23, 2022
	Short-term issuer rating[5]	A-1		January 23, 2022
	Subordinated notes with a loss-absorption mechanism (Poalim $1 CoCo RM)[4]	BBB		January 23, 2022
International rating agency – Moody's	Long-term deposit rating	A2	Stable	January 24, 2022
	Short-term deposit rating	P-1		January 24, 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)[4]	BBB		March 28, 2022

(1) An identical rating was also given to bonds issued by Hapoalim Hanpakot (Series 32, 34, 35, 36).
(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).
(4) 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.

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, focuses on 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, public institutions, and government agencies, and takes the form of community engagement, monetary donations, and money-equivalent contributions.

The community engagement of Poalim for the Community in the first three months of 2022 was expressed in a cumulative financial expenditure of approximately NIS 1 million.

The goal of these efforts is to promote high-quality training and job placement for people from socially and geographically peripheral regions by providing tools and guidance; support entrepreneurship, small businesses, and the high-tech industry; encourage higher education; and empower the generation of the future. We have 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 quarter, we supported 33 joint projects with non-profit organizations aimed at encouraging employment and assisting job seekers.

In addition, Miss Fix the Community, an initiative introduced ahead of Women's Day, is a partnership with the Miss Fix the Universe project by the Israel Women's Network, aimed at encourging social entrepreneurship by women. Three social ventures aimed at strengthening and empowering women will be selected, with an emphasis on socially and geographically peripheral regions. Grants in the amount of NIS 100,000, NIS 75,000, and NIS 50,000 will be given.

We also continued the Erech Laderech initiative, which provides training for non-profit organizations. This third-sector empowerment project, in partnership with the non-profit organization Alumot, offers business and managerial tools for non-profits and organizations, to promote long-term robustness grounded in the ability to raise resources from a range of sources. The twelfth session of this program began during this quarter, targeted to community centers, with 40 participants.

Financial empowerment for ultra-orthodox women – We founded the Haredi Women in High Tech Community, in partnership with the non-profit organization Kamatech and the Alumni Forum, to offer a series of professional lectures on various topics in the areas of finance, personal growth, and career development. We also sponsored the Achat Ve'od Achat (One Plus One) national conference on employment for ultra-orthodox women, aimed at bringing about successful inclusion of ultra-orthodox women in the job market.

Good Deeds Week – This year, we decided to expand the traditional Good Deeds Day to a full week. 3,105 employees participated in the project, volunteering at 188 venues of every kind: cleaning up beaches and forests; harvesting crops; packaging and distributing 4,000 food packages for elderly people, Holocaust survivors, and families in need nationwide, including packages for Ramadan in the Arab sector; creating community gardens at restorative care facilities; running activities and games for children, adolescents, and elderly people in populations at risk or with special needs; and providing financial education activities for children at eight schools in geographically and socially peripheral regions. The activities were held across Israel, from Kiryat Shmona in the north to Eilat in the south.

In early May, the Board of Directors of the Bank approved the Environment, Social, and Governance (ESG) Report for 2021. This was the fifteenth consecutive ESG report released by Bank Hapoalim, written in accordance with the GRI standards at the comprehensive transparency level (In Accordance: Comprehensive Option). This year, for the first time, the report also complied with the SASB standards.

7. Appendices

7.1. Material developments in income and expenses by quarter

Table 7-1: Quarterly developments in total net financing profit

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Interest income	**3,403**	2,813	3,071	3,209	2,591
Interest expenses	**(687)**	(352)	(506)	(701)	(358)
Net interest income	**2,716**	2,461	2,565	2,508	2,233
Non-interest financing income	**148**	219	212	201	449
Total reported financing profit	**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	**46**	37	57	49	59
Profit (loss) from investments in shares	**30**	94	120	92	293
Adjustments to fair value of derivative instruments(1)	**(73)**	(6)	(21)	(7)	29
Financing income (expenses) from tax hedging of investments overseas(2)	**(38)**	24	20	29	(43)
Other	**(11)**	(2)	3	6	6
Total income from regular financing activity(3)	**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 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			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Individual provision for credit losses	**149**	223	112	129	89
Decrease in individual allowance for credit losses and recovery of charged off debts	**(699)**	(203)	(300)	(378)	(144)
Net individual provision (income) for credit losses	**(550)**	20	(188)	(249)	(55)
Net provision (income) in respect of the collective allowance for credit losses and net charge-offs	**(50)**	167	(64)	(398)	(453)
Total provision (income) for credit losses*	**(600)**	187	(252)	(647)	(508)
* Of which:					
Net provision (income) for credit losses in respect of commercial credit risk	**(586)**	189	(253)	(303)	(203)
Net provision (income) for credit losses in respect of housing credit risk	**32**	5	9	(172)	(68)
Net provision (income) for credit losses in respect of other private credit risk	**(46)**	(8)	(8)	(172)	(237)
Net provision (income) for credit losses in respect of risk of credit to banks and governments	**-**	1	-	-	-
Total provision (income) for credit losses	**(600)**	187	(252)	(647)	(508)
Provision as a percentage of total credit to the public:**					
Percentage of individual provision (income) for credit losses	**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***	**0.11%**	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	**(0.66%)**	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	**(0.06%)**	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	**(4.37%)**	4.07%	(13.70%)	(7.76%)	1.62%

** 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			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Fees					
Account-management fees	**211**	217	197	192	187
Securities activity	**210**	203	186	194	221
Credit cards, net	**69**	75	75	70	55
Credit processing	**56**	59	53	46	62
Financing transaction fees	**174**	170	161	147	139
Conversion differences	**77**	83	70	65	70
Other fees	**92**	91	96	88	83
Total fees	**889**	898	838	802	817
Other income	**95**	56	29	22	82
Total fee income and other income	**984**	954	867	824	899

Table 7-4: Details of operating and other expenses, by quarter

	2022	2021			
	Q1	Q4	Q3	Q2	Q1
	NIS millions				
Wages	**1,161**	919	1,153	1,165	1,096
Maintenance and depreciation of buildings and equipment	**326**	348	332	316	337
Others(1)	**471**	638	514	499	486
Total	**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 March 31					
	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	**335,667**	**3,045**	**3.63%**	282,382	2,274	3.22%
Outside Israel	**16,036**	**163**	**4.07%**	14,469	142	3.93%
Total	**351,703**	**(4)3,208**	**3.65%**	296,851	(4)2,416	3.26%
Credit to governments:						
In Israel	**1,950**	**13**	**2.67%**	2,125	9	1.69%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,950**	**13**	**2.67%**	2,125	9	1.69%
Deposits with banks:						-
In Israel	**4,286**	**12**	**1.12%**	4,301	12	1.12%
Outside Israel	**156**	**-**	**-**	112	-	-
Total	**4,442**	**12**	**1.08%**	4,413	12	1.09%
Deposits with central banks:						-
In Israel	**137,257**	**34**	**0.10%**	119,801	30	0.10%
Outside Israel	**10,698**	**4**	**0.15%**	7,745	2	0.10%
Total	**147,955**	**38**	**0.10%**	127,546	32	0.10%
Securities borrowed or purchased under agreements to resell:						
In Israel	**1,044**	**-**	**-**	763	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**1,044**	**-**	**-**	763	-	-

* 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 not accruing interest income.
(4) Fees in the amount of NIS 168 million were included in interest income in the period ended March 31, 2022 (March 31, 2021: NIS 141 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 March 31					
	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	**56,581**	**97**	**0.69%**	56,269	111	0.79%
Outside Israel	**3,081**	**7**	**0.91%**	3,209	6	0.75%
Total	**59,662**	**104**	**0.70%**	59,478	117	0.79%
Bonds held for trading[3]:						
In Israel	**8,877**	**28**	**1.26%**	4,848	5	0.41%
Outside Israel	**2**	**-**	**-**	2	-	-
Total	**8,879**	**28**	**1.26%**	4,850	5	0.41%
Other assets:						
In Israel	**310**	**-**	**-**	347	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**310**	**-**	**-**	347	-	-
Total interest-bearing assets	**575,945**	**3,403**	**2.36%**	496,373	2,591	2.09%
Non-interest-bearing debtors in respect of credit cards	**7,021**	**-**	**-**	6,260	-	-
Other non-interest-bearing assets[4]	**50,085**	**-**	**-**	42,160	-	-
Total assets	**633,051**	**-**	**-**	544,793	-	-
Total interest-bearing assets attributed to activities outside Israel	**29,973**	**174**	**2.32%**	25,537	150	2.35%

* 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 505 million for the three months ended March 31, 2022 (March 31, 2021: NIS 458 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 March 31					
	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 liabilities						
Deposits from the public:						
In Israel	**263,751**	**298**	**0.45%**	228,100	177	0.31%
On demand	**138,085**	**25**	**0.07%**	110,650	7	0.03%
Fixed term	**125,666**	**273**	**0.87%**	117,450	170	0.58%
Outside Israel	**18,987**	**26**	**0.55%**	16,770	33	0.79%
On demand	**8,028**	**6**	**0.30%**	6,382	7	0.44%
Fixed term	**10,959**	**20**	**0.73%**	10,388	26	1.00%
Total	**282,738**	**324**	**0.46%**	244,870	210	0.34%
Deposits from the government:						
In Israel	**623**	**1**	**0.64%**	725	1	0.55%
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**623**	**1**	**0.64%**	725	1	0.55%
Deposits from central banks:						
In Israel	**4,172**	**-**	**-**	2,210	-	-
Outside Israel	**-**	**-**	**-**	-	-	-
Total	**4,172**	**-**	**-**	2,210	-	-
Deposits from banks:						
In Israel	**5,255**	**1**	**0.08%**	4,501	2	0.18%
Outside Israel	**115**	**-**	**-**	144	1	2.78%
Total	**5,370**	**1**	**0.07%**	4,645	3	0.26%
Securities lent or sold under agreements to repurchase:						
In Israel	**5,315**	**7**	**0.53%**	544	-	-
Outside Israel	**4**	**-**	**-**	5	-	-
Total	**5,319**	**7**	**0.53%**	549	-	-

* 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 March 31					
	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 liabilities (continued)						
Bonds:						
In Israel	**25,844**	**352**	**5.45%**	23,947	144	2.41%
Outside Israel	**-**	**-**	**-**	7	-	-
Total	**25,844**	**352**	**5.45%**	23,954	144	2.40%
Other liabilities:						
In Israel	**572**	**2**	**1.40%**	864	-	-
Outside Israel	**-**	**-**	**-**	1	-	-
Total	**572**	**2**	**1.40%**	865	-	-
Total interest-bearing liabilities	**324,638**	**687**	**0.85%**	277,818	358	0.52%
Non-interest-bearing deposits from the public	**236,783**	**-**	**-**	198,698	-	-
Non-interest-bearing creditors in respect of credit cards	**4,503**	**-**	**-**	6,996	-	-
Other non-interest-bearing liabilities[3]	**24,115**	**-**	**-**	21,663	-	-
Total liabilities	**590,039**	**-**	**-**	505,175	-	-
Total capital means	**43,012**	**-**	**-**	39,618	-	-
Total liabilities and capital means	**633,051**	**-**	**-**	544,793	-	-
Interest spread	**-**	**-**	**1.51%**	-	-	1.57%
Net return on interest-bearing assets[4]						
In Israel	**545,972**	**2,568**	**1.88%**	470,836	2,117	1.80%
Outside Israel	**29,973**	**148**	**1.98%**	25,537	116	1.82%
Total	**575,945**	**2,716**	**1.89%**	496,373	2,233	1.80%
Total interest-bearing liabilities attributed to activities outside Israel	**19,106**	**26**	**0.54%**	16,927	34	0.80%

* 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 March 31					
	2022			2021		
	Average balance[2]	Interest income (expenses)	Rate of income	Average balance[2]	Interest income (expenses)	Rate of income*
	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	**435,348**	**2,038**	**1.87%**	377,585	1,862	1.97%
Total interest-bearing liabilities	**214,882**	**(105)**	**(0.20%)**	179,263	(91)	(0.20%)
Interest spread	**-**	**-**	**1.67%**	-	-	1.77%
Israeli currency CPI-linked						
Total interest-bearing assets	**57,398**	**1,007**	**7.02%**	50,272	403	3.21%
Total interest-bearing liabilities	**31,299**	**(465)**	**(5.94%)**	33,523	(172)	(2.05%)
Interest spread	**-**	**-**	**1.08%**	-	-	1.16%
Foreign currency (includes Israeli currency linked to foreign currency)						
Total interest-bearing assets	**53,226**	**184**	**1.38%**	42,979	176	1.64%
Total interest-bearing liabilities	**59,351**	**(91)**	**(0.61%)**	48,105	(61)	(0.51%)
Interest spread	**-**	**-**	**0.77%**	-	-	1.13%
Total activity in Israel						
Total interest-bearing assets	**545,972**	**3,229**	**2.37%**	470,836	2,441	2.07%
Total interest-bearing liabilities	**305,532**	**(661)**	**(0.87%)**	260,891	(324)	(0.50%)
Interest spread	**-**	**-**	**1.50%**	-	-	1.57%

* 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 March 31, 2022, vs. the three months ended March 31, 2021		
	Increase (decrease) due to change[2]		Net change
	Quantity	Price	
	NIS millions		
C. Analysis of changes in interest income and expenses			
Interest-bearing assets			
Credit to the public:			
In Israel	**483**	**288**	**771**
Outside Israel	**16**	**5**	**21**
Total	**499**	**293**	**792**
Other interest-bearing assets:			
In Israel	**19**	**(2)**	**17**
Outside Israel	**2**	**1**	**3**
Total	**21**	**(1)**	**20**
Total interest income	**520**	**292**	**812**
Interest-bearing liabilities			
Deposits from the public:			
In Israel	**40**	**81**	**121**
Outside Israel	**3**	**(10)**	**(7)**
Total	**43**	**71**	**114**
Other interest-bearing liabilities:			
In Israel	**78**	**138**	**216**
Outside Israel	**-**	**(1)**	**(1)**
Total	**78**	**137**	**215**
Total interest expenses	**121**	**208**	**329**
Total interest income less interest expenses	**399**	**84**	**483**

(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.