Bank Hapoalim B.M.

Annual Periodic Report

2022

Annual Periodic Report for 2022

Bank Hapoalim B.M.

Company number (Registrar)	:	520000118
Address	:	50 Rothschild Blvd., Tel Aviv, Israel
Telephone no.	:	+972-3-567-3800
Fax no.	:	+972-3-567-4576
Balance sheet date	:	December 31, 2022
Report approval date	:	March 8, 2023

2022

Bank Hapoalim

Annual Report

This report is printed in a limited number of copies on FSC-certified responsibly sourced paper.

Contents

The Bank has received approval from the Banking Supervision Department to publish the annual financial statements on a consolidated basis only.
Note 34 to the Financial Statements contains the stand-alone condensed financial statements of the Bank.
Stand-alone data concerning the Bank is available in hard copy upon request, or on the Bank's website at www.bankhapoalim.co.il.
This is a translation of the Hebrew report and has been prepared for convenience only.
In case of any discrepancy, the Hebrew version will prevail.

Letter from the Chairman of the Board of Directors

"A little consideration, a little thought for others, makes all the difference." — A. A. Milne

The pace of events, market dynamics, and geopolitical developments made 2022 a uniquely colorful year. We worked intensively, wrestled with weighty but empowering decisions, and built foundations and capabilities for the years to come. While continuing to grow the core business of the bank and judiciously managing a wide range of risks, the bank's management also contended with changes in the economic and business environment and new scenarios, as it worked to shape and carry out strategy.

The war in Europe and its impacts on commodity and energy prices intensified the economic cycle of rising inflation, which necessitated changes in the policies of the central bank and a transition from a near-zero interest rate to rates of over 4%. This process, familiar from other periods, was accompanied by high market volatility along with worries over an impending slowdown or recession, as well as social impacts requiring due consideration.

Under these conditions, which were experienced by most countries worldwide, the Israeli economy demonstrated greater resilience than in most Western countries, maintaining commendable economic and financial stability. The economy may now be challenged by the restrictive policies and significant increases in the interest rate, but its striking robustness is still evident.

Amid the economic background I have described, Bank Hapoalim completed an outstanding year, marked by continued growth, improved performance, and enhanced profitability, beyond the effects of the higher interest rates, as well as continued efficiency and productivity gains, and extensive activity aimed at helping our customers cope with the impacts of the raised interest rate. At the same time, the bank rigorously maintained its risk indicators, from a future-oriented perspective. Our annual return on equity of 14.8% reflects the positive effect of the higher interest rates on the bank's balance sheet, but also our commitment to significant, responsible, decentralized growth in our core business, leveraging our range of capabilities and adjusting our exposure to less-risky sectors.

As the bank's impressive financial results for 2022 are presented in greater detail throughout this report, I will try to focus on the essence of our work. The defining characteristic of our activity in 2022 was preparing and positioning the bank for a strategic process targeting multiannual optimization, rather than maximizing short-term effects.

The quote I chose for the opening of this letter, about the good that comes from thinking of others, takes on special meaning for me in the context of our decision this year to embark on large-scale strategic planning. Aided by an international consulting firm, this ten-month process established goals, courses of action, and methods for adapting the bank to the prevailing economic and business realities, and, most importantly, centering us on our customers. Over these months, we engaged in a structured procedure to think about our customers, our employees, and the business environment in general.

Structural and organizational changes are derived from the plan, some of which have already been implemented. These include adopting a broad-based Agile management approach, through the creation of dedicated "tribes" within the bank, a process currently being completed; simplifying procedures and streamlining systems; reconceptualizing the branch network with adaptation to the dictates of a new era and customers' emerging needs; and expanding our capabilities for training and progress for our dedicated team members.

The guidelines of the strategic plan are charted for the period through 2026. Along with the reinforcement of business and organizational aspects and adaptation of operational practices, the plan addresses factors we believe will have a decisive impact on the future of the bank, including a leading service model, effective resource utilization, and differentiating innovation in banking as a product.

In our view, technological capabilities – artificial intelligence first and foremost, as well as open-banking-based business initiatives and cybersecurity abilities that support execution, growth, and creativity, and superior social-banking capabilities – will form the key nexus of influences on the banks of the future.

The plan as a whole is rooted in a customer-centric approach aimed at making us an attentive and grounded organization with responsible risk management and advanced concepts of social and environmental responsibility. We still have a journey ahead of us, but we believe we have set the course that is differentiating and right for the bank.

I want to devote a few more words to the inspiring social banking developed at the bank, through the Poalim Community Foundation and our activities in the areas of social responsibility (ESG), diversity and accessibility, volunteering, and the Financial Growth Center. All of these endeavors strengthened and deepened their support for and engagement with Israeli society over the last year. They collaborated with community organizations and public organizations to lead hundreds of initiatives generating true impact in Israeli society – promoting employment and social mobility, diversity, gender equality, inclusion, and financial education.

Bank Hapoalim grew out of the community, and has been built over the years to serve it. Social banking is foundational to our business success and to our purpose as people. This view is an integral part of our belief in impact banking, and has been embedded in the Bank's renewed vision: "Committed to growth through impactful, innovative, fair banking for our customers."

Thinking of others also means appreciating our devoted and talented employees. Bank Hapoalim was voted one of the best workplaces of 2022, coming in first among banks. Beyond their outstanding professional expertise and excellence, the high rate of volunteering for community causes among our employees demonstrates once again that thinking of others does indeed make all of the difference.

Thinking of others means expressing our deep gratitude to our shareholders for their support and confidence, including when we made bold decisions oriented to the long term about the planning and strengthening of the bank's capital – decisions since proven insightful and sound.

For us on the board of directors, thinking of others also means appreciating the work of the bank's management, under the leadership of CEO Dov Kotler, standing with them, and thanking them. Our management team, which has also been somewhat transformed, is blessed with a leader who is magnetic, responsible, and devoted. Thank you, Dov.

Further, thinking of others means thanking the members of the board of directors: a professional and opinionated group that fights for transparency and sound corporate governance, caring and dedicated to the best interests of the bank.

Finally, thinking of others means saying something about these unusual times. I firmly believe that if we all adopt the fundamental principle we have chosen to highlight here – thinking of others – it really would make all the difference. We would find our way back to balance, and each of us could return to doing our best at our endeavors.

Sincerely yours,

Ruben Krupik
Chairman of the Board of Directors

March 8, 2023

2022

Bank Hapoalim

Report of the Board of Directors and Board of Management

Contents

List of Tables

List of Diagrams

1. General review, objectives, and strategy

1.1. Condensed description of the Bank

General information

Bank Hapoalim was founded in 1921 with the mission of aiding and promoting all workers of the Jewish Settlement (the Yishuv) in the land of Israel.

Bank Hapoalim is a universal bank that constitutes a "banking corporation" and holds a "bank" license under the directives of the Banking Law. The Bank was privatized in 1997, and the controlling interest was transferred to Arison Holdings (1998) Ltd. and others. In November 2018, the Bank became a banking corporation without a controlling core.

The Bank Group operates in Israel in all of the areas of banking and in areas related to banking, serving millions of customers in Israel and worldwide. A wide range of financial activities are provided, in five main business lines:

- **Corporate banking:** Bank Hapoalim serves a variety of customers in the business sector in Israel. Major corporate clients are served through sectors specializing in specific industries, including real estate. Middle-market clients are served through ten Business Centers located across Israel. The Bank also works with customers in the technology sector, through the brand Poalim Hi-Tech, and with small-business customers, served by service centers and the retail branch network.
- **Retail banking:** At Bank Hapoalim, retail banking serves households, private-banking customers, foreign residents, and more, through a network of 166 branches, in areas including consumer credit, housing loans, and assets. The Bank also serves its customers through Poalim Close to You service points, Poalim Invest advising centers, Platinum banking centers for selected customers, and two mobile branches that visit points of service nationwide. The Bank offers its customers a wide range of self-service and digital options, allowing customers to conduct banking activities in independent, efficient, available channels. These services include self-service stations at branches, the Bank Hapoalim website, the Account Management application, written communication, a website and application for businesses, the Capital Market application, the MyTrade Poalim trading system, the Poalim Open application, 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.
- **Capital-market activity in and outside Israel:** This activity includes, among other matters, trading services in securities and tradable derivatives (brokerage), securities custody, trading services in currencies and non-tradable derivatives, services for financial-asset managers, and management of the Bank's nostro portfolio.
- **Investment, innovation, and business development:** Investment activity is primarily conducted through the Poalim Equity Group, which serves as the non-financial asset investment arm of the Bank. The Bank invests in mature companies, startups, and venture-capital funds and works to promote business collaborations and integrate fintechs into its organizational systems. The Bank has also invested in and developed the activity of Bit, the leading payment app in Israel.
- **The international activity** of the Bank Group encompasses, among other matters, corporate credit for customers in the United States, through the New York branch, and relationships with banks and financial institutions around the world.

1.2. 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.

1.3. Condensed financial information

Diagram 1-1: Key data and indicators as at December 31, 2022, and for the year ended December 31, 2022

Equity	Profitability	Credit growth	Credit quality
11.25% Common equity Tier 1 capital ratio	**14.8%** Return on equity	**11.5%** Corporate and commercial credit	**0.87%** NPL*
46,502 NIS millions Shareholders' equity	**6,532** NIS millions Net profit	**11.4%** Housing credit	**1.64%** Total coverage ratio**

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

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

Table 1-1: Condensed financial information and principal performance indicators over time

	For the year ended December 31				
	2022	2021	2020	2019	2018
Main performance indicators					
Return of net profit attributed to shareholders of the Bank on equity	**14.8%**	11.8%	5.3%	4.6%	7.1%
Return of net profit attributed to shareholders of the Bank on equity excluding extraordinary items(1)	**14.8%**	11.9%	5.7%	7.1%	9.7%
Return of net profit from continued operations attributed to shareholders of the Bank on equity	**14.8%**	11.8%	5.6%	3.9%	6.1%
Return of net profit from continued operations attributed to shareholders of the Bank on equity excluding extraordinary items(2)	**14.8%**	11.9%	5.7%	6.7%	8.8%
Return on average assets	**1.01%**	0.85%	0.41%	0.39%	0.57%
Ratio of income(3) to average assets	**2.78%**	2.48%	2.65%	2.90%	3.05%
Ratio of net interest income to average assets	**2.09%**	1.68%	1.77%	2.05%	1.97%
Ratio of fees to average assets	**0.57%**	0.58%	0.63%	0.71%	0.73%
Efficiency ratio – cost-income ratio from continued operations	**44.5%**	54.2%	56.9%	66.4%	65.1%
Efficiency ratio – cost-income ratio excluding extraordinary items from continued operations(2)	**44.5%**	53.9%	56.7%	58.1%	57.8%
Financing margin from regular activity(4)	**2.35%**	1.79%	1.98%	2.26%	2.31%
Liquidity coverage ratio (LCR)	**122%**	124%	140%	121%	120%
Net stable financing ratio (NSFR)(5)	**130%**	*136%	-	-	-

	December 31				
	2022	2021	2020	2019	2018
Ratio of common equity Tier 1 capital to risk components(6)	**11.25%**	10.96%	11.52%	11.53%	11.16%
Ratio of total capital to risk components(6)	**14.70%**	14.22%	14.60%	14.64%	14.39%
Leverage ratio(6)	**6.34%**	6.03%	6.78%	7.61%	7.51%

* Restated.

(1) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, profit or loss from the separation from Isracard, and loss from impairment in respect of the Bank's investment in Bank Pozitif.

(2) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, and loss from impairment in respect of the Bank's investment in Bank Pozitif.

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

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

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

(6) For additional information, see the section "Capital, capital adequacy, and leverage," below.

Table 1-1: Condensed financial information and principal performance indicators over time (continued)

	For the year ended December 31				
	2022	2021	2020	2019	2018
Main credit quality indicators					
Total allowance for credit losses*,** as a percentage of credit to the public	**1.64%**	**1.65%	2.25%	1.76%	1.51%
Allowance for credit losses in respect of credit to the public as a percentage of credit to the public**	**1.40%**	**1.43%	2.00%	1.58%	1.31%
Credit to the public, non-accruing or past due by 90 days or more, as a percentage of credit to the public*,**	**0.89%**	**1.20%	1.52%	1.80%	1.23%
Net charge-offs as a percentage of average credit to the public	**(0.03%)**	(0.06%)	0.09%	0.12%	0.20%
Provision (income) for credit losses as a percentage of average credit to the public	**(0.02%)**	(0.37%)	0.64%	0.44%	0.22%

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

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

1) The overall allowance for credit losses, as a percentage of credit to the public, as at January 1, 2022, after implementation of the CECL directive, is 1.80%.
2) The allowance for credit losses in respect of credit to the public, as a percentage of credit to the public, as at January 1, 2022, after implementation of the CECL directive, is 1.51%.
3) The term "impaired credit" 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 were not included in non-accruing debts under the new directives), credit to the public that is non-accruing or past due by 90 days or more as a percentage of credit to the public as at December 31, 2021, would be 1.13%.

Table 1-1: Condensed financial information and principal performance indicators over time (continued)

	For the year ended December 31				
	2022	2021	2020	2019	2018
	NIS millions				
Main profit and loss data					
Net profit attributed to shareholders of the Bank	**6,532**	4,914	2,056	1,799	2,595
Net profit attributed to shareholders of the Bank excluding extraordinary items(1)	**6,532**	4,957	2,205	2,778	3,579
Net profit from continued operations attributed to shareholders of the Bank	**6,532**	4,914	2,165	1,503	2,231
Net profit from continued operations attributed to shareholders of the Bank excluding extraordinary items(2)	**6,532**	4,957	2,205	2,619	3,215
Net interest income	**13,467**	9,767	8,797	9,319	8,906
Net financing profit*	**14,048**	10,848	9,885	9,878	10,351
Non-interest income	**4,453**	4,625	4,379	3,889	4,868
Of which: fees	**3,705**	3,355	3,155	3,240	3,318
Total income	**17,920**	14,392	13,176	13,208	13,774
Provision (income) for credit losses	**(34)**	(1,220)	1,943	1,276	613
Operating and other expenses	**7,972**	7,803	7,501	8,776	8,960
Operating and other expenses excluding extraordinary items(3)	**7,972**	7,753	7,487	7,704	7,948
Of which: salaries and related expenses	**4,387**	4,333	3,836	4,108	4,188
Net earnings per ordinary share (in NIS)					
Net profit per share attributed to shareholders of the Bank – basic (in NIS)	**4.89**	3.68	1.62	1.13	1.68

* 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 and FIFA, the effect of the closure of the private-banking activity overseas, profit or loss from the separation from Isracard, and loss from impairment in respect of the Bank's investment in Bank Pozitif.
(2) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers and FIFA, the effect of the closure of the private-banking activity overseas, and loss from impairment in respect of the Bank's investment in Bank Pozitif.
(3) Does not include expenses in respect of provisions in connection with the investigation of the Bank Group's business with American customers and FIFA, and effects of the closure of the private-banking activity overseas.

Table 1-1: Condensed financial information and principal performance indicators over time (continued)

	December 31				
	2022	2021	2020	2019	2018
	NIS millions				
Main balance sheet data					
Total assets	**665,353**	638,781	539,602	463,688	460,926
Of which: Cash and deposits with banks	**133,424**	189,283	138,711	88,122	84,459
Securities	**107,400**	71,105	71,885	59,486	56,116
Net credit to the public	**388,727**	352,623	301,828	292,940	282,507
Net problematic credit risk*	**6,487**	7,926	9,754	8,787	6,944
Credit to the public not accruing interest income (NPL)*	**3,444**	2,897	3,208	3,867	2,178
Total liabilities	**618,850**	596,034	499,703	425,467	423,270
Of which: Deposits from the public	**532,588**	525,072	435,217	361,645	352,260
Deposits from banks	**8,696**	11,601	6,591	3,520	4,528
Bonds and subordinated notes	**26,866**	25,582	23,490	26,853	30,024
Shareholders' equity	**46,502**	42,735	39,873	38,181	37,544
Additional data					
Share price at end of year (in NIS)	**31.7**	32.1	22.0	28.7	23.7

	For the year ended December 31				
	2022	2021	2020	2019	2018
Total dividend per share (in NIS)**	**0.70**	1.11	(1)0.5	0.75	0.37
Average number of employee positions	**8,562**	8,694	9,027	9,392	9,846

* 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 credit" has been eliminated, and non-accruing credit is presented instead. In addition, housing loans past due by 90 days or more are classified as non-accruing credit. For convenience, if the balance of credit to the public not accruing interest income (NPL) as at December 31, 2021, were restated, the balance would be NIS 3,955 million. If net problematic credit risk were restated, the balance as at December 31, 2021, would be NIS 7,796 million. For further details, see Note 1D to the Financial Statements.

** According to the date of declaration. With regard to a dividend declared after the balance sheet date, see the section "Capital, capital adequacy, and leverage," below.

(1) Paid as a dividend in kind, in shares; calculated based on the value of Isracard shares on March 8, 2020 (NIS 10.91).

Key environmental, social, and governance (ESG) indicators

Bank Hapoalim is an integral part of the economy and society of Israel, and, as a large financial organization, has a significant impact on the environment and community within which it operates. In view of this responsibility, the Bank embeds social, environmental, and governance considerations in its business operations, to benefit all of its stakeholders, in support of the social and economic growth of the State of Israel and the global efforts to cope with climate change.

The Bank reports on these activities annually (since 2008) in its ESG report, written in accordance with the international GRI standard and, in 2021, for the first time, also according to the SASB standard. The Bank has also been a signatory of the UN Global Compact since 2010.

The following is a summary of the key indicators on environment, social, and governance aspects for activities led by the Bank in 2022.

Environmental

The Bank is committed to helping in coping with the climate crisis and supporting decarbonization of the economy, including through financing of and investment in projects promoting a green environment, management of environmental and climate risks(1), and reduction of the carbon footprint of the operations of the Bank.

- **~NIS 19.5 billion –** Balances of credit(2) as at December 31, 2022, granted to projects supporting a green environment in the following areas: renewable energies, green building, clean transportation, and waste and water treatment (NIS 13 billion as at December 31, 2021).
- **~NIS 513 million –** Balance of investments in renewable energy projects through Poalim Equity, the non-financial investment arm of the Bank.
- **USD 1 billion –** Scope of issuance of the first green bonds in Israel by the Bank in 2021, of which approximately USD 627 million was allocated during the course of 2022 to financing of eligible green projects, in line with the bond framework principles. The first impact report for investors has been posted on the Bank's website.
- **16.5% –** Rate of reduction of the carbon footprint of the operational activities of the Bank in comparison to 2020; 8.4% reduction in 2022 (compared with 2021).

Social

The Bank aspires to create a beneficial impact on the society and community of Israel. Within this ambition, the Bank promotes the growth of small businesses through financing solutions, professional guidance, and supportive tools; cultivates an empowering work environment; and promotes accessibility, diverse employment, and financial empowerment for the general public.

- **NIS 35.0 billion –** Total balance of credit for the small-business segment as at December 31, 2022 (NIS 33.9 billion at the end of 2021).
- **Top 10 –** The Bank placed ninth in the BDI survey ranking the 100 best workplaces (in a survey published in May 2022).
- **12.3%** of the employees of the Bank belong to population groups underrepresented in the job market (11% in 2021).
- **~NIS 37.7 million(3) –** Scope of the social investment of the Bank in 2022, emphasizing financial education, social mobility, and promotion of diverse employment for population groups underrepresented in the job market (NIS 35.9 million in 2021).
- **4,300** employees of the Bank volunteer for a wide range of community causes (similar to 2021).
- **12,000** people attended lectures at the Financial Growth Center(4) in 2022 (70,000 have participated since the foundation of the center in 2018; digital content on the website has accumulated over 5 million views).

---

(1) For details regarding environmental and climate risk management, see the section "Review of risks," below.
(2) Balance sheet and off-balance sheet, including unutilized credit facilities. The classification of activities promoting green goals is performed with the assistance of professional environment experts, with reference, to the extent possible, to the definitions in the draft Green Taxonomy of the Ministry of Environmental Protection.
(3) Includes the Poalim Community Foundation, the Impact Fund, and the Financial Growth Center.
(4) The Financial Growth Center offers instruction, tools, and knowledge for astute financial behavior to the general public, free of charge.

Governance

The Bank operates according to the principles of corporate governance, as reflected in the legislative and regulatory environment, with strict adherence to fairness and transparency towards stakeholders. Concurrently, the conduct of the Bank is guided by the cultural values and principles grounded in its code of ethics and vision.

- **40% –** Percentage of women on the Board of Directors (33% in 2021).
- **56% –** Women in the overall management tier of the Bank (55% in 2021); 38% women in senior management (36% in 2021).

Within its ambition to continue to create social and environmental impacts in the coming years, the Bank has set ESG goals for 2023:

On the environmental level, the Bank aspires to increase financing and investments in projects promoting a green environment, while stopping financing and investments in new coal and oil exploration and production projects. In addition, the Bank will manage environmental and climate risks in its business operations, guide its customers through the transition to decarbonization, and continue to work to reduce its carbon footprint. On the social level, the Bank aspires to promote gender equality by increasing the representation of women in its senior management, and to promote diverse employment by increasing the diversity of its workforce.

1.4. 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.

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, 2022.

1.5. Objectives and business strategy

The Board of Management and the Board of Directors of the Bank approved a multi-annual strategic plan for 2023-2026 at the end of 2022, under the heading Poalim 2026, aimed at reinforcing the position of Bank Hapoalim as a leading bank in Israel. The principles of the plan support continued responsible growth, preservation of the Bank's leadership, and a leap forward in customer service. The plan is focused on performance, value for customers, optimal utilization of infrastructures and resources, and development of differentiating and influential innovation.

The plan builds on the successful implementation of the Bank's growth strategy for its core activity in 2021-2022, reflected in material improvement in its business results and significant business momentum.

The strategic plan of the Bank was formulated as a reflection of the updated vision it has adopted – "Committed to growth through impactful, innovative, fair banking for our customers."

The updated vision is also aligned with the ESG values promoted by the Bank over the years, grounded in responsibility and recognition of the importance of impactful banking to society, the community, and the environment (for further information, see the section "Key environmental, social, and governance (ESG) indicators," above).

1.5.1. The process of formulating the strategic plan

The process of originating and formulating the strategic plan and establishing objectives for Poalim 2026 was conducted over the course of 2022, in partnership with a leading international consulting firm, and is the outcome of intensive cross-division work. This process encompassed examination of the changes and trends in the global and Israeli economy, regulatory processes, and trends in the competitive environment. Due attention was also accorded to changes in consumer behavior trends with regard to the consumption of financial services through direct channels. Possible future scenarios for the banking industry, as published by the Basel Committee on Banking in February 2018, which are still relevant to the reported year were also taken into consideration. In retail banking (private customers and small businesses), the "distributed bank" scenario, in which financial services are distributed among banks and technological players, is likely to materialize gradually, over a period of years. In commercial and corporate banking, the "better bank" scenario is likely to materialize, in view of the comprehensive process of modernization, automation, and digitization currently underway at traditional banks.

1.5.2. Description of the Poalim 2026 strategic plan

The Poalim 2026 plan establishes the strategic pillars and the vectors for change needed to attain sustainable growth, and includes a range of business initiatives in all areas of activity of the Bank. Attainment of the strategic goals through the focal elements of the plan will provide a foundation for continued responsible growth, by means including an emphasis on leading customer segments of the Bank in retail banking, corporate banking, and the capital market, with a significant improvement in customer service.

a. Strengthening the leadership of Bank Hapoalim in core banking

The strategic plan sets the goal of leveraging and strengthening the leadership of Bank Hapoalim, as a universal bank in Israel, in core banking products for retail and business customers and in the capital market. For retail customers, the plan emphasizes improved service and channels for communication with customers, based on a digital-first approach and on targeted customer segments, including private-banking customers and small businesses. The Bank will also work to continue to leverage the reach of its branch network and adapt it operationally to focus on advisory services and sales of complex products and services, through bankers with a variety of skills, managerial flexibility, a customer-centric approach, and a high level of service. Within this effort, Bank will consider renewal of its operational model in retail banking; the changes will enable all customers to benefit from full digital availability and a continuous service experience across channels (digital, written communications, telephone service, and in-person service). For business customers, the Bank will strengthen its leadership in the areas of infrastructures, syndication, real estate, and capital-market activity, pursue growth in the high-technology sector, and promote ESG products.

For all customers, to strengthen its leadership, the Bank will, among other means, leverage its broad customer base for advanced data applications and develop digital tools to improve service and customer portfolio management. The Bank will also work to continue to transform into a data-driven organization, deriving insights and applying advanced information processing to improve customer journeys and shorten SLA times.

b. Optimizing the use of resources and enhancing productivity

Optimizing the use of resources and enhancing productivity are another element of the plan designed to confer a competitive advantage on the Bank. This element concerns a number of content areas, including financial resources, technologies, and human capital, as well as streamlining of business and operational processes.

In the field of financial resources, the Bank has initiated lateral processes pertaining to efficient asset and liability management (ALM) and further improvement of efficiency in the consumption of risk-weighted assets (RWA) through the implementation and use of global best practices and the application of in-depth processes engaging all divisions of the Bank.

In the area of technological resources, the Bank is investing material resources in the project of modernizing its core infrastructure systems, a key part of transforming into an advanced and innovative organization. The Bank intends to dedicate resources to the development of technology with value for its customers, while continually investing in supporting infrastructures, digitization, and automation to improve flexibility and the pace of implementation of technologies at the Bank, maintaining stability and business continuity. The Bank is also working simplify and streamline internal process-related interactions within the organization. As part of this effort, the Banking Services Division has been established, in order to shorten processes and improve internal service and operations at the Bank, while instilling an organizational culture of the adoption of change and continued investment in human capital, and leveraging and strengthening capabilities.

As an additional growth driver, the Bank is accelerating the implementation of Agile methodologies and the operation of human resources based on the "tribes" model. This process, in which the Bank is a leader in the business arena, will lead to the close integration of technological and business functions at the Bank, to improve and shorten time to market and delivery, as a competitive advantage, allowing rapid launch of products, diversified services, and development of innovative value offers for Bank customers, on a par with leading global banks.

c. Differentiating and influential innovation

The innovation element is driven by an overview of the other elements of the strategic plan and aimed at creating differentiation. The innovation element concerns promoting solutions in the areas of service, operations, and products, by means including investment in technologies and collaboration with third-party companies, as a way of supporting the attainment of the objectives of the strategic plan.

The Bit application, a leading payment app that currently has approximately 3 million users who are customers of all banks, will serve as the basis for development of new banking products. The Bank will continue to expand the activities of Bit in the area of payments and concurrently work to present unique innovative value offers.

In support of its strategy, the Bank will continue to identify opportunities and develop innovative initiatives supporting its business objectives and focus on customers. The Bank will work to formulate unique, differentiating value offers in the industry, through realizing the potential of open banking to build the banking of the future and by finding and integrating third-party technologies and solutions from the Israeli and global ecosystem to streamline operational processes and improve customer service, among other goals.

1.5.3. Organizational changes

During 2022, the Board of Directors of the Bank approved several organizational changes aimed at optimally focusing and realizing the advantages and assets of the Bank, and streamlining and simplifying processes for the customers of the Bank, while enhancing growth capabilities and the maximization of value.

Accordingly, in January 2022, the Board of Directors of the Bank approved the creation of the Banking Services Division, which oversees most of the operational systems of the Corporate Banking Division and Retail Banking Division of the Bank. The new division works to improve service for customers of the Bank through more efficient internal work processes at the Bank and by striving for operational excellence; it is integral to the successful implementation of the Poalim 2026 plan.

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

Beyond that, to realize and accelerate implementation of the Poalim 2026 strategic plan, the CTRO Unit has been established and charged with leading business, technological, and cultural change. The CTRO Unit provides ongoing guidance to all of the initiatives, applies controls and monitoring, removes barriers, and promotes lateral processes to benefit the successful implementation of the plan.

1.5.4. Forward-looking information

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

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

2. Explanation and analysis of results and business position

2.1. Trends, events, developments, and material changes

2.1.1. Economic and financial review

Developments in the global economy

Global economic activity slowed in 2022, against the backdrop of the war in Ukraine, the Chinese government's policy in fighting Covid-19, and households' eroded purchasing power. Global inflation rose over the last year, reaching a high level that the central banks could no longer ignore; interest rates were raised rapidly in most of the developed countries. Overall in 2022, global product grew by approximately 3.4%, according to estimates by the International Monetary Fund. GDP grew by approximately 2.1% in the United States, and 3.5% in the Eurozone. Growth in China was relatively low, at 3.0%, mainly due to the strict lockdown policy that continued to be maintained during the year. Unemployment rates in the United States and Europe remained relatively low, and the number of available jobs remained high, reflecting the change in many workers' employment preferences. Inflation rose to high levels, peaking at annualized levels of approximately 10% in the United States and the Eurozone. Global inflation cooled in the last months of the year, following a decrease in prices of shipping and commodities, primarily energy. Inflation reached 6.5% in the United States and 9.2% in the Eurozone for the twelve months ended in December 2022. As noted, central banks raised rates sharply during the year, with the pace of increases growing to a rate of 0.75% at each decision. The Federal Reserve in the United States raised the interest rate from 0.25% to 4.50% in 2022, while the ECB raised the interest rate on deposits from a negative 0.5% to a positive 2.0%. In February 2023, the Federal Reserve rate was raised to 4.75% and the ECB rate was raised to 2.5%. The markets are pricing in continued interest-rate hikes, with high rates to persist throughout 2023.

Economic activity in Israel

The Israeli economy grew at a high rate of 6.5% in 2022, among other factors due to the comparison to the baseline from 2021, which was partly still affected by Covid-19 restrictions. The product of the service sectors rose sharply as routine activities resumed, including hiring of employees, returning to the product level derived from the growth trajectory of the years preceding the Covid-19 pandemic. Notably, growth during the year was significantly slower than the annual average; for example, the product in the fourth quarter was only 2.7% higher than in the fourth quarter of 2021. Economic indicators of recent months point to contraction of activity in some economic sectors, primarily in exports of the technology industries, as well as deceleration of private consumption. These trends were influenced by the global environment and by the high inflation and increases in interest rates. The labor market stabilized in the last year, as the number of employed persons continued to rise and the unemployment rate stabilized at an average level of 3.8%. The high number of available jobs is creating upward pressures on wages.

Activity in the construction industry, both residential and other construction work, showed rapid growth over the last year, including an increase in residential construction starts. By contrast, a steep drop in purchases of new homes is emerging, likely affected by rising interest rates. Purchases of homes fell by approximately 30% in 2022. Mortgage execution fell sharply in the fourth quarter, by approximately 38% compared with the same quarter of 2021. Data of the Central Bureau of Statistics do not indicate falling prices in the sample, for now, but do show a more moderate pace of increase; however, these are lagging data. The data also point to a slight decrease in prices of new homes.

A new government was formed in late 2022. The new government began to promote a procedure to introduce changes of the judicial system, parts of which have already been passed by the Knesset in a first reading. This plan has evoked a wave of public protest, and the nation's president has called for talks between the coalition and opposition. Uncertainty in this context has led to rising volatility in the financial markets, mainly reflected in depreciation of the shekel against the currency basket. Inflation expectations rose during the course of February, due to factors including the depreciation, and long-term bond yields rose. The uncertainty, against a background of economic slowdown and decelerating investments in the technology industry, may also have a negative effect on the fiscal situation in the future. Considering the current stage of the legislative procedure, the Bank cannot estimate the manner in which the procedure may be completed, if completed, or the extent of its impacts, such as they may be.

Fiscal and monetary policy

2022 ended with an exceptional budget surplus of 0.6% of GDP, compared with a deficit of 4.5% of GDP in 2021. The turnaround in the budget resulted from the end of the economic assistance program, as the coronavirus pandemic receded, and from a sharp increase of approximately 14% in state tax revenues. The leap in tax revenues was influenced by growth in economic activity, particularly in the areas of real estate and the high-technology industry. The ratio of public debt to GDP fell sharply, by 7.1 percentage points, to 60.9%. The Bank of Israel interest rate rose sharply over the course of 2022. The interest rate was raised from 0.1% in March to 3.25% in November. In January 2023, the rate was raised again, to 3.75%. As the interest rate rose, inflation expectations decreased, leading to positive real interest rates. In February, the Bank of Israel raised the interest rate to 4.25%.

Inflation and exchange rates

The "known" consumer price index and the "in lieu" index rose by 5.3% in 2022. Inflation not only rose relative to the preceding year but also expanded to many more components, primarily the service sectors. This was notable in the housing component of the CPI (rent prices), which rose at a high rate of 6.3% over the last year. Supply-chain disruptions, which were a leading cause of price increases in 2021, actually served to temper inflation in 2022, as lockdowns were lifted in most of the world and shipping prices dropped sharply. Inflation in Israel was still low relative to most of the developed countries, due to stability of energy prices. Excluding this effect, inflation can be said to have been similar to global levels. The inflation is still primarily on the expenditure side – cost-push inflation – and is therefore expected to be influenced by developments in wages. The consumer price index rose by 0.3% in January, and annual inflation rose to 5.4%. Following the depreciation of the shekel, the markets are now pricing in above-target inflation again in 2023.

The shekel depreciated sharply by 13.2% against the US dollar in 2022, and by 6.7% against the currency basket. The weakening of the shekel was influenced, among other factors, by falling prices in global equity markets, which lead to foreign-currency purchases by institutional entities. The uncertainty surrounding the overhaul of the judicial system led to weakening of the shekel against the currency basket in February.

Financial and capital markets

2022 was marked by sharp declines in world financial markets, most notably in technology stock indices, due to market adjustments to the high interest rates. Overall in 2022, the S&P 500 index in the United States fell by 19.4%, the NASDAQ index fell by 33.1%, and the Stoxx Europe 50 index fell by 11.7%. The TA-125 index was down by 11.8% overall in 2022. Daily turnovers in equities and convertible instruments rose to an average of NIS 2.3 billion in 2022, compared with NIS 1.88 billion in 2021.

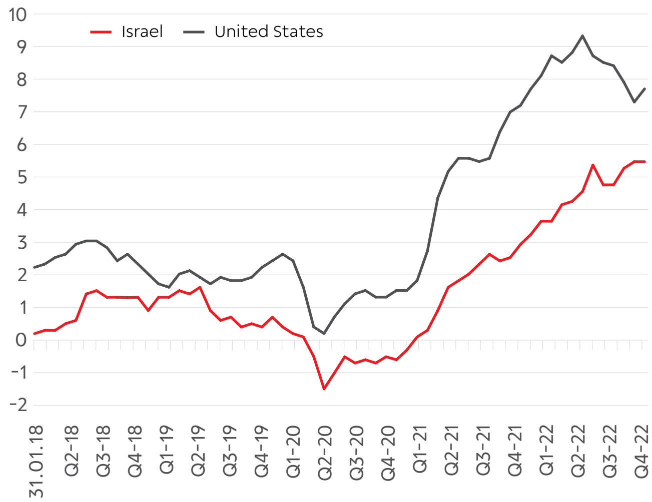
Bond markets also showed volatility, with a steep rise in yields. The yield of ten-year government bonds in Israel rose from 1.24% at the end of 2021 to 3.56% at the end of 2022, while the yield of ten-year bonds in the United States rose from 1.51% to 3.88% during the same period.

The unlinked government bond index fell by 10.0%, and the linked government bond index fell by 9.8%. The general corporate bond index also fell by 6.2%, while yield spreads against government bonds rose to 2.2% at the end of 2022, versus 1.60% at the end of 2021. Capital raised by non-financial Israeli companies through bonds totaled approximately NIS 50 billion in 2022, down by approximately 3.0% compared with capital raised in 2021, mainly due to a decrease in funding of companies operating in the area of real estate.

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

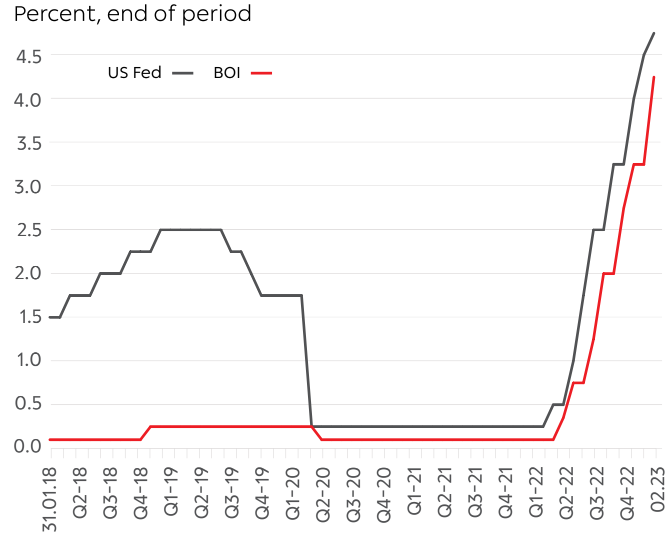
Consumer price index

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



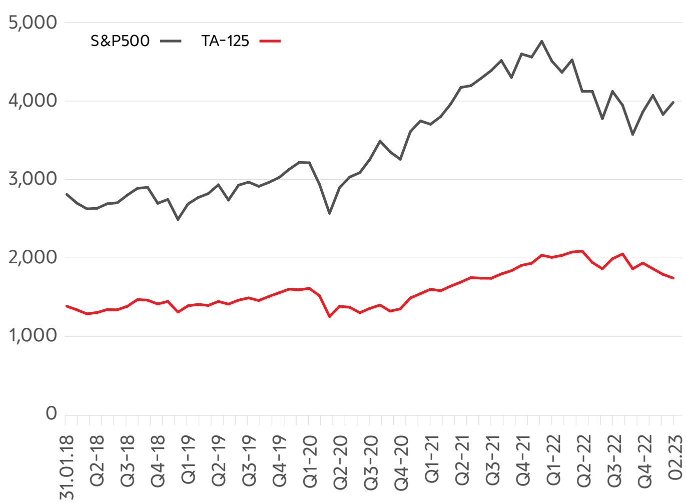
Interest rates

Percent, end of period



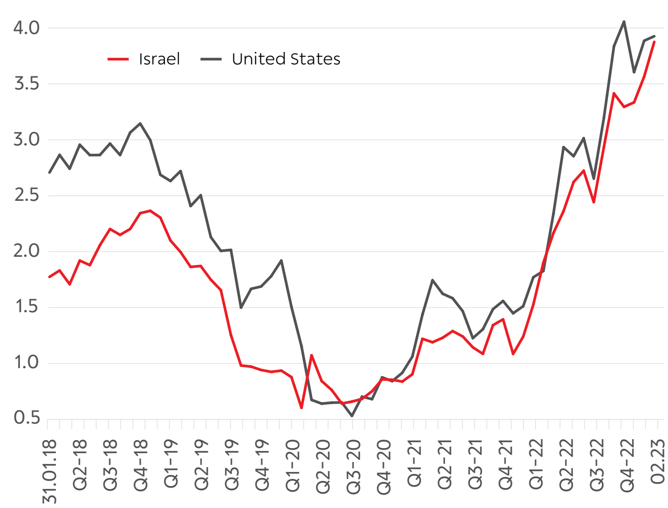
Equity market

In terms of local currency, end of period



10-year government bond yields

In %



2.1.2. Top and emerging risks

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

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

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

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

  The Bank estimates that a combination of economic and political factors are currently increasing the economic risks to which it is exposed. While global inflation has started to fall, it is still high and remains far from the inflation targets of the central banks; the central banks are applying restrictive policies. Globally, rising interest rates have led to adjustments of financial and non-financial asset prices; the prevailing market assessment is now that global growth will slow considerably in the coming quarters. The war in Ukraine continues, and presents another ongoing risk, if somewhat lowered by the alternatives that have been found to natural gas from Russia.

  A new government was formed in late 2022. The new government began to promote a procedure to introduce changes of the judicial system, parts of which have already been passed by the Knesset in a first reading. This plan has evoked a wave of public protest. Uncertainty in this context has led to rising volatility in the financial markets, mainly reflected in depreciation of the shekel against the currency basket, higher inflation expectations, and an increase in long-term bond yields. The uncertainty, against a background of economic slowdown and decelerating investments in the technology industry, may also have a negative effect on the credit rating of the State of Israel and on the fiscal situation in the future. Accordingly, the legislative procedure may have negative impacts on the Israeli economy, the customers of the Bank, and the Bank itself. Considering the current stage of the legislative procedure, the Bank cannot estimate the manner in which the procedure may be completed, if completed, or the extent of its impacts, such as they may be.

The increase in interest rates of the central banks in Israel and the United States has the potential to contribute positively to the results of operations of the Bank. However, a prolonged high interest-rate environment as well as more aggressive increases in the interest rate may, among other matters, raise the risks of recession, lead to changes in asset prices (including financial and real-estate assets), affect the condition of customers of the Bank, and, accordingly, have a negative effect on the results of operations and profits of the Bank. Economic indicators of recent months point to contraction of activity in some economic sectors, primarily in exports of the technology industries, as well as deceleration of private consumption and a decrease in purchases of homes. These trends were influenced by the global environment and by the high inflation and increases in interest rates, and may lead to a slower pace of lending and an increase in the credit risks to which the Bank is exposed.

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

- **Information security risks and cyber incidents:** Increasing cyber threats to financial institutions have led to the channeling of resources in the banking industry to cope with this risk. The Bank applies frequent controls in all channels in order to prevent harmful penetration, activation of malicious software, and information leakage. These lines of defense consist of a large number of advanced information-security systems, deployed internally in the Bank's network as well as externally as a perimeter defense. Note that the transition of employees to remote work, transition to cloud computing, and increased digitization of the activity of the Bank, including an increase in remote work with customers, concurrently with an increase in threats and attempted attacks, have intensified the risk. The Bank is taking action to mitigate this risk.
- **Regulatory environment in Israel and overseas:** International regulatory reforms have implications for the business of the Bank, in Israel and overseas. In Israel, several regulatory initiatives have been formulated over the last few years, primarily concerned with increasing competition in the banking system in Israel; additional regulatory initiatives are in the process of being generated, some of which concern direct intervention in prices and interest rates in the banking industry. The regulatory initiatives and trends may affect the banking system in general and the Bank in particular. At this stage, it is too early to estimate the effects of these changes on the Bank. Further, these effects may not be immediate; instead, there may be slower, prolonged effects derived from processes of gradual change in the Bank's environment (customers, market players, etc.), alongside the gradual preparations of the Bank for the necessary adaptations of its operations.

- **Competitive and strategic risk:** Competition from big tech companies (Apple, Google, Amazon, and others), fintech companies, and digital banks, alongside the entry of new technologies, changes in customer behavior, and new business models in the financial sphere, may significantly affect the banking system, in Israel and worldwide, in the medium to long term. Concurrently, regulatory and competitive changes in the domestic arena, with an emphasis on measures aimed at increasing competition in the retail credit market, bank account switching, and open banking, as well as competition in the business sector, may affect the business results of the Bank, including its credit spreads. The Bank recently formulated a comprehensive strategic plan for the period through 2026, encompassing, among other matters, action in the areas of the core activities of the Bank, innovation, technology, the structure of operations, and more, in order to respond to such threats.
- **Compliance risk:** Pursuant to Proper Conduct of Banking Business Directive 308, compliance risk also includes risks related to the fairness of the Bank towards its customers, conflicts of interest, the prohibition of money laundering and financing of terrorism (including international sanctions), provision of advice to customers, protection of privacy (excluding information-technology aspects), taxation aspects relevant to products or services for customers, or directives of a similar nature. The materialization of this risk on the global level is reflected in the continuing investigations of banks around the world and in the fines imposed on them in connection with the violation of laws or regulations, such as in the areas of assisting tax evasion, the prevention of terrorism financing, money laundering, and investigations of corruption.
- **Environmental risk:** Around the world, the understanding has grown in recent years that the materialization of environmental risks and climate risks may cause harm to the economy, and, in extreme cases, may cause significant damage to banks and to the financial system, as a result of the materialization of financial and non-financial risks in the long term. These effects may also be expressed within other risks to which the banking corporation is exposed in the course of its activity, such as credit risk (through the effect on the financial resilience of borrowers and the value of collateral), market and investment risk, operational risk, legal risk, reputational risk, and more. These risks, particularly climate risks and the impact of processes of transition to a low greenhouse-gas emissions economy, have unique characteristics of uncertainty. At this stage, it is too early to estimate the potential long-term effects of these changes on the Bank.

For details regarding legal proceedings, see Note 25 to the Financial Statements.

For details regarding material regulatory initiatives with an effect on the activity of the Bank during the reported period, see the Corporate Governance Report.

2.1.3. External auditors

Ziv Haft (BDO), CPA (Isr.) and Somekh Chaikin (KPMG), CPA (Isr.) serve as the joint auditors of the Bank.

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 6,532 million in 2022, compared with profit in the amount of NIS 4,914 million in 2021. The increase in profit mainly resulted from an increase of approximately 24.5% in the total income of the Bank, partly offset by a decrease in income from credit losses. Net return on shareholders' equity was 14.8% in 2022, compared with 11.8% in 2021.

Table 2-1: Condensed statement of profit and loss

	For the year ended December 31		Change
	2022	2021	
	NIS millions		
Interest income	**19,220**	11,684	64.5%
Interest expenses	**(5,753)**	(1,917)	200.1%
Net interest income	**13,467**	9,767	37.9%
Non-interest financing income	**581**	1,081	(46.3%)
Net financing profit*	**14,048**	10,848	29.5%
Provision (income) for credit losses	**(34)**	(1,220)	(97.2%)
Net financing profit after income in respect of credit losses	**14,082**	12,068	16.7%
Fees and other income*	**3,872**	3,544	9.3%
Operating and other expenses	**7,972**	7,803	2.2%
Profit before taxes	**9,982**	7,809	27.8%
Provision for taxes on profit	**3,548**	2,958	19.9%
Profit after taxes	**6,434**	4,851	32.6%
The Bank's share in profits of equity-basis investees, after taxes	**99**	49	102.0%
Net profit:			
Before attribution to non-controlling interests	**6,533**	4,900	33.3%
Loss (profit) attributed to non-controlling interests	**(1)**	14	(107.1%)
Attributed to shareholders of the Bank	**6,532**	4,914	32.9%
Return of net profit	**14.8%**	11.8%	25.0%

* The profit and loss items above are presented in a different format than in the 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."

For details regarding material developments in income and expenses by quarter, see section "Appendices" in the Corporate Governance Report.

2.2.1. Development of income and expenses

Net financing profit

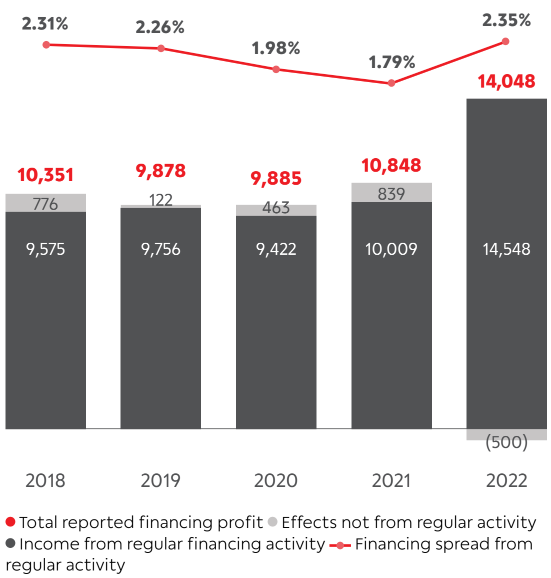
In addition to interest income and expenses, profit from financing activity also includes non-interest financing income and expenses. This income includes financing income in respect of derivative instruments and profit from the sale of securities, which serve as an integral element of the Bank's exposure 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 2-2: Composition of net financing profit

	For the year ended		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
Interest income	**19,220**	11,684	64.5%
Interest expenses	**(5,753)**	(1,917)	200.1%
Net interest income	**13,467**	9,767	37.9%
Non-interest financing income	**581**	1,081	(46.3%)
Total reported financing profit	**14,048**	10,848	29.5%
Excluding effects not from regular activity:			
Income (expenses) from realization and adjustments to fair value of bonds	**(137)**	202	(167.8%)
Profit (loss) from investments in shares	**(123)**	599	(120.5%)
Adjustments to fair value of derivative instruments[(1)]	**(178)**	(5)	
Income (expenses) from hedges and others[(2)]	**(62)**	43	(244.2%)
Total effects not from regular activity	**(500)**	839	(159.6%)
Total income from regular financing activity[(3)]	**14,548**	10,009	45.3%

(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 1,349 million in 2022, compared with income in the amount of NIS 405 million in 2021.

Diagram 2-2: Net financing profit



Financing profit from regular activity totaled NIS 14,548 million in 2022, compared with a total of NIS 10,009 million in 2021. The increase mainly resulted from the effect of growth of approximately 15% in average credit balances; an increase in the amount of NIS 944 million in income from linkage differentials, due to changes in the rate of the known CPI between the periods; and the effects of the increase in the shekel and dollar interest rates.

Total reported financing profit amounted to NIS 14,048 million in 2022, compared with a total of NIS 10,848 million in the same period last year, an increase of approximately 29.5%. The increase resulted from an increase in profit from regular financing activity, as noted above. By contrast, losses from investment in shares and bonds were recorded, compared with profits in 2021. In addition, an increase in losses 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.

Table 2-3: Principal data regarding interest income and expenses

	For the year ended			
	December 31, 2022		December 31, 2021	
	Interest income (expenses)	Rate of income (expense)	Interest income (expenses)	Rate of income (expense)
	NIS millions/percent			
Interest income	**19,220**	**3.30%**	11,684	2.21%
Interest expenses	**(5,753)**	**(1.69%)**	(1,917)	(0.65%)
Net interest income	**13,467**	**1.61%**	9,767	1.56%
Net interest income as a percentage of the balance of interest-bearing assets		**2.32%**		1.85%

Interest income and expenses increased in 2022 compared with 2021, as a result of an increase in the volume of assets and liabilities; an increase in linkage differentials, due to changes in the rate of the known CPI between the periods; and an increase in the shekel and dollar interest rates.

In 2022, the ratio of net interest income to the balance of interest-bearing assets increased by 0.47% in comparison to 2021. The increase mainly resulted from an increase in the shekel and dollar interest rates, which contributed an added 0.35% to the ratio, and an increase in linkage differentials, due to changes in the rate of the known CPI between the periods, which contributed an added 0.17% to the ratio. On the other hand, a decrease in the ratio resulted from the erosion of credit spreads and an increase in the average balance of interest-bearing assets.

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

For further details regarding exposures to interest-rate risk and CPI risk, see the section "Review of risks," below.

Income in respect of credit losses amounted to approximately NIS 34 million in 2022, compared with income in the amount of NIS 1,220 million in 2021.

The net individual income amounted to approximately NIS 613 million in 2022, compared with income in the amount of approximately NIS 472 million in the same period last year. The increase in income resulted from a decrease in the gross individual provision, along with a high level of debt recovery and a decrease in the allowance, mainly influenced by a low number of borrowers.

The net collective provision amounted to approximately NIS 579 million in 2022, compared with income in the amount of approximately NIS 748 million in 2021. The income in 2021 mainly resulted from improvement in macroeconomic parameters and economic forecasts, influenced by factors including the lifting of most of the coronavirus-related restrictions, and from the substantial decrease in the volume of debts in deferral of payments.

The provision in 2022 was influenced by an increase in the collective allowance, due to adjustments in respect of predicted macroeconomic effects, in view of the increase in uncertainty of economic conditions and the probability of economic deceleration, as well as the continued growth of the credit portfolio. These effects progressively intensified over the course of 2022, as reflected in the gradual increase in the rate of the provision for credit losses beginning in June 2022.

In the fourth quarter of 2022, the collective allowance was increased by approximately NIS 300 million in order to also reflect the uncertainty described above (the total increase in the collective allowance in 2022 is approximately NIS 450 million).

For additional information regarding the initial implementation of generally accepted accounting principles in the United States concerning current expected credit losses (CECL), see Note 1D to the Financial Statements.

With regard to the change in the allowance for credit losses, see the section "Credit risk," below, and Note 29 to the Financial Statements.

Table 2-4: Cumulative provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments

	For the year ended	
	December 31, 2022	December 31, 2021
	NIS millions	
Individual provision for credit losses	**474**	553
Decrease in individual allowance for credit losses and recovery of charged off debts	**(1,087)**	(1,025)
Net individual income in respect of credit losses	**(613)**	(472)
Net provision (income) in respect of the collective allowance for credit losses and net automatic charge-offs*	**579**	(748)
Total income in respect of credit losses**	**(34)**	(1,220)
** Of which:		
Net provision (income) for credit losses in respect of commercial credit risk	**(181)**	(570)
Net provision (income) for credit losses in respect of housing credit risk	**71**	(226)
Net provision (income) for credit losses in respect of other private credit risk	**40**	(425)
Net provision for credit losses in respect of risk of credit to banks and governments	**36**	1
Total provision (income) for credit losses	**(34)**	(1,220)

	%	
Provision (income) as a percentage of total credit to the public:***		
Percentage of individual provision (income) for credit losses	**0.12%**	0.14%
Gross provision (income) for credit losses as a percentage of the average balance of credit to the public(1)	**0.28%**	(0.06%)
Net provision (income) for credit losses as a percentage of the average balance of credit to the public(1)	**(0.02%)**	(0.37%)
Net charge-offs in respect of credit to the public as a percentage of the average balance of credit to the public	**(0.03%)**	(0.06%)
Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public	**(1.72%)**	(3.88%)

* Charge-offs in respect of debts past due by 150 days or more not examined individually.
*** The rates calculated below refer to provisions in respect of credit to the public only, without credit losses in respect of banks and governments.
(1) 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 3,872 million in 2022, compared with NIS 3,544 million in 2021, as detailed below.

Income from operating fees totaled NIS 3,705 million in 2022, compared with NIS 3,355 million in 2021. The increase resulted from most areas of activity, with an emphasis on increases in account-management fees, credit-card fees, fees for conversion differences, and fees from financing transactions, influenced by the lifting of most of the coronavirus-related restrictions and the growth in business activity. The increase in credit-card fees was influenced by an update of the operating agreement with Isracard, effective April 1, 2022. For details, see Note 25C to the Financial Statements.

Other income, mainly arising from profits from the sale of real estate and real-estate interests, totaled NIS 167 million in 2022, compared with NIS 189 million in 2021.

Table 2-5: Details of fees and other income

	For the year ended		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
Fees			
Account-management fees	**877**	793	10.6%
Securities activity	**748**	804	(7.0%)
Financial product distribution fees	**179**	178	0.6%
Credit cards, net	**471**	275	71.3%
Credit processing	**238**	220	8.2%
Financing transaction fees	**665**	617	7.8%
Conversion differences	**324**	288	12.5%
Other fees	**203**	180	12.8%
Total operating fees	**3,705**	3,355	10.4%
Total others	**167**	189	(11.6%)
Total operating income and other income	**3,872**	3,544	9.3%

Operating and other expenses totaled NIS 7,972 million in 2022, compared with NIS 7,803 million in the same period last year.

Table 2-6: Details of operating and other expenses

	For the year ended		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
Wages	**4,387**	4,333	1.2%
Maintenance and depreciation of buildings and equipment	**1,441**	1,333	8.1%
Other expenses	**2,144**	2,137	0.3%
Total operating and other expenses	**7,972**	7,803	2.2%

Salary expenses totaled NIS 4,387 million in 2022, compared with NIS 4,333 million in 2021, an increase of 1.2%. The increase in salary expenses mainly resulted from an increase in current salaries.

Expenses for maintenance and depreciation of buildings and equipment totaled NIS 1,441 million in 2022, compared with NIS 1,333 million in 2021, an increase of approximately 8.1%, which mainly resulted from an increase in depreciation expenses in respect of software.

Other expenses totaled NIS 2,144 million in 2022, compared with NIS 2,137 million in 2021. The increase mainly resulted from an increase in expenses in respect of fees, IT expenses, and marketing and advertising expenses. This increase was offset by a decrease in expenses related to implementation of the resolutions in connection with the investigation of the Bank Group's business with American customers, as well as a decrease in expenses due to the reduction of international activity.

The provision for taxes on profit totaled NIS 3,548 million in 2022, compared with a total of NIS 2,958 million in 2021; the increase mainly resulted from an increase in regular profitability, partly offset by a decrease in nondeductible expenses.

The Bank's share in profits of equity-basis investees after tax amounted to profit of NIS 99 million in 2022, compared with profit in the amount of NIS 49 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.

Net profit attributed to shareholders of the Bank totaled NIS 6,532 million in 2022, compared with a total of NIS 4,914 million in 2021.

Basic net earnings attributed to the shareholders of the Bank per share of par value NIS 1 amounted to NIS 4.89 in 2022, compared with NIS 3.68 in 2021.

2.2.2. Developments in comprehensive income

Table 2-7: Comprehensive income

	For the year ended	
	December 31, 2022	December 31, 2021
	NIS millions	
Net profit before attribution to non-controlling interests	**6,533**	4,900
Net profit (loss) attributed to non-controlling interests	**1**	(14)
Net profit attributed to shareholders of the Bank	**6,532**	4,914
Other comprehensive income (loss) before taxes:		
Net adjustments for presentation of bonds available for sale at fair value	**(2,947)**	(575)
Adjustments of employee benefit liabilities*	**738**	(314)
Other comprehensive loss before taxes	**(2,209)**	(889)
Effect of related tax	**733**	300
Other comprehensive (loss) before attribution to non-controlling interests, after taxes	**(1,476)**	(589)
Net of other comprehensive income (loss) attributed to non-controlling interests	**(2)**	-
Other comprehensive loss attributed to shareholders of the Bank, after taxes	**(1,474)**	(589)
Comprehensive income before attribution to non-controlling interests	**5,057**	4,311
Comprehensive income (loss) attributed to non-controlling interests	**(1)**	(14)
Comprehensive income attributed to shareholders of the Bank	**5,058**	4,325

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

Comprehensive income totaled NIS 5,058 million in 2022, compared with a total of NIS 4,325 million in 2021. The increase in comprehensive income in 2022 was mainly influenced by the increase in net profit, offset by a net decrease in the amount of approximately NIS 1.5 billion in capital reserves, mainly due to an increase of approximately 3.5% in the shekel interest rate and an increase of approximately 3.3% in the dollar interest rate for the medium term.

2.2.3. Information-technology system

Table 2-8: Information-technology system

	Software	Hardware[3]	Other	Total
	NIS millions			
Additions to assets[1] in respect of the information-technology system not recorded as expenses in 2022				
Costs in respect of wages and related expenses	**358**	**-**	**-**	**358**
Outsourcing costs, including consultants' fees	**122**	**-**	**-**	**122**
Costs of acquisitions or usage licenses[4]	**61**	**94**	**-**	**155**
Costs of equipment, buildings, and land	**-**	**-**	**15**	**15**
Total	**541**	**94**	**15**	**650**
Expenses in respect of the information-technology system as included in the profit and loss statement in 2022				
Expenses in respect of wages and related expenses	**534**	**143**	**-**	**677**
Expenses in respect of acquisitions or usage licenses not capitalized to assets	**215**	**61**	**13**	**289**
Outsourcing expenses, including consultants' fees	**56**	**15**	**-**	**71**
Other expenses[5]	**71**	**20**	**65**	**156**
Total expenses (excluding depreciation and amortization)	**876**	**239**	**78**	**1,193**
Total IT spend in 2022	**1,417**	**333**	**93**	**1,843**
Additional information				
Balances of assets[2] in respect of the information-technology system as at December 31, 2022				
Total depreciated cost	**1,665**	**351**	**56**	**2,072**
Of which: in respect of wages and related expenses	**936**	**-**	**-**	**936**
Depreciation and amortization expenses	**416**	**99**	**19**	**534**

(1) Including prepaid expenses in respect of the information-technology system in the amount of NIS 46 million (December 31, 2021: NIS 24 million).
(2) Including prepaid expenses in respect of the information-technology system in the amount of NIS 277 million (December 31, 2021: NIS 228 million).
(3) Including communications infrastructures.
(4) Including acquisitions and usage licenses of software and hardware for all divisions of the banking corporation.
(5) Includes expenses of the information-technology units, including current expenses for the use of communications and telephones, mail, rent, taxes, electricity, etc.

Table 2-8: Information-technology system (continued)

	Software	Hardware[3]	Other	Total
	NIS millions			
Additions to assets[1] in respect of the information-technology system not recorded as expenses in 2021				
Costs in respect of wages and related expenses	308	-	-	308
Outsourcing costs, including consultants' fees	123	-	-	123
Costs of acquisitions or usage licenses[4]	38	118	-	156
Costs of equipment, buildings, and land	-	-	17	17
Total	469	118	17	604
Expenses in respect of the information-technology system as included in the profit and loss statement in 2021				
Expenses in respect of wages and related expenses	466	125	-	591
Expenses in respect of acquisitions or usage licenses not capitalized to assets	191	47	23	261
Outsourcing expenses, including consultants' fees	69	18	-	87
Other expenses[5]	72	20	48	140
Total expenses (excluding depreciation and amortization)	798	210	71	1,079
Total IT spend in 2021	1,267	328	88	1,683
Additional information				
Balances of assets[2] in respect of the information-technology system as at December 31, 2021				
Total depreciated cost	1,569	356	60	1,985
Of which: in respect of wages and related expenses	831	-	-	831
Depreciation and amortization expenses	328	79	19	426

(1) Including prepaid expenses in respect of the information-technology system in the amount of NIS 46 million (December 31, 2021: NIS 24 million).
(2) Including prepaid expenses in respect of the information-technology system in the amount of NIS 277 million (December 31, 2021: NIS 228 million).
(3) Including communications infrastructures.
(4) Including acquisitions and usage licenses of software and hardware for all divisions of the banking corporation.
(5) Includes expenses of the information-technology units, including current expenses for the use of communications and telephones, mail, rent, taxes, electricity, etc.

Costs of the information-technology system (IT spend) of the Bank totaled NIS 1,843 million in 2022, compared with NIS 1,683 million in 2021. The increase mainly resulted from growth in personnel volume and costs, among other matters for the continued implementation of the core systems modernization project. Concurrently, depreciation expenses increased due to the consistent increase in the scope of investments in recent years.

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

The consolidated balance sheet as at December 31, 2022, totaled NIS 665.4 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
	December 31, 2022	December 31, 2021	
	NIS millions		
Total assets	**665,353**	638,781	4.2%
Net credit to the public	**388,727**	352,623	10.2%
Cash and deposits with banks	**133,424**	189,283	(29.5%)
Securities	**107,400**	71,105	51.0%
Deposits from the public	**532,588**	525,072	1.4%
Bonds and subordinated notes	**26,866**	25,582	5.0%
Shareholders' equity	**46,502**	42,735	8.8%

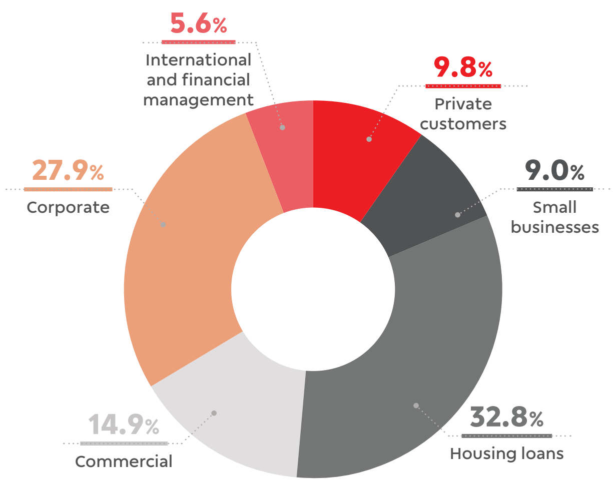
2.3.1. Structure and development of assets and liabilities

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
	December 31, 2022	December 31, 2021	
	NIS millions		
Private customers	**38,244**	39,139	(2.3%)
Small businesses	**34,998**	33,899	3.2%
Housing loans	**127,688**	114,633	11.4%
Commercial	**57,945**	52,758	9.8%
Corporate	**108,316**	96,335	12.4%
International activity	**17,210**	13,946	23.4%
Financial management	**4,326**	1,913	126.1%
Total	**388,727**	352,623	10.2%

Diagram 2-3: Segmentation of credit by principal segment as at December 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)

	December 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)	**3,445**	**813**	**4,258**	3,973	812	4,785	3,635	812	4,447
Substandard credit risk	**830**	**42**	**872**	963	152	1,115	1,366	152	1,518
Special mention credit risk	**2,143**	**471**	**2,614**	3,213	658	3,871	3,148	658	3,806
Total problematic credit risk*	**6,418**	**1,326**	**7,744**	8,149	1,622	9,771	8,149	1,622	9,771
Net problematic credit risk	**5,351**	**1,136**	**6,487**	6,363	1,433	7,796	6,468	1,458	7,926
* Of which, accruing debts past due by 90 days or more(4)	**83**	**-**	**83**	84	-	84	679	-	679

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

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

The downward trend in the volume of problematic debts continued in 2022, in all problematic classification categories, due to repayment of credit and improvement of borrowers' condition.

For further information regarding the analysis of the credit portfolio and problematic credit risk, including the scenarios and sensitivity analyses tested, see the section "Credit risk," below.

Off-balance sheet credit

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

	Balance as at		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
Off-balance sheet financial instruments, excluding derivatives			
Documentary credit	**1,741**	1,996	(12.8%)
Guarantees and other commitments*	**82,849**	69,533	19.2%
Unutilized credit-card credit facilities	**12,427**	11,333	9.7%
Unutilized revolving overdraft and other credit facilities in on-demand accounts	**28,272**	41,534	(31.9%)
Irrevocable commitments to grant credit approved but not yet provided, and commitments to provide guarantees*	**84,031**	97,741	(14.0%)

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

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

Securities

The Bank has investments in government and corporate bonds, as well as investments in tradable (mainly foreign) and non-tradable shares, broadly diversified.

Investments in securities totaled approximately NIS 107.4 billion as at December 31, 2022, compared with approximately NIS 71.1 billion at the end of 2021, an increase of approximately 51.0%, which mainly resulted from an increase in the volume of government bonds.

Income from realization and adjustments to fair value of bonds decreased in 2022, amounting to expenses of approximately NIS 137 million, compared with income in the amount of approximately NIS 202 million in the preceding year.

In light of the rise in the shekel and dollar interest-rate curves, which intensified in 2022, a decrease in the amount of approximately NIS 3.1 billion (before tax) was recorded in 2022 in respect of changes in the value of bonds in the available-for-sale portfolio, compared with a decrease in the amount of approximately NIS 0.3 billion (before tax) in 2021. The decrease in 2022 resulted from an increase of approximately 3.3% in the dollar interest rate and an increase of approximately 3.5% in the shekel interest rate for the medium term. The changes in value of bonds in the available-for-sale portfolio were recorded to the capital reserve.

As part of the Bank's capital management, the Bank tempered the cumulative decrease in capital reserves and reduced its exposure to the effect of the increase in yields, which affects the volatility of the capital reserve, by increasing purchases of bonds in the held-to-maturity portfolio, and by transferring a portfolio of bonds (of the Israeli government and United States government) in the amount of approximately NIS 3.5 billion from the available-for-sale portfolio to the held-to-maturity portfolio.

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

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

The decrease in value of government bonds continued in early 2023, in light of rising shekel and dollar interest-rate curves. The total decrease in the capital reserve, near the date of publication of the report, amounted to approximately NIS 0.4 billion (approximately NIS 0.3 billion after tax).

The overall share portfolio of the Bank Group totaled approximately NIS 4.0 billion, reflecting continuation of the growth trend of recent years.

A loss in the amount of approximately NIS 123 million was recorded in respect of the share portfolio of the Bank Group in 2022, compared with profit in the amount of approximately NIS 599 million in the preceding year. The decrease mainly resulted from losses in respect of declines in prices of tradable shares, compared with increases from revaluation of shares in the preceding year.

The share portfolio of the Bank contains tradable shares (measured at fair value) and nontradable shares (measured at cost less impairment), and may be influenced by various exogenous factors, such as an increase in inflation, changes in interest rates, and the behavior of the capital market. Deterioration of economic conditions may lead to a decrease in the value of the shares.

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							
December 31, 2022								
Israeli government bonds	**8,016**	**7.5%**	**51,751**	**48.2%**	**7,706**	**7.2%**	**67,473**	**62.8%**
US government bonds	**1,801**	**1.7%**	**20,153**	**18.8%**	**765**	**0.7%**	**22,719**	**21.2%**
Government bonds – other foreign countries	**-**	**-**	**1,499**	**1.4%**	**-**	**-**	**1,499**	**1.4%**
Total government bonds	**9,817**	**9.2%**	**73,403**	**68.4%**	**8,471**	**7.9%**	**91,691**	**85.4%**
Corporate bonds – Israel	**299**	**0.3%**	**-**	**-**	**-**	**-**	**299**	**0.3%**
Corporate bonds – foreign countries	**-**	**-**	**10,704**	**10.0%**	**658**	**0.6%**	**11,362**	**10.6%**
Total corporate bonds	**299**	**0.3%**	**10,704**	**10.0%**	**658**	**0.6%**	**11,661**	**10.9%**
Shares*	**-**	**-**	**4,048**	**3.8%**	**-**	**-**	**4,048**	**3.7%**
Total securities	**10,116**	**9.5%**	**88,155**	**82.2%**	**9,129**	**8.5%**	**107,400**	**100.0%**
December 31, 2021								
Israeli government bonds	196	0.3%	34,358	48.3%	4,774	6.7%	39,328	55.3%
US government bonds	-	-	17,125	24.1%	3,161	4.4%	20,286	28.5%
Government bonds – other foreign countries	-	-	1,157	1.6%	2	0.0%	1,159	1.6%
Total government bonds	196	0.3%	52,640	74.0%	7,937	11.2%	60,773	85.5%
Corporate bonds – Israel	312	0.4%	-	-	-	-	312	0.4%
Corporate bonds – foreign countries	-	-	5,368	7.5%	1,002	1.4%	6,370	9.0%
Total corporate bonds	312	0.4%	5,368	7.5%	1,002	1.4%	6,682	9.4%
Shares*	-	-	3,650	5.1%	-	-	3,650	5.1%
Total securities	508	0.7%	61,658	86.7%	8,939	12.6%	71,105	100.0%

* Shares not held for trading.

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

	Balance as at			
	December 31, 2022		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	**394**	**3.4%**	447	6.7%
Industry	**1,331**	**11.4%**	1,050	15.7%
Electricity and water supply	**415**	**3.6%**	359	5.4%
Information and communications	**369**	**3.2%**	222	3.3%
Banks and financial institutions	**8,253**	**70.7%**	3,843	57.5%
Commerce	**335**	**2.9%**	41	0.6%
Transportation and storage	**237**	**2.0%**	318	4.8%
Other sectors	**327**	**2.8%**	402	6.0%
Total corporate bonds	**11,661**	**100.0%**	6,682	100.0%

For further details regarding amounts measured at fair value, see Note 32B to the 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 12 to the Financial Statements.

Deposits

Table 2-15: Developments in balances of deposits

	Balance as at		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
Deposits from the public	**532,588**	525,072	1.4%
Deposits from banks	**8,696**	11,601	(25.0%)
Deposits from the government	**3,262**	752	333.8%
Total	**544,546**	537,425	1.3%

Table 2-16: Deposits of the public – additional information

	Balance as at		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
On demand			
Non-interest bearing	**193,328**	235,045	(17.7%)
Interest bearing	**136,637**	154,111	(11.3%)
Total on demand	**329,965**	389,156	(15.2%)
Fixed term	**202,623**	135,916	49.1%
Total deposits from the public	**532,588**	525,072	1.4%

The balance of deposits totaled approximately NIS 544.5 billion as at December 31, 2022, compared with a total of approximately NIS 537.4 billion at the end of 2021. Due to the increase in interest rates, a change occurred in the composition of deposits of the public, reflected in an increase in the amount of approximately NIS 67 billion in fixed-term deposits, versus a decrease in the amount of approximately NIS 17 billion in on-demand interest-bearing deposits and a decrease in the amount of approximately NIS 42 billion in non-interest-bearing deposits, compared with the balances at the end of 2021. This trend continued in early 2023.

Off-balance sheet activity in securities held by the public

Table 2-17: Developments in balances of off-balance sheet monetary assets held by the Bank Group's customers

	Balance as at		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
Securities[1]	**802,789**	872,710	(8.0%)

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

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

Bonds and subordinated notes totaled approximately NIS 26.9 billion as at December 31, 2022, compared with approximately NIS 25.6 billion at the end of 2021, an increase of approximately 5.0%. The increase mainly resulted from the issuance of subordinated notes and bonds.

In November 2022, the Bank issued bonds to the public at a volume of approximately NIS 3.2 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 1.0 billion.

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

In March 2022, the Bank issued bonds to the public at a volume of approximately NIS 2.0 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.

For further details, see Note 20 to the Financial Statements.

On May 11, 2022, the Bank received approval from the Israel Securities Authority to extend the shelf prospectus of the Bank of May 2020 by an additional year, until May 17, 2023. In February 2023, the Bank notified the Israel Securities Authority of its intention to apply for permission to release a shelf prospectus based on its annual financial statements for 2022.

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

Table 2-18: Details of bonds and subordinated notes

	December 31, 2022		December 31, 2021	
	Balance sheet value	Of which: tradable*	Balance sheet value	Of which: tradable*
	NIS millions			
Subordinated notes	**10,103**	**10,082**	11,211	9,580
Bonds	**16,763**	**16,763**	14,371	14,371
Total bonds and subordinated notes	**26,866**	**26,845**	25,582	23,951

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

Table 2-19: Derivative instruments

	December 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	**11,264**	**10,913**	**746,699**	4,075	4,566	401,309
Currency contracts	**8,368**	**5,921**	**408,580**	6,282	7,263	356,848
Share-related contracts	**2,255**	**2,223**	**156,915**	2,624	2,558	157,552
Commodity and service contracts (including credit derivatives)	**4**	**4**	**109**	3	3	198
Total	***21,891**	***19,061**	**1,312,303**	12,984	*14,390	915,907

* Of which: net fair value of assets and liabilities in respect of embedded derivatives in the amount of NIS 59 million and NIS 18 million, respectively, included in the balance sheet in the item "deposits from the public" (December 31, 2021: liabilities in the amount of NIS 40 million).

The fair-value balances of derivative instruments as at December 31, 2022, had risen significantly during 2022. This increase mainly resulted from sharp changes in interest rates, foreign-exchange rates, and stock indices during the period. Balances in par value also increased, as a result of the changes in exchange rates and an increase in the volume of activity. The Bank generally operates with counterparties under netting agreements and collateral aimed at reducing the credit exposure arising from activity in derivate instruments of these counterparties.

2.3.2. Capital, capital adequacy, and leverage

(1) Capital

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

The issued and paid-up share capital of the Bank, as at December 31, 2022, is NIS 1,336,837,006 par value, composed of ordinary shares of par value NIS 1 each. This is the issued capital excluding 540,105 ordinary shares purchased by the Bank ("Treasury Shares").

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

Dividends

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

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

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

Beginning in the second quarter, the Board of Directors of the Bank announced the distribution of dividends constituting approximately 30% of net profit in each of the second, third, and fourth quarters of 2022, as detailed below. The distributions cumulatively amounted to approximately NIS 1,464 million.

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

On November 22, 2022, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 536 million, which constituted approximately 30% of the net profit of the Bank for the third quarter of 2022, paid on December 11, 2022.

At the date of approval of these financial statements, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 525 million, constituting approximately 30% of the net profit of the Bank for the fourth quarter of 2022, to be paid on March 30, 2023.

Table 2-20: Details regarding dividend distribution in the last two years

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
March 8, 2023	March 30, 2023	39.272	525.0
November 22, 2022	December 11, 2022	40.095	536.0
August 14, 2022	September 7, 2022	30.146	403.0
November 15, 2021	December 8, 2021	64.499	862.0
August 1, 2021	August 18, 2021	46.152	616.8

(2) Capital adequacy

The Bank's approach to capital-adequacy assessment

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

These directives are based on three pillars:

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

Capital-adequacy target and capital management and planning

Pursuant to the directives of the Banking Supervision Department, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 10.0% and a minimum total capital ratio of 13.5%. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order aimed at coping with the coronavirus crisis. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank required by the Banking Supervision Department, on a consolidated basis, as at December 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 no less than 10.5%.

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

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

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

The sensitivity of the capital reserve in respect of bonds available for sale, net, after tax effect, to a theoretical increase of 1% in the risk-free interest rate and in the credit risk spread is estimated at a decrease in the amount of approximately NIS 0.8 billion and approximately NIS 0.5 billion, respectively. By contrast, the sensitivity of the capital reserve arising from adjustments for actuarial changes, net, after tax effect, to a theoretical increase of 1% in the discount rate is estimated at an increase in the amount of approximately NIS 0.2 billion.

Capital requirements in respect of the exposures of the Bank to the government of Israel, Israeli banks, institutional entities, and public-sector entities are derived from the rating of the State of Israel.

A downgrade of the credit rating of the State of Israel by Standard & Poor's Rating Group is expected to lead to a reduction of 0.20% and 0.26% in the Tier 1 capital ratio and the total capital ratio, respectively.

Material changes in capital

For additional information regarding the subordinated notes, see Note 20B to the Financial Statements.

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 24 to the Financial Statements.

For details regarding the effect of the implementation of United States generally accepted accounting principles concerning current expected credit losses (CECL), see Note 1D to the 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 2-21: Calculation of the capital-adequacy ratio

	December 31, 2022	December 31, 2021
	NIS millions	
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions		
Common equity Tier 1 capital	**46,745**	42,772
Additional Tier 1 capital	**-**	244
Total Tier 1 capital	**46,745**	43,016
Tier 2 capital	**14,349**	12,490
Total overall capital	**61,094**	55,506
2. Weighted balances of risk-adjusted assets		
Credit risk	**386,550**	363,588
Market risks	**4,007**	4,097
Operational risk	**25,020**	22,595
Total weighted balances of risk-adjusted assets	**415,577**	390,280
	%	
3. Ratio of capital to risk components		
Ratio of common equity Tier 1 capital to risk components(1)	**11.25%**	10.96%
Ratio of Tier 1 capital to risk components	**11.25%**	11.02%
Ratio of total capital to risk components	**14.70%**	14.22%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department(2)	**10.23%**	9.21%
Minimum total capital ratio required by the Banking Supervision Department(2)	**13.50%**	12.50%

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

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

(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 is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

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

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

Table 2-22: Leverage ratio

	December 31, 2022	December 31, 2021
	NIS millions	
Consolidated data		
Tier 1 capital*	**46,745**	43,016
Total exposures*	**737,115**	713,511
	%	
Leverage ratio	**6.34%**	6.03%
Minimum leverage ratio required by the Banking Supervision Department in the period of the Temporary Order	**5.50%**	5.50%
Minimum leverage ratio required by the Banking Supervision Department after the end of the Temporary Order	**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 24I to the Financial Statements). The effect of the relief in respect of the efficiency plans on the leverage ratio as at December 31, 2022, estimated at an additional future decrease of approximately 0.02%, is recorded in equal parts over five years, beginning at the inception date thereof. In addition, the data include adjustments in respect of the effect of the implementation of accounting principles concerning current expected credit losses, which are gradually reduced until December 31, 2024 (see Note 24K to the Financial Statements). The effect of the relief in respect of current expected credit losses as at December 31, 2022, is estimated at an additional future decrease of approximately 0.04%.

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

Operating segments are reported on in accordance with the format and classifications established in the Public Reporting Directives of the Banking Supervision Department. This reporting is fundamentally different from the operating segments used at the Bank according to the approach of its management, which are described in Note 28A to the Financial Statements and in the section "Operating segments based on the management approach" in the Corporate Governance Report.

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 further information regarding the business of the Bank Group according to supervisory operating segments, see Note 28 to the Financial Statements.

Table 2-23: Results of operations and principal data of the supervisory operating segments

	For the year ended December 31, 2022										
	Activity in Israel									Activity overseas	Total
	Households	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	**4,256**	**268**	**2,882**	**1,048**	**1,840**	**236**	**2,795**	**-**	**13,325**	**723**	**14,048**
Fees and other income	**1,313**	**145**	**979**	**315**	**600**	**99**	**150**	**232**	**3,833**	**39**	**3,872**
Total income	**5,569**	**413**	**3,861**	**1,363**	**2,440**	**335**	**2,945**	**232**	**17,158**	**762**	**17,920**
Provision (income) for credit losses	**112**	**(1)**	**192**	**(109)**	**(368)**	**(2)**	**35**	**-**	**(141)**	**107**	**(34)**
Operating and other expenses	**3,680**	**202**	**1,897**	**424**	**669**	**168**	**412**	**67**	**7,519**	**453**	**7,972**
Net profit (loss) attributed to shareholders of the Bank	**1,155**	**138**	**1,155**	**669**	**1,372**	**109**	**1,722**	**105**	**6,425**	**107**	**6,532**

	For the year ended December 31, 2021										
	Activity in Israel									Activity overseas	Total
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses	Institutional entities	Financial management	Other	Total activity in Israel	Total activity overseas	
	NIS millions										
Net financing profit	2,898	45	2,022	829	1,323	109	3,141	-	10,367	481	10,848
Fees and other income	1,211	152	895	290	501	101	112	244	3,506	38	3,544
Total income	4,109	197	2,917	1,119	1,824	210	3,253	244	13,873	519	14,392
Provision (income) for credit losses	(651)	-	48	(184)	(457)	(1)	-	-	(1,245)	25	(1,220)
Operating and other expenses	3,562	181	1,836	403	587	143	403	132	7,247	556	7,803
Net profit (loss) attributed to shareholders of the Bank	759	10	650	554	1,039	44	1,927	69	5,052	(138)	4,914

Principal changes in net profit and balance sheet balances

Household Segment

Net profit attributed to the Household Segment totaled NIS 1,155 million in 2022, compared with NIS 759 million in the preceding year. The increase mainly resulted from an increase in net financing profit and an increase in fees and other income, offset by an increase in the provision for credit losses, compared with the preceding year, and an increase in operating and other expenses.

Net financing profit totaled NIS 4,256 million in 2022, compared with NIS 2,898 million in the preceding year. The increase resulted from the effect of the increase in the shekel and dollar interest rates and from an increase in housing credit volumes.

Fees and other income totaled NIS 1,313 million in 2022, compared with NIS 1,211 million in the preceding year. The increase mainly resulted from an increase in credit-card fees and account-management fees, partly offset by a decrease in capital-market fees.

A provision for credit losses in the amount of approximately NIS 112 million was recorded in 2022, compared with income in the amount of approximately NIS 651 million in the preceding year. Most of the change resulted from income recorded in the comparison period against a decrease in the collective allowance, due to the improvement in macroeconomic parameters, influenced by factors including the lifting of Covid-19 restrictions, and the substantial decrease in the volume of debts in deferral of payments.

Operating and other expenses of the segment totaled NIS 3,680 million in 2022, compared with NIS 3,562 million in the preceding year. The increase mainly resulted from an increase in IT expenses and an increase in fees.

Private Banking Segment

Net profit attributed to the Private Banking Segment totaled NIS 138 million in 2022, compared with NIS 10 million in the preceding year. The increase mainly resulted from an increase in net financing profit.

Net financing profit totaled NIS 268 million in 2022, compared with NIS 45 million in the preceding year. The increase mainly resulted from the effect of the increase in the shekel and dollar interest rates.

Operating and other expenses of the segment totaled NIS 202 million in 2022, compared with NIS 181 million in the preceding year.

Small Business and Microbusiness Segment

Net profit attributed to the Small Business and Microbusiness Segment totaled NIS 1,155 million in 2022, compared with NIS 650 million in the preceding year. Most of the increase resulted from an increase in net financing profit in comparison to the same period last year, and from an increase in fees and other income. This increase was partly offset by an increase in the provision for credit losses.

Net financing profit totaled NIS 2,882 million in 2022, compared with NIS 2,022 million in the preceding year. The increase mainly resulted from an increase in the volume of credit and deposits, and from the increase in the shekel and dollar interest rates.

Fees and other income totaled NIS 979 million in 2022, compared with NIS 895 million in the preceding year. The increase mainly resulted from an increase in net credit-card fees and account-management fees.

A provision for credit losses in the amount of NIS 192 million was recorded in 2022, compared with a provision in the amount of NIS 48 million in the preceding year. Most of the change resulted from an increase in the collective allowance.

Operating and other expenses of the segment totaled NIS 1,897 million in 2022, compared with NIS 1,836 million in the preceding year.

Mid-sized Business Segment

Net profit attributed to the Mid-sized Business Segment totaled NIS 669 million in 2022, compared with NIS 554 million in the preceding year. The increase mainly resulted from an increase in net financing profit and an increase in fees and other income. This increase was partly offset by a decrease in income from credit losses in comparison to the preceding year.

Net financing profit totaled NIS 1,048 million in 2022, compared with NIS 829 million in the preceding year. The increase mainly resulted from an increase in the volume of credit and from the increase in the shekel and dollar interest rates.

Fees and other income totaled NIS 315 million in 2022, compared with NIS 290 million in the preceding year. The increase mainly resulted from an increase in credit-handling fees.

Income from credit losses in the amount of approximately NIS 109 million was recorded in 2022, compared with NIS 184 million in the preceding year. Operating and other expenses of the segment totaled approximately NIS 424 million in 2022, compared with NIS 403 million in the preceding year.

Large Business Segment

Net profit attributed to the Large Business Segment totaled NIS 1,372 million in 2022, compared with NIS 1,039 million in the preceding year. The increase mainly resulted from an increase in net financing profit and an increase in fees and other income, partly offset by an increase in operating and other expenses and a decrease in income in respect of credit losses.

Net financing profit totaled NIS 1,840 million in 2022, compared with NIS 1,323 million in the preceding year. The increase mainly resulted from an increase in the volume of credit and deposits, and from the increase in the shekel and dollar interest rates.

Fees and other income totaled NIS 600 million in 2022, compared with NIS 501 million in the preceding year. The increase mainly resulted from an increase in fees from financing transactions and an increase in capital-market fees.

Income from credit losses in the amount of approximately NIS 368 million was recorded in 2022, compared with NIS 457 million in the preceding year. The preceding year was mainly influenced by improvement in macroeconomic parameters, primarily due to lifting of Covid-19 restrictions. The income in the reported period mainly resulted from income due to a decrease in the individual allowance and repayment of problematic debts.

Operating and other expenses of the segment totaled approximately NIS 669 million in 2022, compared with NIS 587 million in the preceding year. The increase resulted, among other matters, from an increase in securities and brokerage activity fees.

Institutional Entity Segment

Net profit attributed to the Institutional Entity Segment totaled NIS 109 million in 2022, compared with NIS 44 million in the preceding year. The increase mainly resulted from an increase in net financing profit.
Net financing profit totaled NIS 236 million in 2022, compared with NIS 109 million in the preceding year. The increase mainly resulted from the effect of the increase in the shekel and dollar interest rates.

Financial Management Segment

Net profit attributed to the Financial Management Segment totaled NIS 1,722 million in 2022, compared with NIS 1,927 million in the preceding year. The decrease mainly resulted from a decrease in net financing profit.
Net financing profit totaled NIS 2,795 million in 2022, compared with NIS 3,141 million in the preceding year. The decrease mainly resulted from losses recorded from investment in shares and bonds, compared with profits in the preceding year. In addition, an increase in losses 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. By contrast, income from linkage differentials increased due to changes in the rate of the known CPI between the periods.
Fees and other income totaled NIS 150 million in 2022, compared with NIS 112 million in the preceding year. The increase mainly resulted from an increase in capital-market fees.

Other Segment (activity in Israel)

Net profit attributed to the segment totaled NIS 105 million in 2022, compared with net profit in the amount of NIS 69 million in the preceding year. The increase mainly resulted from a decrease in operating and other expenses, partly offset by a decrease in fees and other income.
Fees and other income totaled NIS 232 million in 2022, compared with NIS 244 million in the same period last year.
Operating and other expenses of the segment totaled approximately NIS 67 million in 2022, compared with NIS 132 million in the preceding year. The decrease mainly resulted from a decrease in expenses in connection with the implementation of the resolution concerning the Bank Group's business with American customers.

International Activity Segment

Net profit attributed to the International Activity Segment totaled NIS 107 million in 2022, compared with a loss in the amount of NIS 138 million in the preceding year.
The principal changes in the results of international activity are set out below:

- The net profit of the New York branch totaled approximately NIS 199 million in 2022, compared with net profit of approximately NIS 107 million in the preceding year. The increase mainly resulted from an increase in net interest income, due to an increase in credit balances, and from the increase in the dollar interest rate. This increase was partly offset by an increase in the provision for credit losses.
- The loss of Hapoalim Switzerland totaled approximately NIS 66 million in 2022, compared with a loss in the amount of approximately NIS 207 million in the preceding year. The decrease in loss mainly resulted from a decrease in expenses in connection with the reduction of activity and implementation of the resolution concerning the Bank Group's business with American customers.

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 additional information regarding the operating segments and analysis of the segments' results, see Note 28A to the Financial Statements and the section "Operating segments based on the management approach" in the Corporate Governance Report.

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; investments and ventures in private investment funds; and investment banking in and outside Israel.

Poalim Equity also holds approximately 24.9% of the public company IBI Management and Underwriting Ltd. (formerly "Poalim IBI Management and Underwriting Ltd."), which provides consulting, underwriting, and funding management services. At the request of the Bank and Poalim Equity, the company's name was changed in December 2022, with the removal of the word "Poalim." The Bank is considering alternatives for activity in the area of underwriting, including the possibility of establishing an independent underwriting business.

The balance of investments of Poalim Equity totaled approximately NIS 3.3 billion as at December 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 1.4 billion as at December 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 2022 amounted to profit of approximately NIS 91 million, compared with profit in the amount of approximately NIS 268 million in 2021. The decrease in the contribution mainly resulted from the effect of the decline in value of tradable shares during the current period, versus profits recorded from revaluation of shares in the preceding year.

The Bank's investment in Poalim Equity (in capital and other means) totaled NIS 3.8 billion as at December 31, 2022, compared with NIS 3.1 billion at the end of 2021.

2.6.2. Companies outside Israel

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

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

The loss of Hapoalim Switzerland totaled CHF 20 million in 2022, compared with a loss in the amount of CHF 56 million in 2021. The results of operations in Switzerland reflect the decrease in expenses arising from the closure procedures and the legal expenses in connection with the conclusion of the investigation of the Bank Group's business with American customers.

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

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

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

Following the contentions of the former minority shareholder of Pozitif and the legal proceedings initiated with the aim of revoking resolutions passed by the general meeting of Pozitif, the Bank, on January 31, 2022, signed an agreement with the minority shareholder pursuant to which the Bank would acquire the holdings of the minority shareholder (30.17%) for a total consideration 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 the claim it had filed (which will be examined within the hearing scheduled for all of the claims). The transaction was completed on March 10, 2022, and thereafter the Bank wholly owns Bank Pozitif.

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

The net balance of credit to the public of Bank Pozitif totaled TRY 704 million (approximately NIS 131 million) as at December 31, 2022, compared with a balance in the amount of TRY 967 million (approximately NIS 225 million) at the end of 2021.

The total investment of the Bank in Bank Pozitif, in capital and other means, after recognition of a loss from impairment, totaled NIS 78 million as at December 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.

For details regarding the instructions of the Bank of Israel to raise the weighting rates of risk-adjusted assets and deduct the credit line granted by the Bank to Bank Pozitif from supervisory capital, see Note 24J to the Financial Statements.

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 December 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 (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).
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.
The risk management structure and organization described in this section are applicable to all types of risks and to all units of the Bank. Each type of risk is addressed further, separately, as relevant, later in this section. Additional information is available in the Report on Risks.

3.1.1. Risk governance and risk management method

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.

Risk control and the assessment of financial risks and operational risks are performed based on a uniform methodology at the Group level, under the direction of the Risk Management Division, taking into account the unique characteristics of the activity of each company. Any risks in new products or processes are identified through an orderly procedure, based on the policy for the launch of new products and processes. Models used to assess risks are tested prior to implementation and periodically, based on the Bank's model validation policy.

The approach taken with regard to control of all financial and operational risks at the Bank involves identification and assessment of the risks, and control of compliance with risk-appetite limits and with additional limits stipulated in the various internal regulations, through three lines of defense:

1. The first line of defense includes the business units within the divisions, including supporting and operational divisions, that create or take risks, as well as the internal control units within the divisions that provide internal control over the risk creators and risk takers. The management of the business line bears the primary responsibility for routine risk management, aimed at managing risks while striving to achieve strategic goals and business objectives, within the established risk appetite and in accordance with the internal risk regulations and regulatory directives. Controls in the first line of defense are formalized in working procedures.
2. The second line of defense consists of the control units at the Risk Management Division, which is independent of the business divisions. This line is also responsible for presenting an overview of risks; formulating methodologies for risk assessment and for economic capital allocation; independent risk assessment; analysis of the congruence of products and activities with the risk-appetite framework and risk capacity established by the Board of Directors; and validating models. The second line of defense contains additional independent control functions, such as accounting and legal counsel.
3. The third line of defense consists of Internal Audit, which operates independently and objectively. Its purpose is to improve the activity of the organization and help it achieve its goals, including through supervision to ensure compliance with the directives of the law and regulation, implementation of the guidelines of the Board of Management and Board of Directors, and challenging and recommending improvement, from a focused and forward-looking perspective. Internal Audit operates under laws, regulations, international standards, guidelines of the Institute of Internal Auditors in Israel, guidelines of the Board of Directors' Audit Committee and of the Board of Directors, and management needs.

The Board of Directors of the Bank is responsible for delineating the overall risk-management strategy and supervising the risk-management framework of the Group, directly or through the Risk Management and Control Committee. Main duties of the Board of Directors in the area of risk management are:

- Establishing the risk appetite and risk capacity framework of the Group.
- Approving a risk-management policy consistent with the risk-appetite framework, including the establishment of risk limits in the various areas of activity and main risk areas.
- Approving the control concept framework for the Group and ensuring that it meets risk-management needs.

- Providing clear guidance to senior management with regard to risk management, based on the recommendations of the Board of Management Risk Management Committee, headed by the CEO, and ensuring that senior management takes the necessary actions in order to identify, measure, monitor, and control risks.
- Approving methodologies for risk assessment and control, and for the allocation of economic capital in respect of risks.
- Supervising and monitoring the implementation of the established risk-management policy; examining the actual risk profile, including at the level of the Group; and examining the processes and actions that the Bank must apply in order to comply with all regulatory directives concerning risk management.

Board of Directors' Committee on Risk Management and Control – The committee's mission is to make recommendations and assist the plenum of the Board of Directors in formulating the Bank's risk-management policy, including establishing risk limits in the various areas of activity, examining the Bank's risk profile, monitoring the implementation of the established risk-management policy, and examining the processes and actions to be implemented by the Bank in order to comply with all regulatory directives concerning risk management. The Board of Directors' Committee on Risk Management and Control and the **plenum of the Board of Directors** receive reports on risks and on the execution of approved policies at least once each quarter.

US Risk Management Subcommittee – The committee's mission is to supervise risk-management policy in the Bank's activity in the United States. The subcommittee examines the risk-management policy of the Bank's activity in the United States, and ascertains that the Bank's activity in the United States is conducted within the bounds of the established risk-management policy.

Additional committees of the Board of Directors are engaged in matters related to risk management, primarily including the Audit Committee, the Committee for Monitoring the Implementation of the Resolutions with the United States Authorities, and the Corporate Governance and Stakeholders Committee.

The Board of Management of the Bank, including the managements of the divisions, is responsible for formulating, instilling, and implementing the risk-management framework of the Group, directly or through committees acting on its behalf. Main duties of the Board of Management in the area of risk management:

- Designing a risk-management policy consistent with the risk-appetite framework established by the Board of Directors, including risk limits in the various areas of activity and main risk areas, and submitting this policy to the Board of Directors for approval.
- Establishing guidelines and risk limits aligned with the policy, appropriate work methods for risk assessment, and decision-making processes based on an analysis of return/business benefit versus risk, and receiving the appropriate reports, while ensuring compliance with risk-management policy objectives.
- Ensuring the existence of an internal process for capital assessment and for setting capital targets consistent with the risk profile of the corporation and with its control environment.
- Ensuring the existence of adequate resources for risk management at the Bank, including a framework of internal controls, and the existence of independent, effective, comprehensive control and reporting systems for risks.

Board of Management Committee on Risk Management and Compliance, headed by the CEO – Responsible for designing the Bank's risk-management policy, risk limits, and reporting and control procedures, and for examining the Bank's overall risk profile, including the various risk types and factors to which the Bank is exposed.

Additional committees of the Board of Management operate in specific areas of risk, subject to the risk policies and limits established by the Board of Directors and the Board Committees. Committees have also been established that convene under certain conditions, including the Financial Crises Committee and the Banking Emergency Committee.

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

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

The principal members of the Board of Management responsible for managing credit risks are the Head of Corporate Banking, Mr. I. Furman, 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.

Risk Management Division – The activities and responsibilities of the division are consistent with Proper Conduct of Banking Business Directive 310. The main objectives of the division are: to instill an advanced culture of risk management and monitoring at the Bank Group, supporting risk-taking in an informed manner, with the aim of maximizing the profitability of the Group at a risk level aligned with its risk appetite; to establish risk-management and compliance policies at the level of the Group, in line with the goals of the Group and with the requirements of the Basel Committee and of relevant regulation; and to examine and monitor the overall risk profile of the Bank and its congruence with the risk appetite set by the Board of Directors. Towards that end, the division develops and implements comprehensive and quantitative risk-assessment methodologies and models, which are also used to calculate economic capital.

The division ensures the existence and quality of the key risk-management processes of the Group: identification and assessment of risks; establishment of risk capacity and risk appetite; and establishment of mechanisms for control, monitoring of risks, and reporting. The division leads and coordinates the ICAAP (the annual Internal Capital Adequacy Assessment Process, taking risks into account) and is involved in capital ratio management processes. The division comprises four units, headed by the head of the division, who has the rank of a Member of Management: (1) the Credit Risk Management Unit, (2) the Operational and Market Risk Management Unit, (3) the Chief Compliance Officer and Securities Enforcement Unit, and (4) the Risk Integration Unit.

In general, reports of the Risk Management Division submitted to the Board of Directors' Committee on Risk Management and Control for discussion are also submitted to the plenum, as a written report or for discussion, as relevant. Pursuant to the policy of the Bank, the risk-reporting system has been established in a manner that allows effective communication both across the Group and to higher levels of the management chain. The purpose of the reports is to escalate sensitive issues or weaknesses with the potential to cause risk; the reports are performed both on an individual basis and cumulatively, up to the level of the Group as a whole. The reporting system includes the presentation of weaknesses or limitations in risk estimates, as well as significant assumptions on which the estimates are based, and includes routine reports and ad-hoc reports according to need.

The Risk Management Division also operates several committees, headed by the Chief Risk Officer:
Board of Management Steering Committee on Credit Policy – The committee formulates the credit policy of the Bank.
Board of Management Committee on Credit Review – The committee discusses credit review reports prepared for major borrowers of the Bank and for risk-based samples of the overall credit portfolio of the Bank, and examines the reliability of the credit rating and the appropriateness of the classifications and allowances of the Group.
Board of Management Committee on Debt Classification and Determination of the Provision for Credit Losses – The committee is engaged in formulating methodology for the collective allowance, formulating policy for classifications and individual allowances, classifying credit, and determining individual allowances for credit losses, subject to the hierarchy of authority.
Model Risk Management Committee – The committee formulates the model risk governance framework, manages model risk within the risk appetite, and ensures congruence with model policy and governance. The committee validates models managed in both the first and second lines.
Additional committees include the Regulatory Investment Prioritization Committee, the Monitoring and Improvement of Enterprisewide Control Aspects Committee, the Board of Management Committee on Compliance and Legal Risk Management, and the New York Risk Management Committee.

For more extensive information regarding risk management, see further details in this section and in the Report on Risks.

3.1.2. Risk appetite

Risk appetite is a key tool for linking the organization's strategy, capital allocation, and risk management. The Board of Directors establishes the risk-appetite framework, taking into consideration the recommendations of the Chief Executive Officer, the Chief Risk Officer, and the Chief Financial Officer. The risk appetite is translated into targets and limits for the business lines. The risk-appetite framework includes policies, processes, controls, and systems used to implement, communicate, and supervise risk appetite. The risk-appetite framework includes a statement of risk appetite and risk capacity, risk limits, and outlines of the responsibilities of those charged with the implementation and control of the risk-appetite framework. The risk-appetite framework refers to the material risks to the Bank, and establishes the risk profile in alignment with the Bank's business strategy and risk capacity. An effective risk-appetite framework provides a shared structure and means for senior management and the Board of Directors to communicate, understand, and evaluate the level of risk that they are willing to accept. The framework defines the boundaries within which the Board of Management is expected to operate in order to realize the business strategy of the Bank.

The framework includes the following main components:

Risk appetite statement: A written formulation of the extent and types of aggregate risk which the Bank is interested in bearing in order to achieve its business objectives, including appropriate reports, as well as quantitative metrics of profits, capital, risk indicators, liquidity, and other relevant means, as necessary.

Risk capacity: The maximum level of risk that the Bank is able to sustain without diverging from capital limits relevant to stress scenarios, including from the perspective of shareholders and customers. Compliance with the risk capacity shall be examined, among other matters, by applying stress tests designed to estimate the impact on the Bank's profit and capital adequacy as a result of the materialization of a stress scenario.

Risk appetite: The maximum total aggregate risk that the banking corporation is willing to bear, within its defined risk capacity, in order to achieve its business objectives in accordance with the strategic plan, under various constraints (such as sources of capital and liquidity, regulatory requirements, risk/return characteristics, etc.).

Risk limits: Quantitative indicators based on forward-looking assumptions, which give practical expression to the aggregate risk-appetite statement of the Bank.

3.1.3. Stress scenarios

In order to understand the possible implications of various shocks for the financial robustness of the Bank, both given the existing balance sheet and upon the materialization of work plans and other business intentions, a process of stress testing is carried out. Three types of scenarios are examined at the Bank for this purpose: comprehensive systemic scenarios applied to the entire Bank Group; reverse scenarios; and single-factor scenarios applied at the level of a sector, transaction, borrower, or portfolio, in certain cases, according to predefined thresholds. The Bank adapts the various scenarios and their characteristics to financial, political, and environmental developments in Israel and globally. In addition, the Bank implements the directives of the Bank of Israel and applies a uniform stress test established by the Banking Supervision Department, when required.

Goals of analysis of stress scenarios:

- Identification of risk concentrations and potential weaknesses in the Bank's portfolio;
- Examination of the effect of strategic decisions of the Bank;
- Integration in the planning process and examination of the effects of the business plan on potential exposures;
- Examination of the financial robustness of the Bank and evaluation of the potential damage that may be caused by extreme events of various types;
- Analysis of the sensitivity of the Bank to shocks or exceptional but possible events;
- Assessment of the materiality of the various risks;
- Examination of the Bank's compliance with its risk appetite and risk capacity, and breakdown of risk appetite by division;
- Support for the business divisions in understanding the risk map of the various areas of activity and sectors;
- Support for the ICAAP and for the formulation of contingency plans in order to minimize the damage of extreme events.

Some of the scenarios are examined daily, while others are examined on a weekly, monthly, quarterly, or annual basis, as relevant. Assumptions, methodology, and results are discussed and approved by the Stress Scenarios and Risk Concentrations Committee and in meetings of the Board of Management and committees of the Board of Directors.

Capital management takes the results of various stress tests into consideration, in several ways: first, the capital target and the business plan of the Bank are determined in view of the risk capacity, which establishes the minimum capital adequacy that the Bank is willing to reach in the event of a stress scenario. Second, capital planning includes contingency plans which the Bank can activate if a stress scenario materializes, in order to improve its capital adequacy. Stress scenarios are tested for each planning year, given the capital targets and expected capital ratio, in order to ascertain that the capital planning ensures compliance with the risk capacity throughout the years of the plan. The Bank also examines the effect of a moderate stress scenario, primarily consisting of changes in the financial markets, including changes in interest rates, spreads, exchange rates, and more, on the capital-adequacy ratio, in order to measure and limit the potential erosion of the capital-adequacy ratio. In liquidity management, the Bank examines internal and regulatory liquidity scenarios.

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. Management of credit risks

The goal of credit-risk management is to allow the Group to operate, and to ensure that it operates, in accordance with the policies and strategic objectives established and within the risk appetite defined in the area of credit, from the level of the single transaction to the overview of the credit portfolio.

The Bank's credit risk management policy is based on diversification of the credit portfolio and controlled management of risks. Risk diversification is reflected by the distribution of the Bank's credit portfolio among different sectors of the economy, a large number of borrowers, different linkage segments, and different geographical regions overseas. The policy of distributing risks among economic sectors is based on an evaluation of anticipated developments in the different sectors. For this purpose, the Bank conducts industry-level surveys and economic feasibility studies to evaluate the risk and business potential related to activity in the various economic sectors. The Bank's business objectives are determined in accordance with these surveys and studies.

The credit management system monitors customers' credit exposure. Credit review systems identify, monitor, and report to the responsible function and to managers on negative indications related to borrowers.

Credit-risk management is based on principles including the following:

- **Independence –** The principle of independence is an essential element of proper corporate governance, in order to prevent conflicts of interest and create a system of checks and balances. The goal of this principle is to ensure that the information regarding risks reported to management functions, and in particular to senior management and the Board of Directors, is objective and is not influenced by other considerations, in particular considerations of business success and remuneration for such success.
- **Hierarchy of authority –** The Bank has a hierarchy of authority that outlines a sequence of credit authorizations, according to the level of debt of the borrower or group, the risk rating, and problematic debt classifications, allowing control over the process of approving new credit transactions. The hierarchy of authority provides a definition of individual credit approval thresholds and thresholds for transfer to approval committees, as well as the composition of such committees.
- **Comprehensive view of the customer/group –** Management of risk groups encompassing several borrowers who are related in terms of risk, such as a company and its subsidiaries, a married couple, etc. The activity of customers and groups is overseen by a customer manager who is responsible for all activities of that borrower/group. Information systems continuously provide customer managers and their staff with a comprehensive view of the activity of the customer/group, including the level of credit risk, and in accordance with Proper Conduct of Banking Business Directive 313.
- **Credit policies and procedures –** The Board of Directors of the Bank sets forth the credit policy, which is examined and updated routinely, according to changes in the financial markets and in the economy. This policy includes various limits on the credit portfolio, in accordance with the risk appetite of the Bank, including exposure limits by economic sector, country, or financial institution, as a function of the risk level assessed by the Bank. Limits are also imposed on the maximum exposure to a single borrower, according to the credit rating assigned to the borrower, which reflects the borrower's risk level, as well as a maximum limit for a group of borrowers.

  Credit policy includes the credit risk management policy of the corporation; it formalizes and defines the rules applicable to all parties at the Bank involved with credit risk, and is designed to serve the business goals of the Bank, in alignment with its risk policy and risk appetite, and in compliance with regulatory directives.

  Credit policy documents delineate the aspects relevant to each division (customer type, economic sector, purpose of the loan, etc.), taking risk levels into consideration.

  Adherence to the guidelines of the credit policy in carrying out business operations allows rational management of credit and credit exposures, and serves as a tool for the management of credit risks.

  The credit policies and procedures are binding for everyone involved in the area of credit at the Bank. The policy specifies the principles and considerations related to credit granting, the authority to grant credit, prohibitions and limits applied to credit granting, and the internal regulations that establish the Bank's practices and principles in the areas of credit and collateral.

  The Board of Management is also authorized to establish temporary orders stricter than the parameters in the credit policy of the Bank.

The Risk Management Division is responsible for the overall policy of the Bank, and for formulating and coordinating the policies of the business units.

- **Controls and risk identification –** The process of reviewing and identifying credit risks is conducted by the three lines of defense. Controls are applied from the level of each individual credit item to the level of the portfolio, in the first and second lines of defense, according to materiality thresholds. The Credit Risk Management Unit leads and coordinates reports to the Board of Management and Board of Directors regarding trends and changes in the credit portfolio, including the level of credit risk in the portfolio, compliance with limits, special events, analysis of concentration, stress scenarios, and presentation of general risk indicators, in Israel and globally.
  In the third line of defense, Internal Audit is responsible, among other matters, for reviewing the implementation and effectiveness of risk-management procedures and risk-assessment methodologies, including the implementation of risk management and control policies at the Bank.
  The identification of credit risk in existing products is based on risk management, measurement, and control processes at the various levels. The identification of risk in new products relies on the policy for new products, which specifies the processes to be followed for each new product at the Bank in order to identify all risks involved in the product, assess the extent and materiality of such risk, and provide solutions for the measurement, control, and hedging of the risk.
  A quarterly and annual process has been designed in order to identify risk concentrations and examine the potential implications of various shocks (financial, political, and others) for the financial robustness of the Bank. This process includes definition, examination, and reporting of the results of stress scenarios, and mapping of the effects on profit and on capital adequacy.
- **Credit risk is quantified and measured on several levels -** the level of the individual borrower, borrower groups by area of activity, sectors of the economy, borrower segments, products, and the overall portfolio of the Bank and of the Group. Processes for risk quantification and measurement and for the ranking of borrowers and of credit have been developed and implemented for each area of activity and type of credit. These processes combine assessments by credit experts with decision-making processes and advanced statistical models.
- **Identification and treatment of borrowers in distress –** The Bank has established procedures for the identification and treatment of borrowers who, according to the Bank's evaluation, may default on their obligations to the Bank. The Credit Analysis Department and the Credit Review Department in the Risk Management Division determine, in the opinion they prepare, whether the specific customer should be included in the Bank's watch list, whether the customer's rating requires classification, and whether an allowance for credit losses is necessary. Customers identified for a watch list are discussed as part of the quarterly process of examining the fairness of classifications. These borrowers are supervised and monitored more closely, and the Bank works to reduce its exposure to them by redeeming credit from the borrowers' resources and/or by obtaining additional collateral from them. In certain cases, customers are transferred to a unit specializing in monitoring and restructuring of customers' debt, or to debt collection units. In addition, the Bank regularly reviews the level of credit risk in borrower portfolios on the basis of conservative assumptions, classifies problematic credit risk according to the directives of the Bank of Israel (non-accruing, substandard, or special mention), and records a sufficient allowance for credit losses in respect of the total credit risk at the Bank.

- **Uniform instruction and training –** Employees involved in the area of credit undergo training and instruction on credit, foreign trade, and mortgages. These sessions provide uniform training to all those involved in this area, imparting professional tools and teaching the Bank's policies and principles in the area of credit. Lessons-learned processes based on various credit events are conducted by the units and communicated to the relevant functions, in accordance with the internal regulations of the Bank.
- **Hedging and risk mitigation –** The Bank manages credit collateral through a collateral system with safety margins that are conservative relative to the safety margins required under the Basel directives, which reduce the value of collateral based on the risk of decline in value and rapid realization. In this sense, the Pillar 1 capital requirement already reflects a reduction to zero of a considerable part of the collateral provided against exposures. Concurrently, analysis of the composition of the Bank's collateral portfolio indicates that the collateral is highly diversified. This diversification reduces the probability of a sweeping decline in the value of collateral. Additional tools are used to hedge and mitigate risk, such as credit sales and the acquisition of insurance.

For additional information regarding credit risk and the management thereof, see the Report on Risks.

3.2.2. 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 credit" has been eliminated, and non-accruing credit is presented instead. Accordingly, accruing debts previously classified as impaired debts are not stated within non-accruing debts, and housing loans past due by 90 days or more, previously classified as accruing debts, are classified as non-accruing debts. For further details regarding the implementation of the directive and the effect thereof, see Note 1D, Note 13, and Note 29 to the Financial Statements.

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

	Balance as at December 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	**227,425**	**126,794**	**31,816**	**386,035**	203,236	111,739	31,624	346,599
Off-balance sheet credit risk	**141,411**	**7,162**	**17,834**	**166,407**	151,375	10,594	17,583	179,552
Total credit risk at credit execution rating	**368,836**	**133,956**	**49,650**	**552,442**	354,611	122,333	49,207	526,151
Credit risk not at credit execution rating								
a. Non-problematic – balance sheet	**6,617**	**730**	**2,649**	**9,996**	7,381	2,793	2,468	12,642
b. Total problematic[2]	**5,169**	**581**	**668**	**6,418**	6,836	595	718	8,149
Problematic accruing*	**2,515**	**-**	**458**	**2,973**	3,930	-	246	4,176
Problematic non-accruing*	**2,654**	**581**	**210**	**3,445**	2,906	595	472	3,973
Total balance sheet credit risk not at credit execution rating	**11,786**	**1,311**	**3,317**	**16,414**	14,217	3,388	3,186	20,791
Off-balance sheet credit risk not at credit execution rating	**2,930**	**7**	**149**	**3,086**	3,454	39	165	3,658
Total credit risk not at credit execution rating	**14,716**	**1,318**	**3,466**	**19,500**	17,671	3,427	3,351	24,449
Of which: debts accruing interest income past due by 90 days or more*	**39**	**-**	**44**	**83**	40	-	44	84
Total overall credit risk of the public	**383,552**	**135,274**	**53,116**	**571,942**	372,282	125,760	52,558	550,600
Additional information regarding total nonperforming assets								
a. Non-accruing debts*	**2,653**	**581**	**210**	**3,444**	2,888	595	472	3,955
b. Assets received in respect of discharged credit	**2**	**-**	**-**	**2**	31	-	-	31
Total nonperforming assets of the public	**2,655**	**581**	**210**	**3,446**	*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 1D to the Financial Statements.

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

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

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

In 2022, an increase occurred in the volume of credit risk at credit execution rating and in its percentage of total credit risk, for the Bank overall and in most segments. This increase was influenced by the increase in the commercial and housing credit portfolio and a decrease in problematic credit in each of the segments.

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

	For the year ended December 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	**850**	**831**	**1,681**
Debts that resumed accruing interest income during the period	**(224)**	**(751)**	**(975)**
Debts charged off	**(182)**	**(71)**	**(253)**
Debts repaid	**(679)**	**(285)**	**(964)**
Balance of non-accruing debts at end of period	**2,653**	**791**	**3,444**
Change in balance of non-accruing troubled debt restructuring			
Balance in troubled debt restructuring at beginning of year	**1,529**	**623**	**2,152**
Adjustment of opening balance of non-accruing credit in troubled debt restructuring for effect of initial implementation of CECL[1]	**(80)**	**(171)**	**(251)**
Restructured during the period	**130**	**242**	**372**
Troubled debt restructurings charged off	**(86)**	**(88)**	**(174)**
Troubled debt restructurings that resumed accruing interest income during the period	**(192)**	**(316)**	**(508)**
Troubled debt restructurings repaid	**(201)**	**(77)**	**(278)**
Balance of non-accruing troubled debt restructuring at end of period	**1,100**	**213**	**1,313**

	For the year ended December 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	1,146	221	1,367
Debts returned to unimpaired classification	(178)	(6)	(184)
Impaired debts charged off	(353)	(122)	(475)
Impaired debts repaid	(866)	(185)	(1,051)
Balance of impaired debts at end of period	2,970	647	3,617
Change in balance of troubled debt restructuring			
Balance in troubled debt restructuring at beginning of year	2,012	698	2,710
Restructured during the period	173	204	377
Troubled debt restructurings charged off	(110)	(105)	(215)
Troubled debt restructurings restored to unimpaired classification or repaid	(546)	(174)	(720)
Balance in troubled debt restructuring at end of period	1,529	623	2,152

* 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 2021 refer to impaired credit and were not restated. For further details, see Note 1D to the Financial Statements.

Table 3-3: Credit risk indicators

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

	As at							
	December 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	**1.15%**	**0.45%**	**0.60%**	**0.87%**	1.39%	0.52%	1.36%	1.11%
Balance of credit to the public, non-accruing or past due by 90 days or more, as a percentage of the balance of credit to the public	**1.17%**	**0.45%**	**0.72%**	**0.89%**	1.41%	0.52%	1.48%	1.13%
Problematic credit as a percentage of the balance of credit to the public	**2.24%**	**0.45%**	**1.90%**	**1.63%**	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	**5.10%**	**1.02%**	**9.44%**	**4.16%**	6.89%	2.94%	9.15%	5.84%
Analysis of provision for credit losses in the reported period								
Provision for credit losses as a percentage of the average balance of credit to the public	**(0.08%)**	**0.06%**	**0.11%**	**(0.02%)**	(0.30%)	(0.21%)	(1.24%)	(0.37%)
Net charge-offs as a percentage of the average balance of credit to the public	**(0.05%)**	**-**	**0.07%**	**(0.03%)**	(0.09%)	-	(0.07%)	(0.06%)
Analysis of allowance for credit losses in respect of credit to the public								
Total allowance for credit losses* as a percentage of credit to the public	**2.17%**	**0.41%**	**2.64%**	**1.64%**	2.44%	0.39%	2.62%	1.80%
Allowance for credit losses in respect of credit to the public, as a percentage of the balance of credit to the public	**1.80%**	**0.38%**	**2.55%**	**1.41%**	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	**156.43%**	**83.82%**	**427.14%**	**160.71%**	143.39%	68.91%	183.90%	137.02%
Allowance for credit losses as a percentage of the balance of credit to the public, non-accruing or past due by 90 days or more	**154.16%**	**83.82%**	**353.15%**	**156.90%**	141.43%	68.91%	168.22%	134.17%
Ratio of allowance for credit losses to net charge-offs	**34.6**	**(243.5)**	**(39.0)**	**58.3**	24.1	410.0	34.7	27.4

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

Note:
The rates calculated above refer to provisions in respect of credit to the public only, without credit losses in respect of banks and governments.
Credit to the public – before deduction of the allowance for credit losses.

Portfolio quality analysis

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

- Non-accruing credit as a percentage of the balance of credit to the public, for the Bank as a whole and for each segment.
- The balance of credit to the public, non-accruing or past due by 90 days or more, as a percentage of the balance of credit to the public, for the Bank as a whole and for each segment.
- Problematic credit as a percentage of the balance of credit to the public, for the Bank as a whole and for each segment.
- Credit not at credit execution rating as a percentage of the balance of credit to the public, for the Bank as a whole and for the sub-segments, with the exception of the segment of private individuals.
- Net charge-offs as a percentage of the average balance of credit to the public, for the Bank as a whole and for each segment (with the exception of housing credit, where the percentage of charge-offs remains zero).
- The allowance for credit losses as a percentage of the balance of credit to the public decreased, mainly influenced by recoveries in respect of individually examined debts. The improvement was influenced by the commercial credit segment. However, a slight increase was recorded in the private individual segment and housing loan segment, reflecting, among other matters, the increase in the interest rate, the uncertainty with regard to economic conditions, and the probability of a crisis.

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

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

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

As part of the measures to cope with the coronavirus, changes in terms of debts were applied which were not classified as troubled debt restructuring, in accordance with the instructions of the Banking Supervision Department. As at December 31, 2022, the balance of debts in deferral of payments is immaterial.

State-backed loans

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

As at December 31, 2022, the balance of state-backed loans is NIS 3,299 million (December 31, 2021: NIS 5,009 million), primarily granted to small-business and microbusiness clients.

Table 3-4: Composition of the allowance for credit losses

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 1D to the Financial Statements.

	Allowance for credit losses			
	Individual	Collective		Total
		Housing credit	Other	
	NIS millions			
Composition of the allowance as at December 31, 2022:				
In respect of credit to the public	**623**	**487**	**4,425**	**5,535**
In respect of debts other than credit to the public	**-**	**-**	**46**	**46**
In respect of off-balance sheet credit instruments (included in the item "other liabilities")	**169**	**32**	**734**	**935**
Allowance for credit losses as at December 31, 2022	**792**	**519**	**5,205**	**6,516**
Composition of the allowance as at December 31, 2021:				
In respect of credit to the public	1,053	410	3,957	5,420
In respect of debts other than credit to the public	-	-	14	14
In respect of off-balance sheet credit instruments (included in the item "other liabilities")	134	40	847	1,021
Allowance for credit losses as at December 31, 2021	1,187	450	4,818	6,455

Each quarter, a process is conducted to identify customers with problematic potential, based on defined criteria, and all borrowers on watch lists and/or classified as problematic are reviewed. The adequacy of the classification and allowance is reviewed for customers examined individually according to the policy of the Bank. In cases in which the customer's situation has changed, changes have occurred in collateral, and/or collection has been performed, the classification and allowance are updated.

The allowance for credit losses increased by approximately NIS 61 million in 2022, as a result of an increase in the collective allowance, offset by a decrease in the individual allowance. The allowance for credit losses in respect of credit to the public, as a percentage of the balance of credit to the public, decreased from 1.8% at the end of 2021 to 1.64% at the end of 2022.

Method of determining the collective allowance

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) (ASC 326) as of January 1, 2022. Following the implementation of these principles, the calculated allowance for current expected credit losses is estimated on a collective basis (excluding borrowers regarding which the Bank has not identified common risk characteristics with other borrowers, for which the allowance is calculated on an individual basis). The allowance for credit losses is calculated based on the expected loss over the lifetime of the credit. In addition, 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 Bank estimates expected credit losses using an advanced method based on an economic estimate of the lifetime expected loss, through an estimate of the components of the credit loss: probability of default (PD), loss given default (LGD), and the balance of credit, taking into account repayments and future utilization of off-balance sheet credit facilities (exposure at default – EAD), including macroeconomic adjustments and adjustments in respect of qualitative factors.

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

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

Adjustments to the model in respect of qualitative factors refer, among other matters, to political and environmental attributes; rapid growth in credit; lending policies and procedures of the Bank, including changes in lending strategy; underwriting processes; and additional factors. In this context, with regard to adjustments applied in the real-estate sector, see the section "Construction and real estate," below.

3.2.3. Classification and analysis of credit risk by economic sector

Table 3-5: Credit risk by economic sector

	December 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[7]
	NIS millions						
Industry	**31,481**	**30,570**	**487**	**157**	**70**	**(23)**	**335**
Construction and real estate – construction	**101,927**	**99,490**	**1,007**	**610**	**(165)**	**(79)**	**834**
Construction and real estate – real-estate activities	**36,900**	**36,325**	**109**	**72**	**173**	**(56)**	**635**
Commerce	**39,133**	**37,566**	**582**	**242**	**(23)**	**5**	**323**
Financial services	**51,736**	**51,521**	**29**	**22**	**(128)**	**(4)**	**184**
Other business services	**17,243**	**15,949**	**252**	**116**	**84**	**13**	**247**
Public and community services	**9,089**	**8,403**	**407**	**387**	**57**	**6**	**246**
Other sectors	**50,870**	**46,811**	**1,781**	**1,205**	**(364)**	**(3)**	**1,429**
Total commercial	**338,379**	**326,635**	**4,654**	**2,811**	**(296)**	**(141)**	**4,233**
Private individuals – housing loans	**134,643**	**133,342**	**572**	**572**	**72**	**2**	**515**
Private individuals – other	**52,896**	**49,437**	**670**	**211**	**40**	**22**	**927**
Total public – activity in Israel	**525,918**	**509,414**	**5,896**	**3,594**	**(184)**	**(117)**	**5,675**
Total banks in Israel and government of Israel	**70,004**	**70,004**	**-**	**-**	**1**	**-**	**1**
Total activity in Israel	**595,922**	**579,418**	**5,896**	**3,594**	**(183)**	**(117)**	**5,676**
Total public – activity overseas	**46,024**	**43,028**	**1,848**	**659**	**119**	**22**	**808**
Banks and governments overseas	**52,999**	**52,907**	**-**	**-**	**30**	**-**	**32**
Total activity overseas	**99,023**	**95,935**	**1,848**	**659**	**149**	**22**	**840**
Total activity in Israel and overseas	**694,945**	**675,353**	**7,744**	**4,253**	**(34)**	**(95)**	**6,516**

(1) Balance sheet credit risk and off-balance sheet credit risk,[3] including in respect of derivative instruments. Includes debts,[2] bonds, securities borrowed or purchased under agreements to resell, credit risk in respect of derivative instruments, and credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, in the amount of NIS 413,532; 103,369; 898; 2,753; and 174,393 million, respectively.
(2) Credit to the public, credit to governments, and deposits with banks (excluding deposits with the Bank of Israel), excluding bonds, securities borrowed or purchased under agreements to resell, and assets in respect of activity in the Maof market (presented under the item "other assets").
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.
(4) Including in respect of off-balance sheet credit instruments (presented in the balance sheet under the item "other liabilities").
(5) Credit risk for which the credit rating at the date of the report is congruent with the credit rating for the execution of new credit, according to the policy of the Bank.
(6) Balance sheet and off-balance sheet non-accruing, substandard, or special mention credit risk.
(7) The collective allowance component in respect of qualitative adjustments arising from the pace of growth of the balances of credit for construction and real estate and reliefs in underwriting is included, as of June 30, 2022, as part of the allowance for credit losses in the construction and real-estate sectors, similar to its inclusion prior to the implementation of the directives of the Bank of Israel concerning current expected credit losses (CECL).

Table 3-5: Credit risk by economic sector (continued)

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

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

3.2.4. Construction and real estate

Activity in the construction and real-estate sectors grew considerably over the last year, in both residential and non-residential construction. Residential construction starts are now approaching 75,000 units per year. A steep drop in purchases of new homes is emerging, likely affected by the increase in interest rates. In October-November, approximately 2,400 homes were sold per month on average, a steep drop relative to a monthly pace of sales of approximately 5,000 homes on average in the second half of 2021. As noted, interest-rate increases have reduced households' ability to buy homes and lowered purchases by investors. Data of the Central Bureau of Statistics do not indicate falling prices, for now, but do show a more moderate pace of increase; however, these are lagging data. A sharp trend reversal is evident in many countries, with prices now falling.

As a result of the growth in this sector, demand for corporate credit in the construction and real-estate sectors increased; accordingly, the Bank increased its activity in financing for the real-estate sectors and real-estate projects in the course of 2021, with certain adjustments and reliefs. Financing rates rose moderately, while credit spreads were eroded somewhat (for details, see Note 28 to the Financial Statements, "Supervisory Operating Segments"). The growth of the portfolio slowed significantly in 2022. Measures were also taken in the fourth quarter to apply more severe credit underwriting rules in this sector. The Bank is operating within its credit risk management limits, while examining risk-adjusted profitability.

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

Table 3-6: Segmentation of credit risk in the construction and real-estate sectors in Israel, by principal area of activity

	Balance as at December 31, 2022			
	Balance sheet credit risk	Off-balance sheet credit		Total credit risk
	Loans[1]	Unutilized credit facilities	Guarantees	
	NIS millions			
Corporate Banking Division				
Construction for commerce and services	**2,734**	**793**	**499**	**4,026**
Construction for industry	**361**	**86**	**45**	**492**
Housing construction	**30,677**	**17,591**	**[1]21,537**	**69,805**
Yield-generating properties	**26,365**	**4,607**	**796**	**31,768**
Other	**9,156**	**7,278**	**4,877**	**21,311**
Corporate Banking Division total	**69,293**	**30,355**	**27,754**	**127,402**
Retail Banking Division	**8,836**	**1,852**	**737**	**11,425**
Total activity in Israel	**78,129**	**32,207**	**28,491**	**138,827**

	Balance as at December 31, 2021*			
	Balance sheet credit risk	Off-balance sheet credit		Total credit risk
	Loans[1]	Unutilized credit facilities	Guarantees	
	NIS millions			
Corporate Banking Division				
Construction for commerce and services	3,671	1,153	374	5,198
Construction for industry	317	54	38	409
Housing construction	24,805	19,958	[1]16,936	61,699
Yield-generating properties	23,325	6,615	908	30,848
Other	9,161	7,000	5,072	21,233
Corporate Banking Division total	61,279	34,780	23,328	119,387
Retail Banking Division	8,809	2,145	692	11,646
Total activity in Israel	70,088	36,925	24,020	131,033

* Reclassified for presentation in terms of credit risk after the effect of haircuts and deductions in respect of liabilities and Sale Law guarantees.

(1) Includes balance sheet and off-balance sheet credit risk in respect of which insurance was acquired, mainly from foreign insurance companies, for the portfolio of credit for land. For further details, see the Report on Risks as at December 31, 2022.

Overall credit risk in the construction and real-estate sectors in Israel totaled approximately NIS 139 billion as at December 31, 2022. Total risk of credit to the public in the construction and real-estate sectors in Israel increased by approximately 6.0% in 2022. Most of the exposure is at the Corporate Banking Division (mid-sized and large customers), at approximately 92% of total credit risk in the construction and real-estate sectors in Israel.

Exposure to companies operating primarily in the residential construction industry at the Corporate Banking Division constitutes approximately 55% of the exposure of the division to the construction and real-estate sector. Most financing for companies in this industry consists of financing of land for housing and financing of residential construction projects nationwide. Exposure to companies operating in the industries of construction of buildings for commerce and services, construction for industry, and yield-generating properties for rent at the Corporate Banking Division constitutes approximately 28% of the exposure of the division to the construction and real-estate sector.

Table 3-7: Analysis of credit quality in the construction and real-estate sectors in Israel

	Balance as at		Change
	December 31, 2022	December 31, 2021	
	NIS millions		
Credit risk at credit execution rating			
Non-problematic credit risk	**135,815**	128,392	5.8%
Credit risk not at credit execution rating			
Problematic accruing (as at December 31, 2021: problematic unimpaired)	**434**	401	8.2%
Non-accruing (as at December 31, 2021: impaired)	**682**	684	(0.3%)
Non-problematic	**1,896**	1,556	21.9%
Total credit risk not at credit execution rating	**3,012**	2,641	14.0%
Total	**138,827**	131,033	5.9%

Total credit risk not at credit execution rating increased by 14% in 2022. Total credit risk not at credit execution rating as a percentage of total credit risk increased from 2.02% in 2021 to 2.17% in 2022. Problematic debt as a percentage of total credit risk decreased from 0.83% in 2021 to 0.80% in 2022, and non-accruing debt as a percentage of total credit risk decreased from 0.52% in 2021 to 0.49% in 2022.

Despite the increase in the balance of credit risk not at credit execution rating, particularly nonproblematic debt, the Bank estimates that the quality of the portfolio of credit for construction and real estate is good, as reflected in the indicators noted above. However, the changes in the economic environment indicate an increase in the probability of worsening in these sectors, and consequently of an increase in the level of borrowers' credit risk. As a conservative measure, the Bank increased its collective allowance in respect of this portfolio in 2022.

Table 3-8: Credit risk in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity*[(1)]

	Balance as at December 31, 2022				
	Land	Real estate in construction processes[(2)]	Completed properties	Other	Total
	NIS millions				
Financing rate[(3)]					
Up to 45%	**2,316**	**-**	**4,937**	**-**	**7,253**
Over 45% up to 65%	**6,666**	**-**	**6,701**	**-**	**13,367**
Over 65% up to 85%	**18,492**	**-**	**6,047**	**-**	**24,539**
Over 85%	**483**	**-**	**289**	**-**	**772**
Absorption capacity[(4)]					
Up to 25%	**-**	**865**	**-**	**-**	**865**
Over 25% up to 50%	**-**	**7,190**	**-**	**-**	**7,190**
Over 50% up to 75%	**-**	**7,791**	**-**	**-**	**7,791**
Over 75%	**-**	**27,237**	**-**	**-**	**27,237**
Projects not yet started	**-**	**9,109**	**-**	**-**	**9,109**
Other[(5)]	**-**	**-**	**-**	**29,279**	**29,279**
Total Corporate Banking Division credit risk	**27,957**	**52,192**	**17,974**	**29,279**	**127,402**

* Data on credit risk in the real-estate sector in the Corporate Banking Division by financing rate (LTV) and absorption capacity as at December 31, 2022, are stated above in a different format than the data as at December 31, 2021, as they are stated in terms of credit risk after the effect of haircuts and deductions in respect of liabilities and Sale Law guarantees, consistently with the presentation of the data in the tables on segmentation of credit risk by economic sector.

(1) Segmentation 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; land where development has started; and balances of Sale Law guarantees in the process of cancellation in respect of completed projects.

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

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

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

Table 3-8: Credit risk in the real-estate sector at the Corporate Banking Division in Israel, by financing rate (LTV) and absorption capacity[(1)] (continued)

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

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

(1) Segmentation into segments and financing rates was performed according to an analysis of the source of repayment of each credit, as presented and approved during the underwriting process.

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

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

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

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

Credit at financing rates greater than 85% constitutes approximately 1.7% of the total balance of completed properties and land at the Corporate Banking Division in December 2022. Credit with absorption capacity of up to 25% for real estate in construction processes constitutes approximately 2.0% of the total balance of real estate in construction processes at the Corporate Banking Division (excluding projects not yet started) in December 2022.

Note that on May 22, 2022, the Banking Supervision Department issued an update of Directive 203 pursuant to which loans designated for the acquisition of land for the purpose of development or construction at a rate exceeding 80% of the value of the acquired asset (LTV) would be added to the list of debts risk weighted at 150%, excluding loans for the acquisition of agricultural land with no planning horizon or intention to apply for a change in designation, and excluding loans for the acquisition of land for the borrower's own use where the borrower is not categorized as being in the economic sector of construction and real estate, according to the sector classifications in Directive 831 concerning reporting on economic sectors. A questions and answers document was released on January 26, 2023, containing clarifications regarding the implementation of the circular. For additional information, see Note 24N to the Financial Statements.

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. The Bank may take additional measures in the future to continue to manage this limit and the exposure to this sector (for further details, see Note 25B(13) to the Financial Statements).

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

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

The allowance for credit losses in respect of the construction and real-estate sectors in Israel totaled approximately NIS 1,469 million as at December 31, 2022, compared with a total of approximately NIS 1,267 million as at December 31, 2021. The total allowance for credit losses as a percentage of credit to the public in the construction and real-estate sector in Israel as at December 31, 2022, is 1.88%, compared with 1.81% as at December 31, 2021. The calculation of the allowance includes an allowance in respect of the rapid increase in balances during 2021, and reflects a possible increase in risk. To reflect the potential future risk, the Bank increased its allowance for credit losses in respect of the construction and real-estate sectors in Israel through qualitative adjustments. Accordingly, the allowance for credit losses and its percentage of credit to the public in the construction and real-estate sector in Israel are higher than in December 2021.

3.2.5. Credit exposure to foreign countries

Credit exposure to foreign countries reflects the risk that an economic, political, or other event in a foreign country may have a negative effect on the ability of debtors of the various kinds (governments, banks, and others) to meet their obligations to the Bank Group, or may impair the value of the Group's assets, including the possibility that actions taken by foreign governments may eliminate the ability to convert currency and/or transfer currency outside the country (transfer risk).

The risk of exposure to foreign countries is managed at the Bank by individually examining the risks arising from the various countries, taking into consideration the countries' ratings by the international rating agencies S&P, Moody's, and Fitch.

The total exposure to foreign countries includes balance sheet exposures in respect of balance sheet debt balances, net of local liabilities, securities, and other investments attributed to countries other than Israel. The balance sheet exposure was adjusted based on the final risk, taking into account credit reinforcements, which include guarantees, tangible and liquid collateral, insurance contracts, participations in risk, and credit derivatives.

The Bank routinely monitors and examines the macroeconomic situation in countries in which it conducts activity.

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 3-9: Principal exposures to foreign countries(1)

	December 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	**37,575**	**8,950**	**46,525**	33,895	8,596	42,491
Switzerland	**4,278**	**1,723**	**6,001**	3,230	946	4,176
England	**6,162**	**5,058**	**11,220**	8,265	6,203	14,468
Germany	**1,440**	**5,547**	**6,987**	1,622	1,434	3,056
France	**1,687**	**1,136**	**2,823**	1,854	1,127	2,981
Others	**24,382**	**3,963**	**28,345**	12,348	3,146	15,494
Total exposures to foreign countries	**75,524**	**26,377**	**101,901**	61,214	21,452	82,666
Of which: total exposure to PIGS (Portugal, Italy, Greece, and Spain)	**191**	**52**	**243**	170	58	228
Of which: total exposure to LDCs	**714**	**68**	**782**	774	61	835
Of which: total exposure to countries with liquidity problems*	**213**	**33**	**246**	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.
(1) Based on the final risk, after the effect of guarantees, liquid collateral, and credit derivatives.
(2) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limits on indebtedness of a borrower, according to Proper Conduct of Banking Business Directive 313.
(3) Governments, official institutions, and central banks.

The increase in exposure to foreign countries mainly resulted from an increase in credit insurance for land and the acquisition of mortgage insurance from foreign insurers, and from the acquisition of insurance for Sale Law guarantees from foreign insurers, as detailed below.

In February 2022, war broke out between Russia and Ukraine. The Bank examined and analyzed the effects of this event on the various exposures, and continues to monitor the developments and their implications. As at December 31, 2022, the Bank does not have material exposure to customers whose country of residence is Russia or Ukraine.

3.2.6. Credit exposure to foreign financial institutions

In the course of its routine business operations, the Bank Group is exposed to risk arising from credit exposures to foreign financial institutions.

This risk arises from the range of activities conducted with the financial institutions, such as transactions carried out at the Bank's dealing rooms (deposits of foreign-currency balances and derivatives), purchases of bonds issued by such institutions, foreign-trade transactions, capital-market activity, and credit insurance through foreign insurance companies. The exposure to foreign financial institutions is influenced both by the financial robustness of each institution and by the risk in the political and economic environment in which it operates. It is emphasized that most of the credit exposures of the Bank Group are to financial institutions located in developed markets in Western Europe and North America, rated investment grade or higher.

In the ordinary course of its business, the Bank regularly applies monitoring and controls with respect to developments that may affect the ability of the financial institutions with which it conducts activity to meet their obligations. Concurrently, measures are applied in order to minimize credit risk.

Table 3-10: Exposure of the Bank Group to foreign financial institutions[1]

	December 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-	**4,906**	**11,504**	**16,410**	1,823	2,792	4,615
A+ to A-	**8,178**	**10,719**	**18,897**	12,204	6,296	18,500
BBB+ to BBB-	**101**	**96**	**197**	500	161	661
BB+ to B-	**5**	**-**	**5**	3	16	19
Lower than B-	**-**	**-**	**-**	-	-	-
Unrated	**339**	**66**	**405**	141	57	198
Total present credit exposures to foreign financial institutions	**13,529**	**22,385**	**35,914**	14,671	9,322	23,993

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

The exposure of the Bank Group to foreign financial institutions totaled approximately NIS 35.9 billion on December 31, 2022, an increase of approximately NIS 11.9 billion, compared with approximately NIS 24.0 billion at the end of 2021. This increase mainly resulted from an increase in off-balance sheet exposure in the amount of approximately NIS 13.1 billion, which mainly resulted from the acquisition of credit insurance from foreign insurers. The increase was partly offset by a decrease in balances of balance sheet credit in the amount of approximately NIS 1.1 billion. Approximately 98.3% 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: 34.9% in banks and bank holding companies, 61.2% in insurance companies, and 3.9% in another financial institution.

The exposure of the Bank Group is to foreign financial institutions operating in Western European countries (66.2%), the United States (27.1%), and South and East Asian countries (6.7%).

3.2.7. Risks in the housing loan portfolio

Table 3-11: Risks in the housing loan portfolio

	Balance as at	
	December 31, 2022	December 31, 2021
	NIS millions	
Credit balances		
Loans from Bank funds	**128,177**	115,166
Loans from Finance Ministry funds*	**898**	961
Grants from Finance Ministry funds*	**272**	229
Total	**129,347**	116,356

	For the year ended	
	December 31, 2022	December 31, 2021
	NIS millions	
Execution of housing loans		
Total loans from Bank funds	**24,947**	28,683
Loans from Finance Ministry funds		
Loans	**47**	69
Grants	**38**	57
Total from Finance Ministry funds	**85**	126
Total new loans	**25,032**	28,809
Old loans refinanced from Bank funds	**1,538**	2,794
Total loans granted	**26,570**	31,603

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

Table 3-12: Development of amounts past due in housing loans and allowance for credit losses

	Recorded debt balance	Amount past due by 90 days or more, of total problematic debts	Rate of amount past due	Allowance for credit losses in respect of housing loans*	Rate of allowance for credit losses in respect of housing loans*	Problematic debt*	Rate of problematic debt
	NIS millions/percent						
December 31, 2022	**128,177**	**88**	**0.07%**	**519**	**0.40%**	**581**	**0.45%**
December 31, 2021	115,166	101	0.09%	533	0.46%	595	0.52%
December 31, 2020	99,495	122	0.12%	758	0.76%	676	0.68%

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

In 2022, the rate past due, the rate of problematic debt, and the rate of the allowance for credit losses in respect of housing loans decreased in comparison to the end of 2021, and are also lower than at the end of 2020. Note that the decrease in the allowance for credit losses in comparison to the balance as at December 31, 2021, was influenced by the implementation of the accounting standards concerning current expected credit losses (CECL).

In general, the level of credit risk in the housing credit portfolio is low, as reflected in the indicators noted above. Note that the trend of rising interest rates, and to a lesser extent the increase in the consumer price index, have caused monthly payments to grow for many borrowers. As a result of the macroeconomic changes, including the uncertainty concerning economic conditions in the near future and the increase in the interest rate, which may lead to an increase in the risk level of the portfolio, the rate of the allowance for credit losses rose in the course of 2022 in comparison to the date of the initial implementation of the CECL directive.

Development of housing credit balances

Table 3-13: Development of the balance in the housing credit portfolio, by linkage base and as a percentage of the balance in the credit portfolio of the Bank

	Unlinked segment				CPI-linked segment				Foreign-currency segment		Total	
	Fixed interest rate		Floating interest rate		Fixed interest rate		Floating interest rate		Floating interest rate			
	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Balance in NIS millions	Rate in %	Recorded debt balance in NIS millions	Rate of change during the period
December 31, 2022	**32,815**	**25.6%**	**50,886**	**39.7%**	**13,951**	**10.9%**	**30,398**	**23.7%**	**127**	**0.1%**	**128,177**	**11.3%**
December 31, 2021	27,672	24.0%	45,600	39.6%	13,610	11.8%	28,137	24.4%	147	0.1%	115,166	15.8%
December 31, 2020	21,480	21.6%	38,623	38.8%	13,619	13.7%	25,573	25.7%	200	0.2%	99,495	10.8%

Risk quantification and measurement – housing credit portfolio

The Bank routinely monitors developments in the housing credit portfolio, and applies various measures to manage risk. Housing credit risks are examined individually, based on the policies and objectives established in the risk appetite set for housing credit, from the level of the individual transaction to an overview of the housing credit portfolio of the Bank. The Bank manages and hedges risk, among other means, through limits on various segments, as established in policy discussions of the Board of Management and the Board of Directors, overseen and led by the Risk Management Division. The limits address LTV rates, repayment capability, distribution of credit products in the portfolio, volume of problematic debt, loan durations, geographical distribution, rate past due, etc. These indicators are also monitored in comparison to the data of the banking system as a whole.

The Bank tracks conditions and changes in macroeconomic indicators in general, and in the business environment of the industry in particular. Certain events have been defined as requiring a reexamination of policy, such as a sharp increase in the floating interest rate or in inflation, an increase in unemployment in the Israeli economy, or a material change in housing prices.

Data are reported on a monthly basis in a divisional risk forum headed by the Head of Retail Banking, and on a quarterly basis, as part of the report on developments in the credit portfolio and in credit risk, to the Board of Management and Board of Directors.

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

Table 3-14: Developments in housing credit balances, last five years

	2022	2021	2020	2019	2018
	NIS millions				
Balances at end of period	**128,177**	115,166	99,495	89,777	81,454
Annual change in balances	**11.3%**	15.8%	10.8%	10.2%	9.3%
Execution of new loans	**25,032**	28,809	20,725	18,325	15,568

Housing loan data – percentage of total new loans executed

Table 3-15: Characteristics of housing credit granted by the Bank

	For the year ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Characteristics			
Financing rate over 60%	**42.2%**	41.0%	41.2%
Ratio of repayment to income greater than 40% (for purchases of homes and in monthly payments)	**0.2%**	0.1%	0.1%
Percentage with floating rates	**59.7%**	59.8%	58.7%
Percentage of all-purpose loans	**3.1%**	4.2%	5.1%
Loans for investment purposes as a percentage of total purchases of homes	**10.4%**	10.8%	8.3%
Principal planned for repayment after age 67 (excluding investments)	**9.1%**	8.1%	8.0%
Average original term to maturity of loans for purchases of homes, in years (excluding bridge loans)	**25.1**	24.6	24.5

The volume of housing loans has grown in recent years, due to rising demand, combined with a low interest-rate environment and low supply, which led to increases in prices. In 2022, balances of housing loans rose by 11.3%, lower than the growth rate in 2021, but higher than in previous years. The more moderate growth rate in balances was influenced by the increases in the interest rate and the increase in housing prices. The growth rate of balances cooled each quarter in 2022, particularly in the second half of the year.

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

In 2022, in view of the rising interest rate and inflation and in response to its customers' needs, the Bank introduced solutions for coping with the increase in the Prime interest rate, such as spreading of the Prime component over a longer period (with no change in the other terms of the loan), and freezing the increase in the interest rate at the rate determined in January 2023, for one year, for the category of customers who meet the criteria established (which, in the eyes of the Bank, represents the customers significantly affected by the rise in interest rates).

The increases in the interest rate and the rise in inflation, which have led to higher monthly payments, combined with the growing uncertainty regarding economic conditions in the coming period, may lead to an increase in the risk level in this portfolio.

The Bank has examined and will continue to examine the effects of the economic environment on borrowers' condition by analyzing the effects of forecasts and the actual effects on borrowers' condition.

3.2.8. Credit to private customers (excluding housing)

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

Private customers in the Retail Banking Division are offered, among other things, online credit in the form of Instant Credit or an advanced underwriting model. 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, in accordance with rules concerning fairness and compliance. Lending is matched to the customer's needs and repayment capability, after providing the customer with 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, expected adjustments of the interest rate, 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 3-16: Balance of credit to private individuals

	Balance as at		Change	
	December 31, 2022	December 31, 2021		
	NIS millions			
Balance sheet				
Negative balance in current accounts	**2,666**	2,522	144	5.7%
Loans[(1)]	**24,256**	24,073	183	0.8%
Of which: bullet and balloon loans	**48**	43	5	11.6%
Credit for purchases of motor vehicles[(2)]	**3,359**	3,376	(17)	(0.5%)
Debtors in respect of credit-card activity	**4,849**	4,838	11	0.2%
Total balance sheet credit risk	**35,130**	34,809	321	0.9%
Off-balance sheet				
Off-balance sheet credit risk	**17,980**	17,743	237	1.3%
Total credit risk	**53,110**	52,552	558	1.1%

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

The balance of loans to private individuals in Israel, including credit for the purchase of motor vehicles, increased by approximately 0.6% in 2022 in comparison to December 31, 2021. Total balance sheet credit risk increased by approximately 0.9% in this period, and total off-balance sheet credit risk increased by approximately 1.3%.

Beyond the measures taken with respect to housing credit, the Bank is considering additional measures to provide relief to borrowers in coping with the increase in the interest rate on consumer credit.

Table 3-17: Distribution of risk of balance sheet credit to private individuals, by average income(1) and loan size

	December 31, 2022					December 31, 2021*				
	Average account income				Total	Average account income				Total
	Accounts without regular income	Up to NIS 10 thousand	NIS 10 to 20 thousand	Over NIS 20 thousand		Accounts without regular income	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	**57**	**1,307**	**1,057**	**1,225**	**3,646**	68	1,387	1,023	1,137	3,615
20 to 40	**109**	**1,052**	**830**	**1,084**	**3,075**	121	1,188	835	1,041	3,185
40 to 80	**340**	**2,060**	**2,188**	**1,998**	**6,586**	397	2,443	2,261	1,968	7,069
80 to 150	**442**	**1,987**	**3,803**	**3,809**	**10,041**	443	2,303	4,001	3,711	10,458
150 to 300	**203**	**689**	**2,544**	**6,057**	**9,493**	152	647	2,478	5,345	8,622
Over 300	**46**	**119**	**199**	**1,925**	**2,289**	62	91	159	1,548	1,860
Total	**1,197**	**7,214**	**10,621**	**16,098**	**35,130**	1,243	8,059	10,757	14,750	34,809

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

Table 3-18: Distribution of risk of balance sheet credit to private individuals, by borrowers' financial asset portfolio balance

	December 31, 2022	December 31, 2021
	Balance sheet credit risk	
	NIS millions	
Size of financial asset portfolio, in NIS thousands		
Up to 10	**18,807**	18,216
10 to 50	**6,515**	6,424
50 to 200	**5,227**	5,276
200 to 500	**2,284**	2,358
Over 500	**2,297**	2,535
Total	**35,130**	34,809

Table 3-19: Distribution of risk of balance sheet credit to private individuals, by type of interest and remaining repayment period

	December 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	**3,186**	**5,298**	**8,484**	2,982	5,235	8,217
1 to 3 years	**6,133**	**59**	**6,192**	6,705	89	6,794
3 to 5 years	**11,114**	**84**	**11,198**	11,527	88	11,615
Over 5 years	**9,161**	**95**	**9,256**	8,094	89	8,183
Total	**29,594**	**5,536**	**35,130**	29,308	5,501	34,809

For details regarding problematic debts in respect of private individuals in Israel, see Note 29 to the Financial Statements.

3.2.9. Leveraged financing

The Bank provides leveraged financing to its customers from time to time. Leveraged financing is managed and defined at the Bank in accordance with the directives of the Bank of Israel, and in particular, with Proper Conduct of Banking Business Directive 311 (Credit Risk Management), Proper Conduct of Banking Business Directive 323 (Limits on Financing of Equity Transactions), and Proper Conduct of Banking Business Directive 327 (Management of Leveraged Loans).

Among other matters, leveraged financing includes equity transactions (transactions for the acquisition of an equity interest in another corporation, acquisition of all or a significant part of the assets of another corporation, buybacks of issued shareholders' equity, or capital distribution – payment of a dividend, or another transaction aimed at increasing value for shareholders, as defined in Proper Conduct of Banking Business Directive 323), and financing for borrowers in various segments of specified economic sectors characterized by exceptional levels of certain parameters, relative to the accepted norms in the economic sectors, such as a high financing rate that deviates from the policy for the sector, and financing of mezzanine debt.

The Bank has set an internal limit on leveraged financing as a percentage of the Tier 1 capital of the Bank. Developments in leveraged financing and compliance with the established limit are reported each quarter to the Board of Management and the Board of Directors of the Bank, for monitoring of the risks inherent in this type of financing.

Data regarding credit risks in respect of leveraged financing follow. The disclosure focuses on exposures in respect of leveraged borrowers/leveraged transactions where the credit balance exceeds the amount of 0.5% of Tier 1 capital.

Table 3-20: Exposures of the Bank in respect of leveraged financing, by economic sector of the borrower*

	December 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 – real-estate activities	**2**	**1,196**	**216**	**1,412**
Hotels, hospitality, and food services	**1**	**240**	**-**	**240**
Mining and quarrying	**3**	**441**	**293**	**734**
Commerce	**1**	**350**	**-**	**350**
Financial services and insurance services	**1**	**657**	**51**	**708**
Industry	**1**	**429**	**-**	**429**
Total	**9**	**3,313**	**560**	**3,873**

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

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

3.2.10. Credit risk in respect of exposure to major borrowers

Table 3-21: 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

	December 31, 2022			
	Number of borrowers	Balance sheet credit risk	Off-balance sheet credit risk	Total
		NIS millions		
Economic sector				
Electricity supply	**1**	**1,310**	**1,360**	**2,670**
Construction and real estate – construction	**6**	**6,568**	**3,419**	**9,987**
Construction and real estate – civil engineering	**3**	**1,187**	**3,826**	**5,013**
Hotels, hospitality, and food services	**1**	**1,014**	**297**	**1,311**
Information and communications	**1**	**1,194**	**150**	**1,344**
Financial services	**10**	**11,662**	**10,557**	**22,219**
Industry	**2**	**1,206**	**3,642**	**4,848**
Total	**24**	**24,141**	**23,251**	**47,392**

	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
Financial services	10	10,187	10,950	21,137
Industry	2	1,094	3,768	4,862
Water, sewage services, garbage and waste treatment, and purification services	1	158	1,306	1,464
Total	22	20,099	23,607	43,706

3.2.11. Credit risk in respect of exposure to borrower groups

As at December 31, 2022, there is no 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.

In November 2022, the Bank of Israel issued a draft update of Proper Conduct of Banking Business Directive 313, "Supervisory Framework for the Measurement and Control of Large Exposures," the essence of which is a change in the manner of calculation of indebtedness in respect of large exposures. The Bank is examining the implications of the implementation of the directive.

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, yields, spreads, and other market parameters.

This includes:

- **Interest-rate risk –** The risk of loss or decline in value as a result of changes in interest rates in the various currencies;
- **Currency risk –** The risk of loss as a result of changes in exchange rates;
- **Inflation risk –** The risk of loss as a result of changes in the curve of CPI expectations and in actual inflation;
- **Share price risk –** The risk of loss as a result of changes in stock prices or in stock indices;
- **Credit spread risk –** The risk of loss as a result of change in the spread between the yield to maturity of corporate bonds traded in the markets and the relevant risk-free interest rate;
- **Volatility risk –** The risk of loss as a result of changes in the volatility rates quoted in the market;
- **Basis spread risk –** The risk of loss as a result of changes in the spreads between different interest-rate curves or different interest bases.

3.3.1. Management of market risks

Market risks are managed based on a global view of the Bank's activity in Israel and at its New York branch, taking into account the activity of subsidiaries with significant exposures for the Group. The Board of Management and the Board of Directors approve areas of activity and risk limits. Market risk management policy is aimed at increasing expected profits while maintaining approved, controlled risk levels.

Market-risk management at the Bank differentiates between exposures that arise in the course of routine management of the Bank's assets and liabilities, hereinafter referred to as the banking book (non-trading exposures), and exposures in the trading book (primarily managed in the dealing rooms).

Global management is under the responsibility and direction of the Head of Financial Markets and International Banking. Routine management and supervision of asset and liability management in the banking book and in the trading book are under the responsibility of managers in the Asset and Liability Management Area and in the Dealing Rooms and Brokerage Area, respectively, of the Financial Markets Division in Tel Aviv, and in the Asset and Liability Management Unit and the dealing room at the Bank's New York branch. The branch is professionally subordinate in these matters to the Head of Financial Markets and International Banking. With regard to the management of investment risk in the nostro portfolio, see the section "Share price and credit spread risk," below.

Policies are guided and controlled by the Board of Management Asset and Liability Management Committee, the Board of Management Nostro Committee, and the Board of Management Investment Committee. Policies, including the established limits and objectives, are submitted for discussion and approval to the committees of the Board of Management, the committees of the Board of Directors, and/or the plenum of the Board of Directors, as relevant.

Ongoing activity is conducted by subcommittees, with the participation of senior officers of the Bank.

Market risks are managed separately by each subsidiary in the Bank Group, according to policy established by each company's board of directors and in accordance with Group policy. Market risks are assessed and controlled based on a uniform methodology at the Group level, under the direction of the Risk Management Division, taking into account the size of capital and the unique characteristics of the activity of each subsidiary. Exposures to market risks of the subsidiaries are examined by the Market and Liquidity Risk Management Department in the Risk Management Division, and reported to the Board of Management and the Board of Directors of the Bank at an appropriate frequency based on the risk level. The Bank has set risk limits for the Group that also apply to subsidiaries with a risk level which has been defined as significant for the Group. For additional information regarding risk management, assessment, and control, see the Report on Risks.

3.3.2. Interest-rate risk

Interest-rate risk is the risk of loss or decline in value due to changes in yield curves in the various currencies. This risk also includes the following risk factors:

- **Repricing risk –** Risk arising from timing differences in terms to maturity and interest-rate renewal dates (for floating interest rates).
- **Yield curve risk –** Risk arising from different changes in yield curves, reflected in changes in the curve, a parallel increase/decrease, the slope of the curve (steepening or flattening), or its shape (twist).
- **Basis spread risk –** The risk of loss as a result of changes in the spreads between different interest-rate curves or different interest bases.
- **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).

The Bank, like banks worldwide, is exposed to interest-rate risk both in the banking book and in the trading book. Interest-rate risk is inherent in banking activity. Most of the exposures to this risk arise from the management of the banking book. Interest-rate risk management is part of the management of exposures to market risks.

Interest-rate risk in the banking book – Refers to the potential effect of changes in the various yield curves on the economic value of capital and/or on accounting income and accounting capital. The risk emerges during the routine and proactive banking activity of the Bank, as a result of the provision of routine services to the general public and to the business and financial sectors, and from other activities; this includes interest-rate exposure arising from the management of investment portfolios. The risk arises from differences in the structure of assets and liabilities – gaps between linkage segments, durations, interest-rate bases, interest-rate renewal dates, and more.

The exposure to this risk is measured on two levels: (a) value exposure – an estimate of the change in the economic value of the banking book as a result of a change in the yield curve; (b) accounting income sensitivity – the expected changes in accounting income in the banking book as a result of changes in the yield curve (assuming a fixed level of balances in each product). Income exposure is also measured on two levels: income sensitivity of the entire banking book in the next twelve months, and immediate income sensitivity of the instruments measured in accounting based on fair value.

Limits apply at the Bank both to the sensitivity of economic value and to the sensitivity of income and capital to scenarios of change in the shekel and CPI-linked yield curves and in yield curves in other currencies (including financial subsidiaries under the Bank's management and subsidiaries with exposure significant for the Group, if any). In order to calculate the sensitivity of economic value to changes in interest rates, the Bank refers to all financial assets and liabilities, while treating part of the balances of current-account deposits of the public as a long-term liability spread over several years, in accordance with a model approved periodically by management and the Board of Directors. Assumptions regarding prepayments of mortgages, savings plans, and more are also used. Income sensitivity differs from value sensitivity in that it does not include changes in the discounted value of long-term assets and liabilities that are not measured in the profit and loss report on a fair-value basis. This sensitivity includes changes in income arising from changes in interest rates, both as a result of a change in interest rates of products at variable rates and as a result of renewal of the product at the interest rates of the scenario. Interest-rate risk management policy is aimed, in congruence with the objectives of the Bank, at achieving the desired structure of exposures in each segment (unlinked shekel; CPI-linked shekel; foreign currency and foreign-currency-linked), in accordance with estimates concerning market variables, and subject to limits. Sensitivity to interest rates is measured, in a controlled manner, at least once each month, with more frequent measurements for exposure management purposes. In general, the goal of interest-rate risk management in the Group is to allow service to customers and maximize the profitability of the Bank, while taking controlled risks.

Derivatives not used for accounting hedges affect the capital of the Bank directly, through the profit and loss account. The Bank uses derivatives to hedge part of the interest-rate sensitivity of long-term bonds in foreign currency, applying hedge accounting rules. The Bank also uses derivatives to hedge interest-rate sensitivities in the banking book, as well as for activity in the trading book. These sensitivities are included in the value sensitivity presented below. In addition to the examination of overall value sensitivity, the Bank also examines the sensitivity of derivatives not used for accounting hedges against designated sensitivity limits that are separate from the overall limits.

Quantitative information about interest-rate risk – sensitivity analysis

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

	December 31, 2022			December 31, 2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Adjusted net fair value*	**45,214**	**2,016**	**47,230**	39,052	331	39,383
Of which: banking book	**45,685**	**1,993**	**47,678**	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 32B to the Financial Statements.

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

	December 31, 2022			December 31, 2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	NIS millions					
Parallel changes						
1% parallel increase	**235**	**37**	**272**	442	227	669
Of which: banking book	**185**	**35**	**220**	414	233	647
1% parallel decrease	**(147)**	**(52)**	**(199)**	(450)	(154)	(604)
Of which: banking book	**(95)**	**(50)**	**(145)**	(430)	(157)	(587)
Non-parallel changes						
Steepening[1]	**(280)**	**94**	**(186)**	(246)	(42)	(288)
Flattening[2]	**422**	**(70)**	**352**	436	67	503
Increase in short-term interest rate	**443**	**(30)**	**413**	536	96	632
Decrease in short-term interest rate	**(441)**	**75**	**(366)**	(546)	(93)	(639)

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

This table presents the change in the adjusted net fair value of all of the financial instruments under the assumption that the noted change occurs in all interest rates, in all linkage segments.

The decrease in sensitivity of economic value in the shekel segment in 2022 mainly resulted from an update of the current-account model balance layout, issuance of bonds and Tier 2 capital, and an increase in deposits. An offsetting effect was recorded due to an update of parameters of mortgage prepayments (as a result of the increase in the interest rate in Israel), and due to continued activity of granting mortgages and credit, bond purchases, shortening of the issuances, and an increase in activity in interest-rate derivatives. The decrease in the sensitivity of economic value in the foreign-currency segment mainly resulted from an update of the current-account model balance layout.

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

	December 31, 2022			December 31, 2021		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	NIS millions					
1% parallel increase	**681**	**(243)**	**438**	1,391	(12)	1,379
Of which: banking book	**681**	**(291)**	**390**	1,391	(37)	1,354
1% parallel decrease	**(1,773)**	**233**	**(1,540)**	(716)	(57)	(773)
Of which: banking book	**(1,773)**	**284**	**(1,489)**	(716)	(41)	(757)

Income sensitivity in the table above was calculated by shifting yield curves, using assumptions regarding changes in deposit spreads, which are updated from time to time based on the interest-rate environment and other factors; assumptions of transfer of funds from current accounts to deposits in the case of an increase in the interest rate, versus stability of balances in the case of a decrease in the interest rate; and the assumption of interest-rate floors, such that the various interest-rate curves may fall to zero. The changes in deposit spreads were determined according to behavioral assumptions, which are examined periodically in accordance with developments in the interest-rate environment. In the foreign-currency segment, the interest-rate curve may fall to the lower of zero or the negative interest rate posted by the central bank. The sensitivity of the trading book was calculated using the MTM approach. The increase in the sensitivity of income to a decrease in the interest rate resulted from growth in positive current-account balances in the model and from an increase in the short-term interest rate, which increased the distance from the interest-rate floor. In the fourth quarter, the Bank continued to conduct activity in bonds and interest-rate derivatives aimed at mitigating the effect of changes in interest rates on the income of the Bank in the future.

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

3.3.3. 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.

The Bank operates in currency markets through spot and forward transactions, as well as through options, both on its own behalf and on behalf of its customers. Consequently, the Bank has activity in tradable currencies in developed markets as well as developing markets.

Currency exposure management, including the use of hedging instruments, is part of the management of exposures to market risks, as described above, and is applied both in activity in the banking book and in trading activity in the dealing rooms. Ongoing management is conducted within the limits set by the Board of Directors on exposures to foreign currency and to the CPI and on overall exposures, main points of which appear in the summary of limits in the Report on Risks.

Table 3-25: Assets and liabilities by linkage base

	December 31, 2022						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
	NIS millions						
Total assets	**478,401**	**60,143**	**95,114**	**11,311**	**5,230**	**15,154**	**665,353**
Total liabilities	**415,121**	**37,951**	**143,625**	**12,033**	**4,409**	**5,711**	**618,850**
Surplus assets (liabilities)	**63,280**	**22,192**	**(48,511)**	**(722)**	**821**	**9,443**	**46,503**
Derivative instruments	**(42,911)**	**(3,601)**	**46,900**	**650**	**(1,038)**	**-**	**-**
Overall total	**20,369**	**18,591**	**(1,611)**	**(72)**	**(217)**	**9,443**	**46,503**

	December 31, 2021						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
	NIS millions						
Total assets	481,793	57,487	75,261	7,934	3,305	13,001	638,781
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
Derivative instruments	(51,188)	(592)	47,236	3,948	596	-	-
Overall total	18,215	17,618	(1,408)	(90)	(385)	8,797	42,747

* Including derivative instruments whose underlying asset refers to a non-monetary item.
(1) Including linked to foreign currency.

For further details, see Notes 30 and 31 to the Financial Statements.

Table 3-26: 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

	December 31, 2022		December 31, 2021	
	NIS millions			
	10% increase	10% decrease	10% increase	10% decrease
USD	**(82)**	**171**	74	225
EUR	**(31)**	**43**	*27	*40

	3% increase	3% decrease	3% increase	3% decrease
CPI	**555**	**(591)**	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 30 to the Financial Statements, plus the effect of the CPI floor on the expected accounting profit.

3.3.4. Share price and credit spread risk: investment risk

Investment risk is defined at the Bank as exposure to the stock market, to credit spreads, and to credit risk in the bond and stock markets in the banking book of the Group (as a result of holdings in these products, the Bank may also be exposed to interest-rate risks and/or currency risks and/or liquidity risks, which are managed separately).

In the management of the investment portfolio, the Bank is exposed to credit risks and credit spreads, in its investments in bonds of companies and of foreign governments. According to the definition at the Bank, Israeli government bonds in NIS and in foreign currency and government bonds of the country in which a branch/subsidiary operates, held by the branch/subsidiary, do not bear investment risk, and are therefore not included in the measurement of investment risk at the Bank.

Investment risk at the Bank Group mainly arises in three frameworks:

1. An investment portfolio managed under the responsibility of the Financial Markets and International Banking Division, which consists, in general, of products traded on the financial markets for which price quotes can be obtained. The investment framework was established from a global, systemic perspective, with the approval of the Board of Directors of the Bank, and includes limits on the volume of the investment and on risk indicators including risk appetite, risk capacity, and individual limits for the various investment segments, including diversification limits. Risk is managed under the overarching responsibility of the Financial Markets and International Banking Division, with respect to the implementation of policy in the Group, allocation of the limits approved by the Board of Management and Board of Directors, monitoring, guidance, and reporting. The activity is managed by a specialized unit established for that purpose, and monitored by the Board of Management Investment Committee, which was established for that purpose, as described in the Report on Risks. Investment activity is permitted at a small number of subsidiaries. Managerial responsibility for the activity of each subsidiary rests with the member of the Board of Management who oversees that company.
2. Non-tradable investments, usually performed through the subsidiary Poalim Equity, according to policy established periodically by the board of directors of the company, in conformity with the policy of the Group. The risk appetite limit for this activity was raised over the last few years, within a multi-year investment trajectory approved by the Board of Directors of the Bank. For details, see the section "Principal companies," above.
3. Affiliates: strategic holdings in shares of subsidiaries. For details, see Note 15 to the Financial Statements.

The Group holds shares and bonds, primarily for investment purposes, a decrease in the value of which may harm the profit and loss of the Bank and/or the capital of the Bank.

Table 3-27: Details of the Bank Group's investment in shares in the banking book, by balance sheet classification

	December 31, 2022			December 31, 2021		
	Balance sheet value and fair value	Of which: traded on a stock exchange	Of which: without a readily determinable fair value	Balance sheet value and fair value	Of which: traded on a stock exchange	Of which: without a readily determinable fair value
	NIS millions					
Investments classified as not held for trading	**4,048**	**1,733**	**2,315**	3,650	1,592	2,058
Total investments in shares	**4,048**	**1,733**	**2,315**	3,650	1,592	2,058

For additional information regarding investments, see Note 12 to the Financial Statements.

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 meet its obligations. 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 significantly impair the Bank's net interest income. This risk is managed as part of liquidity risk.

Management of the risk

Liquidity and refinancing risks are managed based on a global view of the Bank's activity in Israel, at its overseas branches, and at subsidiaries with significant liquidity risk for the Group. The Bank manages routine liquidity and liquidity risk on several levels. The first level is routine liquidity management at the Asset and Liability Management (hereinafter: "ALM") Area, through the NIS and foreign-currency liquidity units, in accordance with the routine needs of the Bank and its customers. The second level is the management of the Bank's liquidity risk. Liquidity risk at the Bank, in foreign currency and in NIS, is managed and controlled routinely, in accordance with regulatory directives and Group policy, with the aim of ensuring the ability to cope competitively even in exceptional supply and demand situations in the financial markets.

In accordance with Proper Conduct of Banking Business Directive 342, "Liquidity Risk Management," the Bank operates an internal model for the assessment of liquidity risk, in addition to the regulatory model. The internal model reflects the approach of the Board of Management with regard to the behavioral characteristics of financial assets and liabilities. This model is based on the proven stability of deposits at the Bank over long periods, and includes different scenarios with respect to rollover and maturity rates of assets and liabilities. In general, while in the ordinary course of business the Bank assumes very high rollover of deposits and credit, in stress scenarios the Bank assumes an outflow of deposits, according to types of customers and deposits; utilization of credit lines beyond the usual levels; declines in value of assets; and additional factors. These factors are examined annually by the Board of Management and Board of Directors of the Bank. In each scenario, the liquidity gap for a period of up to one month against liquid assets is examined, and a liquidity ratio is calculated; this ratio is not to fall below the minimum level specified in the directive. The scenarios applied in the internal model refer to different market conditions, and specifically to a bank scenario, a system scenario, and a combined scenario. The scenarios differ primarily in the assumptions with regard to rollover of deposits and haircuts for liquid assets. The Bank also applies models for longer and shorter periods; depositor concentration indices; an alert system, including a system that monitors indicators that may point to a risk of a crisis situation, with an action plan; and more. Some of these indicators are subject to internal and/or regulatory limits.

In accordance with Proper Conduct of Banking Business Directive 221, the Bank calculates its stand-alone liquidity ratio on a daily basis, divided into NIS and foreign currency. The Bank tracks this ratio at the subsidiaries (which are required to comply with internal liquidity limits adjusted to the nature of their operations), and calculates the consolidated ratio on a daily basis. The calculation of the consolidated ratio takes into consideration limits that may apply to the transfer of liquidity from some of the subsidiaries during a crisis. The stand-alone ratio of the banking corporation and the consolidated ratio are reported as the quarterly average of daily observations. The Board of Directors of the Bank has adopted an internal limit stricter than the regulatory LCR requirement, both for the stand-alone banking corporation and consolidated.

Pursuant to Proper Conduct of Banking Business Directive 222 ("Net Stable Financing Ratio" (NSFR)), beginning December 31, 2021, the Bank has calculated the NSFR in accordance with the regulatory directive. The Board of Directors of the Bank has adopted an internal limit stricter than the regulatory requirement for the NSFR. As at December 31, 2022, the ratio stood at 130%, significantly higher than the regulatory requirement (100%), mainly due to the broad base of deposits from private customers.

Refinancing risk is managed at the Bank as part of liquidity risk. The Bank has varied sources of financing, primarily deposits from the public. mostly from private customers. As noted below, these sources create low liquidity and refinancing risk, relative to other resources.

Table 3-28: Liquidity coverage ratio (LCR)*

	For the three months ended December 31, 2022	For the three months ended December 31, 2021
	%	
a. Consolidated data		
Liquidity coverage ratio	**122%**	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%
b. Bank data		
Liquidity coverage ratio	**121%**	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**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)

	December 31, 2022	December 31, 2021*
	%	
Consolidated data		
Net stable financing ratio	**130%**	136%
Minimum net stable financing ratio required by the Banking Supervision Department	**100%**	100%

* Restated.

The Bank has varied sources of financing, primarily deposits from the public. The deposits are taken from a very large number of depositors, with no dependence on any single depositor or group of depositors. Most of the Bank's resources are raised from the public in Israel, particularly private customers. Resources in unlinked NIS mainly derive from these customers, though also to some extent from large institutional and business clients (some of which work directly with the Financial Management Segment). Resources in linked NIS are raised both from the general public and from institutional clients who invest in deposits at the Bank and in bonds and subordinated notes (Tier 2 capital) issued by the Bank Group. The Bank accords high importance to raising resources that are stable and highly diversified. Funding in foreign currency includes deposits of private customers and corporate clients in Israel, foreign residents, Israeli companies abroad, repo, issues of CDs, other instruments secured by the FDIC in the United States, and additional resources.

The Bank is in compliance with all regulatory and internal liquidity risk limits, including, among others, the LCR according to Proper Conduct of Banking Business Directive 221, the internal LCR model for thirty days and for shorter and longer ranges, and the NSFR (net stable financing ratio) model, in accordance with Proper Conduct of Banking Business Directive 221. As at December 31, 2022, the Bank holds consolidated liquid assets (primarily reserves at central banks, tradable securities of sovereigns and central banks, and coins and bills) for times of crisis (after haircuts) in the amount of NIS 182.5 billion, in addition to liquid bonds not recognized for the purposes of the calculation of liquid assets. Part of the liquid assets are held by the Bank, and part are held by the subsidiaries. The Bank takes into consideration possible restrictions on the transfer of liquidity between some subsidiaries and the Bank itself. Accordingly, some of the subsidiaries hold liquid assets for times of crisis (or a credit line from the parent company – the Bank), according to need, and the Bank does not rely on these assets. In light of the assumptions regarding rollover of deposits in the ordinary course of business, and other assumptions, the Bank does not foresee liquidity problems that would necessitate the use of the liquid assets; however, it is prepared for the required scenarios. In accordance with Proper Conduct of Banking Business Directive 222, as at December 31, 2022, the Bank, on a consolidated basis, holds stable financing sources (primarily capital, long-term deposits, and short-term deposits of private customers) in the amount of NIS 412.2 billion.

No material changes occurred in liquidity risk management policy and in resource raising policy in 2022.

The average liquidity coverage ratio in the fourth quarter of 2022 decreased in comparison to the liquidity coverage ratio in the fourth quarter of 2021, due to an increase in credit beyond the increase in deposits.

In view of the volatility in the markets, particularly stock markets in the United States and in Israel and the NIS-foreign currency swap market, the Bank is maintaining high liquidity levels. The net stable financing ratio at the end of the fourth quarter of 2022 is 130%, consolidated, while the minimum requirement is 100%. The net stable financing ratio decreased in comparison to the ratio as at December 31, 2021, due to growth of financing needs (mainly in respect of credit) beyond the increase in stable financing sources.

Table 3-30: Balance of total deposits of the three largest groups* of depositors**

	Balance as at	
	December 31, 2022	December 31, 2021
	NIS millions	
Group A	**12,162**	12,681
Group B	**11,992**	8,400
Group C	**5,390**	7,840

* "Group" – A depositor, including a controlling party thereof (including others under its control), and a party under its control.

** The three largest groups of depositors at that report date.

For details and more extensive information regarding liquidity risk, see the Report on Risks and Note 31 to the Financial Statements.

3.5. Operational risk

Operational risk is defined as the risk of loss that may be caused by failed or faulty internal processes, human actions, system malfunctions, or external events. The definition includes legal risk, but does not include strategic risk or reputational risk. Failures related to one of the aforesaid factors may cause damage to profitability. The Bank operates control units and/or procedures and systems in areas related to banking activity, including units for information systems security and cyber defense, business continuity management, security, the Chief Compliance Officer, management of human resources, process controls, and more.

3.5.1. Management of operational risks

Operational risk management strategy is aimed at supporting the achievement of the Group's strategic objectives and maximizing business value, while taking into consideration the costs in terms of risk, by all responsible parties at all levels of the organization. The managerial process is oriented towards execution based on the designation of risk ownership. The goal is for communication and rational treatment of operational risks to contribute to managerial decision-making, based on considerations of business value versus cost in terms of risk, both at the level of the management of the organization and at the level of the various units.

The goals of operational risk management are:

- To ensure effective supervision and management of operational risks in all units of the Group, including risk ownership and decision-making based on cost-benefit considerations.
- To ensure effective identification and communication of operational risks in all substantial business operations of the Group and the supporting units, with the aim of establishing operational risk appetite congruent with the approved strategic objectives of each unit in the Group.
- To establish an internal control structure promoting appropriate values of a culture of awareness, transparency, and efficiency with respect to operational risks within the Group.
- To optimally manage and allocate regulatory capital and economic capital for operational risks.

Responsibility for routine management of operational risk and for activities aimed at mitigating the risk lies with the division heads and the managers of subsidiaries in the Bank Group. These activities are overseen by the Operational Risk and Market Risk Management Unit in the Risk Management Division. Routine activity is conducted in the Bank's units and in the Group by a network of operational risk controllers, based on the matrix management principle; controllers report organizationally to division heads or CEOs of subsidiaries, and receive methodology guidance from the Operational Risk Management Department.

Operational risk management activity is supervised and directed by three forums: the Board of Directors' Committee on Risk Management and Control; the Board of Management Committee on Risk Management and Compliance; and the Subcommittee on Operational Risk Management.

The operational risk management policy was approved by the Board of Management and the Board of Directors of the Bank. The policy document serves as a framework for operational risk management within the Group, in accordance with uniform principles and reporting duties aimed at complying with the Basel 2 Sound Practices standards. The Bank's activity in this area is conducted according to the rules of Proper Conduct of Banking Business Directive 206, "Capital Measurement and Adequacy – Operational Risk," which refers, among other matters, to regulatory capital allocation in respect of operational risks, and Proper Conduct of Banking Business Directive 350, "Operational Risk Management," which is congruent with the updated guidelines in the Basel document of June 2011 on sound practice for operational risk management. The Bank operates in accordance with the Basel 2 standardized approach and the corresponding requirements of the Proper Conduct of Banking Business Directives. The following projects and activities, among others, are underway as part of this plan:

- Collection of information regarding operational events in the Bank Group. A database for this purpose was established in late 2002, and is used, among other things, to analyze events, trends, and patterns and to support the mapping and assessment of operational risks to which the Group is exposed.
- Analysis of risk scenarios in activities and processes from a forward-looking perspective.
- Key risk indicators (KRIs) for operational risks have been specified, as part of the development of a monitoring and control infrastructure, with respect to products, processes, or institutional risks. A KRI is a metric that can be measured in quantitative terms, and may also include qualitative information indicating the presence of a particular factor or trend. Thresholds have been set for follow-up, escalation, and treatment, as relevant.
- Lessons-learned processes applied to operational events; relevant information shared among units; organizational learning.
- Quarterly reports are submitted to the Subcommittee on Operational Risk Management, the Board of Management Committee on Risk Management and Compliance, the Board of Directors' Committee on Risk Management and Control, and the plenum of the Board of Directors. The reports include updates on work plans, the status of projects in progress, information about operational events, assessments of potential risks, trends, changes in the risk profile, and comparative external information.

Additional related activities:

- An automated operational risk management system (PAMELA) has been implemented at the units of the Group. The system operates in the areas of collection of information regarding operational events, mapping and assessment of risks and controls, collection of KRIs (key risk indicators), action items, lessons learned, and reports.
- Formulation and implementation of a comprehensive framework of principles and standards for a uniform control concept within the Bank Group. Within this framework, control forums convene and a periodic process is conducted to evaluate the effectiveness of controls.
- Launches of new products and activities, in accordance with the defined policy for the launch of a new product in the Bank Group, are accompanied by examination and analysis of the relevant operational risks involved in the product or activity.
- Establishment of methodological infrastructure for operational risk management in material IT processes.

- Outsourcing of activities with due attention to the risks unique to outsourcing, in accordance with the guidelines of the dedicated policy on this matter.
- Special attention, including the formulation of a dedicated policy, has been devoted to the management of digital banking risks, in accordance with the guidelines in Proper Conduct of Banking Business Directive 367, "E-Banking."

Routine procedures are performed to identify, map, and assess operational risks and controls at the units of the Bank and the Group, including mapping of the risk of embezzlement and fraud. This activity is conducted based on a uniform methodology, in line with the requirements of the Basel Committee and the directives of the Bank of Israel on this matter, including monitoring of the implementation of the recommendations. A comprehensive mapping process of operational risks in all units of the Group is performed every three years. Subsequently, the findings are maintained, updated, and expanded through additional analyses, and risk analysis of new products and activities and of material contractual engagements for outsourcing of activities and processes.

The goal of this activity is to identify material risk centers, define risk ownership, assess risks (average and extreme), assess the existing controls, and differentiate low risks from material risks that require additional examination and action, based on cost-benefit considerations, according to the following main ways of coping with risks: minimization of the risk through the application of additional controls; transfer of the risk to a third party (e.g. insurance, outsourcing); absorption of the risk, with quantification thereof; and reduction of the activity that creates the risk.

The operational risk profile is monitored periodically in relation to the operational risk appetite established in the policy, using various parameters, at the level of the Group as a whole and at the level of specific units and processes. The Bank allocates capital in respect of operational risk assets, on the basis of a standardized model defined by the Bank of Israel. Reports on compliance with risk-appetite limits are submitted on a quarterly basis, within the consolidated risk document.

The Bank uses quantitative measures of operational risk appetite that refer to the following parameters: extent of operational damages relative to gross income, according to the Basel standardized approach; rate of increase in damages from year to year; risk scenarios rated at a very high risk level at the level of the Bank Group; and assessment of stress scenarios.

3.5.2. Information technology risks

The Bank is dependent upon IT systems and infrastructures for its various activities. Information-technology risk is the risk of damage to the proper activity of the Bank and to customer service, loss, or damage to reputation, due to inadequacy or failure of the IT systems and infrastructures of the Bank. In general, the Bank maintains its information systems and infrastructures, adopts new technologies, and continually acts to provide technological infrastructures in order to allow the operation of its business and the promotion of strategic initiatives at the various divisions, in accordance with the information-technology management policy of the Bank. Dedicated policy documents exist at the Bank addressing information and cyber security aspects, and principles for backup and recovery in cases of malfunction or disaster, as well as policy documents on outsourcing, cloud computing, rules for the realization of new technologies within digital banking, and the management of IT risks. In addition, in order to cope with the challenges of the future, simplify and improve the efficiency of technological platforms, improve response capabilities, and build new abilities, the Bank is implementing a multi-year plan to modernize its central IT systems.

IT risks are examined routinely, based on accepted methodologies, on the level of material IT processes conducted at the Bank as well as on the level of the information systems and infrastructures used by the Bank. Risks arising from material IT processes are addressed as part of the control approach implemented at the Information Technology Division, by several dedicated professional units reporting to the management of the division. These units act in accordance with the various regulatory guidelines, such as Proper Conduct of Banking Business Directives 357, 361, 362, 363, and 366. The units include the Information Systems Security and Cyber Defense Department, the Planning and Control Unit, the SM Process Management Unit, and the IT Risk Management Unit.

3.5.3. Information security and cyber risks

Cyber risk is the risk of damage, including disruption, interruption, shutdown of operations, theft of property, collection of intelligence, or damage to reputation or the confidence of the public, as a result of a cyber event. Cyber activity is conducted as required in the directives of the Bank of Israel, including Proper Conduct of Banking Business Directive 361, "Cyber Defense Management"; Proper Conduct of Banking Business Directive 363, "Supply Chain"; the Protection of Privacy Law, 1981; and other laws, as relevant, with the aim of protecting the information-technology system and minimizing risks. Information security and cyber risks at the Bank are managed by the Information Security and Cyber Defense Unit in the Information Technology Division.

The sophistication and severity of cyber attacks on the global financial sector have escalated in recent years. Technological development trends such as cloud computing, openness to external interfaces, and the expansion of digital services, on one hand, and the advanced tools available to attackers, on the other hand, have led to higher exposure to cyber risks. The banking sector in Israel, including the Bank, regularly experiences cyber attacks, such as DDoS (distributed denial of service – attacks designed to shut down a computer system by overloading its resources), phishing (attempts to steal sensitive information through impersonation on the Internet), etc. The attacks target government and financial sector institutions, in an attempt to damage their reputation, as well as targeting supply chains (attacks on organizations through a supplier or product that they use). The Bank acts continually to draw conclusions and update its preparations accordingly. No material cyber events with an effect on the financial statements were discovered at the Bank in 2022. An increase has occurred in recent months in fraud attempts in the form of social engineering, which the Bank is addressing on several levels – technology, educational activities, and more.

The Bank is investing extensive resources (both human and technological) in strengthening its information security and cyber defense system, in order to cope with the development of these threats. The Bank's defense framework consists of layers of protection using advanced technologies. The Bank operates cyber defense processes in order to minimize the risk of penetration, unauthorized access to information systems, and materialization of attacks, and to ensure the correctness, availability, and confidentiality of its databases. Concurrently, the Bank operates processes to discover and identify cyber events, at all times, including the operation of the Information Security Event Center. The Bank also prepares to contain cyber events and minimize the damage to the assets of the Bank and its customers. The Bank continually works to identify targets to defend, threats, risks, and the effectiveness of defenses, and to build work plans for improvement of the defensive framework accordingly. The Bank also maintains continual dialogue with the Israel National Cyber Directorate and other relevant parties.

The Bank routinely updates its risk assessment in view of insights from cyber events in Israel and worldwide relevant to the systems and business of the Bank. The Bank also accords high importance to maintaining an organizational culture of risk management, and therefore takes various actions (such as lectures, messaging, and exercises at various levels) to raise employee awareness of cyber risks. The Bank updates its cyber risk assessment in accordance with the development of threats and takes comprehensive action to reduce this risk, particularly in view of employees' significant use of remote work, cloud computing, and more.

The Cyber Risk Management Unit in the Risk Management Division establishes indices and methodologies for the evaluation of the maturity of defenses, analyzes the business implications of cyber scenarios, challenges the defense system, and examines developments in the area of cyber risk relevant to the technological and business systems of the Bank.

3.5.4. Cloud computing risks

The Bank operates in accordance with Proper Conduct of Banking Business Directive 362. The Bank continues to apply cloud computing in certain areas, and is examining additional uses, with appropriate attention to the derived operational risks, and in accordance with regulatory guidelines, with the aim of allowing realization of the business advantages of the use of cloud-computing services while prudently managing the risks and complying with regulatory requirements.

3.5.5. Emergency preparedness

The Bank maintains and implements a continuous plan for emergency preparedness and business continuity (BCMP – business continuity management plan), in accordance with the policy of the Bank and the Bank of Israel's Directive 355, "Business Continuity Management"; Directive 357, "Information Technology Management"; and additional expansions. The Bank's preparedness is based on detailed action plans, working procedures, and periodic tests and drills, defined in a system of emergency procedures. As part of its emergency preparedness, the Bank conducted a lateral process to establish policies, define reference scenarios, map and analyze critical processes and the resources required for the recovery of such processes during an emergency (BIA), and update its action plans based on the prevalent methodologies globally. This process is updated routinely, and presented for approval on an annual basis. The action plan involves all divisions of the Bank, through divisional business continuity officers and designated teams. The BCMP is led by the Business Continuity Management Department, which is the professional entity responsible for guidance, supervision, and presentation of status on behalf of the Bank to the Board of Management and Board of Directors. The department reports to the Head of Business Continuity of the Bank and to the Head of the Emergency Committee of the Bank (the Head of Finance). The activity plan involves all divisions of the Bank; each division head is responsible during routine times for all aspects of business continuity plans in that division, including construction, maintenance, and regular updates of the plan, and in emergencies, is responsible for operating the division while maintaining critical business processes. The Business Continuity Risk Management and Operational Resilience Unit in the Risk Management Division serves as a second line of defense in the area of business continuity risks and emergency preparedness.

The business continuity policy has also been adopted by the subsidiaries in Israel and globally, and at the Bank's overseas branches, in congruence with the corporate-governance policy and the guidelines of the Bank of Israel. In addition, the Bank holds periodic emergency drills covering complex operational, technological, and business scenarios, with the participation of the various units, from branches, units, and divisions to the Board of Management of the Bank. The Bank has a data center to ensure the availability and protection of its information systems and of the information itself. In addition, there is a secondary IT site as well as additional backups. The Israel Standards Institute has affirmed that the business continuity management system of the Bank complies with the requirements of the international standard ISO 22301.

As part of its preparedness for business continuity, the Bank is prepared to handle a range of possible scenarios. With respect to emergency scenarios that may cause the Bank to incur significant damage, red-alert systems are monitored and detailed contingency plans are in place. Stress scenarios are reviewed and discussed periodically by the Committee on Stress Scenarios and Risk Concentrations. The activation of a contingency plan is under the responsibility of the Board of Management or of the designated Board of Management committee responsible for the financial aspects of crisis situations; a charter for the establishment of such a committee is also part of the contingency plans.

3.5.6. Insurance

The Bank has a banking insurance policy to hedge operational risks, which includes: (1) banking insurance to cover damages that may arise from embezzlement by employees, loss of documents, forged documents, etc.; this policy includes coverage for damages due to computer crimes caused to the Bank and/or its customers as a result of penetration of the computer systems of the Bank by an unauthorized third party, (2) professional liability insurance, to protect against claims filed by customers regarding damage caused by negligent banking actions. These insurance policies are subject to exclusions common in insurance policies of banking corporations in Israel (including an exclusion of damage arising from violation of the directives related to money laundering and terrorism financing).

In addition, the insurance structure of the Bank also includes property insurance, third-party insurance, employers' liability insurance, directors' and officers' liability insurance, and additional insurance policies.

The liability limits in the policies were established by the Bank based on an assessment of the risk involved in the activity of the Group, as part of its overall risk-management policy. Within the fulfillment of the Sound Practice requirements under the Basel guidelines, cooperation and exchanges of information are maintained between the Operational Risk Management Department and the unit that handles banking insurance.

For details regarding the settlement agreement with the insurers in connection with the investigation of the Bank Group's business with American customers and the FIFA affair, see Note 25 to the Financial Statements.

3.6. Compliance risk

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

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

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

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

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

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

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

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

In light of the request of the State to postpone the termination of correspondent services until the implementation of a long-term solution for the provision of correspondent services, through the establishment of a government company to provide Palestinian banks with these services, an updated letter of indemnity was issued on June 30, 2019. Pursuant to the updated letter of indemnity, the indemnity to which the State has committed towards the Bank, as detailed above, has been amended to an amount of up to NIS 1.5 billion in respect of each proceeding (not cumulatively). In July 2022, the Bank was provided with an updated letter of indemnity valid until March 31, 2023. The letter of immunity was also extended until March 31, 2023. In January 2023, the Ministry of Finance gave notice that the government company established to provide correspondent services would not begin to operate until 2024, and that the State intended to extend the letter of indemnity and immunity for the Bank accordingly.

The Bank applies a policy of compliance with all legal and regulatory directives, and works to instill this policy at its units and among its employees. For the purposes of risk management, the key compliance risks against which the Bank seeks to defend itself can be described as the following:

- The risk of material damage arising from a regulatory order of any government agency due to noncompliance of the Bank, or of any of its employees, with directives concerning the prohibition of money laundering and terrorism financing, or deficiencies in processes designed to ensure such compliance, or the absence of such processes;
- The risk of material damage arising from a regulatory order of a regulatory agency due to improper, unfair, irresponsible, or unethical activity of the Bank or of any of its employees in relation to customers of the Bank or with regard to tax issues, or noncompliance with legal directives in these contexts;
- The risk of material damage arising from a regulatory order of a regulatory agency due to noncompliance of the Bank or of any of its employees with securities laws;

- The risk of material damage arising from a class-action suit due to noncompliance with directives that regulate the bank-customer relationship;
- The risk of material damage arising from claims or regulatory orders due to inappropriate, irresponsible, unethical, or unworthy conduct of any of the employees of the Bank;
- The risk of a criminal suit against the Bank or against its senior executives due to noncompliance with the law;
- The risk of material damage due to noncompliance with or breach of the agreements of the Bank with the United States authorities of April 30, 2020, which include additional designated actions and commitments in this area, as detailed in Notes 25D and 25E concerning contingent liabilities and special commitments and on the website of the Bank.

Risk indicators are used, among other means, to identify key areas of compliance risk and to monitor their development. The key risk areas and the intensity of the risks arising from these areas may change in accordance with changes in regulation, enforcement, the activity of the Bank and of its customers, market developments, etc. The Bank uses quantitative and qualitative indicators to measure this risk. These include developments in regulation and enforcement, changes in customers and in certain products, findings of controls and audits, gap surveys, and more.

The Chief Compliance Officer of the Bank serves in this position, pursuant to Proper Conduct of Banking Business Directive 308, among other matters, as the officer responsible for the duties set forth in the Prohibition of Money Laundering and Prevention of Terrorism Financing Law; as the supervisor of securities enforcement, pursuant to the Law for More Efficient Enforcement Procedures at the Israel Securities Authority; and as the responsible officer pursuant to FATCA and QI. The Chief Compliance Officer and Securities Enforcement Unit consists of the Anti-Money Laundering and Terrorism Financing Unit; the Securities Enforcement Unit; the International Compliance Unit; the Customer Relations, Consumer Protection Directives, and Subsidiaries Unit; the International Taxation Compliance Unit; the Privacy Protection, Competition, and Prevention of Discrimination, Bribery, and Corruption Unit; the Hetz Center Expert Unit; and the Coordination and Monitoring Unit. The mission of the Chief Compliance Officer Unit is to support the achievement of the Group's strategic and business objectives, while minimizing exposure to compliance and reputational risks. The objectives of the Chief Compliance Officer Unit are:

- To lead a policy of full implementation of legislation at all units of the Bank, in Israel and worldwide, with an understanding of the needs of the business units and support for their activity;
- To use a risk-based approach to identify, document, and actively assess compliance risks inherent in the business operations of the Bank;
- To monitor and examine compliance in the Bank Group through sample testing, and to report the findings to the organs of the Bank.

The responsibility for routine management of the compliance aspects of risk at the Bank and for the execution of activities aimed at minimizing this risk lies with the division heads and the managers of subsidiaries in the Bank Group. Professional responsibility in this field, as a second line of defense, rests with the Chief Compliance Officer Unit in the Risk Management Division. Routine activity is conducted at the Bank's units and in the Group by a network of compliance officers, based on the matrix management principle, with organizational subordination to division heads or CEOs of subsidiaries and professional subordination to the Chief Compliance Officer Unit.

The activity of the Chief Compliance Officer and Securities Enforcement Unit is supervised within corporate governance, through:

- The Board of Directors' Committee on Risk Management and Control;
- The Board of Management of the Bank, headed by the CEO;
- Quarterly reports to senior management and to the Board of Directors on compliance issues.

The compliance policy of the Group sets rules regarding all of the component areas of the compliance issues described above. This policy includes rules regarding corporate governance and the interaction with subsidiaries and branches outside Israel, and is based on legislation and regulation in Israel and in the relevant locations. The Bank Group has established infrastructure to oversee the disclosure requirements with respect to individuals and corporations in the context of FATCA, and is continuing the process of automating the requirements arising from this legislation and from the Israeli regulation in this area. Similarly, the Bank Group is establishing infrastructure to address disclosure requirements with respect to individuals and corporations in the area of CRS. Israeli law requires financial institutions in Israel to report financial accounts of customers with foreign tax residency, within the CRS information exchange treaty signed by Israel. The Bank has also established an overall policy of declared funds, including with regard to foreign-resident customers, aimed at reducing exposure to the presence of unreported funds in the accounts of foreign residents throughout the Bank Group.

3.7. Legal risk

Legal risk comprises, among other matters, legal claims, rulings, inability to enforce contracts, and exposure to fines, penalties, or enforcement measures as a result of supervisory actions and private settlements that may disrupt or adversely affect the activity of the Bank Group. The Group is assisted by internal and external legal counsel in order to contend with this risk.

The Bank takes a broad approach to legal risks, such that these risks encompass risks arising from primary and secondary legislation and regulatory directives, including risks arising from a lack of knowledge regarding the directives of local or foreign law applicable to the activity of the Bank or of the Group, or misinterpretation thereof; rulings of courts, tribunals, and other entities with quasi-judicial authority; actions that are not backed by legal counsel; flawed legal counsel; and risks arising from legal proceedings.

Legal risk is managed in accordance with the legal risk exposure management policy document, which is updated and applied on the level of the Group.

Each quarter, legal counsel submits various periodic reports to the Board of Management and Board of Directors regarding legal risks, including statistical information with regard to the various types of legal proceedings opened or concluded during the relevant period.

For additional information regarding legal risk, see Note 25 to the Financial Statements.

3.8. Reputational risk

Reputational risk is defined as present or future risk of damage to income or capital as a result of a negative image in the eyes of relevant stakeholders, such as customers, parties to transactions, shareholders, investors, or regulatory agencies. This risk, which usually accompanies other activities and other risks, may materialize in various ways, such as loss of customers, new regulation, and more.

The reputational risk management policy of the Bank Group has been approved by the Board of Management and the Board of Directors, and is implemented by the units of the Group.

The reputational risk management strategy of the Bank Group states that reputational risks should be prevented, minimized, and controlled. Accordingly, group-wide goals have been set with respect to reputational risk – specifically, ensuring effective supervision and management of reputational risk and establishing a framework of internal control. The Marketing and Advertising Administration is the overseeing function in the first line of defense, and the Risk Management Division is the second line of defense in this area, with the aim of promoting a culture and values of awareness, transparency, and efficiency in addressing reputational risks.

The framework for the management of reputational risk includes, among other matters, mapping, monitoring, and addressing material risk centers by the Reputational Risk Committee, which convenes periodically; KRI monitoring; reputational risk surveys; and an annual dedicated discussion. The Board of Directors and the Board of Management are responsible for promoting high standards of ethics and integrity and for establishing a culture that emphasizes the importance of internal controls.

3.9. Regulatory risk

Regulatory risk refers to regulatory directives that are not yet in effect, and is reflected in two main aspects:

- Lack of preparation for the implementation of a directive, or partial preparation for the implementation of a binding regulatory directive.
- A heavier regulatory burden that may impair the ability of the Bank to meet its obligations, realize and maximize its business objectives, or offer and deliver certain banking services, and/or may require preparation for complex and lengthy implementation and resource-intensive technological and other investments involving significant costs.

Regulation and supervision of the activity of the banking corporation

The Bank operates within a complex regulatory environment, characterized by frequent changes and uncertainty. The Banking Ordinance, the various banking laws, and the Proper Conduct of Banking Business Directives issued from time to time by the Banking Supervision Department constitute the central legal foundation for the Bank Group's activity. Among other matters, they specify the regulatory requirements applicable to the activity of the Bank and to the subsidiaries and affiliates of the Bank Group.

The activity of the Bank is also subject to regulatory requirements of additional regulators in specific areas of activity, such as the Israel Securities Authority; the Capital Market, Insurance, and Savings Authority; the Privacy Protection Authority; the Money Laundering Prohibition Authority; the Competition Authority; etc.

The Bank and its subsidiaries operate and manage ordered, dedicated work processes to map and identify all regulatory amendments that are expected to apply to them, and to adapt their operations to all relevant laws.

Methods of management of regulatory risk

The Regulation Unit assesses and manages regulatory risks by monitoring, identifying, collecting information, assessing, reporting, conducting follow-ups, and applying controls with respect to regulatory developments, as they emerge. The unit serves as the liaison between the internal units of the Bank and the regulator during the formulation of legislation, with the aim of giving voice to and reflecting the opinion of the relevant professionals, prior to the formulation of the regulatory directive. The unit also supplies opinions, as relevant, with regard to the effect of forthcoming regulation on the expected business conduct of the various units of the Bank. The unit operates in full cooperation with the relevant professional units of the Bank, and with the subsidiaries and offices in Israel and overseas, in order to ensure that all regulatory requirements are implemented fully and optimally. With regard to compliance with regulatory directives from the inception of the regulation, see the section "Compliance risk," above.

The Regulation Unit also conducts procedures to routinely monitor significant amendments of international regulation in areas that may affect the activity of the Bank in Israel, and to examine the need for the Bank, its subsidiaries, and/or its overseas offices to implement such amendments.

For details regarding material regulatory initiatives with an effect on the activity of the Bank during the reported period, see the Corporate Governance Report.

3.10. Economic risk

Risk factors in the economic environment are identified by the Economics Department, which tracks current economic and financial data in Israel and worldwide and professionally evaluates the implications of the data. The department maps potential risks in the economy and in the financial markets, and reports to the relevant teams and committees.

Concurrently, the department prepares a set of stress scenarios with a possible but low probability of future materialization, which in its opinion may have significant economic and financial consequences for the economy and for the Bank. The stress scenarios are updated annually, according to the risk map, and approved by the authorized parties, in accordance with procedures. The Economics Department also examines a series of warning indicators that may signal an increase in the probability of a stress scenario. Warning indicators are reported routinely to the Board of Management Committee on Risk Management.

The Bank translates the market conditions in the scenarios into the impact on its business activity, according to the various risk areas, and examines the effect on its profitability, capital, and capital adequacy, while monitoring risks and segments that may be affected by economic changes in Israel and worldwide, and adapting its policies and control activities as necessary. Among other factors, the Bank examines the securities in its investment portfolio in Israel and overseas, its exposure to foreign financial institutions, and risk centers in the credit portfolio that may be influenced by such developments, and routinely complies with the liquidity requirements, as required by the supervisory directives.

For details regarding conditions in the Israeli and global economy, see the section "Economic and financial review," above.

3.11. Strategic risk

Strategic risk is the risk of material present and/or future change in profits, capital, reputation, status, and/or other material aspects as a result of a combination of one or more of the following factors: changes in the business environment; faulty business decisions; strategy and strategic goals unaligned with the organization and the environment in which it operates; improper implementation of strategy; failure to respond to changes in the industry, economy, or technology; and other factors that generate this risk.

Strategic risk is a function of the congruence (or non-congruence) of the organization's strategic goals with the environment in which it operates, the adaptation of the business plans developed to achieve these goals, resource allocation, and quality of implementation. As such, this risk constitutes forward-looking information.

The strategic plan of the Bank is a multi-annual plan approved by the Board of Management and the Board of Directors, and examined and adjusted annually to changes in the business environment in Israel and globally, changes in the Bank's competitive environment, and changes in the Bank's objectives. The strategic plan was updated in 2022, with the assistance of a leading international consulting firm; the Bank is acting to implement the plan.

The process of formulating the strategic plan encompasses a general examination of the corporation's business and the relevant strategic risks, and a comprehensive planning process. Within the annual planning process, the Board of Management of the Bank examines the future competitive landscape, and builds strategic plans accordingly, in order to respond by preparing as necessary for this future.

The annual strategic planning process consists of three main stages, each of which addresses a different aspect of strategic risk management and assessment:

Stage 1 – Identification of the strategic risks to the Bank in its competitive environment. Examination of the factors influencing the Bank's competitive ability and future growth potential, including an examination of global and local trends and the current situation at the Bank. In this stage, according to the findings, the Board of Management and the Board of Directors establish the key strategic objectives as well as additional emphases to be addressed during the preparation of the strategic plans.

Stage 2 – Formulation and approval of the strategic plan. The Bank formulates all of its strategic plans in accordance with the strategic emphases established, synchronized with the financial objectives, taking risk aspects into consideration. The activity is challenged by the Risk Management Division.

Stage 3 – Implementation of strategic planning. The strategy of the Bank is embedded in the strategic map of the BSC (Balanced Score Card) methodology. The strategic emphases and plans of the Bank are reflected in the BSC map. The BSC map consists of measurable metrics and targets derived from the strategic goals, designed to motivate the behavior and performance of the various units, and used to monitor the implementation of the strategic plan and track strategic risk. Significant deviation from the objectives established in the BSC map may be an indication of partial implementation of the strategic plan, and therefore raises concern over an increase in strategic risk.

3.12. Environmental risk

Environmental risks

Based on the definitions of the Network for Greening the Financial System (NGFS) and the respective definitions of the Banking Supervision Department at the Bank of Israel, the term environmental risks refers to risks that derive from the exposure of a financial institution and/or the financial sector to activities that have the potential to cause environmental degradation, such as air and water pollution, ground pollution, loss of biodiversity, deforestation, and loss of ecosystems, or to be affected by such harm.

- Environmental risks may have financial and non-financial impacts on banking corporations, and may take a form linked to the various other risks which the banking corporations manage routinely, such as credit risk. Such risks may be realized in various ways; for example, if the Bank bears direct responsibility for an environmental hazard, including the possibility that the Bank may be required to remove an environmental hazard, or may be liable to a third party in respect of an environmental hazard. This risk may also materialize indirectly, as a result of deterioration of the financial condition of a borrower or an investment due to environmental costs arising from compliance with directives related to the protection of the environment, or damages due to the breach of such directives. Reputational risk may also materialize as a result of the attribution to the Bank of a direct or indirect connection with the cause of an environmental hazard in the course of its business operations.
- Environmental risk management is part of the management of overall credit and investment risks at the Bank. In line with the letter of the Supervisor of Banks of 2009 concerning environmental risks, and in order to address the effect of environmental risk on the credit risk of large corporate borrowers and on investment risk in large investments, the Bank has established a framework to identify, specify, and manage environmental risks. The methodology for the identification of environmental risks includes, among other things, mapping of potential environmental risk by economic sector. In addition, environmental risk aspects are analyzed and addressed at the level of the individual borrower or investment in the course of review and approval processes for large credit applications or investment requests in sectors identified as exposed to heightened environmental risk, such as mining and quarrying, industry, energy production, sewage services, waste treatment and purification, and other sectors, as well as within the routine management of the risk.
- Alongside the management of exposure to environmental risk in its credit and investment activity, the Bank has formulated a comprehensive, ordered environmental policy in connection with its operational activities. In addition, as part of the process of managing and assessing its environmental conduct, the Bank has received certification under the ISO 14001 standard, which is revalidated annually, in a comprehensive review by a licensed international firm. An extensive description of activities in connection with the environment is presented in the Bank's ESG Report, published annually in accordance with the most advanced GRI standard.
- The Bank, or any senior officer of the Bank, were not a party, during the reported period, to any material legal or administrative proceedings related to the protection of the environment.

Climate risks

The climate crisis is occupying an ever-growing position on the global agenda. Climate change creates harmful effects and risks referred to as climate risks. While there is some connection and overlap between climate risks and environmental risks in the classic sense referred to above, they are not identical.

- According to the NGFS, and subsequently the Banking Supervision Department in Israel, climate risks for a financial institution are risks arising from its exposure to risks caused by or related to climate change:
  - Physical risks – Risks resulting from acute climate events (extreme events), such as floods, storms, heat/cold waves, and wildfires, and/or chronic processes with gradual development over time, such as rising temperatures, decreasing precipitation and desertification, rising sea levels, and others.
  - Transition risks – Risks that arise due to disruptions caused in the process of transforming and adapting the global economy as required, according to scientific consensus and the Paris Agreement of 2016, to fight the sources of climate change, from an economy based on carbon dioxide and other greenhouse-gas emission intensive activities to a low/zero emissions economy. Factors driving this process are changes in regulation, legislation, and government policies; technological changes; market changes and changes in consumer preferences; changes in the area of litigation; and more.
- Climate risks may be reflected in the various traditional financial risks accompanying the routine operations of the Bank, such as credit risk, market risk, operational risk, liquidity risk, and other risks, through various micro- and macroeconomic transmission channels, which may have an adverse effect on the financial robustness of businesses, households, and the economy in general, as well as other risks to the Bank such as reputational risk, regulatory risk, legal risk, and more. Climate risk is considered a complex and evolving field, in that it comprises, among other matters, systemic risk on a broad, unprecedented global scale; the period in which it may materialize is far longer than the usual business planning time horizon for banks; and it is characterized by material uncertainty.
- Supervisory authorities and central bank regulators worldwide see climate risks as one of the key topics on the agenda, with the potential to generate micro- and macroprudential consequences in certain future scenarios, and are acting in this area by, among other matters, issuing supervisory requirements and expectations in connection with climate risk management and disclosure, with reference to the principles of the TFCD;[(1)] conducting scenario analysis exercises and stress tests; and more. Concurrently, climate risk management frameworks at banks worldwide have emerged and developed over recent years, and have come to be a key issue.
- In Israel, in August 2022, the Bank of Israel issued an update of the Public Disclosure Directives concerning ESG (environmental, social, and governance) aspects reflecting a requirement to provide more extensive treatment of environmental and climate aspects, as well as quantitative disclosure of metrics and targets used by the corporation to manage risks and opportunities in this context. In December 2022, the Bank of Israel issued a first draft of a Proper Conduct of Banking Business Directive on the topic, "Principles for Effective Management of Climate-Related Financial Risks," which effectively adopts the document of principles issued by the BCBS (Basel Committee on Banking Supervision) in June 2022.

---

(1) TCFD – Taskforce on Climate-related Financial Disclosure.

- The Bank recognizes the importance and centrality of the issue of climate change and the potential negative ramifications it may have for the Bank, in terms of exposure to financial and other risks, and closely monitors the developments in banking regulation and practice in this area. Beginning in the first quarter of 2021, the Bank has included environmental risk, with an emphasis on climate risk, in its list of emerging risks; however, at this stage, in relation to the other risks to which the Bank is exposed, it is not classified as material. See the section "Top and emerging risks," above. At this stage, it is too early to estimate the potential long-term effect of climate risks on the Bank. With regard to risks in the short term, the initial assessment of the Bank is that it does not have material financial exposures derived from the materialization of physical risks or transition risks, and that its principal exposure in this range is concentrated in the area of reputational risk incidental to its exposure to transition risk in the corporate credit portfolio.
- In 2021, within steps taken to organize, the Bank built an annual and multi-annual work plan to create a comprehensive climate risk management framework, based on a cross-risk perspective, across lines of defense, and began its gradual implementation. In 2022, the Bank continued to develop its capabilities and build and impart knowledge throughout the organization, as described below. In 2023, the Bank intends to consider and carry out adjustments of its plans for building a climate risk management framework, following the expected publication of the directives of the Bank of Israel on this matter.
- In terms of corporate governance, in 2022, a dedicated full-time professional function was established at the Bank in the area of climate and environmental risks. This function is a specialist professional unit responsible for embedding climate risks, as drivers of traditional risks to which the Bank is exposed in its operational and business activities, in the risk-management framework across the existing lines of defense, alongside an inter-division steering committee.
- In terms of the identification and assessment of exposure to climate risks, the Bank is currently operating based on the estimate that in the financial planning time horizon (1-3 years), the exposure is primarily in the context of the credit portfolio, specifically to transition risk. Although Israel is located in a climate hotspot, the Bank has had very limited experience up to this point with vulnerability to acute physical risks; moreover, this risk may materialize without warning. With respect to chronic physical risks, the approach is that the range for materialization of these risks is longer, rather than imminent. In this context, the Bank is already working to also develop identification and assessment capabilities with respect to physical risks.

- In connection with the assessment of transition risk in the corporate credit portfolio, the Bank performed a process according to economic sector level categories to identify and classify focus areas of economic activity exposed to heightened inherent transition risk, due to potential disruptions of their business model and consequent impacts on their financial robustness resulting from the process of transition to a low/zero carbon emissions economy. This process was based on benchmark research, adapted to the specific characteristics of the Bank's activities. The areas identified are characterized by greenhouse-gas emissions intensity across the value chain of the product/service, and account for a material proportion of the global sources of these emissions. For each area of activity identified, transition risk factors were individually analyzed in depth, using the prevalent segmentations – policy/regulation, technology, market and consumer preferences, and litigation/other. The following table presents economic sectors classified in the heat map as having heightened inherent financial exposure to transition risks as a percentage of total credit risk balances at the Bank (stand-alone).

Table 3-31: Credit risk in economic sectors with heightened inherent transition to a low/zero carbon emissions economy risk – Bank[(1)(2)]

	Fossil fuel sector[(3)]	Electricity and gas supply[(4)]	Transportation and shipping[(5)]	Chemical industries, rubber and plastic, cement, and steel[(6)]	Total credit risk in economic sectors with heightened transition risk
	Percentage of total credit risk in and outside Israel				
December 31, 2022	**1.06%**	**1.12%**	**3.07%**	**1.07%**	**6.32%**
December 31, 2021	1.00%	1.15%	3.33%	1.36%	6.84%

(1) Balance sheet and off-balance sheet credit risk, as defined in the table "Credit risk by economic sector" in the section "Credit risk," above.
(2) The data are based on the classification of customers into economic sectors at the Bank. This classification does not unequivocally identify areas with relevance to the conceptual field of climate risk, or transition risk specifically. Thus, for example, the activity of companies in the area of cement, steel, electric vehicles, or electricity production based on renewable energies is not specifically identified in the economic sectors. The data presented are therefore skewed upward to a certain extent.
The heat map is the basis for relatively simple and quick identification of risk centers. However, the heat map and the data presented above do not reflect a risk assessment with respect to specific borrowers or investments, which may be higher or lower than the assessment at the level of the sector, depending on the specific adaptation measures undertaken by each borrower or investment. The Bank does not expect risk in the focus areas of heightened transition risk exposure to materialize in the immediate term to a material extent, and does not believe that the materialization of this risk, if it occurs, would occur simultaneously across sectors.
(3) The value chain of the fossil fuel sector (coal, oil, and natural gas): the economic sectors of crude oil and natural gas production (including building infrastructures), coal mining and production (negligible exposure), refined fuel and crude oil product industries, and retail fuel sales.
(4) The economic sector of supply of electricity, gas, steam, and air conditioning (including building of infrastructures), excluding financing in the area of renewable energies.
(5) The economic sectors of land transport, air transport, marine transport; vehicle sales, maintenance, and repair; operating leases and rental of vehicles; and bus, taxi, train, and cable-car services.
(6) The economic sectors of the chemicals and chemical products industry, rubber and plastic products industry, basic metals industry, and other types of mining and quarrying.

- Based on the heat map, initial foundations were formulated for the credit and investment policy of the Bank in connection with transition risk management, referring, at this stage, to the sectors most exposed to these risks, first and foremost the fossil fuel sector. Within this process, among other matters, the Bank made the decision not to finance or invest in new coal and oil exploration and production projects. A decision was also made to gradually reduce holdings in the nostro portfolio of the Bank in companies engaged in coal and oil activities, to zero by the end of 2026.
- Going forward, the heat map is also expected to serve as the basis for the identification and assessment of financial aspects of climate risk in the process of analyzing material credit applications at the level of the specific borrower in sectors identified as transition risk foci, taking into consideration not only the inherent exposure of the borrower to transition risk but also the borrower's preparation for and management of the risk.
- Another key tool in the assessment of climate risks is scenario analysis and stress testing applied over time ranges far exceeding the usual planning periods for banks, in order to estimate the potential long-term impact of climate risks on the Bank, with an emphasis on strategic implications, under a variety of scenarios. Further to the notification of the Bank of Israel, the Bank is preparing to run a uniform regulatory climate scenario in 2023-2024. In 2022, the Bank carried out a comprehensive benchmark review in this area, referring to the experience accumulated globally in this field up to this point. In the area of building relevant data infrastructures, with an emphasis on physical risk, the Bank made progress in its ability to find, present, and analyze spatial information regarding geographical locations with regard to real-estate collateral in housing credit and credit for construction and real estate, and is continuing to build these capabilities.
- In recognition of the importance of knowledge building in the unique field of climate risks throughout the Bank, in 2022 the Bank continued to structure its knowledge, in the business units and units in the second line of defense, with an emphasis on credit risk. Training dedicated to climate risk as a financial risk for the Bank was held for all CRMs in the Corporate Area and Commercial Area at the Bank, and for all credit analysts in the first and second lines of defense.
- As part of the business continuity management system of the Bank with reference to physical climate risks, the Bank integrated reference to and preparation for extreme weather into its framework of reference scenarios, addressing the aspects of flooding and fires, based on the estimate that such events may have a material impact on the functioning of the Bank, primarily in the regions of Jerusalem, Gush Dan, and the Coastal Plain.
- In 2023, the Bank plans to prepare for the continued development of its climate risk management framework, within its management of traditional risks, as noted, while continuing to closely monitor developments in banking regulation and practice in this area, in and outside Israel. In particular, with respect to regulation, the Bank plans to prepare for the implementation of a Proper Conduct of Banking Business Directive concerning climate risks, and for the application of a uniform systemic scenario led by the Bank of Israel.
- Climate risk management is an important element of the ESG strategy of the Bank for the support of decarbonization. The Bank has established goals for 2030 regarding aspects of the promotion of a green environment and coping with climate change. For key ESG metrics and goals for 2030, including climate and environmental goals, see the section "Key environmental, social, and governance (ESG) indicators," above.

3.13. Model risk

Model risk is the risk of adverse consequences, which may take the form of monetary loss or non-financial impacts (incorrect business and/or strategic decisions, damage to the firm's reputation, etc.), resulting from decisions based on incorrect or inappropriate use of model outputs. The sources of this risk are possible deficiencies in input data, development methodology, technological implementation, and business use.

The model risk of the Group is managed by a dedicated, independent risk management unit, which serves as the second line of defense for this risk. The Group policy on model risk, development, and model validation has been approved by the Board of Management and Board of Directors of the Bank. The Group policy establishes principles for the management of model risk. Model risk management encompasses independent validation, monitoring of risk-mitigation activities conducted by the various units, specification of roles, definition of risk appetite, and assessment of aggregate risk. Pursuant to the directive of the Bank of Israel of 2011, all models in use at the Bank require independent validation.

In light of the increase in uncertainty in the markets caused by macroeconomic changes, such as the increase in inflation and interest rates relative to preceding years, the potential risk arising from the use of models has grown, and model risk monitoring has therefore been increased with respect to the relevant models, with the aim of identifying weaknesses and mitigating risk in the models. In addition, the coronavirus crisis of 2020-2021 is expected to have a long-term effect on the manner and extent of future development of history-based models, such as models in the area of credit.

The developments in data and models in the banking industry and the growing use of models as part of the work plans of the Bank are expected to contribute to the increase in model risk, and pose challenges in the area of model risk management and new model development. The work plan of the Group reflects ways of addressing these challenges.

3.14. Severity of risk factors

Pursuant to the directive of the Bank of Israel, the principal risk factors to which the Group is exposed have been mapped. The risk factors and the estimates of the Board of Management regarding the severity of risk of each factor are listed in the following table. The scale for levels of severity of the risk factors is determined with reference to the risk appetite specified by the Bank. This scale consists of five levels of severity for each risk factor. Quantitative metrics have been established for three of the levels (low, medium, and high):

- **Low severity level –** The damage to average annual profit in the years of the crisis due to materialization of the risk factor in an extreme event would be smaller than the average annual profit before tax in the ordinary course of business, so that there would be no damage to the Tier 1 capital ratio relative to the point of origin; and the annual damage to profit due to an extreme event would not exceed 150% of the average annual profit before tax in the ordinary course of business in any of the years of the crisis.

- **Medium severity level –** The damage to average annual profit in the years of the crisis due to materialization of the risk factor in an extreme event would be greater than the average annual profit before tax during the ordinary course of business, and would therefore cause a decrease in the common equity Tier 1 capital ratio of the Bank relative to the point of origin, but the common equity Tier 1 capital ratio would not fall below the level of the established risk capacity (6.5%); or the damage to profit in at least one of the years of the crisis due to an extreme event would be greater than 150% of the average annual profit before tax in the ordinary course of business, but lower than 250%.
- **High severity level –** The damage to average annual profit in the years of the crisis due to materialization of the risk factor in an extreme event would cause the capital ratio to fall below the level of the risk capacity; or the damage to profit in at least one of the years of the crisis due to an extreme event would exceed 250% of the average annual profit before tax in the ordinary course of business.

In order to quantify the effect of the risk factors on the Bank's profit and capital ratio, systemic stress scenarios and single-risk-factor scenarios are examined for most of the risks, and the scenario with the more severe effect is used in the risk-factor table. Note that this quantification refers to the effect on the capital of the Bank. There are possible scenarios that may involve a decrease in profit, or losses, with a non-negligible effect on the profitability of the Bank, but an immaterial effect on capital adequacy, which are therefore classified at a low level of severity. In addition, when the Bank estimates that the quantitative indicators do not sufficiently express the severity of the risk factor, or when it is not possible to determine the risk level of a particular risk factor using reliable quantitative methods, the assessment of the Bank is taken into consideration.

Each risk factor listed in the table below was tested in its own right, under an assumption of independence of each risk factor relative to the other risk factors listed in the table. However, for the risk factors "condition of the global economy" and "condition of the Israeli economy" in the table, systemic scenarios were tested to estimate the effect on profit and on the capital ratio of the combination of a number of risk factors. It is emphasized that the risk scenarios simulate a situation in which unexpected damages materialize beyond the expected level of damage events in the regular course of the Group's business.

The Bank also assesses the level of risk using another method, based on expert evaluations of the inherent risk level, the quality of risk management, the effectiveness of controls, and the residual risk. The inherent risk is the aggregate risk inherent in the activity in which the Bank engages, and is defined as the potential loss from this activity. Inherent risk is evaluated from a forward-looking perspective as well as in view of the past, but without taking management and control processes into consideration. In order to estimate the residual risk, taking into account management and control processes, evaluations by content experts from the second line of defense were added to the model, addressing the quality of risk management and the effectiveness of controls.

The combination of estimates using the two methods to obtain an overall assessment of residual risk, presented in the table below on a scale of five levels of severity, was performed as an expert evaluation, reflecting the input of the experts in the various areas, and is subject to all of the qualifications noted with respect to forward-looking information.

The risk level established for each risk factor is the most severe of the assessment methods described above.

Table 3-32: Severity of risk factors

	Risk factor	Risk effect
Financial risks		
1.	Credit risk (including counterparty risk)	Medium
1.1.	Of which: risk in respect of the quality of borrowers and/or collateral	Medium
1.2.	Of which: risk in respect of sector concentration/exposure to credit in the construction and real-estate sectors*	Medium
1.3.	Of which: risk in respect of concentration of borrowers/borrower groups	Medium
2.	Market risk	Low-Medium
2.1.	Of which: interest-rate risk	Low-Medium
2.2.	Of which: inflation risk/exchange-rate risk	Low
3.	Share price and credit spread risk	Low-Medium
4.	Liquidity risk	Low-Medium
Operational and legal risks		
5.	Operational risk	Medium
5.1.	Of which: cyber risk	Medium
5.2.	Of which: IT risk	Medium
6.	Legal risk	Low-Medium
Other risks		
7.	Reputational risk	Low-Medium
8.	Strategic and competitive risk	Medium
9.	Regulatory and legislative risk	Medium
10.	Economic risk – condition of the Israeli economy**	Medium
11.	Economic risk – condition of the global economy	Medium
12.	Compliance risk	Medium
13.	Model risk	Medium

* This risk factor reflects the effect of the increasing growth in credit to the construction and real-estate sector and its effect on risk in the portfolio.

** The risk has increased, but at this stage it still remains within the "Medium" severity range. For further details, also see the section "Top and emerging risks," above.

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, 2022. 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.

Details of estimates and evaluations deemed critical by the Bank:

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. Following the implementation of these principles, the allowance for credit losses is calculated based on the expected loss over the lifetime of the credit. In addition, 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 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.

For additional information regarding the initial adoption of generally accepted accounting principles in the United States concerning current expected credit losses (ASC 326), see Note 1D to the Financial Statements.

Orderly work processes are used at the Bank to determine the appropriateness of classifications and allowances, and decisions are made according to approved authorizations.

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.

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.

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

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

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

Adjustments to the model in respect of qualitative factors refer, among other matters, to political and environmental attributes; rapid growth in credit; lending policies and procedures of the Bank, including changes in lending strategy; underwriting processes; and additional factors. In addition, qualitative adjustments were applied in respect of the construction and real-estate sector, in light of the rapid growth of credit in this sector and the reliefs in credit underwriting. See Section 3.2.4 below.

Each quarter, a process is conducted to identify customers with problematic potential, based on defined criteria, and all borrowers on watch lists and/or classified as problematic are examined individually.

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. The individual allowance for credit losses is made on the basis of the Board of Management's estimate of the losses inherent in the credit portfolio, including off-balance sheet items. The Board of Management bases the evaluation process on numerous considerations and estimates. The individual examination addresses the condition of the borrower's business, cash flows from the borrower's business, the value and expected realization date of existing collateral, the value and realization date of third-party guarantees, etc. The recoverable amount is assessed according to this examination, and a determination is made, accordingly, regarding the appropriate classification of the debt and the individual allowance for credit losses, which constitutes the difference between the amount of credit given to the borrower and the total amount that can be collected from the borrower, discounted by the original interest rate of the debt, or the net fair value of the collateral provided against the debt, at every reporting date.

In addition, the Bank is required to estimate the volume of debt that cannot be collected via prolonged collection efforts (defined in most cases as a period exceeding two years), and perform charge-offs in respect of such debt.

Some of the data that form the foundation for the individual examination are based on estimates and evaluations, and dependent upon economic variables that are not under the Bank's control, such as the condition of the Israeli economy and global markets, markets for companies' operations and products, interest rates, conditions in the capital market, prices of real estate and other assets, demand in the industry in Israel and worldwide, and more. The recoverable amount is determined by applying safety margins aimed at addressing situations of uncertainty regarding the ability to repay the debt and the value of collateral. However, because economic and other variables are involved, there is no certainty that the amounts actually received will be identical to the estimates established.

In this context, note that the Bank applies the directive of the Bank of Israel regarding the primary source of repayment, pursuant to which the determination of the appropriate classification for a debt, until default occurs, or until the probability of expected default becomes high, is based on the expected strength of the primary source of repayment of the debt (a current cash-flow based, stable, separate source that is under the borrower's control), notwithstanding the support of secondary and tertiary sources of repayment.

Fair value measurements

Some of the financial instruments in which the Bank operates, including bonds in the available-for-sale portfolio, securities in the portfolio held for trading, shares not held for trading with readily determinable fair value, and derivative financial instruments, are measured in the financial statements at fair value. The fair value of a financial instrument is defined as the price that would be obtained from the sale of an asset, or that would be paid to transfer a liability, in an orderly transaction between market participants at the measurement date, i.e. in a transaction that is not a forced sale or a sale in the course of liquidation. Maximum use is made of observable inputs in assessing fair value. Observable inputs represent information available in the market and received from independent sources. When no observable inputs are available for the measurement of fair value, unobservable inputs are used. These data reflect the assumptions of the Bank, and include models that take the risk inherent in the financial instrument into consideration (market risk, credit risk, etc.).
These types of inputs form the following fair-value hierarchy:

- Level 1 data: Prices quoted (unadjusted) in active markets for identical assets or liabilities.
- Level 2 data: Directly or indirectly observable inputs regarding an asset or liability other than quoted prices included in Level 1.
- Level 3 data: Unobservable inputs regarding an asset or liability.

The hierarchy requires the use of observable market inputs when such information is available. When the inputs used to measure fair value are classified into different levels of the fair-value hierarchy, the Bank classifies the overall fair-value measurement at the lowest level of an input significant for the overall measurement.
The Bank exercises appropriate professional judgment in establishing fair values. Towards that end, the Bank has formulated a plan for the definition of a structured, ordered process for the establishment of fair value.
The process encompasses four independent functions:

- The business function – The party responsible for the management of the financial instrument.
- The validation function – The party responsible for validating the models for the fair-value calculation and validating the data and assumptions used in the calculation.
- The control function – The party responsible for applying routine controls to the process of establishing fair value.
- The supervision function – The party responsible for supervising the proper implementation of the process of establishing fair value.

The Bank has also established a limit according to which the Bank shall not enter into a new type of financial instrument in a material amount, or increase the amount of an existing type, if no structured procedure exists for establishing its fair value at a reasonable degree of confidence (hereinafter: "Exceptional Instruments"). It was further established that in cases in which the volume of the Exceptional Instruments reaches 75% of the limit that has been set, the Board of Directors and the Board of Management Committee on Risk Management shall be notified, and the committee shall formulate a plan to reduce the volume of the Exceptional Instruments.

The fair value of bonds traded overseas is based on price quotes from international price suppliers, which are independent of the issuing corporations and governments. These suppliers are leading international companies that provide quoting and revaluation services to leading financial institutions worldwide.
Pursuant to ASC 820-10 (FAS 157), "Fair Value Measurements," the Bank is required to reflect credit risk and nonperformance risk in assessing the fair value of debt, including derivative instruments, measured at fair value. Nonperformance risk includes the credit risk of the Bank and of the counterparty to the transaction. For further details, see Note 32 to the Financial Statements.

Employee benefit liabilities

Some of the provisions for the Bank's liabilities in connection with employee-employer relationships are based on actuarial calculations, among other factors. These provisions include pension liabilities with respect to payments for employees who retire before legal retirement age, as well as pension liabilities with respect to payments for active employees expected to retire with preferred terms before the legal retirement age, and liabilities for severance pay. Also included are long-term liabilities during the period of employment, such as a 25-year service grant, and retirement and post-retirement employee benefits.
The liabilities, calculated based on actuarial estimates of the Bank as at December 31, 2022, amounted to a total of approximately NIS 4,489 million. The liabilities are discounted at a real factor of 1.71% per annum, based on the yield of CPI-linked government bonds in Israel, plus a margin equal to the difference between rates of yield to maturity, by maturity period, of corporate bonds rated AA or higher in the United States, and rates of yield to maturity for the same maturity periods of US government bonds, at the reporting date, as determined by the Banking Supervision Department.
Actuarial calculations are mainly based on assumptions and estimates, which are based on the evaluations and resolutions of the Board of Management, past experience, and various statistics, such as mortality tables, employee departure rates, the rate of real change in wages over time, etc. These estimates and assumptions are reviewed regularly.
Changes in the various actuarial parameters would lead to different results from those obtained today. For example, a 1% increase in the discount rate would cause a reduction of the liabilities by a total of approximately NIS 344 million, and a 1% decrease in the discount rate would cause these liabilities to grow by a total of approximately NIS 407 million. An increase of 1% in the estimated annual rate of increase in wages would also cause an increase of the aforesaid liabilities by a total of approximately NIS 248 million, and a decrease of 1% in the estimated annual rate of increase in wages would cause the aforesaid liabilities to decrease by a total of approximately NIS 212 million. An increase of 1% in the annual estimate of rates of departure for early retirement would cause an increase of the liabilities by a total of approximately NIS 200 million, and a decrease of 1% in the annual estimated rate of departure for early retirement would cause the liabilities to decrease by a total of approximately NIS 195 million.
For details regarding the update of actuarial assumptions in respect of the change in the estimated cost of the retirement plan during 2022, see Note 22 to the Financial Statements.
The actuary estimate for the period ended December 31, 2022, in respect of employee benefit liabilities is attached to this report.

Contingent liabilities

The Bank Group is a party to legal proceedings taken against it by customers, by former customers, and by various third parties who believe they have suffered harm or damages resulting from the Bank Group's activity. The Bank's Board of Management has included sufficient provisions in the financial statements to cover the expected damages, based on legal opinions. In most legal proceedings, opinions are obtained from legal advisors external to the Bank Group, and reviewed by legal counsels employed by the Bank.

These evaluations are based on the best judgment of the legal advisors, taking into consideration the stage at which the proceedings are at present and the legal experience accumulated on these matters in Israel and worldwide.

The preparation of estimates regarding provisions for legal proceedings involves judgment, at a very high level in comparison to other types of provisions. When such proceedings are in initial stages, the determination whether the Bank has any liability, the establishment of a range of estimates, and the determination of the probability that the Bank may incur costs as a result of such liability entail significant uncertainty; in the case of matters with respect to which no judicial proceeding is underway at the reporting date (including arguments or threats to file a legal claim), the uncertainty increases further.

As the proceedings progress, the Board of Management of the Bank and its legal advisors evaluate, each quarter, whether it is necessary to include or update provisions in respect of the proceedings, updating the estimate performed in the preceding reporting period. The precision of the estimates increases as the proceedings advance, but the amount of the provision remains sensitive to changes in assumptions. The Bank Group may also have exposure to the threat of legal claims that have not yet been filed. In assessing risk in respect of these exposures, the Bank Group relies on estimates of the Board of Management and of the functions that handle the exposure, taking into account the materiality and tangibility of the threat, the prospects of success of a legal claim (if filed), and the possible outcomes thereof.

In most cases, there is a wide range of possible outcomes for every legal proceeding. In addition, it should be taken into account that in most cases, no "certain" or "near certain" assessments can be made with regard to legal matters, not only in the initial stages of a claim or of other proceedings, but until the verdict is handed down or other proceedings are concluded. Accordingly, the outcome of such proceedings may differ, sometimes to a material extent, from the estimates established.

The Bank and its legal advisors face greater difficulty than usual when estimating the outcome of legal proceedings involving class-action suits, most notably during the stage in which the court has not yet decided whether to accept or deny the petition to recognize the claim as a class action.

Taking the foregoing into consideration, and taking into consideration the material amounts stated in class-action suits and the significant uncertainty involved in the estimates, the progress of the hearings in such proceedings may, from time to time, have a material adverse effect on the results of the Bank Group in the quarterly or annual reporting period in which the proceedings are resolved.

Income taxes

Deferred taxes are recognized with reference to temporary differences between the carrying value of assets and liabilities for the purposes of financial reporting and their value for tax purposes. The deferred taxes are measured according to the tax rates expected to apply to the temporary differences at the date when they are realized, based on laws enacted by the balance sheet date.

Deferred-tax assets in respect of losses carried forward, tax benefits, and deductible temporary differences are recognized in the books when it is more likely than not that taxable income against which they can be applied will exist in the future. Changes in recognition or measurement are reflected in the period during which the changes in circumstances that led to the change in the decision occurred.

The Bank applies FIN 48, "Accounting for Uncertainty in Income Taxes." Pursuant to these directives, the Bank recognizes the effect of tax positions only if it is more likely than not that the positions will be accepted by the tax authorities or by the court. Recognized tax positions are measured according to the maximum amount with a probability of realization greater than 50%.

Impairment of securities

Impairment and allowance for credit losses in respect of bonds available for sale

Each reporting period, the Board of Management of the Bank determines whether impairment or credit loss is required to be recognized in respect of bonds available for sale whose fair value is lower than their amortized cost (in a loss position).

1. Impairment of bonds available for sale is required to be recognized when the Bank intends to sell the bonds, or when it is probable that the Bank will be required to sell the bonds before their value is recovered. In such case, the amortized cost is written down to the fair value.
2. A credit loss is required to be recognized when the fair value of bonds available for sale is lower than the amortized cost, and the impairment originates with a credit loss. To determine whether credit loss exists in respect of the bonds, the Bank performs a qualitative examination of whether there are indications of the existence of credit loss, including the issuer rating, the rate of decline in value below the amortized cost, and worsening of the condition of the issuer's business. If the result of the qualitative examination is that credit loss exists, an allowance for credit losses is calculated by discounting cash flows expected from the bonds. It is emphasized that in any event, the allowance for credit losses recognized shall not be greater than the difference between the amortized cost and the fair value.

Revaluation to fair value and impairment of shares without a readily determinable fair value

Shares without a readily available fair value are measured at cost net of impairment, if any, plus or minus observable price changes in ordinary transactions for identical or similar investments of the same issuer. Unrealized profits or losses from adjustments to such observable price changes are recorded to the statement of profit and loss.

Further to the foregoing, the Bank examines, in each reporting period, whether transactions relevant to shares without a readily determinable fair value were executed regarding which an update of the book value of the shares held by the Bank is required. To the extent relevant, the value of the investment in such shares is updated in accordance with the accounting principles. In addition, each reporting period, the Bank performs a qualitative assessment, taking impairment indicators into consideration, in order to assess whether impairment has occurred in investments in shares without a readily determinable fair value. If impairment of the investment in the shares has occurred according to this assessment, the Bank assesses the fair value of the investment in the shares, in order to determine the amount of loss from the impairment.

4.2. Controls and procedures

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

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

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

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

The Bank updated 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 examined the effectiveness of the procedures for internal control over financial reporting, through a renewed examination of the main controls for the current year.

Evaluation of controls and procedures concerning disclosure

The Board of Management of the Bank, in cooperation with the Chief Executive Officer and the Chief Accountant of the Bank, has assessed the effectiveness of the controls and procedures concerning disclosure at the Bank as at December 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 December 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, March 8, 2023

5. Report of the Board of Directors and the Board of Management on internal control over financial reporting

The Board of Directors and the Board of Management of Bank Hapoalim B.M. (hereinafter: the "Bank") are responsible for the establishment and application of adequate internal control over financial reporting (as defined in the Public Reporting Directives concerning the "Board of Directors' Report"). The system of internal control at the Bank was designed to provide a reasonable degree of assurance to the Board of Directors and the Board of Management of the Bank with regard to the adequate preparation and presentation of financial reports published in accordance with generally accepted accounting principles and the directives and guidelines of the Supervisor of Banks. Regardless of the quality of planning of the internal control systems, any such system has inherent limitations. Thus, even if these systems are found to be effective, such systems can provide only a reasonable degree of assurance with regard to the preparation and presentation of the financial reports.

The Board of Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with the Board of Management's authorizations, that assets are protected, and that accounting records are reliable. In addition, the Board of Management, under the supervision of the Board of Directors, applies measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Board of Management of the Bank, under the supervision of the Board of Directors, assessed the effectiveness of the Bank's internal control over financial reporting as at December 31, 2022, based on the criteria established in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). Based on this assessment, the Board of Management believes that as at December 31, 2022, the Bank's internal control over financial reporting is effective.

The effectiveness of the Bank's internal control over financial reporting as at December 31, 2022 was audited by the Bank's external auditors, Ziv Haft Certified Public Accountants (Isr.) and Somekh Chaikin Certified Public Accountants (Isr.), as noted in their report on page 154. The auditors' report includes an unqualified opinion with regard to the effectiveness of the Bank's internal control over financial reporting as at December 31, 2022.

Ruben Krupik	**Dov Kotler**	**Guy Kalif**
Chairman of the Board of Directors	President and Chief Executive Officer	Member of the Board of Management, Chief Accountant

Tel-Aviv, March 8, 2023

CEO Declaration

I, Dov Kotler, declare that:

1. I have reviewed the annual report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the year 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, March 8, 2023

Chief Accountant Declaration

I, Guy Kalif, declare that:

1. I have reviewed the annual report of Bank Hapoalim B.M. (hereinafter: the "Bank") for the year 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, March 8, 2023

2022

Bank Hapoalim

Financial Statements

Contents

Auditors' Report to the Shareholders of Bank Hapoalim B.M. According to the Public Reporting Directives of the Supervisor of Banks Regarding Internal Control Over Financial Reporting

We have audited the internal control over financial reporting of Bank Hapoalim B.M. and its subsidiaries (hereinafter together – "the Bank") as at December 31, 2022, based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Bank's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for their assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of the Board of Directors and the Board of Management on internal control over financial reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the USA regarding audit of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material aspects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the planning and operation of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A bank's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in Israel (Israeli GAAP) and in accordance with directives and guidelines of the Supervisor of Banks. The internal control over financial reporting of a bank includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and transfers of the assets of the bank (including their removal from its possession); (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in Israel (Israeli GAAP) and in accordance with directives and guidelines of the Supervisor of Banks, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition (including removal from its possession) of the bank's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatement. Also, future conclusions based on any current effectiveness assessment are exposed to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Bank maintained, in all material aspects, effective internal control over financial reporting as at December 31, 2022, based on criteria established in the Internal Control – Integrated Framework issued by the COSO 2013.

We also have audited, in accordance with accepted auditing standards in Israel, and certain auditing standards applied in the audit of banking corporations as determined by directives and guidelines of the Supervisor of Banks, the consolidated financial statements of the Bank as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and our report dated March 8, 2023, expressed an unqualified opinion on the said financial statements.

Somekh Chaikin
Certified Public Accountants (Isr)

Ziv Haft
Certified Public Accountants (Isr)

Tel-Aviv, March 8, 2023

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

We have audited the accompanying consolidated balance sheets of Bank Hapoalim B.M. (hereinafter: "the Bank") as at December 31, 2022 and 2021, and the consolidated statements of profit and loss, statements of comprehensive income, statements of changes in equity, and statements of cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Bank's Board of Directors and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance), 1973, and certain auditing standards whose application in the audit of banking corporations was prescribed in directives and guidelines of the Supervisor of Banks. According to these standards, we are required to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors and Management of the Bank, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material aspects, the financial position of the Bank and its consolidated subsidiaries as at December 31, 2022 and 2021, and the results of operations, changes in equity, and cash flows of the Bank and its consolidated subsidiaries for each of the three years in the period ended December 31, 2022, in conformity with generally accepted accounting principles in Israel (Israeli GAAP). Furthermore, in our opinion, these financial statements are prepared in accordance with the directives and guidelines of the Supervisor of Banks.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the United States regarding audit of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel, the Bank's internal control over financial reporting as at December 31, 2022, based on criteria established in the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013), and our report, dated March 8, 2023, expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

Key audit matters

The key audit matters detailed below are those matters communicated, or which were required to be communicated, to the Board of Directors of the Bank, and which, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) that concerns or may concern material items or disclosures in the financial statements, and (2) regarding which our judgment was challenging, subjective, or particularly complex. These matters were addressed within our audit and the formulation of our opinion on the consolidated financial statements as a whole. The communication of these matters below does not alter our opinion of the consolidated financial statements as a whole, and we do not thereby provide a separate opinion regarding these matters, or regarding the items or disclosures to which they refer.

Allowance for credit losses

Why the matter was deemed a key audit matter

As described in Notes 1, 13, and 29 to the Consolidated Financial Statements, the allowance for credit losses of the Bank in respect of balance sheet and off-balance sheet credit to the public in the consolidated statements of the Bank amounts to a total of NIS 6.5 billion as at December 31, 2022, and includes an allowance on an individual basis and an allowance on a collective basis in respect of the risk of credit to the public.

In the process of estimating the allowance for credit losses, the Bank assesses the loss inherent in the credit portfolio. The loss assessment process is based on significant estimates that involve uncertainty, and on subjective evaluations, both at the stage of determining the required classification of the debts and at the stage of measuring the allowance for credit losses.

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) (ASC 326) as of January 1, 2022. In the calculation of the allowance on a collective basis, the expected losses over the lifetime of the credit are estimated according to methodology and models based on risk rating (such as the probability of default and the loss given default), in which the amount of the expected loss in the event of occurrence of default is estimated. The models are based, among other matters, on historical data and additional adjustments used to predict the expected credit losses.

The classification of customers' debt as nonproblematic or problematic debt also influences the level of the allowance for credit losses. In addition, the Bank includes an allowance for credit losses calculated on an individual basis in respect of certain debts, in accordance with its policy, based on assessments of the expected recovery from the borrower.

Principal estimates used as the basis for calculation of the allowance for credit losses:

- Establishing estimates in the models used by the Bank, such as methodology, assumptions, and data, and the establishment of additional adjustments involves significant judgment in the choice and design thereof.
- When identifying and classifying debts, judgment is exercised to find problematic debts according to specified criteria that may indicate that a debt has become problematic, an estimate of the potential or existing damage to the primary repayment source of the borrower (i.e. a current cash-flow based, stable source under the borrower's control), the existence of expected cash flow of the borrower for full and timely repayment of the debt, and an assessment of other financial data of the borrower that may indicate existing or potential weaknesses of the borrower. As noted, the classification of a debt as problematic also affects the level of the allowance in respect of that debt.
- In the calculation of the allowance on an individual basis, judgment is exercised in determining the recoverable amount, i.e. in determining the expected future cash flows to service the debt from the business activity of the borrower and/or the value of realization of collateral and guarantees.

We identified the aforesaid estimates used as the basis for calculation of the allowance for credit losses as a key audit matter. Any change in these estimates or evaluations may have a significant effect on the allowance for credit losses stated in the financial statements of the Bank.

Auditing the allowance for credit losses requires the judgment of the auditor, as well as the knowledge and experience to examine the reasonableness of the use of the models, calculations, and adjustments used by management to determine the appropriateness of debt classifications and the estimated allowance for credit losses.

How the key audit matter was addressed

The following are the principal procedures we performed in connection with this key matter within our audit:

We examined the work processes for the calculation of the allowance for credit losses and the effectiveness of the planning and operation of controls over financial reporting related to the determination of the estimated allowance, including controls on the following subjects:

- Examination of the adequacy of the methodology used to determine the allowance for credit losses;
- Adequacy of the underlying data used to calculate the allowance for credit losses;
- Identification of debts with potential characteristics of problematic debts, according to criteria established by the Bank;
- Classification of the debts according to the procedures of the Bank;
- Analysis of the reasonableness of the allowance for credit losses measured on a collective basis.

We carried out substantive procedures to examine the allowance for credit losses, based on representations we received. These procedures included, among other matters:

- Examination of the methodology for determining the allowance and an examination of whether it is consistent with the accounting principles applicable to the Bank;
- Sample testing of calculations performed by the Bank to determine the appropriateness of the use of the various models;
- Examination of the appropriateness of classifications and allowances for a sample of debts;
- Examination of the reasonableness of appropriateness of the allowance for credit losses.

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

Consolidated Statement of Profit and Loss
for the year ended December 31, 2022

NIS millions

	Note	2022	2021	2020
Interest income	2	**19,220**	11,684	10,260
Interest expenses	2	**(5,753)**	(1,917)	(1,463)
Net interest income		**13,467**	9,767	8,797
Provision (income) for credit losses	13	**(34)**	(1,220)	1,943
Net interest income after provision for credit losses		**13,501**	10,987	6,854
Non-interest income				
Non-interest financing income (expenses)	3	**581**	1,081	1,088
Fees	4	**3,705**	3,355	3,155
Other income	5	**167**	189	136
Total non-interest income		**4,453**	4,625	4,379
Operating and other expenses				
Salaries and related expenses	6	**4,387**	4,333	3,836
Maintenance and depreciation of buildings and equipment		**1,441**	1,333	1,377
Other expenses	7	**2,144**	2,137	2,288
Total operating and other expenses		**7,972**	7,803	7,501
Profit before taxes		**9,982**	7,809	3,732
Provision for taxes on profit	8	**3,548**	2,958	1,590
Profit after taxes		**6,434**	4,851	2,142
The Bank's share in profits of equity-basis investees, after taxes	15(B)	**99**	49	10
Net profit from continued operations		**6,533**	4,900	2,152
Loss from a discontinued operation		**-**	-	(109)
Net profit (loss)				
Before attribution to non-controlling interests		**6,533**	4,900	2,043
Loss (profit) attributed to non-controlling interests		**(1)**	14	13
Attributed to shareholders of the Bank		**6,532**	4,914	2,056
Earnings per ordinary share in NIS	9			
Basic earnings				
Net profit attributed to shareholders of the Bank		**4.89**	3.68	1.54
Net profit attributed to shareholders of the Bank from continued operations		**4.89**	3.68	1.62
Diluted earnings				
Net profit attributed to shareholders of the Bank		**4.89**	3.68	1.54
Net profit attributed to shareholders of the Bank from continued operations		**4.89**	3.68	1.62

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

Ruben Krupik	**Dov Kotler**	**Guy Kalif**
Chairman of the Board of Directors	President and Chief Executive Officer	Member of the Board of Management, Chief Accountant

Tel Aviv, March 8, 2023

Consolidated Statement of Comprehensive Income

NIS millions

for the year ended December 31, 2022

	Note	2022	2021	2020
Net profit before attribution to non-controlling interests		**6,533**	4,900	2,043
Net loss (profit) attributed to non-controlling interests		**(1)**	14	13
Net profit attributed to shareholders of the Bank		**6,532**	4,914	2,056
Other comprehensive income (loss) before taxes:	10			
Net adjustments for presentation of bonds available for sale at fair value		**(2,947)**	(575)	369
Net gains reclassified to the statement of profit and loss in respect of the disposal of an activity		**-**	-	(16)
Adjustments of employee benefit liabilities*		**738**	(314)	85
Other comprehensive income (loss) before taxes		**(2,209)**	(889)	438
Effect of related tax		**733**	300	(96)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes		**(1,476)**	(589)	342
Net of other comprehensive loss (income) attributed to non-controlling interests		**2**	-	1
Other comprehensive income (loss) attributed to shareholders of the Bank, after taxes		**(1,474)**	(589)	343
Comprehensive income (loss) before attribution to non-controlling interests		**5,057**	4,311	2,385
Comprehensive loss (income) attributed to non-controlling interests		**1**	14	14
Comprehensive income attributed to shareholders of the Bank		**5,058**	4,325	2,399

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

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

Consolidated Balance Sheet
as at December 31, 2022

NIS millions

	Note	December 31 2022	2021
Assets			
Cash and deposits with banks		**133,424**	189,283
Securities[1][2]	11	**107,400**	71,105
Securities borrowed or purchased under agreements to resell	12	**898**	1,253
Credit to the public		**394,262**	357,729
Allowance for credit losses		**(5,535)**	(5,106)
Net credit to the public	13, 29	**388,727**	352,623
Credit to governments	14	**2,157**	1,969
Investments in equity-basis investees	15	**1,198**	853
Buildings and equipment	16	**3,522**	3,555
Assets in respect of derivative instruments	27	**21,832**	12,984
Other assets[1]	17	**6,195**	5,156
Total assets		**665,353**	638,781
Liabilities and capital			
Deposits from the public	18	**532,588**	525,072
Deposits from banks	19	**8,696**	11,601
Deposits from the government		**3,262**	752
Securities lent or sold under agreements to repurchase		**13,877**	3,426
Bonds and subordinated notes	20	**26,866**	25,582
Liabilities in respect of derivative instruments	27	**19,043**	14,350
Other liabilities (of which: 935; 797, respectively, allowance for credit losses in respect of off-balance sheet credit instruments)[1]	21	**14,518**	15,251
Total liabilities		**618,850**	596,034
Shareholders' equity	24	**46,502**	42,735
Non-controlling interests		**1**	12
Total capital		**46,503**	42,747
Total liabilities and capital		**665,353**	638,781

(1) With regard to amounts measured at fair value, see Note 32B.
(2) For details regarding securities pledged to lenders, see Note 26.

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

Statement of Changes in Equity
for the year ended December 31, 2022

NIS millions

	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, 2020	8,167	20	8,187	(1,352)	31,346	38,181	40	38,221
Net profit (loss) for the year	-	-	-	-	2,056	2,056	(13)	2,043
Dividends	-	-	-	-	(720)	(720)	-	(720)
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	-	13	13	-	-	13	-	13
Exercise of equity compensation into shares	16	(16)	-	-	-	-	-	-
Net other comprehensive income (loss) after tax effect	-	-	-	343	-	343	(1)	342
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 (December 31, 2020: excluding a balance of 1,479,008 treasury shares).

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

Statement of Changes in Equity
for the year ended December 31, 2022 (continued)

NIS millions

	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, 2022	**8,200**	**16**	**8,216**	**(1,598)**	**36,117**	**42,735**	**12**	**42,747**
Adjustment to opening balance, net of tax, of the effect of initial implementation of CECL[(1)]	**-**	**-**	**-**	**-**	**(364)**	**(364)**	**-**	**(364)**
Adjusted opening balance as at January 1, 2022	**8,200**	**16**	**8,216**	**(1,598)**	**35,753**	**42,371**	**12**	**42,383**
Net profit (loss) for the year	**-**	**-**	**-**	**-**	**6,532**	**6,532**	**1**	**6,533**
Dividends	**-**	**-**	**-**	**-**	**(939)**	**(939)**	**-**	**(939)**
Adjustments and changes arising from:								
Benefit due to share-based payment transactions	**-**	**12**	**12**	**-**	**-**	**12**	**-**	**12**
Exercise of equity compensation into shares	**12**	**(12)**	**-**	**-**	**-**	**-**	**-**	**-**
Net other comprehensive income (loss) after tax effect	**-**	**-**	**-**	**(1,474)**	**-**	**(1,474)**	**(2)**	**(1,476)**
Decrease in non-controlling interests due to increase in rate of holding in subsidiary[(2)]	**-**	**-**	**-**	**-**	**-**	**-**	**(10)**	**(10)**
Balance as at December 31, 2022	**8,212**	**16**	**8,228**	**(3,072)**	**41,346**	**46,502**	**1**	**46,503**

* Excluding a balance of 540,105 treasury shares.
(1) Cumulative effect in respect of the initial implementation of United States accounting principles on the topic, "Financial Instruments – Credit Losses" (ASU 2016-13). For details, see Note 1D below.
(2) For details, see Note 24J below.

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

Consolidated Statement of Cash Flows
for the year ended December 31, 2022

NIS millions

	2022	2021	2020
Cash flows from (for) operating activity			
Net profit for the period	**6,533**	4,900	2,043
Adjustments necessary to present cash flows from operating activity			
The Bank's share in losses (profits) of equity-basis investees	**(99)**	(49)	(10)
Depreciation of buildings and equipment (including impairment)	**716**	602	580
Amortization of issuance expenses	**40**	15	19
Provision (income) for credit losses	**(34)**	(1,220)	1,943
Loss (gain) from sale of bonds available for sale and shares not held for trading	**128**	(256)	(156)
Realized and unrealized loss (gain) from adjustments to fair value of securities held for trading	**9**	54	(13)
Realized and unrealized loss (gain) from adjustments to fair value of shares not held for trading	**166**	(566)	(59)
Loss (gain) from realization and impairment of affiliates	**(17)**	(13)	126
Gain from realization of buildings and equipment	**(46)**	(92)	(57)
Change in benefit due to share-based payment transactions	**(12)**	(6)	(271)
Net change in liabilities in respect of employee benefits	**(26)**	(11)	(214)
Deferred taxes, net	**(71)**	684	(91)
Loss (gain) from sale of credit portfolios	**6**	-	(21)
Dividends received from equity-basis investees	**67**	34	9
Adjustments in respect of exchange-rate differences	**(1,429)**	588	1,440
Accumulation differentials included in investing and financing activities	**(5,133)**	732	249
Net change in current assets			
Assets in respect of derivative instruments	**(8,848)**	1,906	(3,747)
Securities held for trading	**3,726**	1,854	405
Other assets	**(1,047)**	214	209
Net change in current liabilities			
Liabilities in respect of derivative instruments	**4,693**	(2,454)	4,755
Other liabilities	**810**	(1,738)	(4,339)
Net cash from (for) operating activity	**132**	5,178	2,800

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

Consolidated Statement of Cash Flows
for the year ended December 31, 2022 (continued)

NIS millions

	2022	2021	2020
Cash flows from (for) investing activity			
Deposits with banks	**(5)**	122	1,425
Credit to the public[1]	**(32,424)**	(46,428)	(10,027)
Credit to governments	**(172)**	225	(222)
Securities borrowed or purchased under agreements to resell	**355**	(885)	103
Acquisition of bonds held to maturity	**(5,863)**	(190)	(157)
Proceeds from redemption of bonds held to maturity	**-**	115	43
Acquisition of bonds available for sale and shares not held for trading	**(65,350)**	(33,226)	(50,103)
Proceeds from sale of bonds available for sale and shares not held for trading	**25,550**	29,859	27,038
Proceeds from redemption of bonds available for sale	**10,417**	6,039	10,205
Acquisition of credit portfolios	**(1,132)**	(472)	(594)
Proceeds from sale of credit portfolios	**1,606**	-	55
Investment in equity-basis investees	**(327)**	(282)	(363)
Proceeds from realization of investment in equity-basis investees	**16**	-	-
Acquisition of buildings and equipment	**(700)**	(886)	(682)
Proceeds from realization of buildings and equipment	**63**	140	72
Net cash from (for) investing activity	**(67,966)**	(45,869)	(23,207)

	2022	2021	2020
Cash flows from (for) financing activity			
Deposits from banks	**(2,905)**	5,010	3,071
Deposits from the public	**690**	83,084	73,572
Deposits from the government	**2,510**	(9)	76
Securities lent or sold under agreements to repurchase	**10,451**	3,420	3
Issuance of bonds and subordinated notes	**6,568**	8,123	2,372
Redemption of bonds and subordinated notes	**(5,813)**	(6,174)	(5,233)
Dividend paid to shareholders of the Bank	**(939)**	(1,479)	-
Acquisition of minority interests in a subsidiary	**(16)**	-	-
Net cash from (for) financing activity	**10,546**	91,975	73,861
Increase (decrease) in cash	**(57,288)**	51,284	53,454
Balance of cash from continued operations at beginning of year	**188,594**	137,898	85,886
Effect of changes in exchange rates on cash balances	**1,429**	(588)	(1,442)
Balance of cash from continued operations at end of year	**132,735**	188,594	137,898

(1) Includes regular activity of receivables discounting acquisition.

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

Consolidated Statement of Cash Flows

for the year ended December 31, 2022 (continued)

NIS millions

	2022	2021	2020
Interest and taxes paid and/or received			
Interest received	**15,190**	10,108	10,749
Interest paid	**(4,001)**	(1,708)	(2,720)
Dividends received	**43**	33	11
Income tax paid	**(2,293)**	(1,608)	(2,163)
Income tax received	**261**	4	447

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

Note 1 Significant Accounting Policies

A. General information

Bank Hapoalim B.M. (hereinafter: the "Bank") is a corporation incorporated in Israel.

The Bank has received approval from the Banking Supervision Department to publish the annual financial statements on a consolidated basis only. Note 34 presents the condensed stand-alone financial statements of the Bank, including the balance sheet, statement of profit and loss, and statement of cash flows.

The financial statements were approved for publication by the Board of Directors of the Bank on March 8, 2023.

B. Definitions

In these financial statements:

- GAAP for US banks – Accounting principles that American banks traded in the United States are required to implement, in accordance with the hierarchy established in Accounting Standards Codification (ASC) Topic 105-10 (FAS 168) of the Financial Accounting Standards Board and in accordance with the guidelines and position statements of the Securities and Exchange Commission and of the banking supervision agencies in the United States.
- The Group – The Bank and its consolidated companies.
- Consolidated companies/subsidiaries – Companies whose financial statements are consolidated in full, directly or indirectly, with the financial statements of the Bank.
- Equity-basis investees – Companies measured using the equity method.
- Affiliates – Consolidated companies and equity-basis investees of the Group.
- Overseas offices – Representative offices, agencies, branches, or subsidiaries of the Bank outside Israel.
- CPI – The consumer price index as published by the Central Bureau of Statistics in Israel.
- Recorded debt balance – The balance of a debt, after deducting charge-offs, but before deducting the allowance for credit losses in respect of the debt.
- Fair value – The price that would be obtained from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

C. Basis for preparation of the financial statements

1. Reporting principles

The consolidated financial statements of the Bank are prepared in accordance with the Public Reporting Directives and guidelines of the Banking Supervision Department. These directives are primarily based on generally accepted accounting principles for banks in the United States.

2. Functional currency and presentation currency

The New Israeli Shekel (NIS) is the currency representing the primary economic environment in which the Bank operates, and therefore constitutes the functional currency of the Bank. The financial statements are presented in NIS and rounded to the nearest million, unless otherwise noted.

Note 1 Significant Accounting Policies (continued)

3. Use of estimates

The preparation of the financial statements in conformity with the directives and guidelines of the Banking Supervision Department requires the Board of Management of the Bank to exercise judgment and to use estimates, evaluations, and assumptions that affect the application of policies and the amounts of assets, liabilities, income, and expenses. It is hereby clarified that actual results may differ from such estimates.

In formulating the accounting estimates used in the preparation of the financial statements of the Bank, the Board of Management of the Bank is required to make assumptions with regard to circumstances and events that involve significant uncertainty. The Board of Management of the Bank bases its judgment in establishing these estimates on past experience, various facts, external factors, and reasonable assumptions, according to the circumstances, as appropriate for each estimate. The estimates and the underlying assumptions are reviewed routinely. Changes in accounting estimates are recognized in the period in which the estimates are amended and in every affected future period.

D. 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 current expected credit losses (ASC 326)

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

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

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

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

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

Note 1 Significant Accounting Policies (continued)

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

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

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

As a result of the implementation of the standard, the Bank modified certain processes in connection with the classification and examination of problematic credit, definition of credit as not accruing interest income, charge-off rules, and allowance measurement methods. In addition, disclosure requirements were adjusted to the requirements of United States accounting standards, as adopted by the Banking Supervision Department in the Public Reporting Directives, all as detailed in Note 1E below.

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

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

Note 1 Significant Accounting Policies (continued)

NIS millions

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

* After implementation of the relief, as described above. For further details regarding the effect of implementation of the standard on capital adequacy and leverage, see Note 24 below.

E. Accounting policies implemented in the preparation of the financial statements

1. Foreign currency and linkage

Transactions in foreign currency

Transactions in foreign currency are translated according to the exchange rate in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated according to the exchange rate in effect at that date.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into the functional currency according to the exchange rate in effect on the date on which the fair value is determined. Non-monetary items denominated in foreign currency and measured at historical cost are translated according to the exchange rate in effect on the date of the transaction. Exchange-rate differences arising from translation of transactions in foreign currency are recognized in profit and loss.

In this context, note that according to the US standard applied at the Bank, exchange-rate differences in respect of bonds available for sale are classified into the capital reserve. However, the Banking Supervision Department has instructed banks in Israel to continue, until January 1, 2024, to treat exchange-rate differences in respect of bonds available for sale according to international standards, where these exchange-rate differences are classified into the statement of profit and loss.

Note 1 Significant Accounting Policies (continued)

Overseas banking branches/subsidiaries

In accordance with the criteria established by the Banking Supervision Department, in determining the functional currency of overseas banking branches/subsidiaries, the Bank is required to examine compliance/non-compliance with each of the following criteria:

- The primary environment in which the branch/subsidiary generates and expends cash is foreign currency, whereas the branch/subsidiary's activity in NIS is marginal;
- Autonomous recruitment of customers by the branch/subsidiary – the activity of the branch/subsidiary with customers of the Bank and/or closely affiliated parties thereof and/or parties referred to the branch/subsidiary by the Bank is not significant;
- The activity of the branch/subsidiary with the Bank and/or with its related parties is not significant. In addition, the branch/subsidiary is not significantly dependent upon financing sources from the Bank and/or its related parties;
- The activity of the branch/subsidiary is independent in essence and stands in its own right, and is not an extension or supplement to the local activity of the Group. In addition, the branch/subsidiary conducts its activities with a significant degree of autonomy.

Clear non-compliance with one of the aforesaid criteria is an indication that the branch/subsidiary should be treated as a foreign operation whose functional currency is the NIS. In other situations, the determination shall be made based on an examination of the criteria in aggregate. In accordance with these criteria, the Bank classified its overseas branches/subsidiaries as foreign operations whose functional currency is the NIS (until December 31, 2018, the functional currency of Bank Hapoalim Switzerland was the Swiss franc).

CPI and exchange rates

Set out below are details regarding the CPI and representative exchange rates of the major currencies, and rates of change thereof.

	2022	2021	2020	**2022**	2021
	Points			Change in % for the year	
CPI					
November CPI ("known")	**110.1**	104.5	102.1	**5.3**	2.4
	NIS				
Exchange rate as at December 31					
USD exchange rate (in NIS per 1 USD)	**3.519**	3.110	3.215	**13.2**	(3.3)
EUR exchange rate (in NIS per 1 EUR)	**3.753**	3.520	3.944	**6.6**	(10.8)
CHF exchange rate (in NIS per 1 CHF)	**3.815**	3.405	3.650	**12.1**	(6.7)
TRY exchange rate	**0.188**	0.233	0.433	**(19.6)**	(46.1)

	2022	2021	2020
As at December 31			
Bank of Israel interest rate	**3.25%**	0.10%	0.10%

Note 1 Significant Accounting Policies (continued)

2. Investments in affiliates

a. Consolidated financial statements and non-controlling interests

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date of attainment of control to the date of cessation of control. Accordingly, mutual balances and transactions between these entities and unrealized profits or losses between the entities are eliminated in full.

Non-controlling interests represent the share of the capital of a subsidiary that cannot be directly or indirectly attributed to the Bank. Non-controlling interests are measured at the date of combination of the businesses, at fair value, and stated as a separate item within the equity of the Bank.

Profit or loss and any component of other comprehensive income are attributed to the shareholders of the Bank and to non-controlling interests.

Transactions between the Group and non-controlling interests that do not lead to a loss of control are treated as equity-level transactions. Any difference between the consideration paid or received and the change in non-controlling interests is allocated to the ownership share of the Bank, directly in capital.

b. Loss of control of a subsidiary

When control is lost, the Bank derecognizes the assets and liabilities of the subsidiary, any non-controlling interests, and other components of capital attributed to the subsidiary, including amounts previously recognized in accumulated other comprehensive income.

The difference between the consideration received and the fair value of the remaining investment in the former subsidiary, and the balances derecognized, is recognized in profit and loss.

c. Investment in equity-basis investees

Equity-basis investees are entities in which the Bank has material influence over financial and operational policy, but has not attained control. The assumption is that a stake of 20% to 50% in an affiliate grants material influence.

Investments in equity-basis investees are accounted for using the equity method, and are recognized for the first time according to the cost of the investment, including transaction costs. The financial statements include the Bank's share of income and expenses, profit or loss, and other comprehensive income of affiliated entities accounted for using the equity method.

An investment in an equity-basis investee is examined for impairment, as a whole, when events or changes in circumstances indicate that the book value of the investment is not recoverable. Impairment is recognized when the impairment is other than temporary.

Note 1 Significant Accounting Policies (continued)

3. Basis for recognition of income and expenses

As a rule, income and expenses are included in the statement of profit and loss on an accrual basis.

The Bank accounts for the income and expense items noted below as established in the directives and guidelines of the Banking Supervision Department:

a. Beginning on the date of classification of a debt as non-accruing, the Bank stops accruing interest income in respect of the debt (including CPI linkage differentials). In addition, upon classification of the debt as non-accruing, the Bank cancels all uncollected accrued interest income that has been recognized as income in the statement of profit and loss. The debt continues to be classified as debt not accruing interest income, as long as its classification as such is not rescinded. With regard to the restoration of non-accruing debt to accruing debt status, see Section E(4) below.

   Interest accrued on problematic debts classified as non-accruing debts is recognized as income on a cash basis, when there is no doubt regarding the collection of the remaining recorded balance of non-accruing debt. In such situations, the amount collected at the expense of the interest to be recognized as interest income is limited to the amount that would have accrued during the reporting period on the remaining recorded balance of the debt, at the contractual interest rate. Interest income on a cash basis is classified in the statement of profit and loss as interest income under the relevant item. When the collection of the remaining recorded balance is in doubt, all payments collected are used to reduce the principal of the loan, until the doubt is eliminated.

b. Fees charged for credit origination, with the exception of fees in respect of loans for a period of up to three months, are not recognized immediately as income in the statement of profit and loss; instead, they are deferred and recognized over the life of the loan as an adjustment of the return. Income from such fees is recorded according to the effective interest rate method, and reported as part of interest income.

c. Credit allocation fees are treated according to the probability of realization of the commitment to grant the credit. If the probability is remote, the fee is recognized on a straight-line basis over the period of the commitment. Otherwise, the recognition of income from such fees is deferred until the realization of the commitment or until it expires, whichever is earlier. If the commitment is realized, the fees are recognized by adjustment of the return over the life of the loan, as noted above. If the commitment expires without being realized, the fees are recognized at the date of expiration and reported within income from fees. For this purpose, the Bank assumes that the probability of realization of the commitment is not remote.

d. In the case of refinancing or restructuring of non-problematic debts, it is necessary to determine whether the change in the terms of the loan is material or otherwise. In cases where the change is material (not minor), all unamortized fees as well as prepayment fees collected from the customer in respect of changes in the terms of the credit are recognized in profit and loss. Otherwise, the aforesaid fees are included as part of the net investment in the new loan, and recognized as an adjustment of return, as noted above. For this purpose, the Bank assumes that the changes in the terms of the debt are not material (are minor).

e. Prepayment fees are recognized immediately within interest income.

Note 1 Significant Accounting Policies (continued)

f. Income from fees in respect of the delivery of services (e.g. from activity in securities and derivative instruments, credit cards, account management, conversion differences, and foreign trade) is recognized in profit and loss when the Bank gains the entitlement to receive it. Certain fees, such as fees in respect of guarantees and certain fees in respect of project financing, are recognized proportionally over the period of the transaction.

g. Securities – see Section E(5) below.

h. Derivative financial instruments – see Section E(6) below.

4. Non-accruing debts, credit risk, and allowance for credit losses

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

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

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

For the purpose of classification and treatment of problematic credit, the Bank differentiates:

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

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

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

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

For information regarding rules for charge-offs in respect of these debts, see the section "Charge-offs," below.

Note 1 Significant Accounting Policies (continued)

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

Decisions regarding classification of the debt are based on the past-due status of the debt. For that purpose, the Bank monitors the days past due, determined in reference to the contractual repayment terms. Commercial credit in respect of debt with a contractual balance of less than NIS 1 million and credit to private individuals are classified as special mention when the debt is past due by more than 60 days, up to 89 days, and classified as substandard when the debt is past due by 90 days or more, without cessation of the accrual of interest income. Housing loans are classified as debts not accruing interest income when the principal or interest in respect of the loan is past due by 90 days or more.

For information regarding rules for charge-offs in respect of these debts, see the section "Charge-offs," below.

Troubled debt restructuring

To improve credit management and collection, and to prevent situations of default or seizure of pledged assets, the Bank has established and implements a policy for problematic debt modifications and changes in terms of debts not identified as problematic. Methods for changes in terms of debts may include, among other matters, deferral of payment dates, reduction of interest rates or amounts of periodic payments, changes in terms of the debt aimed at adaptation to the borrower's financing structure, reexamination of the financial covenants imposed on the borrower, and more.

In order to determine whether a debt modification executed by the Bank constitutes troubled debt restructuring, the Bank performs a qualitative examination of all of the terms of the modification and the circumstances under which it was executed, with the aim of determining whether the debtor is experiencing financial difficulties and whether the Bank granted the debtor a concession within the modification. In order to make this determination, the Bank examines the ability to collect from the customer and considers whether there are signs indicating that the borrower is experiencing difficulties at the time of the modification, or that there is a reasonable probability that the borrower would fall into financial difficulties without the modification.

The Bank does not classify debt as having undergone troubled debt restructuring if the debtor is granted a deferral of payments within the modification that is not material considering the frequency of payments, the contractual term to maturity, and the expected average duration of the original debt. In this context, if several modifications involving changes in the terms of the debt have been executed, the Bank takes the cumulative effect of the previous restructurings into consideration in order to determine whether the deferral of payments is immaterial.

In general, debts the terms of which have been changed in troubled debt restructuring are classified as non-accruing debt at the date of the change. With regard to the restoration of non-accruing debt to accruing debt status, see below.

Note 1 Significant Accounting Policies (continued)

Subsequent debt restructuring

Under certain circumstances, when troubled debt restructuring has been performed, and the banking corporation and the debtor subsequently enter into an additional restructuring agreement, the banking corporation is no longer required to treat the debt as a debt that has undergone troubled debt restructuring, if the following two conditions are fulfilled:

1. The debtor is no longer experiencing financial difficulties at the date of the subsequent restructuring;
2. According to the terms of the subsequent restructuring, the banking corporation has not granted a concession to the debtor (including a concession on the principal, on a cumulative basis, from the date of the original loan).

If such debt is examined individually in subsequent periods, and it is found that impairment should be recognized in respect of the debt, or that the debt has undergone troubled debt restructuring, the Bank returns the debt to non-accruing classification and treats it as a troubled debt restructuring.

Foreclosed assets

In cases of troubled debt restructuring in which the Bank receives assets as full or partial settlement of the debt, such as equity interests, third-party receivables, or other assets to be sold at a later date, these assets shall be recognized, at the fair value of the assets, at the date of the foreclosure. If the assets received constitute full settlement of the debt, and at the foreclosure date the recorded debt balance exceeds the fair value of the assets, the Bank recognizes an allowance for credit losses.

Restoring non-accruing debt to accruing debt status

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

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

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

Note 1 Significant Accounting Policies (continued)

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

Allowance for credit losses – measurement

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

Note 1 Significant Accounting Policies (continued)

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

To make this determination, the Bank takes into account macroeconomic variables based on forecasts for the lifetime of the financial asset in three scenarios: baseline, optimistic, and pessimistic, which are translated into adjustments of the forecast PD values for each future period until the end of the lifetime of the credit.

Updates of the value of collateral, which is a key component of the LGD estimate, are performed through linkage of principal collateral asset types to a representative index or natural impairment over the lifetime of the credit.

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

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

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

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

Allowance for credit losses – bonds available for sale

The Bank estimates expected credit losses in respect of bonds available for sale at each reporting date when the fair value is lower than the amortized cost. At each date when the fair value is lower than the amortized cost, the Bank examines whether the decline in fair value results from credit losses or from other factors. Impairment arising from credit losses is recorded within the allowance for credit losses, whereas impairment not recorded through an allowance for credit losses is recorded through other comprehensive income, net of tax.

Note 1 Significant Accounting Policies (continued)

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

Allowance for credit losses – credit evaluated on an individual basis

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

Examination of the overall appropriateness of the allowance

The Bank also examines the overall appropriateness of the allowance for credit losses. This evaluation of appropriateness is based on the judgment of the Board of Management, which takes into consideration the risks inherent in the credit portfolio and the weaknesses and limitations of the assessment methods implemented by the Bank in determining the allowance.

Charge-offs

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

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

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 past due by 180 days or more, and charges off the part of the recorded debt balance that exceeds the current value of the collateral (net of selling costs).
It is hereby clarified that charge-offs do not entail a legal waiver, and serve to reduce the reported balance of the debt for accounting purposes only, while creating a new cost base for the debt in the Bank's books. The balance of a debt recorded in the books is defined as the debt balance, after deducting charge-offs, but before deducting the allowance for credit losses in respect of the debt.

5. Securities

a. Investments in bonds are classified upon acquisition into one of three portfolios: bonds held to maturity, bonds available for sale, and securities held for trading. Investments in shares are classified upon acquisition into one of two portfolios: held for trading and not held for trading.

- **Bonds held to maturity –** Bonds which the Bank has the intention and ability to hold until their maturity date.
  Bonds held to maturity are stated in the balance sheet at cost, plus interest and accrued linkage and exchange-rate differentials, taking into account the proportional part of the premium or discount.
- **Bonds available for sale –** Bonds not classified as bonds held to maturity or as securities held for trading. The bonds are included in the balance sheet at their fair value on the reporting date. Unrealized profits or losses from adjustments to fair value are reported net of an appropriate reserve for tax, in a separate item of equity within accumulated other comprehensive income. Realized profits or losses are stated in the item of non-interest financing income from non-trading activity.
- **Securities held for trading –** Securities acquired and held with the aim of selling them in the near future, and securities which the Bank has chosen to measure at fair value through profit and loss, using the fair-value option. Securities held for trading are stated in the balance sheet at fair value on the reporting date. Profits and losses from adjustments to fair value are recorded to the statement of profit and loss, in the item of non-interest financing income from trading activity.
- **Shares not held for trading**
  - Shares with readily available fair value – Measured at fair value on the reporting date; profits and losses from adjustments to fair value are recorded to the statement of profit and loss.
  - Shares without a readily available fair value – Measured at cost net of impairment, if any, plus or minus observable price changes in ordinary transactions for identical or similar investments of the same issuer. Unrealized profits or losses from adjustments to such observable price changes are recorded to the statement of profit and loss.

b. Income from dividends, interest accrual, linkage and exchange-rate differentials, premium reduction or discounts (according to the effective interest-rate method), and losses from other-than-temporary impairment are recorded to the statement of profit and loss.

Note 1 Significant Accounting Policies (continued)

c. The cost of realized securities is calculated on an average basis.

d. With regard to the treatment of impairments, see Section E(8) below.

e. Fair value designation – The directives of the Banking Supervision Department allow a choice, at specified dates, to measure financial instruments at fair value, such that unrealized profits and losses in respect of the changes in fair value of the items for which the fair-value option is selected are reported in the statement of profit and loss in every subsequent reporting period. In addition, prepaid costs and fees related to items for which the fair-value option has been selected are recognized in profit and loss as incurred. The choice to apply the fair-value option is performed instrument by instrument and irrevocably.

6. Derivative financial instruments, including hedge accounting

a. The Bank holds derivative financial instruments for the purpose of hedging foreign-currency risks and interest-rate risks, as well as derivatives not used for hedging.

b. At the date of creation of the hedge, the Bank formally documents the hedging relationship between the hedging instrument and the hedged item, including the risk-management goal and strategy of the Bank in performing the hedge, and the manner in which the Bank plans to assess the effectiveness of the hedging relationship. The Bank assesses the effectiveness of the hedging relationship both at the inception of the hedge and on an ongoing basis, in accordance with its risk-management policy.

c. Fair-value hedges

Changes in the fair value of a derivative financial instrument designated for hedging fair value are recorded to the statement of profit and loss. The hedged item is also stated at fair value, with reference to the hedged risks, and the changes in fair value are recorded to the statement of profit and loss. The full changes in the fair value of derivatives designated and qualifying for fair-value hedges are classified into the interest income/expense line, consistently with the classification of the income/expense in respect of the hedged item.

If the hedged instrument no longer complies with the criteria for an accounting hedge, or if it expires or is sold, canceled, or realized, or the Bank cancels the designation of the fair-value hedge, hedge accounting is discontinued.

d. Economic hedges

Hedge accounting is not applied to derivative instruments used as part of the asset and liability management (ALM) system of the Bank. Changes in the fair value of these derivatives are recognized in profit and loss as they arise.

e. Derivatives not used for hedging

Changes in the fair value of derivatives not used for hedging are recorded immediately to profit and loss.

Note 1 Significant Accounting Policies (continued)

f. Embedded derivatives

Embedded derivative instruments are separated from the host contract and treated separately if: (a) there is no clear and close connection between the economic characteristics and risks of the host contract and of the embedded derivative instrument, including credit risks arising from certain embedded credit derivatives; (b) a separate instrument with the same terms as the embedded derivative instrument would comply with the definition of a derivative; and (c) the hybrid instrument is not measured at fair value through profit and loss.

An embedded derivative that has been separated is presented in the balance sheet together with the host contract. Changes in the fair value of embedded derivatives that have been separated are recorded immediately to profit and loss.

7. Establishing the fair value of financial instruments

Pursuant to ASC 820-10 (FAS 157), fair value is defined as the price that would be obtained from the sale of an asset, or that would be paid to transfer a liability, in an ordinary transaction between market participants at the date of measurement. In order to assess fair value, the standard requires the maximum possible use of observable inputs, and minimum use of unobservable inputs. Observable inputs represent information available in the market and received from independent sources, whereas unobservable inputs reflect the assumptions of the Bank. ASC 820-10 specifies a hierarchy of measurement techniques, based on whether the inputs used to establish fair value are observable or unobservable. These types of inputs form the following fair-value hierarchy:

- Level 1 data: Prices quoted (unadjusted) in active markets for identical assets or liabilities, accessible to the Bank at the measurement date.
- Level 2 data: Directly or indirectly observable inputs regarding the asset or liability other than quoted prices included in Level 1.
- Level 3 data: Unobservable inputs regarding the asset or liability.

The hierarchy requires the use of observable market inputs when such information is available. When the inputs used to measure fair value are classified into different levels of the fair-value hierarchy, the Bank classifies the overall fair-value measurement at the lowest level of an input significant for the overall measurement.

Securities

The fair value of securities held for trading, bonds available for sale, and shares not held for trading with a readily available fair value is determined based on market prices quoted in the principal market. When the security is traded in several markets, the evaluation is performed according to the market price quoted in the most advantageous market. If no quoted market price is available, the fair-value estimate is based on the best available information, with maximum use of observable inputs, taking into consideration the risks inherent in the financial instrument (market risk, credit risk, non-tradability, etc.).

Note 1 Significant Accounting Policies (continued)

Derivative financial instruments

Derivative financial instruments that have an active market were evaluated according to the market value established in the principal market, or in the absence of a principal market, according to the market price quoted in the most advantageous market. Derivative financial instruments that are not traded were evaluated using models that take the risks inherent in the derivative instrument into consideration (market risk, credit risk, etc.).

Assessment of credit risk and nonperformance risk

ASC 820 (FAS 157) requires the Bank to reflect credit risk and nonperformance risk in measuring the fair value of debt, including derivative instruments, issued by the Bank and measured at fair value. Nonperformance risk includes the credit risk of the Bank, but is not limited to this risk alone.

The Bank assesses credit risk in derivative instruments in the following manner:

- When sufficient liquid collateral exists in respect of the exposure, specifically securing the derivative instrument at a high degree of legal certainty, the Bank takes such collateral into consideration in determining the credit risk.
- When exposure in respect of the counterparty is material, the Bank performs a fair-value assessment based on indications of the quality of credit of the counterparty from transactions in an active market, insofar as such indications are available with reasonable effort. The Bank derives these indications, among other matters, from prices of debt instruments of the counterparty traded in an active market, and from prices of credit derivatives the basis for which is the quality of credit of the counterparty. If no such indications exist, the Bank calculates the adjustments based on internal ratings (e.g. estimates of expected default rates and rates of credit losses in the event of default).

The calculation is performed based on an internal model that assumes various scenarios regarding the value of the transactions. For further details regarding the main methods and assumptions used to estimate the fair value of financial instruments, see Note 32 below concerning balances and fair-value estimates of financial instruments.

8. Impairment – financial assets

a. Bonds available for sale or held to maturity – see Section E(4) above.

b. Shares without a readily determinable fair value:

Each reporting period, the Bank performs a qualitative assessment, taking impairment indicators into consideration, in order to assess whether impairment has occurred in investments in shares without a readily determinable fair value. If impairment of the investment in the shares has occurred according to this assessment, the Bank assesses the fair value of the investment in the shares, in order to determine the amount of loss from the impairment.

Note 1 Significant Accounting Policies (continued)

9. Offsetting financial assets and liabilities

The Bank offsets assets and liabilities arising from the same counterparty and presents the net balance thereof in the balance sheet, when the following cumulative conditions are complied with:

- A legally enforceable right exists to offset the liabilities against the assets.
- The Bank intends to settle the liability and realize the assets on a net basis or simultaneously.
- The Bank and the counterparty owe one another determinable amounts.

The Bank offsets deposits where the repayment to the depositor is contingent upon the extent of collection from credit granted from such deposits, when the Bank has no risk of loss from the credit.

In accordance with the directives of the Banking Supervision Department, the Bank does not offset assets in respect of derivative instruments against liabilities in respect of derivative instruments. The Bank therefore continues to present exposures in respect of transactions in a gross amount in its financial statements.

10. Transfers and servicing of financial assets and extinguishment of liabilities

Transfers of financial assets

Transfers of financial assets are accounted for as sales if, and only if, all of the following conditions are met: (1) the financial asset transferred is isolated from the transferring party, including in situations of bankruptcy or other receivership; (2) any recipient may pledge or exchange the assets received, and there is no condition that also restricts the recipient in exercising the right to pledge or exchange, and grants the transferring party a benefit that is greater than a trivial benefit; (3) the transferring party does not retain effective control of the financial assets transferred.

In order for the transfer of part of a financial asset to be considered a sale, the transferred part must comply with the definition of a participating interest. Participating interests meet the following criteria: the right must represent proportional rights relative to the full financial asset; all cash flows obtained from the assets are distributed among the participating interests in a manner proportional to their share of the ownership; the rights are not subordinated to other rights; there is no right of return to the transferring party or to other holders of participating interests (except in cases of the breach of representations or commitments, current contractual commitments to service a financial asset in its entirety and manage the transfer contract, and contractual commitments to share the offsets of any benefits received by any holder of participating interests); and the transferring party and the holder of participating interests have no right to pledge or exchange the financial asset in its entirety, unless all of the holders of participating interests agree to pledge or exchange the financial asset in its entirety.

Note 1 Significant Accounting Policies (continued)

If the transaction qualifies for sale accounting, the transferred financial assets or the participating interest are derecognized in the balance sheet of the Bank. The difference between the fair value of the net proceeds received and the book value of the financial assets sold is recognized in the statement of profit and loss. If the conditions for a sale are not met, the transfer is considered a secured debt. The sale of part of a financial asset that is not a participating interest is treated as a secured debt; i.e., the transferred assets continue to be recorded in the balance sheet of the Bank, and the consideration from the sale is recognized as a liability of the Bank.

Securities lending or borrowing transactions

The Bank implements specific directives established in the Public Reporting Directives for the treatment of securities lending or borrowing transactions in which the loan is executed against the general credit quality and the general collateral of the borrower, or when the borrower does not transfer liquid instruments, which the lender is entitled to sell or pledge, to the lender, as collateral referring specifically to the securities lending transaction. When the Bank lends securities, it derecognizes the securities loaned and recognizes credit in the amount of the market value of the transferred securities. In subsequent periods, the credit is recognized in the same manner in which the security was measured prior to the loan. At the end of the loan, the credit is derecognized and the banking corporation recognizes the security again. When the banking corporation borrows securities in an unsecured borrowing, the banking corporation recognizes the security, and recognizes a deposit against it, according to the value of the security received in the borrowing transaction. The security borrowed by the banking corporation is classified as a security in the trading book until the security is sold short or lent in unsecured borrowing.

Derecognition of a liability

The Bank derecognizes liabilities only when the liability is extinguished. Extinguishment of a liability may be performed through payment to the lender or through judicial release.

11. Fixed assets

Recognition and measurement

Fixed-asset items are measured at cost, with the deduction of accrued depreciation and losses from impairment. Cost includes expenses directly attributable to the acquisition of the asset.
Costs of acquired software that constitute an integral part of the operation of the related equipment are recognized as part of the cost of such equipment. In addition, pursuant to the Public Reporting Directives, the Bank classifies costs in respect of software assets acquired or costs capitalized as an asset in respect of software developed in-house for internal use under the item “buildings and equipment.”
Profit or loss from the disposal of a fixed-asset item is recognized as a net amount under the item “other income” in the statement of profit and loss.

Note 1 Significant Accounting Policies (continued)

Software costs

Software acquired by the Bank is measured at cost, with the deduction of amortization and losses from impairment.

Capitalization of costs related to the development of software for in-house use begins only when the initial stage of the project has been completed, and when management with the appropriate authority has approved and has undertaken a commitment to finance the project, and it is expected that the development will be completed and that future economic benefits will arise from the software.

Overhead costs that cannot be directly attributed to the development of the software and research costs in the initial stage of the project are recognized as expenses as incurred. In addition, the Bank has implemented the guidelines of the Banking Supervision Department concerning capitalization of software costs, pursuant to which a materiality threshold has been set for capitalization. Further, for deliverables with total capitalizable costs not lower than the materiality threshold, a capitalization coefficient lower than 1 has been established, in order to take into account the potential for inefficiency and common deviations in software development projects. The rank of employees whose costs are capitalized to assets has been restricted to the level of manager of the software project. Capitalizable software development costs of all development employees are recorded through individual hour reports.

Subsequent costs

The cost of replacing part of a fixed-asset item and other subsequent costs are recognized as part of the carrying value of fixed assets, if the future economic benefits inherent therein are expected to flow to the Group, and if the cost thereof is reliably measurable. The carrying value of the replaced part of a fixed-asset item is derecognized. Costs of upgrades and improvements of software for internal use are only capitalized if the expenses incurred are expected to lead to added functionality. Routine maintenance costs and other costs are allocated to profit and loss as incurred.

Depreciation and amortization

Depreciation is recorded to the statement of profit and loss using the straight-line method, over the estimated useful life of each component of the fixed-asset items. Leased assets are depreciated over the shorter of the period of the lease and the period of use of the assets. Land owned by the Bank is not depreciated. Improvements to rented properties are depreciated over the shorter of the period of the lease or the period of use of the property. Amortization is recorded to the statement of profit and loss, using the straight-line method, over the estimated useful life, starting on the date when the software is available for use. Software in development is not amortized systematically as long as it is not available for use. Accordingly, a test of impairment is performed at least once a year, until it becomes available for use.

The depreciation method, useful life, and residual value are reexamined at least at the end of each fiscal year, and adjusted when necessary.

Note 1 Significant Accounting Policies (continued)

12. Impairment of non-financial assets

The Bank examines non-current assets for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Losses from impairment are recognized only if the carrying value of the asset exceeds its fair value.

The carrying value is unrecoverable if it exceeds the total uncapitalized cash flows expected to derive from the use and realization of the asset.

The loss is recognized in the amount of the difference between the carrying value and the fair value of the asset. This loss is not canceled in subsequent periods.

Impairment of in-house software development costs

Impairment of in-house software development costs is recognized and measured upon the occurrence of events or changes in circumstances that indicate a possibility that the carrying value of the asset may not be recovered. Examples of events or changes in circumstances indicating impairment:

a. The software is not expected to provide significant potential services;
b. The manner or volume of use or expected use of the software has changed substantially;
c. The software has been or will be substantially changed;
d. Costs of the development or conversion of the software designated for internal use significantly exceed the expected amounts;
e. The development of the software is not expected to be completed and the software is not expected to be used.

13. Leases

Contracts that grant the Bank control over the use of a property within a lease for a period of time, for a consideration, are treated as leases. Most of the leasing transactions at the Bank are transactions in which the Bank is the lessee in an operating lease. At initial recognition, a liability is recognized in an amount equal to the present value of the future leasing fees over the period of the lease (these payments do not include variable leasing payments). Concurrently, a right-of-use asset is recognized in the amount of the liability in respect of the lease, adjusted for leasing payments paid in advance or accrued, less leasing incentives, plus direct costs incurred in the lease.

The lease period is determined as the period in which the lease cannot be canceled, together with the periods covered by an option to extend or cancel the lease, if it is reasonably certain that the lessee will or will not exercise the option, respectively.

The Bank has chosen to apply the practical relief pursuant to which short-term leases of up to one year are treated such that the leasing fee is allocated to profit and loss using the straight-line method over the period of the lease, without recognition of a right-of-use asset and/or liability in respect of the lease in the balance sheet.

Note 1 Significant Accounting Policies (continued)

Subsequent measurement

After the initial recognition, the liability in respect of an (operating) lease is measured at depreciated cost, according to the effective interest rate method. At every subsequent reporting date, a right-of-use asset is recognized in the amount of the depreciated cost of the liability in respect of the lease, adjusted for leasing payments paid in advance or accrued, less the balance of leasing incentives, plus undeducted direct costs, and less losses from impairment accrued in respect of the right-of-use asset. The Bank also examines the right-of-use asset for impairment, in accordance with the directives regarding impairment in respect of fixed assets.

Operating lease payments

Leasing payments, with the exception of variable leasing fees, are allocated to profit and loss using the straight-line method, over the period of the lease. Leasing incentives received are recognized as an inseparable part of the total leasing expenses, using the straight-line method, over the period of the lease. Variable leasing payments dependent on an index or on changes in a foreign currency are recognized in profit and loss in the period of the change.

14. Disposal group held for sale and discontinued operation

Disposal group held for sale

The Bank classifies a disposal group asset as held for sale if its carrying value will be recovered principally through sale, rather than through continuing use, in a period in which all of the following criteria are fulfilled: (1) the management authorized to approve the activity is committed to the plan to sell the disposal group; (2) the disposal group is available for immediate sale in its present condition; (3) an active plan to find a buyer and other actions to complete the sale plan have been initiated; (4) the sale of the disposal group is probable and expected to be completed within one year of the date of the classification; (5) the disposal group is being actively marketed for the purpose of its sale, at a reasonable price relative to its present fair value; (6) actions required in order to complete the planning indicate that it is unlikely that the planning will change significantly or be canceled.

At the date of classification of the disposal group as held for sale, the need to recognize impairment of the relevant assets is examined, according to the standards applicable to such assets.

Discontinued operation

The Bank classifies a disposal group as a discontinued operation when all of the following criteria are fulfilled: (1) the disposal group constitutes a component of an entity; (2) the disposal group has been disposed, or fulfills the conditions for classification as an asset held for sale; (3) the disposal group represents a strategic change that has (or will have) a material effect on the activities and financial results of the Bank.

Note 1 Significant Accounting Policies (continued)

The Bank restates comparative figures with respect to a discontinued operation in the statement of profit and loss as though the operation had been discontinued at the beginning of the earliest comparative period, and presents profit/loss attributed to the discontinued operation separately in each reporting period. In addition, in the balance sheet, all of the assets and liabilities attributed to the operation are classified as separate lines in the statement of financial position, including amendment of comparative figures.
Beginning with the financial statements for the second quarter of 2018, the Bank determined that the criteria for classification of the activity of the Isracard Group as a "discontinued operation" had been met. On February 2, 2020, the Board of Directors of the Bank approved distribution of the remaining holdings in the shares of Isracard as a dividend in kind to the shareholders of the Bank. The distribution was performed on March 9, 2020. As of the date of the distribution of the shares, the Bank does not hold shares in Isracard; the Bank thereby completed its separation from the Isracard Group, as required by the Law for Increasing Competition.

15. Employee benefits

Pursuant to the law, agreements, and common practice, the Bank is required to pay retirement benefits to employees, including payments in accordance with defined benefit plans in respect of pensions (e.g. pension allowances, severance pay, and retirement compensation); payments according to other post-retirement and post-employment plans (e.g. holiday gifts, and other well-being and health payments paid to or in respect of retirees); and payments in accordance with defined deposit plans (e.g. payments to provident funds or pension funds, pursuant to Section 14 of the Severance Pay Law, 1963). In addition, pursuant to the directives of the Banking Supervision Department, a banking corporation that expects a group of employees to be paid benefits beyond their contractual terms should take into account the percentage of employees expected to depart (including employees expected to retire under voluntary retirement programs or upon receiving other preferred terms) and the benefits that they are expected to receive upon departure.
The Bank's liabilities for severance pay to employees of the Bank, pursuant to Section 14 of the Severance Pay Law, are treated as a defined deposit plan. The banking corporation recognizes the net cost of the pension for the period, according to the deposits required for that period.
Liabilities of the Bank for severance pay, pensions, and other benefits, other than those pursuant to Section 14 of the Severance Pay Law; other long-term benefits; and other post-employment and post-retirement benefits are treated as a defined benefit plan and calculated on an actuarial basis, taking probabilities into consideration, based on past experience. The discount rate for employee benefits is calculated based on the yield of CPI-linked government bonds in Israel, plus the average spread over corporate bonds rated AA (international) or higher, which is determined based on the difference between rates of yield to maturity, by maturity periods, of corporate bonds rated AA or higher in the United States, and rates of yield to maturity for the same maturity periods of United States government bonds.

Note 1 Significant Accounting Policies (continued)

Service cost, interest cost, return on plan assets, amortization of net actuarial profit or loss, amortization of cost or credit in respect of prior service, and amortization of actuarial profit or loss included in accumulated other comprehensive income are recorded to profit and loss in respect of the aforesaid benefits.
Actuarial profit or loss is the change in value of a liability in respect of a forecast benefit, or of plan assets, due to a difference between actual experience and estimates, or due to a change in an actuarial assumption. Actuarial profits and losses are included in accumulated other comprehensive income, and depreciated using the straight-line method over the average remaining service period of the employees expected to receive benefits according to the plan.
Cost or credit in respect of prior service is depreciated as a component of the net pension cost for the period, in a straight line, over the average remaining service period of the employees expected to receive benefits according to the plan.
Short-term employee benefits (such as labor wages, vacations, and bonuses) are measured on an uncapitalized basis, and the expense is allocated when the related service is rendered.

16. Share-based payment

Share-based payment transactions encompass services received from employees in consideration for the issuance of shares of the Bank, stock options, or other equity instruments. The value of the benefit is measured at the date of award, with reference to the fair value of the equity instruments awarded. The value of the benefit is recognized in profit and loss as a salary expense, against a corresponding increase in equity.

17. Acquisition of shares of the Bank by the Bank

When the Bank buys its own shares, the amount of the consideration paid, including direct costs, is deducted from equity. When the shares are sold or reissued, the amount of the consideration received is recognized as an increase in equity, and the surplus or deficit arising from the transaction is allocated to the balance of the premium.

18. Contingent liabilities

The Bank Group is a party to various legal proceedings, within its activities in a wide range of types of financial services, including claims filed by customers and petitions by various parties to certify claims as class actions. The Group applies the directives of the Banking Supervision Department regarding contingent liabilities, which are based on the directives of Accounting Standards Codification (ASC) 450. Such proceedings are examined individually, with the assistance of legal advisors, who assess the risk of realization of the exposure.
Probable risk refers to a situation in which the probability of realization of the exposure to risk is over 70%. Provisions are included in the financial statements in respect of contingent liabilities in this risk group.
Reasonably possible risk refers to a situation in which the probability of realization of the exposure to risk is between 20% and 70%. In general, no provisions are included in the financial statements in respect of contingent liabilities in this risk group.

Note 1 Significant Accounting Policies (continued)

Remote risk refers to a situation in which the probability of realization of the exposure to risk is lower than 20%. In general, no provisions are included in the financial statements in respect of contingent liabilities in this risk group.

The Bank Group may also have exposure to the threat of legal claims that have not yet been filed. In assessing risk in respect of these exposures, the Bank Group relies on estimates of the Board of Management and of the functions that handle the exposure, taking into account the materiality and tangibility of the threat, the prospects of success of a legal claim (if filed), and the possible outcomes thereof.

A provision for contingent liabilities is recorded if the following two conditions are met: (a) the value of an asset (or liability) is expected to decrease at the reporting date; (b) the amount of the loss can be estimated in a reasonable manner. If the Bank estimates, based on the opinion of its legal advisors, that it is not possible to reliably estimate the amount of a loss, a range of exposure scenarios is prepared, and if a particular amount within that range constitutes, at that date, a better estimate than the other amounts within the same range, that amount is accrued as a provision. If there is no amount within the range that constitutes a better estimate than any other amount, the requirement is to record the minimum amount in the range as a provision.

Legal claims regarding which the Banking Supervision Department has determined that the Bank is required to pay reimbursement are classified as "probable," and a provision is made in respect of each claim commensurate with the amount that the Bank is required to reimburse.

No provision is made in rare cases in which, in the opinion of the Bank's Board of Management, based on legal counsel, it is not possible to estimate the probability of realization of the exposure to risk in respect of an ordinary claim or in respect of a petition to certify claim as a class action even after the Bank has published four financial statements since it was presented with the claim.

In general, Note 25E contains disclosure of any claim in an amount greater than 0.5% of the capital of the Bank. In addition, disclosure is given to the amount of the additional exposure in respect of legal claims the probability of realization of which is not remote.

According to the assessment of the Board of Management and based on the opinions of its legal advisors, the financial statements include sufficient provisions for contingent liabilities.

19. Expenses for income taxes

The financial statements of the Bank include current taxes and deferred taxes. Current and deferred taxes are recorded to the statement of profit and loss, unless the tax arises from a transaction or event recognized directly in equity or in other comprehensive income. In such cases, the expense for income taxes is recorded to equity or to other comprehensive income, as relevant. The provision for taxes on the income of the Bank and its consolidated companies which are financial institutions for the purposes of value-added tax includes a profit tax imposed on income under the Value Added Tax Law. The wage tax applied to financial institutions pursuant to the Value Added Tax Law is included in the statement of profit and loss under the item, "salaries and related expenses."

Note 1 Significant Accounting Policies (continued)

Current taxes

Current tax is the amount of tax expected to be paid (or received) on the taxable income for the year, calculated according to the applicable tax rates under laws enacted at the balance sheet date, including changes in tax payments referring to previous years.

Deferred taxes

The Bank recognizes deferred taxes with reference to temporary differences between the carrying value of taxable assets and liabilities for the purposes of financial reporting and their value for tax purposes.
Beginning January 1, 2017, the Bank recognizes a deferred-tax liability for taxable temporary differences accrued at local subsidiaries as of that date. In accordance with the transitional directives established in the directives of the Supervisor of Banks, no deferred-tax liability was included in respect of taxable temporary differences accrued at local subsidiaries up to December 31, 2016. These temporary differences may only be taxable at the time of a disposal event or dividend distribution. If the Bank had always been required to apply the directives of the standard and recognize deferred-tax liabilities in respect of the aforesaid undistributed profits, the amount of the additional liability for such temporary differences that would arise from dividend distribution of local subsidiaries is estimated at a total of approximately NIS 0.5 billion.
The Bank recognizes deferred-tax assets in respect of all deductible temporary differences and losses carried forward. The Bank records a valuation allowance against a deferred tax asset if it is more likely than not that all or part of the deferred tax asset will not be realized.
The deferred taxes are measured according to the tax rates expected to apply to the temporary differences at the date when they are realized, based on laws enacted at the balance sheet date.
The creation of net deferred tax assets shall not exceed the current taxes in the accounting period, except in special cases in which taxable income is expected to exist in the future against which they can be utilized.

Offsets of deferred tax assets and liabilities

The Bank offsets deferred-tax assets and liabilities if an enforceable legal right exists to offset current tax assets and liabilities, and they are attributed to the same taxable income item taxed by the same tax authority for the same taxed company, or in different companies in the Group that intend to settle current tax assets and liabilities on a net basis, or the tax assets and liabilities are settled simultaneously.

Uncertain tax positions

The Bank recognizes the effect of tax positions only if it is more likely than not that the positions will be accepted by the tax authorities or by the court. Recognized tax positions are measured according to the maximum amount with a probability of realization greater than 50%. Changes in recognition or measurement are reflected in the period during which the changes in circumstances that led to the change in the decision occurred.

Note 1 Significant Accounting Policies (continued)

20. Earnings per share

The Bank presents data on basic and diluted earnings per share with respect to its ordinary share capital. Basic earnings per share are calculated by dividing the profit or loss attributed to holders of the ordinary shares of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting the profit or loss (such as adjustments in respect of the effect of dividends after tax, any financing costs, and other changes) attributed to the holders of ordinary shares and adjusting the weighted average of ordinary shares outstanding, after adjustment for shares in treasury and for the effects of all dilutive potential ordinary shares, which include equity instruments awarded to employees.

F. New accounting standards and new directives of the Banking Supervision Department in the period prior to implementation

1. Discontinuation of publication of the LIBOR interest rates

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

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

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

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

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

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

Note 1 Significant Accounting Policies (continued)

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

	Total transactions as at December 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	**10,526**	**3,137**	8,252	2,521
Deposits	**340**	**17**	219	12
Derivatives (gross) – par value	**75,624**	**943**	60,018	849

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

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

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

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

The directives of the Update will apply, in the United States, to entities that have adopted ASU 2016-13 (CECL), beginning in annual and interim periods that commence after December 15, 2022. At this stage, an inception date for implementation at banks in Israel has not yet been set.

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

Note 2 Interest Income and Expenses

NIS millions

	2022	2021	2020
A. Interest income*			
From credit to the public	**16,202**	11,050	9,455
From credit to governments	**91**	45	49
From deposits with banks	**245**	61	113
From deposits with the Bank of Israel and from cash	**1,319**	132	100
From securities borrowed or purchased under agreements to resell	**16**	-	-
From bonds	**1,347**	396	543
Total interest income	**19,220**	11,684	10,260
B. Interest expenses*			
On deposits from the public	**(4,025)**	(983)	(1,042)
On deposits from the government	**(23)**	(4)	(5)
On deposits from banks	**(22)**	(10)	(14)
On securities lent or sold under agreements to repurchase	**(187)**	(4)	-
On bonds and subordinated notes	**(1,483)**	(908)	(401)
On other liabilities	**(13)**	(8)	(1)
Total interest expenses	**(5,753)**	(1,917)	(1,463)
Total net interest income	**13,467**	9,767	8,797
C. Details of net effect of hedging derivative instruments on interest income and expenses**			
Interest income	**(9)**	(149)	(125)
Interest expenses	**(2)**	7	20
D. Details of interest income from bonds on a cumulative basis			
Held to maturity	**88**	14	13
Available for sale	**1,061**	361	499
Held for trading	**198**	21	31
Total included in interest income	**1,347**	396	543

* 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

NIS millions

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

	2022	2021	2020
1. From activity in derivative instruments			
Total from activity in derivative instruments[(1)]	**6,069**	(1,905)	(1,585)
2. From investment in bonds			
Gains from sale of bonds available for sale	**142**	337	196
Losses from sale of bonds available for sale[(2)]	**(270)**	(81)	(40)
Total from investment in bonds	**(128)**	256	156
3. Net exchange-rate differences	**(5,659)**	1,697	1,862
4. Gains (losses) from investment in shares			
Net realized and unrealized gains (losses) from adjustments to fair value of shares not held for trading[(3)(4)]	**(166)**	566	59
Dividend from shares not held for trading	**43**	33	11
Adjustment to fair value of investment in affiliate[(5)]	**17**	13	3
Total from investment in shares	**(106)**	612	73
5. Other	**(103)**	-	21
Total non-interest financing income in respect of non-trading activities	**73**	660	527

(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 15 million for the year ended December 31, 2022 (2021: approximately NIS 0 million; 2020: approximately NIS 2 million).
(3) Including provisions for impairment in the amount of approximately NIS 29 million for the year ended December 31, 2022 (2021: approximately NIS 50 million; 2020: approximately NIS 29 million).
(4) Including gains and losses from measurement at fair value of shares with a readily determinable fair value, and upward or downward adjustments of shares without a readily determinable fair value.
(5) Arises from adjustment to a provision for impairment in respect of the Bank's investments in Bank Pozitif.

Note 3 Non-Interest Financing Income (continued)

NIS millions

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

	2022	2021	2020
Net income in respect of derivative instruments held for trading	**517**	475	548
Net realized and unrealized gains (losses) from adjustments to fair value of bonds held for trading[(1)]	**(9)**	(54)	13
Total non-interest financing income in respect of trading activities**	**508**	421	561
Total non-interest financing income	**581**	1,081	1,088
Details of non-interest financing income in respect of trading activities, by risk exposure:			
Interest rate exposure	**(73)**	98	179
Foreign currency exposure	**554**	299	367
Share exposure	**27**	24	15
Total	**508**	421	561

* 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 (65) million (2021: NIS (9) million; 2020: NIS 2 million).

Note 4 Fees by Management Approach Segment

NIS millions

	For the year ended December 31, 2022								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management	Adjustments	Total
Account management	**457**	**259**	**-**	**53**	**53**	**8**	**47**	**-**	**877**
Credit cards	**366**	**91**	**-**	**11**	**3**	**-**	**-**	**-**	**471**
Securities activity	**405**	**46**	**-**	**13**	**138**	**-**	**74**	**72**	**748**
Financial product distribution fees[1]	**164**	**10**	**-**	**2**	**2**	**-**	**1**	**-**	**179**
Credit processing	**-**	**24**	**2**	**120**	**91**	**1**	**-**	**-**	**238**
Conversion differences	**172**	**121**	**-**	**19**	**7**	**-**	**5**	**-**	**324**
Foreign-trade activity	**2**	**39**	**-**	**25**	**22**	**1**	**1**	**-**	**90**
Net income from credit portfolio services	**1**	**-**	**4**	**-**	**15**	**-**	**-**	**-**	**20**
Management fees and fees from life insurance and home insurance	**-**	**-**	**41**	**-**	**-**	**-**	**-**	**-**	**41**
Financing transaction fees	**10**	**42**	**-**	**243**	**347**	**22**	**1**	**-**	**665**
Other fees	**15**	**2**	**-**	**-**	**1**	**-**	**34**	**-**	**52**
Total fees	**1,592**	**634**	**47**	**486**	**679**	**32**	**163**	**72**	**3,705**

	For the year ended December 31, 2021								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management	Adjustments	Total
Account management	411	242	-	45	49	5	41	-	793
Credit cards	217	51	-	6	1	-	-	-	275
Securities activity	489	56	-	14	94	-	77	74	804
Financial product distribution fees[1]	166	8	-	2	2	-	-	-	178
Credit processing	1	20	1	104	93	1	-	-	220
Conversion differences	151	112	-	15	7	-	3	-	288
Foreign-trade activity	2	37	-	25	12	1	1	-	78
Net income from credit portfolio services	1	-	7	-	15	-	-	-	23
Management fees and fees from life insurance and home insurance	-	-	46	-	-	-	-	-	46
Financing transaction fees	7	41	-	235	312	21	1	-	617
Other fees	16	2	-	-	1	-	14	-	33
Total fees	1,461	569	54	446	586	28	137	74	3,355

(1) Mainly mutual funds.

Note 4 Fees by Management Approach Segment (continued)

NIS millions

	For the year ended December 31, 2020								
	Retail activity			Business activity					
	Private customers	Small businesses	Housing loans	Commercial	Corporate	International activity	Financial management	Adjustments	Total
Account management	394	245	-	42	50	3	38	-	772
Credit cards	204	47	-	5	1	-	-	-	257
Securities activity	520	51	-	14	88	1	53	76	803
Financial product distribution fees[(1)]	149	7	-	2	3	-	-	-	161
Credit processing	-	20	1	104	89	2	-	-	216
Conversion differences	136	102	-	12	5	-	4	2	261
Foreign-trade activity	2	34	-	22	11	2	1	-	72
Net income from credit portfolio services	1	-	10	-	15	-	-	-	26
Management fees and fees from life insurance and home insurance	-	-	46	-	-	-	-	-	46
Financing transaction fees	7	40	-	191	254	15	1	-	508
Other fees	13	3	-	-	1	-	16	-	33
Total fees	1,426	549	57	392	517	23	113	78	3,155

(1) Mainly mutual funds.

Note 5 Other Income

	2022	2021	2020
Capital gains from sale of buildings and equipment	**46**	92	57
Income from sale of global private banking customer portfolios	**4**	9	7
Others	**117**	88	72
Total other income	**167**	189	136

Note 6 Salaries and Related Expenses

NIS millions

	2022	2021	2020
Salaries and bonuses	**2,835**	2,792	2,398
Expense incurred from share-based payment transactions settled in equity instruments	**12**	13	14
Other related expenses, including study funds, vacation, and sick days	**644**	630	646
Long-term benefits	**(3)**	6	3
National Insurance and wage tax	**733**	721	613
Pension expenses (including service cost, severance pay, and allowances)	**158**	166	157
Other post-employment benefits	**8**	5	5
Total salaries and related expenses[1]	**4,387**	4,333	3,836
(1) Of which: salaries and related expenses outside Israel	**218**	219	229

Note 7 Other Expenses

	2022	2021	2020
Pension expenses (including severance pay and allowances), defined benefit (excluding service cost)	**243**	242	272
Marketing and advertising	**157**	143	111
Communications	**206**	194	201
Computers[1]	**475**	448	444
Office	**28**	28	31
Insurance	**43**	42	30
Professional services[2]	**300**	378	434
Compensation and reimbursement of expenses for members of the Board of Directors	**13**	11	10
Training and further education	**65**	57	42
Fees	**318**	286	238
Contribution to the community	**31**	28	25
Provision in respect of the investigation of the Bank Group's business with American customers and FIFA[3]	**-**	-	59
Others	**265**	280	391
Total other expenses	**2,144**	2,137	2,288

(1) Not including salaries, depreciation, and amortization.
(2) The comparative figures for 2020 include an amount of NIS 108 million in respect of expenses in connection with the investigation of the Bank Group's business with American customers (including attorney fees, fees of other consultants, and related services; fees of the independent examiner appointed by the United States Department of Justice; and financing of representation of Bank Group employees) and the investigation concerning FIFA, until the conclusion of the investigation of the authorities in April 2020.
(3) Of which, in the comparative figures for 2020, expenses for exchange-rate differences in respect of revaluation of the provision in the amount of NIS 45 million. The Bank hedged currency exposures arising from these provisions, the offsetting effect of which is allocated to the item "non-interest financing income."

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss)

NIS millions

A. Composition

	2022	2021	2020
Current taxes:			
In respect of current year	**3,540**	2,159	1,575
In respect of previous years	**79**	115	106
Total current taxes	**3,619**	2,274	1,681
Additions (deductions):			
Deferred taxes:			
In respect of current year	**(71)**	684	(91)
In respect of previous years	**-**	-	-
Total deferred taxes	**(71)**	684	(91)
Total provision for taxes[1]	**3,548**	2,958	1,590
(1) Of which: provision for taxes for tax authorities overseas	**46**	13	8

The above table does not include the effect of tax on other comprehensive income. For details, see Note 10.

B. Reconciliation of the theoretical amount of tax for which the Bank would have been liable at the statutory tax rate with the provision for taxes on profit, as recorded in the statement of profit and loss

	2022	2021	2020
Profit before taxes	**9,982**	7,809	3,732
Rate of tax applicable to the Bank in Israel (%)	**34.19**	34.19	34.19
Amount of tax based on statutory tax rate	**3,413**	2,670	1,276
Added (deducted) tax expenses (tax savings) in respect of:			
Income of subsidiaries outside Israel	**11**	25	25
Exempt income and income taxable at limited rates	**(4)**	(3)	-
Depreciation differences, depreciation adjustment, and capital gains	**(4)**	(4)	-
Non-deductible expenses	**23**	41	38
Timing differences for which deferred taxes were not recorded	**56**	68	67
Taxes in respect of previous years:			
Additional amounts payable in respect of problematic debts	**43**	46	41
Others	**36**	69	65
Income of subsidiaries in Israel	**(3)**	12	1
Translation differences in respect of consolidated companies outside Israel	**(23)**	34	76
Other differences	**-**	-	1
Provision for taxes on profit	**3,548**	2,958	1,590

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

C. Tax assessments

1. The Bank has final tax assessments up to and including the year 2018. The subsidiaries have final tax assessments, or tax assessments considered final, up to 2014-2020.
2. Over the last few years, Isracard (a former subsidiary that has been sold and separated from the Bank) and Premium Express (a subsidiary of Isracard) received tax assessments from the Customs and VAT Division of the Israel Tax Authority, further to a lateral sectoral audit, which primarily concerned VAT charges for Isracard and Premium Express in respect of issuer fees received from international organizations in connection with cardholders' transactions with businesses outside Israel, and in respect of fees received from cardholders for transactions they execute with businesses outside Israel. A court proceeding regarding this matter is in progress. Further to indemnity provided by the Bank at the time of its separation from Isracard with respect to this matter, the Bank reached understandings with Isracard regarding the limits of the potential indemnity to be applied in accordance with the resolution of this proceeding. The Bank does not expect any material effect on the results of its operations in connection with the resolution of this matter.
3. Within previous tax-assessment discussions conducted by the Bank, the Tax Assessment Officer argued that in the sale of a subsidiary classified as an authorized dealer for the purposes of value-added tax, profit tax should also be applied to distributable profits that are exempt from corporate tax under the directives of the Income Tax Ordinance. In 2019-2020, the Bank sold the Isracard Group and included tax expenses in respect of the sale in its statements. According to the estimates of the Bank, based on the opinion of its legal advisors, it is more likely than not that the Bank's position, pursuant to which the basis for profit tax liability should not include the amount of distributable profits that are exempt from corporate tax, will be accepted. If the aforesaid position of the Tax Assessment Officer were accepted, it would lead to an increase in the tax liability imposed on the Bank. The Bank does not expect a material effect on the results of its operations in connection with the resolution of this matter.
4. The Bank includes provisions in its statements in respect of liabilities for taxes on income, as stated above, in accordance with management estimates and based on the assessments of its legal advisors.

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

D. Change in deferred taxes

	Balance as at December 31, 2021	Adjustment to opening balance of the effect of initial implementation of CECL[(1)]	Changes recorded to profit and loss	Changes recorded to other comprehensive income	Balance as at December 31, 2022	Average tax rate December 31, 2022
	NIS millions					%
Deferred tax assets						
From allowance for credit losses	1,697	**190**	**99**	**-**	**1,986**	**34.2**
From the provision for vacation and bonuses	134	**-**	**(16)**	**-**	**118**	**34.2**
From employee benefits	1,852	**-**	**8**	**(252)**	**1,608**	**34.2**
Losses carried forward for tax purposes	436	**-**	**66**	**-**	**502**	**21.0**
From software assets	68	**-**	**(28)**	**-**	**40**	**34.2**
From other non-monetary items	25	**-**	**-**	**-**	**25**	**34.2**
Gross balance of deferred tax assets	4,212	**190**	**129**	**(252)**	**4,279**	**31.8**
Unrecognized deferred tax assets	405	**-**	**93**	**-**	**498**	**21.0**
Balance of deferred tax assets net of unrecognized deferred tax assets	3,807	**190**	**36**	**(252)**	**3,781**	**34.2**
Deferred tax liabilities						
From securities and other monetary items	108	**-**	**(41)**	**(3)**	**64**	**21.3**
Fixed assets and leases	126	**-**	**(11)**	**-**	**115**	**25.4**
In respect of investments in affiliates	254	**-**	**16**	**-**	**270**	**11.9**
Other	1	**-**	**1**	**-**	**2**	**28.6**
Gross balance of deferred tax liabilities	489	**-**	**(35)**	**(3)**	**451**	**14.8**
Net balance of deferred tax assets*	3,318	**190**	**71**	**(249)**	**3,330**	
* Of which: in respect of activity overseas	2	**-**	**(1)**	**-**	**1**	

(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 1D above.

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

D. Change in deferred taxes (continued)

	Balance as at December 31, 2020	Changes recorded to profit and loss	Changes recorded to other comprehensive income	Balance as at December 31, 2021	Average tax rate December 31, 2021
	NIS millions				%
Deferred tax assets					
From allowance for credit losses	2,153	(456)	-	1,697	34.2
From the provision for vacation and bonuses	125	9	-	134	34.3
From employee benefits	1,749	(6)	109	1,852	34.2
Losses carried forward for tax purposes	454	(18)	-	436	21.8
From software assets	101	(33)	-	68	34.0
From other non-monetary items	28	(3)	-	25	33.8
Gross balance of deferred tax assets	4,610	(507)	109	4,212	32.3
Unrecognized deferred tax assets	390	15	-	405	21.8
Balance of deferred tax assets net of unrecognized deferred tax assets	4,220	(522)	109	3,807	34.0
Deferred tax liabilities					
From securities and other monetary items	55	74	(21)	108	25.0
Fixed assets and leases	143	(17)	-	126	25.8
In respect of investments in affiliates	150	104	-	254	11.9
Other	-	1	-	1	25.0
Gross balance of deferred tax liabilities	348	162	(21)	489	15.9
Net balance of deferred tax assets*	3,872	(684)	130	3,318	
* Of which: in respect of activity overseas	1	1	-	2	

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

E. Combined tax rate applicable to the Bank

Taxes paid on profits of banking corporations include corporate tax, imposed pursuant to the Income Tax Ordinance, and profit tax, imposed on financial institutions pursuant to the Value Added Tax Law, as well as wage tax (presented as part of salary expenses). Accordingly, the combined tax rates are as follows:

	Profit tax rate	Income tax rate	Combined tax rate
Year			
2018 forward	17.0%	23.0%	34.2%

F. Losses carried forward for tax purposes

	December 31, 2022				
	Balance of losses	Deferred tax assets on losses	Unrecognized deferred tax assets	Recognized deferred tax assets	First expiration year
	NIS millions				
Losses for tax purposes					
Subsidiaries in Israel	**388**	**90**	**(86)**	**4**	**-**
Subsidiaries overseas	**2,006**	**412**	**(412)**	**-**	**2023**

	December 31, 2021				
	Balance of losses	Deferred tax assets on losses	Unrecognized deferred tax assets	Recognized deferred tax assets	First expiration year
	NIS millions				
Losses for tax purposes					
Subsidiaries in Israel	289	66	(46)	20	-
Subsidiaries overseas	1,710	370	(370)	-	2023

Note 8 Provision for Taxes (Tax Benefit) on Profit (Loss) (continued)

G. Agreement of principles regarding the method of recognition for tax purposes of the allowance for credit losses

In February 2012, the Bank and the Tax Assessment Officer signed an agreement of principles regarding the method of recognition for tax purposes of the allowance for credit losses in respect of allowances for impaired debts recorded beginning January 1, 2011. In July 2017, an agreement of principles was signed with the Tax Assessment Officer regarding the method of recognition for tax purposes of the allowance for credit losses for debts measured according to the past-due-based method, with respect to debts the allowance for which was included in the books of the Bank beginning January 1, 2014. Principles of the agreements:

1. Allowances for individually examined impaired debts shall be deductible as an expense for tax purposes in the year in which the provision is recorded in the financial statements of the Bank. In a tax year in which the allowance for impaired debts is reduced (other than as a result of "charge-offs" or "debt forgiveness"), additional tax shall be added to the Bank's tax liability, based on the formula agreed upon in the agreement.
2. Half of the annual provision for credit losses in respect of allowances for impaired debts not examined individually shall be deductible as an expense for tax purposes in the first year after the year in which it is recorded, and half shall be deductible in the second tax year after the year in which it is recorded.
3. The annual provision for credit losses in respect of allowances measured on a collective basis is not deductible as an expense for tax purposes.
4. 65% of the increase in the annual allowance for credit losses in respect of housing loans measured according to the past-due-based method, in respect of debts the allowance for which was included in the books of the Bank beginning January 1, 2014, is not deductible.

In view of the implementation of generally accepted accounting principles for United States banks on the subject of allowance for credit losses – CECL (ASU 2016-13), beginning January 1, 2022, the Association of Banks is conducting talks with the Tax Authority to examine the need for adjustments to the aforesaid agreement of principles.

H. Agreement regarding subsidiaries outside Israel

The Bank has a settlement with the Tax Assessment Officer for Large Enterprises of May 1986 and a letter of clarifications from the Tax Assessment Officer for Large Enterprises of May 2009 regulating tax payments in Israel in relation to profits of the subsidiaries of the Bank outside Israel.

Note 9 Earnings per Ordinary Share

	For the year ended December 31		
	2022	2021	2020
Basic earnings			
Net profit attributed to the ordinary shareholders of the Bank, in NIS millions	**6,532**	4,914	2,056
Net profit attributed to the ordinary shareholders of the Bank from continued operations, in NIS millions	**6,532**	4,914	2,165
Weighted average number of ordinary shares			
In shares of par value NIS 1			
Balance as at January 1 of issued and paid-up share capital	**1,336,452,973**	1,335,898,103	1,335,168,159
Effect of RSU	**247,487**	353,595	495,184
Effect of shares purchased during the period	**-**	-	-
Weighted average number of ordinary shares used in the calculation of basic earnings per share as at December 31	**1,336,700,460**	1,336,251,698	1,335,663,343
Diluted earnings			
Net profit attributed to the ordinary shareholders of the Bank, in NIS millions	**6,532**	4,914	2,056
Net profit attributed to the ordinary shareholders of the Bank from continued operations, in NIS millions	**6,532**	4,914	2,165
Weighted average number of ordinary shares (diluted)			
In shares of par value NIS 1			
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,336,700,460**	1,336,251,698	1,335,663,343
Effect of RSU	**408,009**	394,413	653,077
Weighted average number of ordinary shares used in the calculation of diluted earnings per share as at December 31	**1,337,108,469**	1,336,646,111	1,336,316,420
Earnings per ordinary share in NIS			
Basic earnings			
Net earnings per share	**4.89**	3.68	1.54
Net earnings per share from continued operations	**-**	3.68	1.62
Diluted earnings			
Net earnings per share	**4.89**	3.68	1.54
Net earnings per share from continued operations	**-**	3.68	1.62

Note 10 Accumulated Other Comprehensive Income (Loss)

NIS millions

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

	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	Net (gains) losses reclassified to the statement of profit and loss, including in respect of the disposal of an activity	Adjustments in respect of employee benefits*	Total		
Balance as at January 1, 2020	250	(38)	(1,561)	(1,349)	3	(1,352)
Net change during the year	239	38	65	342	(1)	343
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 January 1, 2022	**105**	**-**	**(1,701)**	**(1,596)**	**2**	**(1,598)**
Net change during the year	**(1,962)**	**-**	**486**	**(1,476)**	**(2)**	**(1,474)**
Balance as at December 31, 2022	**(1,857)**	**-**	**(1,215)**	**(3,072)**	**-**	**(3,072)**

* 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 10 Accumulated Other Comprehensive Income (Loss) (continued)

NIS millions

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

	For the year ended								
	December 31, 2022			December 31, 2021			December 31, 2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Changes in components of other comprehensive income (loss) before attribution to non-controlling interests									
Adjustments for presentation of bonds available for sale at fair value									
Net unrealized gains (losses) from adjustments to fair value	**(3,068)**	**1,003**	**(2,065)**	(319)	115	(204)	525	(180)	345
(Gains) losses in respect of bonds available for sale reclassified to the statement of profit and loss[1]	**121**	**(18)**	**103**	(256)	76	(180)	(156)	50	(106)
Net change during the year	**(2,947)**	**985**	**(1,962)**	(575)	191	(384)	369	(130)	239
Adjustments from translation									
Net (gains) losses reclassified to the statement of profit and loss, including in respect of the disposal of an activity	**-**	**-**	**-**	-	-	-	(16)	54	38
Net change during the year	**-**	**-**	**-**	-	-	-	(16)	54	38
Employee benefits									
Net actuarial profit (loss) for the year*	**584**	**(200)**	**384**	(487)	168	(319)	(46)	25	(21)
Net (gains) losses reclassified to the statement of profit and loss[2]	**154**	**(52)**	**102**	173	(59)	114	131	(45)	86
Net change during the year	**738**	**(252)**	**486**	(314)	109	(205)	85	(20)	65
Total net change during the year	**(2,209)**	**733**	**(1,476)**	(889)	300	(589)	438	(96)	342
Changes in components of other comprehensive income (loss) attributed to non-controlling interests									
Net of other comprehensive income attributed to non-controlling interests	**(2)**	**-**	**(2)**	-	-	-	(1)	-	(1)
Changes in components of other comprehensive income (loss) attributed to shareholders of the Bank									
Total net change during the year	**(2,207)**	**733**	**(1,474)**	(889)	300	(589)	439	(96)	343

* 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 11 Cash and Deposits with Banks

NIS millions

	December 31	
	2022	2021
Cash and deposits with central banks	**126,254**	186,504
Deposits with commercial banks	**7,170**	2,779
Total*,**	**133,424**	189,283
* Of which: cash, deposits with banks, and deposits with central banks for an original period of up to three months	**132,735**	188,594
** Excluding collective allowance for credit losses	**8**	1

Note:
For information regarding liens, see Note 26, below.

Note 12 Securities

NIS millions

	December 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	**8,016**	**8,016**	**-**	**-**	**(452)**	**7,564**
Foreign governments	**1,801**	**1,801**	**-**	**-**	**(217)**	**1,584**
Financial institutions in Israel	**299**	**316**	**(17)**	**18**	**-**	**317**
Total bonds held to maturity	**10,116**	**10,133**	**(17)**	**18**	**(669)**	**9,465**

	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	**51,751**	**53,138**	**-**	**91**	**(1,478)**	**51,751**
Foreign governments	**21,652**	**22,567**	**-**	**54**	**(969)**	**21,652**
Foreign financial institutions	**7,534**	**7,642**	**-**	**30**	**(138)**	**7,534**
Foreign others	**3,170**	**3,164**	**-**	**26**	**(20)**	**3,170**
Total bonds and debentures available for sale	**84,107**	**86,511**	**-**	**(1)201**	**(1)(2,605)**	**84,107**

	Balance sheet value	Amortized cost (in shares – cost)	Allowance for credit losses	Unrealized gains from adjustments to fair value	Unrealized losses from adjustments to fair value	Fair value*
3) Investments in shares not held for trading						
Shares not held for trading	**4,048**	**4,100**	**-**	**(2)232**	**(2)(284)**	**4,048**
Of which: shares without a readily determinable fair value(3)	**2,315**	**2,315**	**-**	**-**	**-**	**2,315**
Total securities not held for trading	**98,271**	**100,744**	**(17)**	**451**	**(3,558)**	**97,620**

* 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 1D above.

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

(2) Recorded to the statement of profit and loss.

(3) Shares without a readily determinable fair value are stated at cost, net of impairment, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 32C.

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 12 Securities (continued)

NIS millions

	December 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	**7,706**	**7,855**	**-**	**-**	**(149)**	**7,706**
Foreign governments	**765**	**781**	**-**	**-**	**(16)**	**765**
Foreign financial institutions	**420**	**442**	**-**	**-**	**(22)**	**420**
Foreign others	**238**	**270**	**-**	**1**	**(33)**	**238**
Total securities held for trading	**9,129**	**9,348**	**-**	(1)**1**	(1)**(220)**	**9,129**
Total securities(2)(3)	**107,400**	**110,092**	**(17)**	**452**	**(3,778)**	**106,749**

	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, excluding credit losses								
Bonds and debentures								
Israeli government	**29,448**	**(714)**	**-**	**(714)**	**8,881**	**(764)**	**-**	**(764)**
Foreign governments	**10,372**	**(299)**	**-**	**(299)**	**8,054**	**(670)**	**-**	**(670)**
Foreign financial institutions	**4,572**	**(117)**	**-**	**(117)**	**400**	**(21)**	**-**	**(21)**
Foreign others	**1,096**	**(12)**	**-**	**(12)**	**314**	**(8)**	**-**	**(8)**
Total bonds and debentures available for sale	**45,488**	**(1,142)**	**-**	**(1,142)**	**17,649**	**(1,463)**	**-**	**(1,463)**

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Recorded to the statement of profit and loss.
(2) Of which: securities in the amount of approximately NIS 24.6 billion pledged to lenders.
(3) Securities loaned in the amount of approximately NIS 2,093 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 12 Securities (continued)

NIS millions

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

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

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

* Fair-value data are usually based on stock-exchange prices, which do not necessarily reflect the price that would be obtained from a large-volume sale of securities.
(1) Included in equity in the item "adjustments for presentation of securities available for sale at fair value" within other comprehensive income.
(2) Recorded to the statement of profit and loss.
(3) Shares without a readily determinable fair value are stated at cost, net of impairment, adjusted upward or downward to observable prices in ordinary transactions for identical or similar investments of the same issuer. For further details, see Note 32C.

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 12 Securities (continued)

NIS millions

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

	Less than 12 months				12 months or more			
	Fair value	Unrealized losses		Total	Fair value	Unrealized losses		Total
		0-20%	20-40%			0-20%	20-40%	
5) Fair value and unrealized losses, by duration and rate of impairment, of securities 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) Recorded to the statement of profit and loss.
(2) Of which: securities in the amount of approximately NIS 11.6 billion pledged to lenders.
(3) Securities loaned in the amount of approximately NIS 509 million are presented within the item "credit to the public."

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

Note 12 Securities (continued)

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

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

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

The capital reserve in respect of the bonds transferred to the held-to-maturity portfolio amounted to a negative balance of approximately NIS 388 million at the date of the transfer. This balance is stated in shareholders' equity, and is being written down to profit and loss over the remaining life of the bonds as an adjustment of yield.

Note 13 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 1D. 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

	December 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	**201,052**	**-**	**-**	**201,052**	**103,377**	**304,429**
Debts examined on a collective basis	**29,973**	**128,105**	**35,132**	**193,210**	**10,116**	**203,326**
Total[(1)]	**231,025**	**128,105**	**35,132**	**394,262**	**113,493**	**507,755**
(1) Of which:						
Non-accruing debts	**2,653**	**581**	**210**	**3,444**	**-**	**3,444**
Debts 90 days or more past due	**39**	**-**	**44**	**83**	**-**	**83**
Other problematic debts	**2,476**	**-**	**414**	**2,890**	**-**	**2,890**
Total problematic debts	**5,168**	**581**	**668**	**6,417**	**-**	**6,417**
Allowance for credit losses in respect of debts						
Debts examined on an individual basis	**3,634**	**-**	**-**	**3,634**	**29**	**3,663**
Debts examined on a collective basis	**517**	**487**	**897**	**1,901**	**17**	**1,918**
Total allowance for credit losses[(2)]	**4,151**	**487**	**897**	**5,535**	**46**	**5,581**
(2) Of which: allowance in respect of non-accruing debts	**687**	**48**	**93**	**828**	**-**	**828**
Of which: allowance in respect of other problematic debts	**176**	**-**	**64**	**240**	**-**	**240**

* 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 72 million, of commercial borrowers, or extended to purchasing groups currently in the process of construction.

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

NIS millions

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

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

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

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

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

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

NIS millions

2. Change in allowance for credit losses*

	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses as at January 1, 2020	4,007	446	790	5,243	8	5,251
Provision (income) for credit losses	1,181	317	448	1,946	(3)	1,943
Charge-offs	(648)	(14)	(551)	(1,213)	-	(1,213)
Recoveries of debts charged off in previous years	602	9	339	950	-	950
Net charge-offs	(46)	(5)	(212)	(263)	-	(263)
Allowance for credit losses as at December 31, 2020	5,142	758	1,026	6,926	5	6,931
Provision (income) for credit losses	(570)	(226)	(425)	(1,221)	1	(1,220)
Charge-offs	(479)	(4)	(341)	(824)	-	(824)
Recoveries of debts charged off in previous years	651	5	366	1,022	-	1,022
Net charge-offs	172	1	25	198	-	198
Allowance for credit losses as at December 31, 2021	4,744	533	626	5,903	6	5,909
Adjustment of opening balance of allowance for CECL	**336**	**(83)**	**285**	**538**	**8**	**546**
Provision (income) for credit losses	**(181)**	**71**	**40**	**(70)**	**36**	**(34)**
Charge-offs	**(364)**	**(6)**	**(384)**	**(754)**	**-**	**(754)**
Recoveries of debts charged off in previous years	**484**	**4**	**361**	**849**	**-**	**849**
Net charge-offs	**120**	**(2)**	**(23)**	**95**	**-**	**95**
Allowance for credit losses as at December 31, 2022	**5,019**	**519**	**928**	**6,466**	**50**	**6,516**
Of which: in respect of off-balance sheet credit instruments						
December 31, 2020	700	-	81	781	-	781
December 31, 2021	766	-	31	797	-	797
December 31, 2022	**868**	**32**	**31**	**931**	**4**	**935**

* With regard to the policy of the Bank on this subject, see Note 1, above.

Note 14 Credit to Governments

NIS millions

	December 31	
	2022	2021
Credit to the government of Israel	**768**	787
Credit to foreign governments	**1,389**	1,182
Total credit to governments*	**2,157**	1,969
* Excluding collective allowance for credit losses	**21**	5

Note 15 Investments in Affiliates and Information Regarding the Affiliates

A. Composition

	2022	2021
	Equity-basis investees	
Investments in shares stated on an equity basis	**1,198**	785
Other investments		
Investment in owner loans	**-**	68
Total investments	**1,198**	853
Of which:		
Accrued post-acquisition profits, net	**207**	108
Details of the book value and market value of marketable investments		
Book value	**350**	149
Market value	**280**	287

B. Share in profits of equity-basis investees, net

	2022	2021	2020
The Bank's share in net profits (losses) of equity-basis investees	**99**	49	10

Note 15 Investments in Affiliates and Information Regarding the Affiliates (continued)

C. Details of principal affiliates

	December 31											
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	Share in voting rights and in right to receive profits		Investments in shares stated on an equity basis		Other equity investments		Contribution to net profit attributed to shareholders of the Bank		Dividend recorded		Other items accrued in equity[1]	
			NIS millions									
Consolidated companies												
Poalim Equity - Holdings Ltd.	**100%**	100%	**2,758**	2,438	**1,078**	678	**95**	268	**-**	-	**-**	-
Hapoalim Switzerland Ltd.[1]	**100%**	100%	**290**	260	**-**	-	**(42)**	(221)	**-**	-	**-**	-
Bank Pozitif Kredi ve Kalkinma Bankasi A.S., a commercial bank in Turkey[2]	**100%**	69.8%	**-**	-	**-**	-	**(16)**	(33)	**-**	-	**(2)**	1

Not shown in the list of companies are companies under the full ownership and control of the Bank that are companies of properties used by the Bank or companies that provide services only to the Bank.

(1) For details, see Section E below.

(2) In addition, the Bank provided credit lines for Bank Pozitif in a total amount of NIS 123 million (2021: NIS 140 million), of which a total of approximately NIS 78 million was utilized (2021: NIS 91 million). The Bank is acting to sell its investment in Bank Pozitif. For details, see Section F below.

D. Poalim Equity Group

The Poalim Equity Group, which serves as the non-financial investment arm of the Bank and is held under its full ownership, operates in two main areas:

Direct equity and quasi-equity investments (including mezzanine) in companies; and investments and ventures in private investment funds, and investment banking in and outside Israel.

Poalim Equity also holds approximately 24.9% of the public company IBI Management and Underwriting Ltd. (formerly "Poalim IBI Management and Underwriting Ltd."), which provides consulting, underwriting, and funding management services. At the request of the Bank and Poalim Equity, the company's name was changed in December 2022, with the removal of the word "Poalim." The Bank is considering alternatives for activity in the area of underwriting, including the possibility of establishing an independent underwriting business.

In 2021-2022, the Bank increased the scope of investments executed at Poalim Equity, as part of the implementation of its strategy in this area, within a multi-year trajectory for investments through 2025 approved by the Board of Directors of the Bank.

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

In September 2017, the Bank decided to act to discontinue the activity of Hapoalim Switzerland. At present, there are no remaining customer accounts at the company, and the Bank is acting to return its banking license. In the course of 2022, the Bank provided an inflow of approximately CHF 20 million as an additional investment in the capital of Hapoalim Switzerland.

Note 15 Investments in Affiliates and Information Regarding the Affiliates (continued)

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

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

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

Following the contentions of the former minority shareholder of Pozitif and the legal proceedings initiated with the aim of revoking resolutions passed by the general meeting of Pozitif, the Bank, on January 31, 2022, signed an agreement with the minority shareholder pursuant to which the Bank would acquire the holdings of the minority shareholder (30.17%) for a total consideration 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 the claim it had filed (which will be examined within the hearing scheduled for all of the claims). The transaction was completed on March 10, 2022, and thereafter the Bank wholly owns Bank Pozitif.

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

For details regarding the credit line granted by the Bank to Bank Pozitif, see Note 24J.

Note 16 Buildings and Equipment

NIS millions

A. Composition

	Buildings and land (including installations and improvements to rented properties)	Equipment, including computers, furniture, and vehicles	Software[1]	Total
Cost of assets				
Balance as at December 31, 2020	4,086	2,598	5,325	12,009
Additions	292	144	450	886
Subtractions	(204)	(1)	(34)	(239)
Balance as at December 31, 2021	4,174	2,741	5,741	12,656
Additions	**75**	**120**	**505**	**700**
Subtractions	**(76)**	**-**	**(24)**	**(100)**
Balance as at December 31, 2022*	**4,173**	**2,861**	**6,222**	**13,256**
Depreciation and losses from impairment				
Balance as at December 31, 2020	2,527	2,106	4,057	8,690
Annual depreciation	143	131	302	576
Loss from impairment	-	-	26	26
Subtractions	(155)	(1)	(35)	(191)
Balance as at December 31, 2021	2,515	2,236	4,350	9,101
Annual depreciation	**149**	**151**	**363**	**663**
Loss from impairment	**-**	**-**	**53**	**53**
Subtractions	**(59)**	**-**	**(24)**	**(83)**
Balance as at December 31, 2022	**2,605**	**2,387**	**4,742**	**9,734**
Book value				
Balance as at December 31, 2020	1,559	492	1,268	3,319
Balance as at December 31, 2021	1,659	505	1,391	3,555
Balance as at December 31, 2022	**1,568**	**474**	**1,480**	**3,522**
Weighted average depreciation rate, in %, as at December 31, 2021	4.6	17.1	20.0	
Weighted average depreciation rate, in %, as at December 31, 2022	**5.0**	**19.3**	**20.0**	

* Balance of fully depreciated assets included in balance of cost of assets:
Buildings and land, including installations and improvements to rented properties: NIS 1,169 million.
Equipment, including computers, furniture, and vehicles: NIS 1,735 million; software costs: NIS 3,522 million.

(1) Of which: capitalized costs of software developed in-house with a net balance sheet balance in the amount of NIS 1,378 million (December 31, 2021: NIS 1,268 million; December 31, 2020: NIS 1,111 million).

Note 16 Buildings and Equipment (continued)

B. Additional details regarding depreciation:
The depreciation method and the main depreciation rates implemented by the Bank for the various groups of assets are set out below.
Buildings – 2% per year in a straight line.
Land leased from the Israel Land Administration – according to the term of the lease.
Installations and improvements to rental properties – according to the rental period, taking into consideration the Bank's intention to exercise the option to extend the rental period, if such an option exists.
Computers – 20% per year in a straight line.
Office equipment and furniture – 6-15% per year in a straight line.
Software – up to 5 years.

C. The balance sheet balance of buildings available for sale, in the amount of NIS 11 million (December 31, 2021: NIS 10 million), is presented after deduction of the provision for impairment. No loss is expected from the realization of the buildings available for sale, beyond the provisions recorded in respect thereof. In addition, the balance sheet balance of buildings sold, possession of which has not yet been transferred, is in the amount of NIS 4 million (December 31, 2021: NIS 6 million).

D. Rights to land in the amount of NIS 28 million (December 31, 2021: NIS 31 million) have not yet been recorded at the Israel Land Registry Bureau, mainly due to delays in the unification of lots, or the rights are in the process of being recorded.

E. The balance sheet balance of buildings not in use by the Bank, mainly rented buildings, totaled NIS 10 million (December 31, 2021: NIS 24 million), representing investment property rented to others, in both periods.

F. For details regarding the contractual engagement of the Bank for the acquisition of a building for use as headquarters and the betterment of properties in its current use, see Note 25B(12), below.

Note 16 Buildings and Equipment (continued)

NIS millions

G. Leases

Within leasing arrangements, the Bank leases real estate (primarily office space and branches), vehicles, and equipment, mainly used for the business operations of the Bank. Most of the leasing arrangements of the Bank are classified as operating leases.

The lease payments in respect of the real-estate and vehicle leasing contracts entered into by the Bank are mainly linked to the consumer price index at the date of the entry into the lease. In equipment leasing contracts entered into by the Bank, leasing payments are based on usage. The average lease period of real estate is approximately 7.1 years. As the interest rate inherent in a lease is not easily determinable, the incremental interest rate of the Bank is used. The Bank does not have significant leasing arrangements classified as finance leases. The lease periods are the contractual periods stated in the leasing contracts, and also include periods arising from extension options which there is a reasonable certainty that the Bank will exercise. Leasing expenses are recognized within the item “maintenance and depreciation of buildings and equipment” in the statement of profit and loss.

The Bank also enters into transactions for leasing of vehicles for its employees, for periods of three years.

a. Leasing expenses

	For the year ended	
	December 31, 2022	December 31, 2021
Expenses in respect of operating leases	**141**	132
Variable leasing expenses	**11**	6
Total leasing expenses	**152**	138

b. Additional information regarding leases

	For the year ended	
	December 31, 2022	December 31, 2021
Cash paid in respect of balances included in lease liability measurement		
Cash flow in respect of routine operations in operating leases	**142**	120
Right-of-use assets recognized in respect of new operating leases	**68**	23
Weighted average remaining period (in years)		
In operating leases	**7.1**	7.4
Weighted average discount rate		
In operating leases	**0.96%**	0.59%

Note 16 Buildings and Equipment (continued)

NIS millions

c. Undiscounted cash flows and liabilities in respect of operating leases, by maturity period

	December 31, 2022		December 31, 2021	
	Undiscounted cash flows	Liability in respect of lease	Undiscounted cash flows	Liability in respect of lease
Up to one year	**133**	**127**	135	131
Over 1 year up to 2 years	**106**	**101**	117	113
Over 2 years up to 3 years	**78**	**73**	93	90
Over 3 years up to 4 years	**62**	**58**	74	70
Over 4 years up to 5 years	**54**	**52**	59	56
Over five years	**213**	**196**	231	224
Total	**646**	**607**	709	684

d. Right-of-use assets and liabilities in respect of leases

	December 31	
	2022	2021
Right-of-use assets in respect of operating leases		
Other assets	**601**	691
Liability in respect of operating lease		
Other liabilities	**607**	684

Note 17 Other Assets

	December 31	
	2022	2021
Deferred tax assets, net*	**3,440**	3,447
Current taxes – excess of advances paid over current liability for income tax	**26**	33
Assets received in respect of discharged credit	**-**	30
Expenses for issuance of bonds and subordinated notes	**81**	92
Income receivable	**234**	227
Prepaid expenses	**463**	328
Assets in respect of activity in the Maof market(1)	**25**	27
Right-of-use assets in respect of operating lease	**601**	691
Other receivables and debit balances(2)	**1,325**	281
Total other assets	**6,195**	5,156

* See also Note 8D.
(1) Stated at fair value.
(2) As at December 31, 2022, includes the receivables balance in respect of the clearing house, for the sale of securities in the amount of approximately NIS 906 million (as at December 31, 2021, a total of approximately NIS 0 million).

Note 18 Deposits from the Public

NIS millions

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

	December 31	
	2022	2021
In Israel		
On demand		
Non-interest bearing	**191,829**	233,518
Interest bearing	**130,407**	145,743
Total on demand	**322,236**	379,261
Fixed term	**185,537**	125,305
Total deposits from the public in Israel*	**507,773**	504,566
Outside Israel		
On demand		
Non-interest bearing	**1,499**	1,527
Interest bearing	**6,230**	8,368
Total on demand	**7,729**	9,895
Fixed term	**17,086**	10,611
Total deposits from the public outside Israel	**24,815**	20,506
Total deposits from the public	**532,588**	525,072
* Of which:		
Deposits of private individuals	**201,758**	190,674
Deposits of institutional entities	**92,678**	101,287
Deposits of corporations and others	**213,337**	212,605

B. Deposits from the public by size

	December 31	
	2022	2021
Deposit ceiling (in NIS millions)		
Up to 1	**154,697**	147,494
Over 1 up to 10	**122,042**	114,756
Over 10 up to 100	**77,985**	74,023
Over 100 up to 500	**54,878**	51,346
Over 500	**122,986**	137,453
Total	**532,588**	525,072

Note 19 Deposits from Banks

NIS millions

	December 31	
	2022	2021
In Israel		
Commercial banks		
On-demand deposits	**2,801**	5,391
Fixed-term deposits	**1,107**	1,157
Acceptances	**233**	327
Central banks		
On-demand deposits	**460**	527
Fixed-term deposits	**4,042**	4,042
Outside Israel		
Commercial banks		
Fixed-term deposits	**45**	140
Acceptances	**8**	17
Total deposits from banks	**8,696**	11,601

Note 20 Bonds and Subordinated Notes

A. Composition

	December 31			
	2022			2021
	Average duration[1]	Internal rate of return[2]	NIS millions	
Bonds and subordinated notes not convertible into shares				
In Israeli currency				
Unlinked	**3.9**	**2.06%**	**4,372**	2,619
Linked	**3.2**	**0.81%**	**17,128**	17,490
Bonds and subordinated notes convertible into shares				
In Israeli currency				
CPI-linked	***4.6**	**2.71%**	**2,154**	2,355
In foreign currency				
USD	***3.7**	**6.31%**	**3,212**	3,118
Total bonds and subordinated notes*[3]	***3.5**	**1.82%**	**26,866**	25,582
Of which: subordinated notes				
Included in Tier 1 capital	**-**	**-**	**-**	244
Included in Tier 2 capital	**-**	**-**	**9,517**	7,945
Others not included in capital	**-**	**-**	**586**	3,022
Total subordinated notes	**2.9**	**4.05%**	**10,103**	11,211

* According to the terms of the issue, under certain circumstances, the bonds are eligible for early redemption. In order to guarantee bonds issued by consolidated companies, liens were recorded on the companies' assets. For further details, see Note 26 below.

(1) The average duration is the average maturity period, weighted by the cash flow discounted at the internal rate of return.

(2) The internal rate of return is the interest rate that discounts the expected flow of payments to the balance sheet balance included in the financial statements.

(3) Of which: listed on the Tel-Aviv Stock Exchange in the amount of NIS 26,845 million (December 31, 2021: NIS 23,951 million), and the remaining amount not listed.

Note 20 Bonds and Subordinated Notes (continued)

B. Additional details regarding subordinated notes

1. In early November 2022, the Bank executed full early redemption of Subordinated Notes (Series C), in the amount of approximately NIS 1.7 billion. The Subordinated Notes (Series C) are not recognized in supervisory capital as of January 2022.
2. In March 2022, the Bank issued Subordinated Notes (Series F) at a volume of approximately NIS 0.4 billion. The notes are linked to the consumer price index and bear interest at a fixed rate of 0.84%.
   In November 2022, the Bank issued Subordinated Notes (Series G) at a volume of approximately NIS 1.0 billion. The notes are linked to the consumer price index and bear interest at a fixed rate of 3.09%.
   The Subordinated Notes Series F and Series G include a mechanism for principal loss absorption through forced conversion (full or partial) into ordinary shares of the Bank under certain circumstances: a "constitutive event for principal loss absorption and/or a constitutive event for non-viability" according to Proper Conduct of Banking Business Directive 202. 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 from the date of issuance thereof. 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. If the notes are not repaid in early redemption after six years, the interest rate will be adjusted according to the annual yield of linked five-year bonds of the State of Israel, plus a margin.

C. Additional details regarding bond issuance

1. In March 2022, the Bank issued two bond series, based on a shelf offering report:
   Bond Series 100, at a volume of approximately NIS 1.0 billion, with bonds repaid in ten equal annual payments, bearing annual interest at a fixed rate of 2.5%, not linked to any linkage base. The interest in respect of the unsettled balance of the bond principal is paid once annually.
   Bond Series 200, at a volume of approximately NIS 1.0 billion, with bonds to be repaid in ten equal annual payments, bearing annual interest at a fixed rate of 0.1%. The bond principal and the interest on the principal are linked to the consumer price index. The interest in respect of the unsettled balance of the bond principal is paid once annually.
2. In November 2022, the Bank issued two bond series, based on a shelf offering report:
   Bond Series 101, at a volume of approximately NIS 1.2 billion, with bonds to be repaid in one payment when a period of 2.5 years has elapsed, bearing annual interest at a fixed rate of 3.76%, not linked to any linkage base. The interest in respect of the unsettled balance of the bond principal is paid twice annually.
   Bond Series 201, at a volume of approximately NIS 2.0 billion, with bonds to be repaid in ten equal annual payments, bearing annual interest at a fixed rate of 1.39%. The bond principal and the interest on the principal are linked to the consumer price index. The interest in respect of the unsettled balance of the bond principal is paid once annually.

Note 21 Other Liabilities

NIS millions

	December 31	
	2022	2021
Deferred tax liability, net*	**110**	129
Current taxes – surplus current income-tax liability over advances paid	**1,234**	721
Prepaid income	**305**	296
Employees in respect of wages	**1,115**	1,083
Provision for severance pay, retirement compensation, and pensions**	**4,435**	5,200
Expenses payable	**856**	760
Creditors in respect of credit-card activity	**3,759**	3,833
Allowance for credit losses in respect of off-balance sheet credit risk	**935**	797
Liabilities in respect of activity in the Maof market(1)	**25**	27
Other creditors and credit balances	**1,137**	1,721
Liability in respect of operating lease	**607**	684
Total other liabilities	**14,518**	15,251

* See also Note 8D.
** See also Note 22.
(1) Stated at fair value.

Note 22 Employee Benefits

The employees of the Bank include:

a. Permanent and temporary employees – Employees whose terms of employment are established in collective agreements and arrangements formulated from time to time between the Bank and the Employee Union of the Bank;
b. Employees under personal contract – Employees whose terms of employment are established in personal contracts, such that most collective agreements and arrangements do not apply to them;
c. Employees under executive personal contract – Certain employees within the senior management stratum of the Bank (including the CEO, members of the Board of Management, and other senior executives), whose terms of employment are established in personal contracts, such that the collective agreements and arrangements do not apply to them.

The main terms of employment of the employees of the Bank are described below.

A. Terms of employment of permanent and temporary employees

In accordance with the rules customary at the Bank, several processes affect the cost of wages. These processes include, among other matters, promotions and changes in job descriptions; salary raises resulting from accrued seniority; and employee rank increases due to the range of ranks appropriate to a position. The principal benefits, beyond the regular salary components, to which the aforesaid employees of the Bank are entitled are set out below.

Note 22 Employee Benefits (continued)

1. Annual bonus contingent upon rate of return

Pursuant to the collective wage agreement signed by the Bank with the employee representatives for 2018-2022, the annual bonus is influenced by the rate of return of net profit on equity, and ranges from 0.5 monthly salaries (provided that the rate of return on equity is at least 7.0%) to an average bonus budget of 3.0 monthly salaries for eligible employees (when return on equity is 12.0% or higher). Bonuses not dependent on the rate of return, or under circumstances in which the aforesaid rate of return is not attained, can be granted with the approval of the Remuneration Committee and the Board of Directors.

2. Other benefits

Employees of the Bank are entitled to additional benefits, during and after the period of their employment, primarily the following:

Vacation

Bank employees are entitled, by law and according to labor agreements, to annual vacation days. The provision was calculated based on employees' most recent salaries and the number of vacation days accumulated, with the addition of the required related expenses.

25-year service grant

Employees are entitled to a grant in the amount of one monthly salary at the end of 25 years of employment at the Bank. This liability is calculated based on actuarial calculations, taking into account real salary gains influenced by the employee's age.

Other post-employment benefits

After retirement or after taking early retirement, Bank employees are entitled to a grant in respect of unutilized sick days, benefits for holiday gifts, and participation in well-being costs.

These liabilities are calculated based on actuarial calculations that take into account, as relevant, among other things, real salary gains influenced by employee age and mortality and disability rates.

3. Retirement compensation and pensions

General information

The pension rights of employees reaching retirement age are covered by the amounts accumulated in pension funds and in allowance-based provident funds. Employees who retire or who take early retirement are not entitled to severance pay.

Pensions for employees taking early retirement

Employees who take early retirement in an allowance-based track are entitled to a monthly bridge pension, until the date established in the retirement agreement.

The provision is based on an actuarial calculation.

Early retirement of active employees

In addition to the rights described above, in its actuarial calculation of the liability in respect of employee benefits, the Bank includes a liability in respect of employees who the Board of Management of the Bank expects to take early retirement or to depart with other preferred terms.

Note 22 Employee Benefits (continued)

The liability was calculated based on an actuarial calculation, taking the following into consideration, among other factors:

- A real wage increment influenced by the employee's age.
- The forecast retirement date and retirement track, taking into consideration rates of departure with enlarged severance pay and early retirement, according to the experience of the Bank and management expectations and decisions, in view of factors including the age and gender of the employee.
- A discount rate calculated according to the yield of CPI-linked government bonds in Israel, plus a spread determined according to the directives of the Banking Supervision Department.
- A mortality and disability rate based on current mortality tables published by the Chief Actuary of the Ministry of Finance.

4. Collective wage agreement for 2018-2022

On January 21, 2020, the Bank and the representatives of the Employee Union signed a wage agreement for 2018-2022, which was approved by the Board of Directors and Board of Management of the Bank.

The Board of Management of the Bank and the Employee Union have begun talks in order to sign a new agreement.

B. Terms of employment of employees under personal contracts

The customary terms of remuneration for these employees usually include a basic salary, employer contributions to a pension arrangement and study fund, an annual bonus dependent on return, and other benefits during the period of employment.

C. Terms of employment of employees under executive personal contracts

1. General information

On October 22, 2020, the general meeting of shareholders of the Bank approved the remuneration policy of the Bank for officers, in effect for the years 2021-2023. The remuneration policy is consistent with the Financial Corporations Officer Remuneration Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Remuneration), 2016 (hereinafter: the "Remuneration Limit Law") and the ceiling established therein (the "Remuneration Ceiling"); the Companies Law, 1999 (the "Companies Law"); and Directive 301A concerning remuneration policy at banking corporations. On September 13, 2020, the Bank adopted a comprehensive remuneration policy for its senior executives, and on later dates it also adopted a policy for its employees who are not senior executives (all parts of the remuneration policy for all populations shall hereinafter be referred to, jointly, as the "2021 Remuneration Policy" or the "Remuneration Policy"), as well as a remuneration plan consistent with this policy (the "2021 Plan"), which have been updated from time to time.

The Bank has also applied some of the principles of its Remuneration Policy to its subsidiaries in Israel and overseas offices.

Note 22 Employee Benefits (continued)

The main rights and benefits to which the employees of the Bank under executive personal contracts are entitled during the period of their employment are described below.

2. Chairman of the Board of Directors

Mr. Ruben Krupik (the "Chairman") serves as an external director, pursuant to Proper Conduct of Banking Business Directive 301, as of February 18, 2016, and was appointed for a third term of service, ending in February 2025, at the general meeting of October 2021. Mr. Ruben Krupik has served as Chairman of the Board of Directors of the Bank since June 28, 2020.

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

3. CEO of the Bank

On October 22, 2020, the general meeting of the Bank approved the terms of remuneration for the CEO for the period from January 1, 2021, to December 31, 2023, following approval by the Remuneration Committee and by the Board of Directors. The main points of the terms of service and employment of the CEO approved for 2021-2023 include a monthly salary of NIS 201,500, linked to the CPI; benefits including deposits into severance pay and provident funds, and employer contributions to a study fund; reimbursement of expenses necessary for the discharge of his duties; fixed equity compensation through restricted shares at a value of NIS 100,000, linked to the CPI, restricted from exercise for a period of three years; and an annual bonus up to a ceiling

Note 22 Employee Benefits (continued)

of five monthly salaries (subject to the ceiling stated in the Remuneration Limit Law of 35 times the salary of the lowest salary recipient; if necessary, the bonus for the CEO will be capped at the level of the ceiling permitted by law). The annual bonus will consist of two components: (a) a component of the performance of the Bank – a bonus component of 0.25 to 2 monthly salaries, paid according to return on equity, based on the model applicable to the other officers (i.e. according to a return on equity range of 7.0%-10.0%, subject to possible adjustment of up to 1.0% each year by the Board of Directors); and (b) a component at the discretion of the Remuneration Committee and the Board of Directors, in the amount of up to three monthly salaries. If the threshold return on equity conditions are not attained (7.0%, subject to adjustment as noted above), the Remuneration Committee and the Board of Directors shall be permitted to approve a bonus of up to three monthly salaries for the CEO. In each of the years of the plan, the Board of Directors determines the range of the return, as stated.

4. Members of the Board of Management

Pursuant to the 2021 Plan, the members of the Board of Management are entitled to the following rights and benefits:

Fixed remuneration

Fixed remuneration may include the following components: monthly salary, employer contributions, and related benefits; in addition, each executive shall be awarded shares, at no cost, exercise of which is restricted for a period of 36 months from the end of the year in respect of which they are awarded (see details below). The quantity of shares shall be calculated by dividing the value of the compensation, which is established according to the rank of the executive, by the average closing price of the Bank's share on the stock exchange in the 30 trading days preceding the day of the publication of the Bank's annual financial statements. See also Note 23 below.

Variable remuneration – risk-adjusted performance-based annual bonus

- The annual bonus for members of the Board of Management consists of a performance-based component, which is calculated according to the performance of the Bank and influenced by the personal performance of the member of the Board of Management, and a bonus component at the discretion of the supervising function. The annual bonus for officers, which shall have a ceiling of up to 5.0 monthly salaries (and at certain ranks up to 6.5 monthly salaries), is contingent upon the fulfillment of a threshold condition of attainment of a minimum rate of return on equity, to be determined by the Board of Directors. The component of the performance of the Bank shall be paid according to gradations in the range of return on equity of 10.0%-7.0%. Pursuant to the Remuneration Policy, the Remuneration Committee and the Board of Directors are permitted to raise or lower the aforesaid return on equity thresholds (minimum and maximum) by up to 1.0%, provided that the interval remains 3.0%. It is possible to approve a discretionary bonus in the event of non-fulfillment of the threshold conditions, in the amount of up to 3.0 monthly salaries.

Note 22 Employee Benefits (continued)

- Additional terms – The remuneration plan includes additional directives relevant to the bonus, in connection with the termination of employment, the postponement and spreading of part of the payment of the bonus, and reduction or reimbursement of the bonus under certain circumstances. In addition, in accordance with the plan, variable remuneration may be capped so that it does not exceed the Remuneration Ceiling pursuant to the Remuneration Limit Law (remuneration of 35 times the salary of the lowest salary recipient).

Early retirement arrangements

Pursuant to the Remuneration Policy, and subject to the transitional directives therein with respect to rights accrued and/or to be accrued (as detailed below), according to the agreements with the members of the Board of Management (including the CEO of the Bank) (hereinafter: the "Senior Employees"), upon the termination of employment as a result of dismissal or resignation, a Senior Employee shall be entitled to severance pay at a rate of 100% in respect of the period from the inception date of the agreement.

Pursuant to arrangements in previous employment agreements with some of the Senior Employees, it has been determined, with respect to the relevant period of such agreements, that in the event that the Bank decides, on its own initiative, to dismiss one of the Senior Employees or to terminate his or her employment at the end of the period of the agreement, the Senior Employee shall be entitled to severance pay at a rate of 250% in respect of the years of their tenure until the end of 2016, according to the determinant salary for that period. In addition, pursuant to the previous arrangements, when the Senior Employee reaches the date on which the sum of his/her age and his/her period of employment at the Bank exceeds 75 years, the Senior Employee shall be entitled to early retirement, and may choose between enlarged severance compensation at a rate of 250% of his/her monthly salary at the end of 2016, multiplied by the number of years of employment at the Bank up to the end of that year, and, in respect of years of work after 2016, compensation at a rate of 100% based on the last monthly salary, or a monthly pension (at the rate accrued on his/her behalf up to the later of the end of 2016 or the date of appointment as a member of the Board of Management, up to a maximum rate of 70% of the salary to which the pension entitlement applies), to be paid from the date of his/her early retirement until he/she reaches the retirement age specified by law. A member of the Board of Management who has reached the age of 62 may choose to receive only a monthly allowance, or severance pay at a rate of 100%. A threshold condition of a minimum age of 55 years shall be added for some members of the Board of Management who are eligible to choose the retirement tracks described above. Different less beneficial eligibility conditions apply to some members of the Board of Management who are eligible to choose the retirement tracks described above, such as a threshold condition of a minimum age of 55 years.

Note 22 Employee Benefits (continued)

5. Senior executives other than members of the Board of Management

The 2021 Plan applies to the Bank's senior executives who are not members of the Board of Management, according to principles similar to those specified above with regard to members of the Board of Management. The overall bonus budgets for the relevant groups are determined based on gradations of the rate of return on equity; bonuses are derived from these budgets according to the score assigned to the senior executive, which is partly based on KPIs and partly at the discretion of the relevant supervisor, as detailed below.

With regard to senior executives who are not members of the Board of Management, the following will apply:

a. Annual bonus

The annual bonus threshold conditions and mechanism for senior executives who are not members of the Board of Management are identical to those of members of the Board of Management, as described above. It is possible to approve a discretionary bonus in the event of non-fulfillment of the threshold conditions, up to an individual ceiling of 3.0 monthly salaries.

The ceiling on the annual bonus for these executives is 8.0-10.0 monthly salaries (depending on rank); for supervision and control functions, the ceiling is 7.2-9.0 monthly salaries.

The plan contains directives regarding the distribution of the bonus budget among the senior executives and the derivation of the personal bonus from the budget.

b. Retirement arrangements

Notwithstanding the foregoing with regard to retirement arrangements for Senior Employees who are members of the Board of Management, senior executives who are not members of the Board of Management shall be entitled to all of the rights accrued up to the end of the arrangements that existed in previous employment agreements with them, insofar as such agreements existed, provided that the forecast expense, as defined in the Remuneration Limit Law, does not exceed the ceiling in the law. Within the previous employment agreements and within the new employment agreements, it is possible for a senior executive to continue to accrue seniority and rights in connection with an early-retirement track, based on the determinant salary in the relevant previous agreement with the senior executive, insofar as such an agreement existed (the early pension payment may be for a limited period only). In the event of retirement in a severance-pay track, the executive may be entitled, in respect of the years of service up to the end of 2016, to severance pay of up to 250% based on the determinant salary according to the relevant previous agreement with the executive, and in respect of the years of service from 2017 forward, to severance pay of 100% based on the executive's last salary. Subject to the discretion of the Remuneration Committee and the Board of Directors of the Bank, based on a recommendation of the CEO, and subject to the directives of the law, severance pay can be approved for a senior executive in the amount of up to 175% of his or her last salary, in respect of all of the years of his or her employment. In determining eligibility for the choice of an early-retirement track, a condition of a minimum age of 55 shall be added, and additional conditions may also be added. The choice of an early-retirement track will not be available to senior executives who join the ranks of the senior executives of the Bank for the first time.

Note 22 Employee Benefits (continued)

The foregoing notwithstanding, senior executives who were subject to a collective agreement on April 12, 2016, and who were transferred from a collective agreement to an executive personal contract after that date, shall be entitled, under certain conditions, to participate in the retirement plans of the Bank, such as they are at that time, or they shall be entitled to severance compensation of 150% in respect of the period during which they were subject to a collective agreement, according to their most recent relevant salary for that period.

D. Additional matters

- The Remuneration Policy allows the granting of remuneration to officers reporting to the CEO, beyond the remuneration grade pursuant to the directives of Section 2(a) of the Remuneration Limit Law (i.e., at the date of the report, beyond NIS 2.74 million per year), with the approval of the Remuneration Committee and the Board of Directors, without further approval by the general meeting of shareholders of the Bank (up to the ceiling permitted by the Remuneration Limit Law – 35 times the salary of the lowest salary recipient).
- Within the Remuneration Policy, directives were established with regard to the arrangements for the return of bonus amounts in the event of revision of the financial statements (pursuant to the Companies Law) and under exceptional circumstances (pursuant to the directives of the Banking Supervision Department). This includes, among other matters, the determination that damage at a rate of 3% of shareholders' equity is considered "exceptional damage," and that, with due attention to the importance accorded by the Bank to compliance with the directives of the law and with the policies and procedures of the Bank, if the criteria for return are met, the amount returned shall be up to the full amount of the bonus (excluding the part deducted and paid as tax to the Tax Authority). It was also clarified that the return arrangements established in the Remuneration Policy shall not detract from any other remedy that may be available to the Bank under the law with respect to an officer, in the event that the Bank incurs damage.
- A framework of liability limits has been established for the acquisition of an officer liability insurance policy, a POSI (public offering of securities insurance) policy, and a run-off officer liability insurance policy (providing coverage for past activity) under circumstances of structural changes.

Note 22 Employee Benefits (continued)

NIS millions

E. Employee benefit liabilities

	December 31	
	2022	2021
Early retirement and severance pay		
Amount of liability	**7,208**	8,167
Fair value of plan assets	**(3,651)**	(4,073)
Surplus liability over plan assets (included in other liabilities)	**3,557**	4,094
Grant for non-utilization of sick days		
Amount of liability	**326**	409
Fair value of plan assets	**-**	-
Surplus liability over plan assets (included in other liabilities)	**326**	409
25-year service grant		
Amount of liability	**30**	36
Fair value of plan assets	**-**	-
Surplus liability over plan assets (included in other liabilities)	**30**	36
Other benefits at end of employment and post-employment		
Amount of liability	**576**	726
Fair value of plan assets	**-**	-
Surplus liability over plan assets (included in other liabilities)	**576**	726
Total		
Surplus liabilities in respect of employee benefits over plan assets included in the item "other liabilities"*	**4,489**	5,265
* Of which: in respect of benefits for employees overseas	**(19)**	7

Note 22 Employee Benefits (continued)

NIS millions

F. Post-retirement benefit plan

1. Commitments and financing status

a. Net change in commitment in respect of forecast benefit*,**

	For the year ended December 31	
	2022	2021
Net commitment in respect of forecast benefit at beginning of period	**5,229**	4,918
Service cost	**154**	163
Interest cost	**86**	70
Deposits by plan participants	**(15)**	(16)
Actuarial loss (profit)	*****(588)**	489
Changes in foreign-currency exchange rates	**4**	(2)
Benefits paid	**(411)**	(393)
Net commitment in respect of forecast benefit at end of period	**4,459**	5,229
Net commitment in respect of cumulative benefit at end of period	**4,242**	4,906

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

b. Amounts recognized in the consolidated balance sheet

	December 31	
	2022	2021
Early retirement and severance pay		
Amounts recognized in the item "other liabilities"	**4,459**	5,229

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

	December 31	
	2022	2021
Net actuarial loss	**1,841**	2,579
Closing balance in accumulated other comprehensive income	**1,841**	2,579

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

	December 31	
	2022	2021
Commitment in respect of forecast benefit	**8,110**	9,302
Commitment in respect of cumulative benefit	**7,893**	8,979
Fair value of plan assets	**(3,651)**	(4,073)

Note 22 Employee Benefits (continued)

NIS millions

F. Post-retirement benefit plan (continued)

2. Expense for the period

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

	For the year ended December 31		
	2022	2021	2020
Service cost	**154**	163	159
Interest cost	**86**	70	124
Subtraction of unrecognized amounts:			
Net actuarial loss (profit)	**154**	173	131
Net total benefit cost	**394**	406	414

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

	For the year ended December 31		
	2022	2021	2020
Net actuarial loss (profit) for the period	**(588)**	489	48
Subtraction of actuarial profit (loss)	**(154)**	(173)	(131)
Changes in foreign-currency exchange rates	**4**	(2)	(2)
Total recognized in other comprehensive loss (income)	**(738)**	314	(85)
Net total benefit cost	**394**	406	414
Total recognized in net benefit cost for the period and in other comprehensive loss (income)	**(344)**	720	329

Note 22 Employee Benefits (continued)

F. Post-retirement benefit plan (continued)

3. Assumptions*

The actuarial calculation is based, among other matters, on various assumptions regarding the rate of increase in wages, short-term and long-term employee departure rates, the rate of increase in the CPI, and more. These assumptions are based on past experience, studies conducted by the actuary from time to time, and management expectations.

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

	December 31	
	2022	2021
Capitalization rate	**1.71%**	(0.19%)
Rate of increase in remuneration[1]	**0.5%-7.6%**	0.5%-7.6%

* 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.

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 December 31		For the three months ended September 30		For the three months ended June 30		For the three months ended March 31	
	2022	2021	2022	2021	2022	2021	2022	2021
Capitalization rate	**1.67%**	0.07%	1.21%	0.20%	0.39%	0.29%	(0.19%)	0.37%
Rate of increase in remuneration	**0.0-7.6%**	0.0-7.6%	0.0-7.6%	0.0%-7.5%	0.0%-7.6%	0.0%-7.5%	0.0%-7.6%	0.0%-7.5%

Note 22 Employee Benefits (continued)

NIS millions

F. Post-retirement benefit plan (continued)

3. Assumptions* (continued)

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	
	December 31			
	2022	2021	**2022**	2021
Capitalization rate	**(344)**	(464)	**407**	554
Departure rate	**200**	261	**(195)**	(255)
Rate of increase in remuneration	**248**	341	**(212)**	(291)

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:

	December 31	
	2022	2021
Liability for severance pay	**3,461**	3,876
Amounts funded for severance pay	**(3,429)**	(3,822)
Net liability	**32**	54

It is emphasized that the net liability exposure of the Bank to changes in the value of amounts funded, weighted by the probability of retirement in a compensation track, is immaterial, in light of the low probability of retirement in an increased compensation track. Amounts funded for severance pay are deposited in severance-pay funds in the employees' names. Approximately 25% of the total balances of amounts funded for severance pay are deposited with the Central Retirement Fund of Histadrut Workers Ltd. (KGM). The remaining amounts are deposited with a large number of severance-pay provident funds, according to employees' choice.

Note 22 Employee Benefits (continued)

NIS millions

G. Cash flows

1. Deposits

	Forecast	Actual deposits	
		For the year ended December 31	
	2023*	**2022**	2021
Deposits	**164**	**164**	163

* Estimated deposits which the Bank expects to pay into pension plans for a defined benefit during 2023.

2. Benefits the Bank expects to pay in the future

Year	
2023	398
2024	369
2025	351
2026	333
2027-2031	1,324
2032 forward	2,280
Total	5,055

H. Efficiency plan

From time to time, the Bank carries out efficiency plans within which, when the desires of both parties align, employees who meet the conditions established in the plan take early retirement with preferred terms. The Bank reflects employee retirement costs, according to management expectations, in its actuarial assumptions in connection with early retirement.

Note 23 Share-Based Payment Transactions

Within the remuneration plan for members of the Board of Management and senior executives, each executive is awarded shares, the exercise of which is restricted for a period of 36 months from the end of the year in respect of which they are awarded. The quantity of shares is calculated by dividing the value, which is established according to the rank of the executive, by the average closing price of the Bank's share on the stock exchange in the 30 trading days preceding the day of the publication of the Bank's annual financial statements.

During the course of 2022, 351,161 such restricted shares were awarded (531,230 in 2021), the value of which at the date of the award thereof totaled approximately NIS 11.7 million (NIS 12.6 million in 2021). The fair value of remuneration granted to senior executives that is to be settled in equity instruments is equal to the price of the Bank's share on the day of the award, due to the fact that the exercise or acquisition increment in respect thereof is equal to zero, and they are eligible for dividend distribution.

Within the implementation of the 2021 Plan and the existing employment agreements, as part of the fixed remuneration component for 2022 recognized in these financial statements, restricted shares (for three years, beginning January 1, 2023) will be granted to the CEO of the Bank, members of the Board of Management, senior executives, and key employees of the Bank, as well as to managers and employees who have retired from the Bank, at a total volume of up to approximately 0.03% of the issued capital of the Bank (approximately 400,000 shares). The shares will be allocated, according to an outline, during the second quarter of 2023.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity

A. Share capital

	December 31			
	2022	2021	**2022**	2021
	Registered		Issued and paid-up*	
	Amount in NIS			
Ordinary shares of NIS 1 par value	**4,000,000,000**	4,000,000,000	**1,336,837,006**	1,336,452,973

* Issued capital after the deduction of 540,105 ordinary shares (December 31, 2021: 924,138 ordinary shares) purchased by the Bank, as detailed below. The shares are registered for trading on the Tel Aviv Stock Exchange.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

B. Dividends

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

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

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

C. Dividend payments

Beginning in the second quarter, the Board of Directors of the Bank announced the distribution of dividends constituting approximately 30% of net profit in each of the second, third, and fourth quarters of 2022, as detailed below. The distributions cumulatively amounted to approximately NIS 1,464 million.

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

On November 22, 2022, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 536 million, constituting approximately 30% of the net profit of the Bank for the third quarter of 2022, paid on December 11, 2022.

At the date of approval of these financial statements, the Board of Directors of the Bank declared the distribution of dividends in the amount of NIS 525 million, constituting approximately 30% of the net profit of the Bank for the fourth quarter of 2022, to be paid on March 30, 2023.

Date of declaration	Date of payment	Dividend per share	Dividend paid in cash
		Agorot	NIS millions
March 8, 2023	March 30, 2023	39.272	525.0
November 22, 2022	December 11, 2022	40.095	536.0
August 14, 2022	September 7, 2022	30.146	403.0
November 15, 2021	December 8, 2021	64.499	862.0
August 1, 2021	August 18, 2021	46.152	616.8

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

D. Capital adequacy in consolidated data

	December 31, 2022	December 31, 2021
	NIS millions	
1. Capital for the calculation of the capital ratio after supervisory adjustments and deductions		
Common equity Tier 1 capital	**46,745**	42,772
Additional Tier 1 capital	**-**	244
Total Tier 1 capital	**46,745**	43,016
Tier 2 capital	**14,349**	12,490
Total overall capital	**61,094**	55,506
2. Weighted balances of risk-adjusted assets		
Credit risk	**386,550**	363,588
Market risks	**4,007**	4,097
Operational risk	**25,020**	22,595
Total weighted balances of risk-adjusted assets	**415,577**	390,280
	%	
3. Ratio of capital to risk components		
Ratio of common equity Tier 1 capital to risk components(1)	**11.25%**	10.96%
Ratio of Tier 1 capital to risk components	**11.25%**	11.02%
Ratio of total capital to risk components	**14.70%**	14.22%
Minimum common equity Tier 1 capital ratio required by the Banking Supervision Department(2)	**10.23%**	9.21%
Minimum total capital ratio required by the Banking Supervision Department(2)	**13.50%**	12.50%

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

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

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

E. Capital components for the calculation of the capital ratio

	December 31, 2022	December 31, 2021
	NIS millions	
Common equity Tier 1 capital		
Total capital	**46,503**	42,747
Differences between total capital and common equity Tier 1 capital	**(1)**	(4)
Total common equity Tier 1 capital, before supervisory adjustments and deductions	**46,502**	42,743
Supervisory adjustments and deductions:		
Deferred tax assets	**(4)**	(28)
Other supervisory adjustments and deductions – common equity Tier 1 capital*	**(168)**	(154)
Total supervisory adjustments and deductions, before efficiency plan adjustments and before adjustments for estimated credit losses – common equity Tier 1 capital	**(172)**	(182)
Total efficiency plan adjustments – common equity Tier 1 capital**	**141**	211
Total adjustments for estimated credit losses – common equity Tier 1 capital***	**274**	-
Total common equity Tier 1 capital, after supervisory adjustments and deductions	**46,745**	42,772
Additional Tier 1 capital		
Total additional Tier 1 capital	**-**	244
Total Tier 1 capital, after supervisory adjustments and deductions	**46,745**	43,016
Tier 2 capital		
Tier 2 capital – instruments, before deductions	**9,517**	7,945
Tier 2 capital – allowance for credit losses, before deductions	**4,832**	4,545
Total Tier 2 capital	**14,349**	12,490
Total overall capital	**61,094**	55,506

* The balance as at December 31, 2022, includes a total of NIS 123 million, and the balance as at December 31, 2021, includes a total of NIS 140 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 current expected credit losses, in accordance with the directives of the Banking Supervision Department (see Section K below), decrease gradually up to December 31, 2024.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

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

	December 31, 2022	December 31, 2021
	%	
Ratio of capital to risk components		
Ratio of common equity Tier 1 capital to risk components before the effect of the adjustments	**11.09%**	10.90%
Effect of efficiency plan adjustments*	**0.04%**	0.06%
Effect of adjustments for current expected credit losses**	**0.08%**	-
Effect of adjustments in respect of high-risk loans for land acquisition	**0.04%**	-
Ratio of common equity Tier 1 capital to risk components	**11.25%**	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 and risk-adjusted assets subject to volatility

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

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

Scale of effect of a decrease in capital and an increase in risk-adjusted assets on the common equity Tier 1 capital ratio as at December 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
	%	
Common equity Tier 1 capital ratio	**(0.02%)**	**(0.03%)**

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

H. Capital-adequacy target and capital management and planning

Pursuant to the directives of the Banking Supervision Department, the Bank, as a banking corporation of significant importance (a banking corporation whose total balance sheet assets on a consolidated basis constitute at least 24% of the total balance sheet assets of the banking system in Israel), is required to maintain a minimum common equity Tier 1 capital ratio of 10.0% and a minimum total capital ratio of 13.5%. A capital requirement is added to the common equity Tier 1 capital ratio at a rate representing 1% of the balance of housing loans at the dates of the financial statements, excluding housing loans for which a relief was granted under the Temporary Order aimed at coping with the coronavirus crisis. Accordingly, the minimum common equity Tier 1 capital ratio and the minimum total capital ratio of the Bank required by the Banking Supervision Department, on a consolidated basis, as at December 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 no less than 10.5%.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

I. Improving operational efficiency

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

The total volume of the personnel efficiency plan from 2020 to which the reliefs apply is NIS 352 million, net of tax effect. The efficiency plan of 2016, at a volume of NIS 762 million, net of tax effect, was fully recognized in supervisory capital in the financial statements as at December 31, 2021.

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

The remaining effect of the reliefs in respect of the efficiency plans on the common equity Tier 1 capital ratio is estimated at approximately 0.04% as at December 31, 2022.

J. The subsidiary of the Bank in Turkey

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

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

For details regarding actions taken by the Bank to sell the investment and the agreement signed to acquire the holdings of the former minority shareholder, see Note 15F above.

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

The Bank also has a credit line for Bank Pozitif, which was granted at an interest rate below market terms, taking into consideration the position of the Turkish regulator regarding the pricing of the credit line, and the challenging condition of the Turkish economy and of Bank Pozitif. In accordance with a requirement of the Banking Supervision Department in Israel, due to the aforesaid pricing, the balance of the credit line was deducted from supervisory capital. The credit line was renewed in December 2021, for the earlier of twelve months or the date when the Bank ceases to be a principal shareholder of Bank Pozitif. In November 2022, the credit line was renewed for twelve additional months, at a level of approximately USD 35 million, of which a total of approximately USD 22 million is utilized as at the end of December 2022.

The aforesaid effects, in total, on the common equity Tier 1 capital ratio of the Bank as at December 31, 2022, amount to a reduction of 0.04%.

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

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

The Bank has implemented United States generally accepted accounting principles concerning current expected credit losses (CECL) as of January 1, 2022. The effect of the implementation caused a decrease in the common equity Tier 1 capital of the Bank. Pursuant to the circular of the Banking Supervision Department, the Bank will record the effect of the implementation of the standard gradually, over a period of three years. The effect of the reliefs in respect of the implementation of the new rules on the common equity Tier 1 capital ratio is estimated at approximately 0.08% as at December 31, 2022.

For further details regarding the effect of the implementation of the new rules on supervisory capital, see Note 1D 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 are linked to the consumer price index and bear interest at a fixed rate of 0.84%.

In November 2022, the Bank issued Subordinated Notes (Series G) at a volume of approximately NIS 1.0 billion. The notes are linked to the consumer price index and bear interest at a fixed rate of 3.09%.

The Subordinated Notes Series F and Series G include a mechanism for principal loss absorption through forced conversion (full or partial) into ordinary shares of the Bank under certain circumstances: a "constitutive event for principal loss absorption and/or a constitutive event for non-viability" according to Proper Conduct of Banking Business Directive 202. 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 from the date of issuance thereof. 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. If the notes are not repaid in early redemption after six years, the interest rate will be adjusted according to the annual yield of linked five-year bonds of the State of Israel, plus a margin.

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

Note 24 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, on the subject of the treatment of counterparty credit risk, was added. This directive contains a new approach – the standardized approach (SA-CCR), which replaces the existing approaches in Proper Conduct of Banking Business Directive 203 (the current exposure approach and the standardized approach) for the calculation of counterparty exposure at default (EAD). The main updates in the new approach refer to different treatment of netting sets that include margin adjustment agreements and netting sets that do not include margin adjustment agreements, updated supervisory risk coefficients, and the distribution of derivative exposures in netting sets to hedging sets allowing full or partial offsets of the exposures. Implementation of the directive is required as of July 1, 2022.

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

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

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

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

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

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

A circular updating Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy – Standardized Approach – Credit Risk," was issued on May 22, 2022. Pursuant to the circular, loans designated for the acquisition of land for the purpose of development or construction at a rate exceeding 80% of the value of the acquired asset (LTV) are added to the list of loans risk weighted at 150%, with the exception of loans for the acquisition of agricultural land with no planning horizon or intention to apply for a change in designation. The effect of the circular is being spread over equal quarterly installments, from September 30, 2022, to June 30, 2023. A questions and answers document was released on January 26, 2023, containing clarifications regarding the implementation of the circular. As at December 31, 2022, the effect of the implementation of the circular is an increase in risk-adjusted assets in the amount of approximately NIS 2.5 billion, which constitutes a decrease of 0.07% and 0.09% in the common equity Tier 1 capital ratio and the total capital ratio, respectively. The effect of the circular, excluding implementation of the transitional directives, leads to an additional future decrease of approximately 0.04% and 0.05% in the common equity Tier 1 capital ratio and the total capital ratio, respectively.

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 is the total of balance sheet exposures, exposures to derivatives and to securities financing transactions, and off-balance sheet items.

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

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

Note 24 Capital, Capital Adequacy, Leverage, and Liquidity (continued)

	December 31, 2022	December 31, 2021
	NIS millions	
a. Consolidated data		
Tier 1 capital*	**46,745**	43,016
Total exposures*	**737,115**	713,511
	%	
Leverage ratio	**6.34%**	6.03%
Minimum leverage ratio required by the Banking Supervision Department in the period of the Temporary Order	**5.50%**	5.50%
Minimum leverage ratio required by the Banking Supervision Department after the end of the Temporary Order	**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 relief in respect of the efficiency plans on the leverage ratio as at December 31, 2022, estimated at an additional future decrease of approximately 0.02%, is recorded in equal parts over five years, beginning at the inception date thereof. In addition, the data include adjustments in respect of the effect of the implementation of accounting principles concerning current expected credit losses, which are to be gradually reduced until December 31, 2024 (see Section K above). The effect of the relief in respect of current expected credit losses as at December 31, 2022, is estimated at an additional future decrease of approximately 0.04%.

	Effect of decrease of NIS 100 million in Tier 1 capital	Effect of increase of NIS 1 billion in total exposures
	%	
b. Effects on the leverage ratio as at December 31, 2022		
Leverage ratio	**(0.01%)**	**(0.01%)**

Note 24 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 57.

	For the three months ended December 31, 2022	For the three months ended December 31, 2021
	%	
a. Consolidated data		
Liquidity coverage ratio	**122%**	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100%**	100%
b. Bank data		
Liquidity coverage ratio	**121%**	124%
Minimum liquidity coverage ratio required by the Banking Supervision Department	**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.

	December 31, 2022	December 31, 2021*
	%	
Consolidated data		
Net stable financing ratio	**130%**	136%
Minimum net stable financing ratio required by the Banking Supervision Department	**100%**	100%

* Restated.

Note 25 Contingent Liabilities and Special Commitments

NIS millions

A. Off-balance sheet commitment in respect of activity, based on extent of collection[1] at year end

	December 31	
	2022	2021
Credit balance from deposits based on extent of collection[2]		
Israeli currency unlinked	**10**	18
Israeli currency linked to the CPI	**903**	966
Foreign currency	**145**	137
Total	**1,058**	1,121

(1) Credit and deposits from deposits the repayment of which to the depositor is contingent on the collection of the credit (or deposits), with a margin or collection fee (instead of a margin).
(2) Standing loans and government deposits granted in respect thereof, in the amount of NIS 272 million (2021: NIS 229 million), were not included in this table.

Flows in respect of collection fees and interest margins in respect of this activity, based on extent of collection[1]

	December 31, 2022							December 31, 2021
	Up to one year	Over 1 year up to 3 years	Over 3 years up to 5 years	Over 5 years up to 10 years	Over 10 years up to 20 years	Over 20 years	Total	Total
CPI-linked segment[2]								
Future contractual flows	**3**	**5**	**3**	**4**	**4**	**1**	**20**	24
Expected future cash flows after management estimate of early repayments	**3**	**4**	**3**	**3**	**2**	**-**	**15**	18
Capitalized expected cash flows after management estimate of early repayments[3]	**3**	**4**	**3**	**3**	**1**	**-**	**14**	20

(1) Credit and deposits from deposits the repayment of which to the depositor is contingent on the collection of the credit (or deposits), with a margin or collection fee (instead of a margin).
(2) Including the foreign-currency segment.
(3) The capitalization rate was 1.04% (2021: -1.54%).

Information on loans granted during the year at mortgage banks:

	December 31	
	2022	2021
Loans from deposits, based on extent of collection	**47**	75
Standing loans	**38**	61

Note 25 Contingent Liabilities and Special Commitments (continued)

B. Contingent liabilities and other special commitments

	December 31	
	2022	2021
	NIS millions	
1. Commitment to purchase securities	**1,424**	932
2. Construction and acquisition of buildings and equipment	**996**	866

3. In March 2008, the Bank sold provident fund member portfolios to Psagot Provident and Pension Funds Ltd. (hereinafter: "Psagot"). Subsequent to the sale, the Bank guaranteed the payment on the date of entitlement of at least the nominal amount of the fund's receipts in the member's account, less deductions permitted by law to cover the fund's expenses, tax deductions, and any amount that the fund was obligated to repay to the member's employer, all in accordance with the approved articles of association of each fund.
As part of the sale, Psagot undertook a commitment to transfer the Bank's guarantee to an insurer or other party approved by the Supervisor when seven years had elapsed from the date of completion of the transaction, in a manner granting the Bank final and absolute release from its guarantee. As at the balance sheet date, the guarantee has been extended until the end of 2023, subject to a letter of indemnity received by the Bank from Altshuler-Shacham Pension and Provident Funds Ltd. (hereinafter: "Altshuler"), following the transfer of the management of the provident funds from Psagot to Altshuler, and the undertaking to replace or assign the guarantee, such that a similar security is obtained, which shall be approved by the Supervisor of the Capital Market, such that the Bank receives final and absolute release from its guarantee no later than December 31, 2023. The articles of the funds of Altshuler state that as long as the Supervisor has not approved the replacement or assignment of the Bank's guarantee, or the consent of the members to which the guarantee applies to the release of the Bank from the guarantee in accordance with the provisions of all laws has not been given, the guarantee for some of the members of the provident funds shall remain in effect. The balance of nominal amounts for which the Bank is a guarantor amounted to NIS 973 million at the balance sheet date, and the balance of members' accounts amounted to NIS 5,372 million at the balance sheet date. The "fair value" of the Bank's liability in respect of the aforesaid guarantee as at December 31, 2022, is immaterial.

4. All of the directors and officers serving at the Bank (as well as past directors and officers) have letters of indemnity, pursuant to which the Bank undertakes a commitment to indemnify the officers, among other matters, for monetary indebtedness imposed upon them in connection with specified events (up to a cumulative indemnity amount for all officers of 25% of the shareholders' equity of the Bank, according to its most recent known financial statements before the actual indemnity payment), and to indemnify them for reasonable litigation expenses, including attorneys' fees, in various proceedings (including administrative proceedings), all as specified in the letter of indemnity and in accordance with the directives thereof. In 2022, the Bank bore litigation costs of past and present officers in various proceedings (attorneys' fees for

Note 25 Contingent Liabilities and Special Commitments (continued)

derivative proceedings (including in connection with the tax affair and the FIFA affair, and representation before the independent committee headed by Justice (Retired) Danziger; see Note 25F below), and in a class-action proceeding), in negligible amounts. The granting of the letters of indemnity was approved by the general meeting of the Bank on January 3, 2012, and, with respect to directors and officers of the Bank in the granting of letters of indemnity to whom the controlling shareholder of the Bank (at the time) could be considered to have an interest, also renewed on February 18, 2016. The Bank's commitment pursuant to the indemnification letters will also apply to events that occurred prior to the issuance and renewal of the letters. Occasionally, the Bank, with the approval of the Board of Directors, undertakes a commitment to indemnify certain employees who are not officers of the Bank, under special circumstances (such as in connection with their service as directors at an affiliate of the Bank, or in connection with their role at the Bank). Such letters of indemnity are limited to an indemnity ceiling (separate from the indemnity ceiling of the officers, as noted) of up to 10% of the shareholders' equity of the Bank. Such letters of indemnity are held by several present and past employees and office holders.

5. The Bank has undertaken a commitment to indemnify subsidiaries, for all of their liabilities, in order to comply with the limits of the Proper Conduct of Banking Business Directives (the ratio of capital to risk components and the limits on indebtedness of a single borrower and of related persons), and in order to receive an exemption from implementation of Proper Conduct of Banking Business Directives 201-211, "Capital Measurement and Adequacy." This indemnification will expire automatically, without the need for any action to be taken by any of the parties, when the Bank ceases to hold any means of control in the company, on its own or through companies under its full ownership.

6. Hapoalim Hanpakot Ltd. ("Hapoalim Hanpakot") passed resolutions, during the years since 1988, to approve indemnification in respect of prospectuses according to which shelf offer reports were published for the issuance of bonds, subordinated notes, and subordinated capital notes which it issued during these years, including all matters arising from and/or related thereto, directly or indirectly (the "Event"), for directors and other officers, as well as for the legal advisors of the issuances (the "Indemnification Recipients"), in respect of monetary indebtedness to be imposed upon them due to actions they performed in their capacity as officers of the company and/or in providing services to the company, as detailed in the prospectuses published in respect of the issuances. The indemnity ceiling in respect of these issuances for all of the Indemnification Recipients in aggregate was set at a maximum amount not to exceed 10% of the total amount of the facility established for the issuance pursuant to the aforesaid prospectuses and shelf offer reports. The Bank is a guarantor for the indemnification of the directors and officers. In addition, the Bank and Hapoalim Hanpakot commit from time to time to grant indemnification to trustees of the debt certificates that they issue, within the relevant trust notes.

Note 25 Contingent Liabilities and Special Commitments (continued)

7. Within the shelf offering report for the listing of Bonds (Series 35) and Subordinated Notes (Series R) published by Hapoalim Hanpakot on June 4, 2018 (the "Shelf Offering Report"), Hapoalim Hanpakot undertook to grant the pricing underwriter, IBI Management and Underwriting Ltd. (formerly "Poalim IBI Management and Underwriting Ltd.") (a related party), indemnification for a monetary indebtedness imposed upon the underwriter in favor of another person pursuant to a verdict due to a misleading detail in the Shelf Offering Report or in the shelf prospectus, and in respect of reasonable litigation expenses, or in connection with a criminal indictment in which the underwriter was acquitted, or in which the underwriter was convicted of an offense that does not require mens rea, or due to an investigation or proceeding conducted against the underwriter by the government agency authorized to conduct the investigation or proceeding, and which concluded without an indictment, and without any financial obligation imposed as a substitute for a criminal proceeding, or which concluded without an indictment, but with the imposition of a financial obligation as a substitute for a criminal proceeding, for an offense that does not require proof of mens rea, all due to a misleading detail in the Shelf Offering Report. The total indemnity amount, in any event, shall not exceed the total value of the securities listed pursuant to the Shelf Offering Report at the date of listing thereof (linked to the consumer price index, beginning with the known CPI at the date of signing of the underwriting agreement) (the "Maximum Indemnity Amount"). The foregoing notwithstanding, the amount paid in respect of the indemnity shall not exceed, in aggregate, 25% of the shareholders' equity of Hapoalim Hanpakot, according to its most recent consolidated financial statements (audited or reviewed) at the time of the demand for indemnification by the underwriter (hereinafter: the "Interim Amount"), if there is a reasonable concern that the payment thereof would prevent it from meeting its existing and expected obligations (with the exception of the obligations of Hapoalim Hanpakot towards its controlling parties) at the date of the demand for indemnification by the underwriter (hereinafter: the "Condition"). However, when such reasonable concern ceases to exist, the underwriter shall be entitled to supplementation of the indemnity up to the amount of the difference between the Maximum Indemnity Amount and the Interim Amount, all as stated in the underwriting agreement and subject to the directives thereof.

8. In an international private offering of October 2021 for institutional investors (including Americans) of subordinated notes with a mechanism for principal loss absorption via forced conversion into ordinary shares of the Bank, the Bank undertook to indemnify the underwriters and parties related thereto in respect of damages, claims, and losses, if incurred, with respect to material incorrect particulars included in the documents of the offering, or with respect to the omission of material particulars.

9. As a member of the Tel Aviv Stock Exchange Ltd. (the "TASE"), as a member of the TASE Clearing House, and as a member of the MAOF Clearing House of the TASE, the Bank has a commitment to the TASE Clearing House in respect of transactions executed through the clearing house (for itself or for its customers), and a commitment to the MAOF Clearing House in respect of transactions in options and futures cleared through the clearing house. The Bank is also responsible for its share of each of the risk funds of the TASE Clearing House and the Maof Clearing House, which were established to secure the commitments of the members of each of the clearing houses in respect of their activity therein. Each member's share of the aforesaid risk funds is determined in the codes of rules and/or bylaws of the relevant clearing house.

Note 25 Contingent Liabilities and Special Commitments (continued)

The Bank provides collateral for the risk fund of the TASE Clearing House and for the MAOF Clearing House and its risk fund, in amounts that secure its potential liability in respect of its share in each of the aforesaid risk funds, and additional amounts derived from the volume of its activity (on its own behalf and on behalf of its customers). The amounts and composition of this collateral, in cash and bonds, are detailed in Note 26C below.

10.a. In the fourth quarter of 2018, a transaction was completed for the sale of the global private banking customer asset portfolio of Hapoalim Switzerland at its branches in Switzerland and Luxembourg to Bank J. Safra Sarasin AG and Banque Safra Sarasin (Luxembourg) SA (jointly, "Safra Sarasin"). As part of the transaction, indemnity arrangements were agreed upon, pursuant to which, among other matters, Hapoalim Switzerland will indemnify Safra Sarasin for payments and expenses of the purchaser in connection with legal proceedings and investigations of government agencies arising from events preceding the completion of the transaction. The Bank is a guarantor for the commitments of Hapoalim Switzerland towards the purchaser. The commitments are in effect until December 2028.

b. In June 2019, an agreement was signed between Hapoalim Switzerland and Hyposwiss Private Bank Geneva SA for the sale of the remaining customer portfolio at the Switzerland and Luxembourg branches. The sale was performed in several phases. In accordance with the trajectory in the transaction, the Bank paid the buyer for this transfer. As part of the transaction, indemnity arrangements were agreed upon, pursuant to which, among other matters, Hapoalim Switzerland will indemnify Hyposwiss Private Bank Geneva SA, including for payments and expenses of the purchaser in connection with legal proceedings and investigations of government agencies, in the amount of up to CHF 50 million, arising from events preceding the completion of the transaction. The Bank is a guarantor for the commitments of Hapoalim Switzerland towards the purchaser. The commitments are in effect until June 2025.

11. The Bank and its subsidiaries, from time to time, under commonly accepted conditions and circumstances and during the ordinary course of business, grant letters of indemnity, with limited amount and period or unlimited amount and period, including within transactions for the sale of holdings in the companies of the Group, contractual engagements with suppliers, etc.

Note 25 Contingent Liabilities and Special Commitments (continued)

12. On June 21, 2021, the Bank (through a wholly owned subsidiary) entered into a sale agreement with the companies Vitania Ltd. (the "Venturer") and DMR Assets (1995) Ltd. (jointly, the "Sellers") pursuant to which the Bank will acquire a property to be built in Tel Aviv, consisting of a tower with office space (at the level of the building envelope, before finishing work and adaptation to the needs of the Bank) of approximately 60,000 square meters, service spaces, technical spaces, and additional other spaces, as well as more than 1,100 parking spaces, in consideration for approximately NIS 970 million, to be paid according to milestones over the period of the project (the "Headquarters Building"). Within the contract, the Bank had an option to acquire additional spaces in the compound (at the level of the building envelope) of approximately 6,000 square meters, which was exercised in October 2022, in consideration for approximately NIS 80 million. Construction is planned to be completed at the end of 2025. To the best of the Bank's knowledge, the Sellers are in the stage of completing the lining, anchoring, and digging of basements in the project. The Headquarters Building acquired will be used by the Bank and its employees; the Bank plans to concentrate the head-office units of the Bank in this building. The Bank is examining alternatives for the betterment of properties currently used by head-office units, which are expected to be vacated, as noted, in the course of the relocation to the headquarters building that has been acquired (with area of more than 50,000 sq.m.). During the third quarter of 2022, the Local Committee on Planning and Construction approved filing of a conditional plan regarding several head-office properties. The deposit of the plan and publication for objections were approved after the date of the report.

13. In 2022, the Bank continued to acquire and expand the use of land insurance policies that protect 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, and insurance policies for Sale Law guarantees that protect 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. The Bank also acquired insurance policies for housing loans (secured by mortgages) that insure the Bank against losses in respect of these loans granted to customers of the Retail Banking Division. These policies allow the reduction of risk-adjusted assets, due to the transfer of some of the credit risks in these areas to reinsurers outside Israel. The amounts insured under the aforesaid policies totaled approximately NIS 45.7 billion as at December 31, 2022, compared with a total of approximately NIS 16.8 billion as at December 31, 2021.

14. Further to the document of principles of May 2022, on August 10, 2022, the Bank, Cartisei Ashrai LeIsrael Ltd. ("CAL"), Electra Retail Ltd. (a subsidiary of Electra Consumer Products (1970) Ltd., "Electra"), and corporations under their control signed a detailed agreement for a triple collaboration in connection with a customer club based on non-bank credit cards, to be issued only by CAL. The request to issue a credit card will be submitted, among other means, using a dedicated button in the Bit application; clicking this button will refer the customer to issuance of the card by CAL. The Bit application will also display information to club members regarding the club cards, including details of transactions executed by the customers using the club cards. Electra (through a corporation under its control) will be responsible for managing the club, and will propose value offers in purchases at retail chains of the Electra Group. Pursuant to the agreement, the

Note 25 Contingent Liabilities and Special Commitments (continued)

Bank and corporations in the Electra group will be entitled to payments from CAL, and account settlement will be conducted between the parties in respect of expenses. The parties will commit to limited exclusivity periods, all under the terms set forth in the agreement. The parties intend to apply the commercial terms in the agreement to existing Bitcard cards, and, subject to all laws, to convert these cards to the new club. The collaboration is for a period of twelve years, subject to termination causes as specified in the agreement. The agreement is subject to the fulfillment of several conditional terms, including receipt of the approval of the Competition Authority. It is not certain that the conditional terms will be fulfilled.

C. Contractual engagements with credit-card companies

Following negotiations initiated at the request of Isracard in connection with new agreements between the Bank and the Isracard Group, and in-principle agreements reached on July 17, 2022, by the parties (the Bank, Isracard, and Premium Express Ltd. ("Premium Express"), a wholly owned subsidiary of Isracard that issues American Express cards), on November 22, 2022, the Bank signed a new agreement with Isracard, for a period of eight years, beginning April 1, 2022, for joint issuance and issuance operation of bank credit cards (MasterCard and Visa), debit cards, and chargeable cards for customers of the Bank. The agreement includes, among other matters, a mechanism for account settlement between the parties in connection with the turnover of the aforesaid cards (which depends, among other matters, on the volume of the turnover), monetary arrangements pertaining to the operation and issuance of the cards, and the rights and obligations of the parties, as well as agreements in the area of operations and the interface between the parties. At the date of publication of the report, the Bank and Premium Express are in talks based on the in-principle agreements, ahead of signing a detailed agreement regarding the issuance and issuance operation of American Express cards.

The Isracard Group transferred payments to the Bank based on the new agreement and the in-principle agreements, in respect of the period from the second quarter of 2022 forward, and the Bank recorded added income (before tax) of approximately NIS 145 million in its financial statements in 2022.

The Bank also has contractual engagements with the operators CAL (Cartisei Ashrai LeIsrael) and MAX, and issues its cards through the three operators active in Israel (CAL, MAX, and the Isracard Group (which also includes Premium Express, as noted)).

Pursuant to the Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017 (the "Law for Increasing Competition"), beginning in February 2019, the Bank is obligated to operate the issuance of new credit cards issued to customers of the Bank through at least two issuance operators. The share of any issuance operator shall not exceed 52% of the new cards issued by the Bank. This legal limit was scheduled to expire in March 2023, but has been extended in regulations by approximately five additional years.

Note 25 Contingent Liabilities and Special Commitments (continued)

D. Digital wallets

In 2021, the Bank launched a digital wallet for smartphones running on Android operating systems, administered as an additional service within the Bit application (the "Bit Wallet"). The Bit Wallet serves as a technological platform for Bit users, relying on contactless EMV proximity-based payment technology for executing transactions with businesses using charge cards by tapping the smartphone to the point of sale (the payment terminal). The Bit Wallet is an "open" wallet, meaning that Bit users can use it with charge cards of the Bank as well as with cards issued to them by other issuers who have consented to such use. Bit users can also use the Bit Wallet with a designated non-bank club card, the Bitcard, issued by Cartisei Ashrai LeIsrael Ltd. (CAL) to Bit users. Bit users who register for Bit with charge cards whose issuers have not consented to the use of the Bit Wallet can use the Bit Wallet through the Bitcard.

As part of the Bit Wallet launch process, the Bank entered into a series of agreements, including with various service providers and a charge-card issuer, and with other operators of wallet services.

The Bank has also contracted, and contracts from time to time, with international operators of wallet services.

The Bank also reached an agreement with Isracard within which person-to-person (P2P) money transfer transactions using cards from the MasterCard and Visa brands will be cleared through the payment solutions Moneysend and Visa Direct, which are offered by the international organizations MasterCard and Visa (respectively). The payment solution Moneysend was implemented during the second half of 2021; the payment solution Visa Direct was implemented near the end of 2022.

E. Legal proceedings

The Bank Group (the Bank and its consolidated subsidiaries) is a party to legal proceedings, including petitions to certify class actions, taken against it by its customers, former customers, and various third parties. The causes of the claims against the Bank Group are varied and wide-ranging.

In the opinion of the Bank's Board of Management, based, among other matters, on legal opinions with regard to the likely outcome of pending claims, including petitions to certify class actions, the financial statements include sufficient provisions, in accordance with generally accepted accounting principles, to cover possible damages resulting from all claims, where such provisions are necessary.

The additional exposure in respect of claims filed against the Bank on various matters that have a "reasonably possible" probability of materialization (and therefore no provision exists in respect thereof) amounts to approximately NIS 981 million as at December 31, 2022.

a. Set out below are details of the material claims, including petitions to certify claims as class actions, where, in the opinion of the Bank's Board of Management, based, among other matters, on legal opinions with regard to the likely outcome of these claims, the financial statements include sufficient provisions, where provision is necessary, in accordance with generally accepted accounting principles, in respect of all probable losses arising from these claims.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

1. Two claims are in progress against the Bank Group in which the substantial part of the amounts claimed are overlapping. The first is a claim from August 2010 filed against Hapoalim Switzerland (and other banks) by the liquidator of Fairfield Sentry Ltd. (the "Fairfield Fund"), which had invested most of its assets at the time in funds of Madoff (Bernard L Madoff Securities Investment LLC). The claim demands that the defendants return redemptions withdrawn from the Fairfield Fund before it entered insolvency. The amount of the claim against Hapoalim Switzerland currently stands at a total of approximately USD 31 million. The claim is in progress at the US Bankruptcy Court of the Southern District of New York, and appeals are pending at appellate courts. The other claim was filed against the Bank and Hapoalim Switzerland in March 2012 by the liquidator of Bernard L Madoff Securities Investment LLC, in the amount of approximately USD 22 million, also demanding the return of redemptions from before its insolvency. The claim is in progress at the US Bankruptcy Court of the Southern District of New York. In September 2022, a motion for dismissal of this claim, filed by the Bank and Hapoalim Switzerland, was denied.

2. A claim and a petition to certify the claim as a class action against the Bank were filed with the District Court of Tel Aviv on June 24, 2015. The amount of the claim noted in the claim statement is approximately NIS 500 million. The petition concerns the allegation that customers of the Bank who were, or who are, entitled to be included in the category of a "small business," as defined in the Banking Rules (Service to Customers) (Fees), 2008, paid fees that were not in accordance with the fee list applicable to small businesses, and the Bank did not notify these customers that the possibility of classifying them as small businesses existed. A mediation proceeding between the parties was unsuccessful. A motion to consolidate the hearing with similar petitions filed against other banks was approved. The case has been scheduled for evidentiary hearings in the course of 2023. Concurrently, the parties granted their consent to the proposal of the court to refer the case to a mediation proceeding. The mediation proceeding was exhausted, and the hearing of the case in court resumed. On August 22, 2022, a regulatory position was received in this case pursuant to which the Bank must disclose to customers, on its own initiative, their eligibility for the application of the small business fee list.

3. A claim statement and a petition to certify the claim as a class action against the Bank and two additional banks were filed with the District Court of Tel Aviv on May 17, 2020 (the "Certification Petition"). The petition alleges, among other matters, that the Bank transfers personal information of its customers, in violation of privacy and banking secrecy, through its use of online advertising tools (such as Google and Facebook), and through online services that process information in the cloud, which are used by the Bank to provide services to its customers. The arguments against the Bank refer to the digital platforms: the website of the Bank, the Account Management application, and the Bit application. It is also alleged that the privacy protection policy and the terms of use published on these platforms include discriminatory provisions in a uniform contract. The petition does not state the amount of damage to the class. The amount of the personal claim has been set at a total of NIS 1,000. In the initial hearing of the case, the court gave notice of its intention to refer the existing material in the case for a response by the Supervisor of Banks.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

4. A claim statement and a petition to certify the claim as a class action, filed with the Central District Court against the Bank, concerning inactive deposits, as defined in the Banking Ordinance, were received on May 21, 2020. It is alleged in the petition, among other matters, that the Bank violated its duty to find and report to the owners of the accounts with regard to these accounts, collected fees, and obtained unjust enrichment. Among other matters, it is argued that the Bank must pay the amounts of the deposits, according to the real value thereof, with the addition of the fees that have been collected. The claim does not state the amount of damage to the class. The case was transferred to a mediation proceeding, which is still ongoing.

5. A claim and a petition to certify the claim as a class action against the Bank and against past and present officers of the Bank were filed with the District Court of Tel-Aviv-Jaffa on May 5, 2020 (the "Certification Petition"). The petition contains allegations of 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, and in particular, flaws in the reports of the Bank pertaining to the non-appointment of an Independent Examiner and external accounting firm at an early stage of the investigation; pertaining to the position of the DOJ with regard to the findings of the internal self-investigation and its demand to appoint an Independent Examiner and repeat the investigation, or part thereof; and pertaining to the damage caused to the Bank as a result of the lack of a timely appointment of an Independent Examiner. According to the petitioner, the amount of the personal claim and the amount of the class action cannot be estimated at this stage. The class which the petitioner seeks to represent consists of anyone who purchased shares of the Bank between March 1, 2015, and April 30, 2020. The reply of the Bank and the officers to the Certification Petition were submitted on November 2, 2021. Following a mediation proceeding conducted before Prof. Sharon Hannes, the Bank and the petitioner in the class action reached agreements (which were approved by the Board of Directors of the Bank) regarding a settlement in the class action, within which and further to which, on May 1, 2022, the Bank and the parties relevant to the legal proceeding filed a motion with the court to approve a settlement as part of which the Bank would pay a total amount of NIS 50 million (with compensation for the petitioner and fees and reimbursement of expenses for the representatives of the petitioner to be paid out of that amount). The settlement would lead to exhaustion, waiver, and extinguishment of any claim, demand, contention, and remedy arising from the reports of the Bank in connection with the tax affair, the investigation, and the manner of management thereof, and in connection with the causes of the claim and certification petition, and/or with the acts or omissions alleged in the claim and certification petition. On August 11, 2022, the position of the Attorney General regarding the settlement was submitted, expressing reservations regarding the inclusion of a discharge in the settlement with respect to facts that are unknown to any of the parties to the settlement. On October 6, 2022, the Bank and the other parties to the proceeding submitted an updated agreed phrasing of the settlement, reflecting the comment of the Attorney General. On December 6, 2022, the court approved the settlement agreement. The proceeding was thereby concluded.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

6. A claim statement and a petition to certify a class action, filed with the District Court of Jerusalem against seven banks, including the Bank, were received on December 9, 2020. The petition alleges, among other matters, violation by the Bank of the provisions of the Credit Data Law, 2016, and the regulations enacted thereunder, due to the submission of reports to the credit data repository regarding the existence of legal proceedings against customers, in contravention of the law and in a manner that damaged the customers' ability to receive credit, their privacy, and their reputation. The petition does not state the amount of damage to the class. The case is currently in mediation. The parties filed a motion with the court to approve a settlement in which the Bank would pay the claimant and the representative thereof immaterial amounts. On February 28, 2023, the position of the Attorney General regarding the motion was submitted, according to which he does not deem it appropriate to express a position regarding the motion to approve the settlement.

7. A claim statement and a petition to certify a class action, filed with the Central District Court against the Bank and four additional banks, were received on September 13, 2021 (the "Petition"). It is argued in the Petition, among other matters, that the banks present fees in respect of the execution of various actions in their price lists 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. The petition does not state the amount of damage to the class. 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.

8. A claim statement and a petition to certify a class action, filed with the District Court of Tel Aviv against the Bank and an additional bank, were received on April 22, 2021. The petition argues, 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, and that no disclosure is provided in respect thereof. Alternatively, it is argued that the price of the fee is excessive. The petition does not state the amount of damage to the class. On September 1, 2021, a motion of the petitioner for the transfer of the hearing of this proceeding to a judge hearing a claim that raises identical contentions against other banks was granted. On September 5, 2021, the judge to whom the case was transferred ruled to hold a pretrial for both cases in which the consolidation of the hearings would be discussed. On May 23, 2022, the court granted the motion of the petitioner to withdraw from the petition to certify the claim as a class action, and ordered expungement of the certification petition and dismissal of the personal claim of the petitioner.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

9. In July 2022, it came to the attention of the Bank that a claim statement and a petition to certify a class action had been filed with the District Court of Tel Aviv Jaffa against Isracard Ltd. ("Isracard") and officers thereof, and against the Bank. It is alleged against the Bank in the petition that the Bank breached the duty of disclosure within the prospectus for the sale offer of the shares of Isracard (of 2019) in connection with the credit-card issuance and issuance operation agreement between Isracard and the Bank, with regard to the description of the agreement period and the possibility that modifications would be made thereto. The petitioner also has contentions against reports of Isracard subsequent to the prospectus, which are not addressed to the Bank. It is alleged that the collective damage, based on an expert opinion, amounts to approximately NIS 396 million. In accordance with the ruling of the court, the petitioner filed an amended petition to certify the class action, in October 2022, in which, among other matters, contentions were added regarding the leakage of information concerning negotiations between Isracard and the Bank, prior to the publication of a report on this matter; the current CEO of Isracard was added as a respondent in the petition; and the amount of the alleged collective damage was amended to approximately NIS 583 million.

10. 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 – the payment made by the customer to the private company, and the payment of the fee for a transaction through a direct channel, without lawful disclosure. The amount of the damage to the class has been estimated at a total of NIS 458 million against all of the defendants. On February 8, 2023, the position of the Supervisor of Banks was submitted, according to which an issuer bank is permitted to charge a direct-channel fee for withdrawal at a non-bank automated device, even if the private device does not present the customer with the exact rate of the fee to be collected by the bank.

b. In addition, there are no material claims pending against the Bank Group (including petitions to certify class actions) 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.

c. Other proceedings and petitions to certify derivative claims

Most of the sections of this chapter, below, describe proceedings that include petitions to certify derivative claims on behalf of the Bank against past and/or present officers of the Bank. It is noted, with regard to these proceedings, that even in the event that any of the petitions is accepted, the Bank is, in general, expected to be a potential beneficiary of the proceeding rather than a potential indebted party therein.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

1. On March 1, 2015, a petition to certify a derivative claim against the Bank and against officers who served between 2000 and 2015, as well as against the external auditors of the Bank, was filed with the District Court of Tel Aviv, in which it is argued that the respondents must compensate the Bank for damages they caused it through their acts and omissions (estimated at that time in the amount of USD 228 million), which the Bank would be required to pay to United States enforcement agencies. It is further argued that the Bank failed to act and set aside appropriate accounting provisions in its financial statements, as required according to generally accepted accounting principles and according to the directives of the law, in respect of the anticipated payment. As part of the derivative claim, the petitioner filed a petition for disclosure and perusal of documents related to the investigation, including investigation materials and correspondence between the Bank and law-enforcement authorities in the United States. On March 1, 2015, an additional petition was filed for the disclosure of documents prior to filing a derivative claim, in connection with the investigation by United States authorities of the activity of Bank Hapoalim Switzerland regarding American customers. The hearing of the motions has been consolidated, at the request of the parties and in accordance with the ruling of the court. With the consent of the parties, the hearing in this proceeding was stayed until completion of the investigation of the United States authorities. On March 18, 2020, the petitioners filed an update notification pursuant to which, as indicated by the Immediate Report issued by the Bank on that date (the "Notification of the Bank"), the proceedings in the investigation referenced in the petition had concluded, also referencing the assent of the Bank and the Board of Directors of the Bank to the directive of the Supervisor of Banks to establish an independent committee, as indicated by the Notification of the Bank. In their notification, the petitioners asked the court to order the Bank to submit a full report regarding this affair, including various documents. The court ordered the Bank to submit a detailed response to the motion by April 29, 2020, including reference to the identity of the members of the independent committee and the parties appointing the committee. The Bank submitted its notification on April 22, 2020. Following a procedural arrangement approved by the court, the proceedings were stayed to allow the independent committee to submit its recommendations to the Board of Directors of the Bank, and an amended motion was filed estimating the amount of the damage which the petitioner alleges was caused to the Bank at approximately NIS 4.5 billion at least. The assessment of the damage is based on amounts paid by the Bank to the United States authorities, and on legal and other expenses in the course of the tax investigation, and also refers to additional components that have not been quantified. Causes of the claim were also added to the Amended Petition, including with regard to the alleged lack of cooperation of the Bank with the United States authorities during the period of the investigation. On January 27, 2022, notification was submitted to the court stating that the work of the independent committee had been completed, and that at the conclusion of its work the committee made a recommendation to the Bank to exhaust its rights on this matter through a settlement with the officers' liability insurers of the Bank, in accordance with the proposal of the insurers, in which a total of USD 135 million would be paid to the Bank (for details regarding the resolution of the Board of Directors of the Bank adopting the recommendations of the independent committee, see Note 25F below).On May 1, 2022, the Bank and the parties relevant to the legal proceeding filed a motion with the

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

court in Tel Aviv Jaffa to approve a settlement within which the Bank would be paid a total of USD 135 million (with compensation for the petitioner and reimbursement of expenses and fees for the representative of the petitioner to be paid out of that amount) by the officers' liability insurers of the Bank. The settlement would lead to mutual extinguishment of contentions, demands, and claims in connection with the tax affair, establish res judicata, and lead to full discharge of the liability of the insurers in connection with the existing and potential proceedings, claims, and contentions related to the causes of the claim and the tax affair. The settlement requires the approval of the court; there is no certainty that such approval will be granted. On October 27, 2022, a shareholder of the Bank filed an objection to the settlement (the "Objector" and the "Objection," respectively). On October 30, 2022, the Attorney General submitted her position regarding the settlement, according to which she does not object to the settlement, but indicates a number of essential aspects where her position is that the court should address such aspects prior to approving the settlement, including examination of the conclusion of the independent committee pursuant to which the insurers would pay the full amount of the settlement, without obligating the officers to bear part of the payment. In its ruling of October 30, 2022, the court asked the Attorney General for clarifications on this matter, after receiving which the parties will be permitted to respond to her position in its entirety. The Attorney General submitted clarifications of her position on December 19, 2022. The Bank and the respondents submitted their reply to the position of the Attorney General and to the Objection on February 16, 2023. The Objector must submit a response by March 9, 2023, and the case has been scheduled for a hearing on April 20, 2023.

2. On July 13, 2017, a motion was filed with the District Court of Tel Aviv for disclosure and perusal of documents in advance of filing a petition for a derivative claim pursuant to Section 198A of the Companies Law, 1999, in connection with the investigation in progress in the United States concerning the suspicion that the Bank Group served as a channel for holding and transferring bribes paid to senior FIFA officials (the "Disclosure Motion"). The reply of the Bank to the motion has not yet been submitted. On September 17, 2019, the court granted validity to a procedural arrangement between the parties, pursuant to which the hearing would be stayed until completion of the investigation. Accordingly, beginning on that date, the court stayed the proceedings from time to time. On May 3, 2020, the parties gave notice (in separate notifications) that a non-prosecution agreement (NPA) had been reached between the respondents and the United States Department of Justice. On July 8, 2020, a motion was filed to approve a procedural arrangement between the parties, pursuant to which the court was asked to stay the proceedings in the motion in order to allow the independent committee established by the Bank to complete its work and submit its conclusions and recommendations to the Board of Directors of the Bank. On July 9, 2020, the court ordered the parties to give notice, prior to approval of the procedural arrangement, that they agree to waive all arguments regarding limitation periods, primarily with regard to a lack of evidence arising from the procedural arrangement and the time elapsed as a consequence. On July 15, 2020, the parties gave notice of their agreement to the statements in the ruling, without prejudice to any other right or argument available to them. In accordance with the procedural arrangement that was approved, the proceedings were stayed, as noted. On January 27, 2022,

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

notification was submitted to the court stating that the work of the independent committee had recently been completed, and that at the conclusion of its work the committee made a recommendation to the Bank to exhaust its rights on the matter referenced in this case through a settlement with the officers' liability insurers of the Bank, in accordance with the proposal of the insurers, in which a total of USD 5 million would be paid to the Bank. (For details regarding the resolution of the Board of Directors of the Bank adopting the recommendations of the independent committee, see Note 25F below). 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 fees for the representatives of the petitioner to be paid out of that amount) by the officers' liability insurers of the Bank. The settlement would lead to mutual extinguishment of contentions, demands, and claims in connection with the FIFA affair, establish res judicata, and lead to full discharge of the liability of the insurers in connection with the existing and potential proceedings, claims, and contentions related to the causes of the claim and the FIFA affair. The settlement requires the approval of the court; there is no certainty that such approval will be granted. On May 2, 2022, the court instructed the Attorney General to submit her position regarding the motion for the settlement. On November 20, 2022, a court ruling was handed down pursuant to which, as the designated date had passed and the Attorney General had chosen not to respond, it was assumed that the Attorney General did not intend to respond, with all ensuing implications. On November 23, 2022, the petitioner submitted a motion for judgment to the court.

3. On May 21, 2020, a motion was filed with the District Court of Tel Aviv Jaffa for disclosure of documents prior to a derivative claim pursuant to Section 198A of the Companies Law. The motion concerns contentions regarding damages caused to the Bank due to taxation aspects pertaining to payments paid by the Bank to government authorities in the matter of the United States tax investigation. It is argued in the motion that due to various tax aspects, the actual damage caused to the Bank is greater than the amount of the payments to the United States authorities. In view of these contentions, the petitioner is seeking to receive various documents in order to consider whether to file a petition to certify a derivative claim on behalf of the Bank against those responsible for this alleged damage. The petitioner estimates the amount of damage caused to the Bank due to the taxation aspects at approximately USD 448 million. On June 17, 2020, the court approved a procedural arrangement between the parties pursuant to which the court would stay the proceedings in order to allow the independent committee established by the Bank to complete its work and submit its conclusions and recommendations to the Board of Directors of the Bank. On July 2, 2020, the petitioner in the petition to certify a derivative claim described in Section c(1) above filed a motion to expunge this petition (the "Expungement Motion"). A hearing of the Expungement Motion was held on June 13, 2021, and the ruling of the court was given on August 5, 2021, assenting to the motion to expunge and ordering expungement of the proceeding (the "Expungement Ruling"). On January 6, 2022, the petitioner filed notification of an appeal of the Expungement Ruling to the Supreme Court. A hearing of the appeal filed is expected to be held on May 15, 2023. On November 29, 2022, the Supreme Court denied a motion filed by the petitioner to stay the proceedings, and alternatively to grant an extension for filing an objection to the settlement described in Section c(1) above.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

4. A petition to certify a derivative claim against the Bank and past and present officers of the Bank (the "Respondents") was filed with the Economic Department of the District Court of Tel Aviv on September 6, 2017. The certification petition was filed after the petitioner's motion for disclosure of documents was denied, within a motion for permission to appeal filed on behalf of the Bank with the Supreme Court, and concerns allegations of failures of the Bank in granting credit to companies in the group of Mr. Eliezer Fishman (the "Fishman Group"), in not closing a "position" of the Fishman Group in connection with currency transactions (the "Turkish Lira"), and in the Bank refraining from applying collection proceedings against the Fishman Group. It is argued in the petition that due to the acts and omissions of the Respondents, the Bank incurred damage estimated at more than NIS 1.5 billion. The replies of the Bank and of the additional respondents to the petition were submitted on July 14, 2019, and the response of the petitioner to the reply of the Bank and the additional respondents was submitted on January 28, 2020. On January 6, 2021, the court gave partial assent to the motion for disclosure and perusal of documents filed in the proceeding (the "Disclosure Motion"), and ordered delivery of some of the requested documents (hereinafter: the "Document Disclosure Order"). Pursuant to the ruling of the Supreme Court, the deadline for filing a motion for permission to appeal in connection with the Document Disclosure Order was extended until March 16, 2023. On November 14, 2021, the petitioner, the respondents, and the Bank (following approval by the Board of Directors of the Bank) filed a motion with the District Court of Tel Aviv Jaffa to approve a settlement agreement in connection with the aforesaid proceeding. According to the main points of the settlement agreement, for the full, final, and absolute extinguishment and waiver, by the petitioner, the Bank, and any party on behalf thereof towards each of the respondents and the officers of the Bank, of the causes of the claim and arguments related (directly or indirectly) to credit to the Fishman Group, the insurance company that insures the respondents shall pay the Bank a total of NIS 15 million, of which amount compensation for the petitioner and the fees of the representative of the petitioner shall be paid, and the claim shall be dismissed, such that res judicata shall be established. The settlement does not constitute admission by the respondents or the Bank of any of the contentions in the certification petition. An objection to the settlement arrangement was filed on behalf of a shareholder of the Bank on December 9, 2021. On January 19, 2022, the position of the Attorney General regarding the settlement agreement was submitted, according to which, in essence, he finds no cause to object to the arrangement, but raises several points, including, among other matters, a suggestion to appoint an examiner. The parties submitted their response to the position of the Attorney General. In its reply, the Bank asked for the approval of the settlement in its present form, including not appointing an external examiner, as the questions to be resolved are legal questions. On January 8, 2023, the court approved the settlement agreement that had been submitted for its approval (pursuant to which the Bank would receive a total of NIS 15 million from the insurance company, out of which compensation for the petitioner and the fees of the representatives of the petitioner would be paid), except with regard to the amount of the compensation for the petitioner and the fees of the petitioner's representatives, as agreed upon in the settlement agreement, subject to the exemption provisions in the settlement agreement not applying to causes not included in the certification petition.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

5. On June 15, 2020, a motion was filed with the District Court of Tel Aviv Jaffa for disclosure and perusal of documents pursuant to Section 198A of the Companies Law. It is argued in the motion, among other matters, that officers of the Bank granted credit to companies in the Yedioth Ahronoth Group and to the controlling shareholder of the group, Mr. Arnon (Noni) Mozes, in the amount of approximately NIS 1 billion, for the purpose of trading in high-risk speculative financial instruments, disregarding the best interests of the Bank. In the motion, the petitioner seeks disclosure of various documents in connection with this matter. The court approved a procedural arrangement pursuant to which the petitioner would file a motion to amend the motion, and a response and a reply to the response would be submitted by the Bank and the petitioner, respectively. A hearing of this case was held on January 19, 2021; the petitioner subsequently filed a motion to amend the disclosure motion on February 19, 2021. The reply of the Bank to the amendment motion was submitted on March 21, 2021, and the response of the petitioner to the reply of the Bank was submitted on April 8, 2021. A hearing of the amendment motion was held on April 12, 2021. A court hearing was held on June 27, 2021, following which the court granted the petitioner permission to file a motion for disclosure of documents amended to also include a demand for disclosure of documents pertaining to the sale of shares of Yedioth Ahronoth which were placed under lien in favor of the Bank by Mr. Fishman, provided that it does not include a cause pertaining to this matter. The petitioner filed an amended motion for disclosure of documents (the "Amended Motion"). A hearing of the case was held on April 27, 2022. On September 29, 2022, the court ruled on the pending motion (the "Court Ruling"). Accordingly, among other matters, the court ordered the Bank to submit its reply to the amended motion for disclosure of documents filed by the petitioner. On December 7, 2022, the petitioner filed a motion for permission to appeal to the Supreme Court regarding the Court Ruling. On January 29, 2023, the Bank filed a motion to add evidence to the motion for permission to appeal. On February 9, 2023, the Bank submitted its reply to the motion for permission to appeal, and on February 26, 2023, the petitioner submitted its response to the Bank's reply to the motion for permission to appeal.

6. On September 6, 2022, a motion for disclosure and perusal of documents pursuant to Section 198A of the Companies Law was filed in connection with a transaction for the sale of shares of Yedioth Ahronoth, which were under lien to the Bank to secure the repayment of debts of companies in the Fishman Group to Mr. Arnon (Noni) Mozes (the "Disclosure Motion"). The court ordered the Bank to submit its reply to the motion for disclosure of documents within 45 days of the court ruling on the Bank's pending motion (the "Pending Motion"). A hearing of the disclosure motion was held on January 30, 2023, during which the court stated that elucidation of the Pending Motion would be deferred until the resolution of the motion for permission to appeal filed on this matter in the proceeding described in Section c(5) above.

Note 25 Contingent Liabilities and Special Commitments (continued)

E. Legal proceedings (continued)

7. In August 2021, the District Court of Tel Aviv Jaffa gave a judgment on two class actions against Meitav Dash Provident Funds and Pension Ltd. ("Meitav Dash") in connection with the provident fund Tagmulim (the "Provident Fund"), which Meitav Dash acquired from the Bank in 2007 in consideration for approximately NIS 31 million (the "Sale Agreement"). Pursuant to the judgment, among other matters, Meitav Dash is prohibited from collecting management fees from two classes of members of the Provident Fund; it was further ruled that Meitav Dash must reimburse the classes of members, in a total amount of approximately NIS 289 million, with the addition of linkage and interest, and with the addition of management fees collected between 2016 and the date of the judgment. The Bank is not a party to the aforesaid proceeding; however, Meitav Dash contacted the Bank in connection with the proceeding, and, near the date of the judgment, gave notice that if the arguments of the claimants in the class actions were accepted, it would be necessary to conduct an arbitration proceeding between Meitav Dash and the Bank, and that it would act to exhaust its rights against the Bank, as, it argues, among other matters, information and documents exist that were not provided to it by the Bank within the deal in which it acquired the Provident Fund from the Bank, the Bank breached the Sale Agreement with it and made false representations to it, and it has the right to be indemnified by the Bank for its damages. The Bank replied to Meitav Dash that the Bank rejects its arguments and its right to indemnification from the Bank. A supplementary judgment was issued on December 20, 2021 (amended on January 7, 2022) determining the updated level of reimbursement for the members of the group (including the addition of management fees collected from 2016 to the date of issuance of the judgment, with interest and linkage), which stands at a total amount of approximately NIS 400 million. On November 14, 2021, Meitav Dash filed an appeal of the judgment with the Supreme Court, and a motion to stay the execution of the judgment. On January 24, 2022, the motion to stay execution was accepted in part. The motion of Meitav Dash to stay the execution of the prohibition imposed upon it to collect the management fees under discussion from the date of issuance of the District Court judgment was denied. In addition, no stay was imposed on the obligation of Meitav Dash to pay the compensation to the claimants in the class action and part of the fees of their representatives, in a total amount of approximately NIS 10.3 million. 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. On January 9, 2023, the Supreme Court heard the appeals of the District Court judgment and supplementary judgment filed by the parties. As recommended by the court, the parties consented to seek a mediation proceeding.

Note 25 Contingent Liabilities and Special Commitments (continued)

F. On April 30, 2020, resolutions with the United States authorities in connection with the tax investigation and the FIFA affair were announced and entered into force. The resolutions include the ongoing commitments detailed below:

a. A Deferred Prosecution Agreement ("DPA") between the Bank and the DOJ, with respect to the Bank's activity and dealings with its US customers during the period that was the subject of the investigation (2002-2014), to the extent related to Bank Hapoalim in Israel, Poalim Trust Services Ltd., and Bank Hapoalim branches and subsidiaries outside of Israel (excluding Hapoalim Switzerland).

As part of the DPA, the Bank accepted responsibility under US laws for assisting US customers in evading their obligations under US tax laws, as detailed in the Statement of Facts attached to the DPA, to which the Bank has admitted. Pursuant to the DPA, as approved by a federal court in the State of New York, the charges against the Bank are being deferred for a period of three years, such that if the Bank meets the conditions of the agreement during the said period, the charges (detailed in the Information document attached to the resolution) will be dismissed with no criminal conviction. In the event that the Bank breaches the agreement, the DOJ will have the right, among others, to extend the deferral period for a period of one additional year, and to take other measures against the Bank, including canceling the agreement and prosecuting the Bank.

Pursuant to the DPA, the Bank paid the US government a total sum of USD 214,385,612. The said amount is comprised of the following components: a total of USD 77,877,099 for the tax loss restitution component, a total of USD 35,696,929 for the component of forfeiture of gross fees paid to the Bank by the relevant US customers, and a total of USD 100,811,584 for the penalty component.

b. A Plea Agreement between the DOJ and Hapoalim Switzerland Ltd. (formerly Bank Hapoalim (Switzerland) Ltd.) ("Hapoalim Switzerland") that relates to the activity and dealings of Hapoalim Switzerland with its US customers during the period that was the subject of the investigation (2002-2014).

As part of the Plea Agreement, Hapoalim Switzerland has pleaded guilty and was convicted of an offense under US laws for assisting US customers in evading their obligations under US tax laws, as detailed in the Statement of Facts attached to the Plea Agreement, to which Hapoalim Switzerland admitted.

Pursuant to the Plea Agreement, Hapoalim Switzerland paid the US government a total sum of USD 402,534,921. The said amount is comprised of the following components: a total of USD 138,908,073 for the tax loss restitution component, a total of USD 124,628,449 for the component of forfeiture of gross fees paid to the Bank by the relevant US customers, and a total of USD 138,998,399 for the penalty component.

c. A Consent Order issued by the New York State Department of Financial Services (the "NYDFS"), according to which the Bank paid the NYDFS a civil monetary penalty in the amount of USD 220,000,000.

d. 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 brought to an end the tax investigation conducted by the US authorities against the Bank Group.

Note 25 Contingent Liabilities and Special Commitments (continued)

The DPA and the Plea Agreement contain Statements of Facts documents, which detail the acts and omissions that the Bank and Hapoalim Switzerland have admitted and for which they accepted responsibility in accordance with US laws. The resolution documents also detail the considerations for determining the various penalty amounts, including, inter alia, the nature and severity of the conduct of the Bank Group in each case; partial credit given by the relevant authorities for the payments made to other authorities; the participation of individuals with high-level positions in the offense; the level of cooperation of the Bank Group with the relevant authorities; and the Bank Group's lack of criminal history.

The resolutions with the DOJ described above include various undertakings by the Bank and Hapoalim Switzerland to continue to cooperate fully with the US authorities in connection with the issues that are the subject of the investigations, including, among other matters, to continue providing assistance and various types of information to the DOJ, and to submit a periodic report to the DOJ regarding loans granted by the Bank's branches in the US that are guaranteed by accounts held with branches of the Bank outside the US, as well as related internal controls.

The Consent Order and the Cease and Desist Order require the Bank to agree to a number of undertakings, including, among others, with respect to disciplinary proceedings against employees, internal controls, reporting, and cooperation. The resolutions do not include the appointment of a monitor.

The resolutions described above relate to the Bank and Hapoalim Switzerland, as applicable, and to the entities included in the Bank Group only, and to the responsibility such entities are accepting under US laws for the acts and omissions detailed in the various resolution documents. The resolutions do not apply to individuals, including employees or other role holders in the Bank Group, current or former, except as concerns the obligations of the Bank Group to cooperate in accordance with the resolutions and not to breach the provisions of the resolutions.

e. A Non Prosecution Agreement ("NPA") between the DOJ and the Bank and Hapoalim Switzerland with respect to the FIFA investigation. The NPA does not involve criminal charges, an indictment, or a criminal conviction. Within the NPA, the Bank admitted, among other things, that certain employees of the Bank Group participated in a scheme to launder funds constituting bribes paid to soccer officials. The commitments of the Bank within this resolution include, among other matters, filing of an annual report on anti-money laundering plans. In accordance with the NPA, the Bank paid the United States government a total amount of USD 30,063,317.

The resolutions described above and the attachments thereto are available for reading on the Bank's website, at https://www.bankhapoalim.co.il/he/about/arrangements.

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 25 Contingent Liabilities and Special Commitments (continued)

In accordance with the requirement of the Supervisor of Banks, the Board of Directors of the Bank decided that an independent committee, headed by Supreme Court Justice (Retired) Prof. Yoram Danziger (the "Committee"), would examine the managerial and supervisory processes that allowed the actions that are the subject of the tax investigation in its entirety, while addressing corporate governance aspects and the conduct of the senior management and the Board of Directors. Pursuant to the decision of the Board of Directors, the Committee examined exhausting the Bank's rights in connection with the tax investigation, including whether the best interests of the Bank justified initiating legal proceedings or other measures towards any third party, and/or reaching other arrangements. The members of the Committee are the Honorable Justice (Retired) Prof. Yoram Danziger (chairperson of the Committee); the Honorable Justice (Retired) Yosef Alon; Prof. Gideon Parchomovsky; and Ms. Ronit Abramson-Rokach, an external director of the Bank.

The Committee commenced its work immediately following the approval of the resolutions with the United States authorities. During the process of its examination the Committee held approximately 80 meetings, interviewed dozens of people, and received access to various documents it required for the purposes of its work. After the Committee had concluded its recommendations, and before the recommendations were submitted to the Bank, negotiations were conducted with the representatives of the insurers who had provided officers' liability insurance to the Bank Group. At the conclusion of the negotiations, it was agreed that the insurers would pay the Bank a sum of USD 140 million for the final and absolute settlement of all claims and demands against the insurers and the officers of the Bank Group in connection with the tax affair and the FIFA affair (see Note 25E(c)(1) and 25E(c)(2) above). The following are the main points of the recommendations of the Committee:

Responsibility of the officers of the Bank Group and third parties – The Committee examined the responsibility of the officers of the Bank Group in the tax affair and the FIFA affair and found that there is a reasonable possibility of a breach of the duty of care on the part of several former officers of the Bank Group. The Committee noted, however, that these officers were guided by consideration of the best interests of the Bank, did not act due to personal motives, and did not act in a conflict of interest, and, further, they did not act in conscious breach of the law or regulation. It was further found that there is a reasonable possibility of a breach of the fiduciary duty of former officers of Hapoalim Switzerland ("Hapoalim Switzerland").

The Committee considered the prospects of the legal claim against the officers and the overall lateral considerations pertaining to the best interests of the Bank, balanced the considerations, and made a recommendation to the Bank to exhaust its rights with the insurers in a settlement arrangement in which the Bank is paid a total of USD 140 million for final and absolute settlement, as noted, and not to file claims against the officers in the tax affair and in the FIFA affair.

After examining the responsibility of other third parties, the Committee found no grounds to recommend initiating proceedings or additional measures with respect to them.

Note 25 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 25E(c)(1) above), and the derivative proceeding in the FIFA affair (Note 25E(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 25E(a)(5) and 25E(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 25E(c)(2) above). The court instructed the Attorney General to submit her position regarding the motions to approve the settlements filed in the tax affair and the FIFA affair (Notes 25E(a)(5), 25E(c)(1), and 25E(c)(2) above). On August 11, 2022, the Attorney General submitted her position regarding the motion to approve a settlement filed within the petition to certify a class action filed concerning the tax affair (Note 25E(a)(5) above); the Supreme Court approved the settlement on December 6, 2022. The proceeding was thereby concluded (Note 25E(a)(5) above). With regard to the petition to certify a derivative claim in the tax affair (Note 25E(c)(1) above), the Attorney General submitted her position regarding the settlement on October 30, 2022, and submitted clarifications of her position on December 19, 2022. The case has been scheduled for a hearing on April 20, 2023 (Note 25E(c)(1) above).

Note 25 Contingent Liabilities and Special Commitments (continued)

With regard to the motion for disclosure and perusal of documents prior to filing a petition for a derivative claim in the FIFA affair, on November 20, 2022, the court ruled that as the designated date had passed and the Attorney General had chosen not to respond, it was assumed that the Attorney General did not intend to respond, with all ensuing implications. On November 23, 2022, the petitioner submitted a motion for judgment to the court (Note 25E(c)(2) above).

Note 26 Liens and Other Restrictions

A. Securities in foreign currency held by the Bank Group abroad, with a balance in the amount of NIS 1.1 billion as at December 31, 2022 (December 31, 2021: NIS 1.1 billion), were pledged mainly to secure deposits from the public (through the FDIC), in accordance with the directives of government authorities in the United States, and in respect of monetary loans received from central banks in those countries.

B. The Bank is a member of the Euroclear clearing house, which is a clearing system for securities traded in international markets. For its securities activity through this clearing house and as collateral for a credit line established by the clearing-house operator in the Bank's favor, the Bank pledged cash and securities with a total balance of USD 50 million (NIS 176 million) as at December 31, 2022 (December 31, 2021: approximately USD 50 million (NIS 156 million)).

C. The Bank is a member of the Maof Clearing House and the TASE Clearing House. For the purpose of the operation of these clearing houses in securing transactions under the Bank's responsibility, the Bank has pledged bonds in accounts opened for that purpose at these clearing houses.
The balance of bonds pledged as at December 31, 2022, totaled NIS 0.7 billion (maximum balance during 2022: NIS 1.2 billion).
The balance of bonds pledged as at December 31, 2021 totaled NIS 0.9 billion (maximum balance during 2021: NIS 0.9 billion).
In addition to the collateral detailed above, the Bank deposited collateral in cash in the amount of NIS 140 million (December 31, 2021: NIS 112 million) in favor of the risk fund of the TASE Clearing House, and in the amount of NIS 384 million (December 31, 2021: NIS 25 million) in favor of the current requirement and the risk fund of the Maof Clearing House. The amount of collateral that clearing-house members are required to deposit is updated from time to time, in accordance with the clearing houses' codes of rules.

D. Bonds with a balance in the amount of NIS 14.3 billion as at December 31, 2022 (December 31, 2021: NIS 3.7 billion) were transferred to secure deposits received within sale transactions of assets under repurchase agreements, according to the volume of the activity

Note 26 Liens and Other Restrictions (continued)

E. The Bank and its consolidated companies enter into agreements with counterparties aimed at minimizing the mutual credit risks that arise between banks in the course of derivatives trading. Under these agreements, the fair value of the obligations and rights of the parties in connection with transactions in derivatives is measured periodically, and if the net exposure of one of the parties exceeds a predetermined threshold, that party provides a transfer to the other party in order to limit the exposure, until the date of the next measurement. Some agreements contain a requirement to transfer collateral in addition to the description above.
As at December 31, 2022, the Bank Group provided deposits to counterparties at a value of USD 1,417 million (December 31, 2021: USD 1,505 million), and transferred securities in the amount of NIS 1.4 billion (December 31, 2021: NIS 707 million).

F. In 2021-2022, first-rank permanent liens were recorded on all securities and monies deposited, and which shall be deposited from time to time, in accounts pledged in favor of counterparties and administered at Euroclear Bank SA/NV, to secure commitments of the Bank towards counterparties in connection with initial margin requirements according to an ISDA Master Agreement. Total liens as at December 31, 2022: NIS 2.6 billion (December 31, 2021: NIS 872 million).

G. In July 2008, an agreement was signed between the Bank and the Bank of Israel in which the Bank of Israel made a commitment to provide the Bank with a credit line of up to a total amount of NIS 1 billion, for the purpose of complying with the Bank's commitment as a liquidity supplier in NIS for CLS Bank International.
As a condition for the provision of the loans, the Bank signed a bond in which it applied a first-rank floating lien in favor of the Bank of Israel on its rights to receive monetary amounts and charges in NIS owed at present and/or owed to the Bank in the future from time to time by its customers that are corporations incorporated under the laws of the State of Israel (the "Indebted Customers") and whose repayments to the Bank of any credit received from the Bank are not past due, in respect of credit in NIS, where the average duration of each credit does not exceed three years, granted and/or to be granted by the Bank to the Indebted Customers, up to a total amount of NIS 1.1 billion.
In August 2021, in the course of a lateral process of the Bank of Israel with all banks in Israel to regulate the procedure for receiving and securing credit through a uniform and up-to-date document system, the following liens were recorded in favor of the Bank of Israel:

- A lien on all assets and rights of the Bank in any collateral account, and all securities deposited or registered, or to be deposited or registered, in a collateral account; and a lien on all assets and rights of the Bank in the NIS nostro account and the foreign-currency nostro account administered at the Bank of Israel; and a lien on all assets and rights of the Bank in the NIS deposit account; and a lien on all assets and rights of the Bank in the foreign-currency deposit account; and a lien on all assets and rights of the Bank in connection with collateral for certain loan portfolios; and a lien on all assets and rights of the Bank in any proceeds account.

Note 26 Liens and Other Restrictions (continued)

NIS millions

- In addition, a first-rank floating lien was recorded, with unlimited amount, on all pledged assets in the collateral account at Euroclear Bank or in any other collateral account administered at a clearing house outside Israel.

Bonds with a balance in the amount of NIS 4.6 billion as at December 31, 2022 (December 31, 2021: NIS 4.3 billion) are pledged to secure loans from the Bank of Israel.

H. All of the pledged securities listed in Sections A-G above are included in the portfolio available for sale and in the trading book, and the lenders are not permitted to sell or pledge these securities.

	December 31, 2022	December 31, 2021
I. Sources of securities received which the Bank is permitted to sell or pledge, at fair value, before the effect of offsets:		
Securities purchased under agreements to resell	**898**	1,253
J. Applications of securities received as collateral and of securities of the Bank, at fair value, before the effect of offsets:		
Securities sold under agreements to repurchase	**13,877**	3,426

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates

NIS millions

A. Nominal amount of derivative instruments

	December 31, 2022		
	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts			
Future and forward contracts	5,462	90,810	96,272
Options written	109	4,621	4,730
Options bought	356	5,752	6,108
Swaps(1)	30,682	608,907	639,589
Total(2)	36,609	710,090	746,699
Of which: hedging derivatives	27,138	-	27,138
Foreign-currency contracts			
Future and forward contracts	20,577	288,091	308,668
Options written	-	30,807	30,807
Options bought	432	29,000	29,432
Swaps	349	39,324	39,673
Total(3)	21,358	387,222	408,580
Of which: hedging derivatives	-	-	-
Share-related contracts			
Future and forward contracts	-	46,244	46,244
Options written	1,371	18,994	20,365
Options bought(4)	400	18,994	19,394
Swaps	670	70,242	70,912
Total	2,441	154,474	156,915
Commodity and other contracts			
Future and forward contracts	-	69	69
Options written	-	15	15
Options bought	-	25	25
Total	-	109	109
Total nominal amount	60,408	1,251,895	1,312,303

(1) Of which: swaps for which the banking corporation pays a fixed rate of interest, in the amount of NIS 302,054 million.
(2) Of which: NIS-CPI swap contracts in the amount of NIS 39,298 million.
(3) Of which: foreign-currency spot swap contracts in the amount of NIS 13,182 million.
(4) Of which: traded on the stock exchange in the amount of NIS 18,994 million.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

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

NIS millions

B. Gross fair value of derivative instruments

	December 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	**1,412**	**9,852**	**11,264**	**866**	**10,047**	**10,913**
Of which: hedging derivatives	**1,172**	**-**	**1,172**	**469**	**-**	**469**
Foreign-currency contracts	**118**	**8,250**	**8,368**	**277**	**5,644**	**5,921**
Share-related contracts	**33**	**2,222**	**2,255**	**34**	**2,189**	**2,223**
Commodity and other contracts	**-**	**4**	**4**	**-**	**4**	**4**
Total gross assets (liabilities) in respect of derivatives[(1)]	**1,563**	**20,328**	**21,891**	**1,177**	**17,884**	**19,061**
Amounts offset in the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Balance sheet balance	**1,563**	**20,328**	**21,891**	**1,177**	**17,884**	**19,061**
Of which: not subject to a netting arrangement or similar arrangements	**248**	**1,589**	**1,837**	**256**	**1,236**	**1,492**

(1) Of which: gross fair value of assets in respect of embedded derivatives in the amount of NIS 59 million and gross fair value of liabilities in respect of embedded derivatives in the amount of NIS 18 million.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

B. Gross fair value of derivative instruments (continued)

	December 31, 2021					
	Gross assets in respect of derivatives			Gross liabilities in respect of derivatives		
	Derivatives not held for trading	Derivatives held for trading	Total	Derivatives not held for trading	Derivatives held for trading	Total
Interest contracts	258	3,817	4,075	615	3,951	4,566
Of which: hedging derivatives	143	-	143	333	-	333
Foreign-currency contracts	268	6,014	6,282	83	7,180	7,263
Share-related contracts	49	2,575	2,624	49	2,509	2,558
Commodity and other contracts	-	3	3	-	3	3
Total gross assets (liabilities) in respect of derivatives[(1)]	575	12,409	12,984	747	13,643	14,390
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	575	12,409	12,984	747	13,643	14,390
Of which: not subject to a netting arrangement or similar arrangements	24	1,681	1,705	54	1,886	1,940

(1) Of which, net fair value of liabilities in respect of embedded derivatives in the amount of NIS 40 million.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

C. Accounting hedges

1. Effect of accounting hedges

	For the year ended December 31	
	2022	2021
	Interest income (expenses)	
Profit (loss) from fair-value hedges		
Hedged items	**(914)**	(613)
Hedging derivatives	**937**	622

2. Items hedged in fair-value hedges

	Balance as at December 31, 2022		Balance as at December 31, 2021	
	Book value	Cumulative fair-value adjustments that reduced the book value	Book value	Cumulative fair-value adjustments that increased the book value
Securities	**15,168**	**(1,130)**	11,851	131
Subordinated notes	**3,212**	**(359)**	3,118	(12)

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

	For the year ended December 31	
	2022	2021
	Profit (loss) recognized in income (expenses) from activity in derivative instruments[(1)]	
Interest contracts	**(267)**	14
Foreign-currency contracts	**6,826**	(1,460)
Share-related contracts	**27**	16
Total	**6,586**	(1,430)

(1) Included in the item "non-interest financing income (expenses)."

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty

	December 31, 2022						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities	Others	Total
Balance sheet balance of assets in respect of derivative instruments[2]	**398**	**11,478**	**2,535**	**10**	**5,358**	**2,112**	**21,891**
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**(10,269)**	**(2,335)**	**(10)**	**(989)**	**(487)**	**(14,090)**
Credit risk mitigation in respect of cash collateral received	**-**	**(947)**	**(182)**	**-**	**(3,514)**	**(346)**	**(4,989)**
Balance sheet credit risk in respect of derivative instruments	**398**	**262**	**18**	**-**	**855**	**1,279**	**2,812**
Off-balance sheet credit risk in respect of derivative instruments[1]	**251**	**2,991**	**3,276**	**53**	**9,957**	**2,842**	**19,370**
Total credit risk in respect of derivative instruments	**649**	**3,253**	**3,294**	**53**	**10,812**	**4,121**	**22,182**
Balance sheet balance of liabilities in respect of derivative instruments[2]	**194**	**12,045**	**2,351**	**134**	**1,929**	**2,408**	**19,061**
Gross amounts not offset in the balance sheet:							
Financial instruments	**-**	**(10,269)**	**(2,335)**	**(10)**	**(989)**	**(487)**	**(14,090)**
Cash collateral pledged	**-**	**(1,423)**	**(1)**	**(95)**	**(324)**	**(1,725)**	**(3,568)**
Net total liabilities in respect of derivative instruments	**194**	**353**	**15**	**29**	**616**	**196**	**1,403**

(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.
(2) Of which, gross fair value of assets in respect of embedded derivatives in the amount of NIS 59 million and gross fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 18 million (December 31, 2021: fair value in respect of liabilities NIS 40 million).

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

D. Credit risk in respect of derivative instruments, by contract counterparty (continued)

	December 31, 2021						
	Stock exchanges	Banks	Dealers/ brokers	Governments and central banks	Institutional entities*	Others*	Total
Balance sheet balance of assets in respect of derivative instruments	225	6,641	2,420	282	886	2,530	12,984
Gross amounts not offset in the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	(3,989)	(1,554)	-	(364)	(319)	(6,226)
Credit risk mitigation in respect of cash collateral received	-	(2,415)	(382)	(257)	(367)	(1,369)	(4,790)
Balance sheet credit risk in respect of derivative instruments	225	237	484	25	155	842	1,968
Off-balance sheet credit risk in respect of derivative instruments*[(1)]	480	3,187	2,071	105	3,139	1,799	10,781
Total credit risk in respect of derivative instruments*	705	3,424	2,555	130	3,294	2,641	12,749
Balance sheet balance of liabilities in respect of derivative instruments[(2)]	200	4,276	2,495	-	4,836	2,583	14,390
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(3,989)	(1,554)	-	(364)	(319)	(6,226)
Cash collateral pledged	-	(12)	(199)	-	(3,110)	(642)	(3,963)
Net total liabilities in respect of derivative instruments	200	275	742	-	1,362	1,622	4,201

* The format of the disclosure was adjusted following the implementation of the SA-CCR directives.
(1) Off-balance sheet credit risk in respect of derivative instruments (including derivative instruments with negative fair value) as calculated for the purpose of restrictions on the indebtedness of a borrower.
(2) Of which, gross fair value of assets in respect of embedded derivatives in the amount of NIS 59 million and gross fair value of liabilities in respect of embedded derivative instruments in the amount of NIS 18 million (December 31, 2021: fair value in respect of liabilities NIS 40 million).

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

NIS millions

E. Details of maturity dates (nominal value amounts)

	December 31, 2022				
	Up to 3 months	Over 3 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
Interest contracts					
NIS-CPI	**3,528**	**12,226**	**16,846**	**6,698**	**39,298**
Other	**216,041**	**195,637**	**222,413**	**73,310**	**707,401**
Foreign-currency contracts	**249,759**	**106,640**	**39,052**	**13,129**	**408,580**
Share-related contracts	**95,926**	**55,502**	**5,339**	**148**	**156,915**
Commodity and other contracts (including credit derivatives)	**81**	**28**	**-**	**-**	**109**
Total	**565,335**	**370,033**	**283,650**	**93,285**	**1,312,303**
	December 31, 2021				
Total	346,894	238,734	245,889	84,390	915,907

F. Derivative financial instruments – risk control

(1) The Bank executes transactions in derivative financial instruments as part of its financial risk management (linkage base, interest rate, and liquidity exposures) and as a service to its customers. From time to time, the Bank designates some of the derivative instruments as hedging instruments in fair-value hedges or cash-flow hedges.

(2) The principal types of transactions in which the Bank operates are:

- Forward

A contract between two parties for the purchase and sale of a defined quantity of commodities, currencies, interest rates, or other financial instruments (hereinafter: underlying assets), to be transacted at a future date and at a predefined price.

- Future

A future contract traded on stock markets, for the purchase or sale of a quantity of standard units of underlying assets, to be transacted at a future date and at a predefined price.

- Swap

A contract for the exchange at the time of the transaction of a defined quantity of underlying assets, with a mutual obligation to re-exchange the exchanged items at a future date.

- Option

A contract that confers, for the payment of a premium, the right to purchase (call) or sell (put) underlying assets at a price, quantity, and time denoted in advance.

- Spot

An exchange transaction between two currencies on the basis of a pre-agreed rate, for transaction within two days.

Note 27 Activity in Derivative Instruments – Volume, Credit Risks, and Maturity Dates (continued)

(3) Activity in derivative financial instruments involves a number of risks, as detailed below:

Credit risk – The maximum amount of loss to the Bank if the counterparty does not comply with the terms of the contract.

Market risk – Risk arising from fluctuations in the value of a derivative financial instrument as a result of a change in market prices, such as exchange rates, interest rates, etc.

Liquidity risk – Risk deriving from the inability to close a position rapidly by settlement in cash or by creating a reverse position.

Operational risk – Risk deriving from the erroneous operation of transactions, from the time that they are formed until the end of account settlement in respect thereof, due to human error or as a result of a mechanical failure in operation.

Market and liquidity risks arising from this activity are managed and measured routinely in specialized automated systems known in the international markets for these purposes, such as Summit, Devon, and Algorithmics, and in automated systems developed by the Bank.

Credit risk arising from transactions in derivative financial instruments with respect to the counterparty to the transactions is usually measured by applying conservative coefficients to the nominal amounts of the transactions, and using the scenarios approach.

The operational issues arising from this activity are examined and controlled routinely by a specialized unit.

The use of derivative instruments as part of the management of the Bank's current (non-trading) activity is aimed at achieving objectives and complying with limits as approved by the Board of Directors (linkage base, interest rate, and liquidity exposures).

The Bank provides comprehensive service to its customers for hedging and investing in derivative financial instruments via the dealing rooms.

Activity in financial instruments in the areas of trading is designed to respond to customers' needs while undertaking limited and controlled risk in accordance with authorizations.

The authorizations for activity and risk are measured, as relevant, in terms of sensitivity to risk factors (such as vega); theoretical loss in different scenarios, including an extreme scenario; in terms of VaR; and in terms of nominal amounts.

In certain cases, the procedure also prescribes limiting losses by means of a stop-loss order.

Note 28 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 below.

- **Private Banking Segment –** Private individuals the balance of whose portfolio of financial assets exceeds NIS 3 million.
- **Household Segment –** Private individuals other than those customers included in the Private Banking Segment.
- **Microbusiness and Small Business Segment –** Businesses with an annual revenue lower than NIS 50 million.
- **Mid-sized Business Segment –** Businesses with an annual revenue greater than or equal to NIS 50 million, and lower than NIS 250 million.
- **Large Business Segment –** Businesses with an annual revenue greater than or equal to NIS 250 million.
- **Financial Management Segment –** Includes trading activity, asset and liability management, non-financial investment, and additional activities, as defined in the directives of the Supervisor of Banks.
- **Institutional Entity Segment –** Includes provident funds, mutual funds, pension funds, study funds, and insurance companies, in accordance with the definitions of the Supervisor of Banks.
- **Other Segment –** Includes activities of the Bank Group with negligible volumes not assigned to the other segments, and, in the comparative figures, provisions and legal expenses in connection with the investigation of the Bank Group's business with American customers. The segment also includes, in the comparative figures, the results of disposal of the activity of the Isracard Group, which was classified as a discontinued operation.

In addition, pursuant to the directive of the Banking Supervision Department, if the annual revenue of a business client does not reflect the volume of the client's activity, and the client's indebtedness is greater than or equal to NIS 100 million, the client can be assigned to the Large Business Segment. If the client's indebtedness is lower than NIS 100 million, the client can be assigned to the appropriate supervisory operating segment based on the total balance sheet assets of the business, in accordance with the rules set forth in the directive.

If the Bank does not have information regarding the annual revenue of a business client that has no indebtedness to the Bank, the client can be classified based on its total financial assets at the Bank (including monetary deposits, securities portfolios, and other monetary assets), in accordance with the rules detailed in the directive.

Note that the Bank takes various actions to obtain information regarding the annual revenue of its business clients. However, in certain cases, in the absence of information regarding the annual revenue, customer classifications are determined using evaluations and estimates based on the Bank's familiarity with the client and its activity. The Bank endeavors to obtain complete data regarding these customers.

For details regarding the division of the results of operations among the various segments, which is performed according to the rules for such division used by the Bank in the management approach, see Note 28A below.

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments

	For the year ended December 31, 2022				
	Activity in Israel				
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Interest income from externals	7,496	26	2,961	1,523	3,283
Interest expenses for externals	(700)	(276)	(457)	(354)	(742)
Net interest income:					
From externals	6,796	(250)	2,504	1,169	2,541
Inter-segmental	(2,541)	517	361	(96)	(718)
Total net interest income	4,255	267	2,865	1,073	1,823
Non-interest income:					
Non-interest financing income	1	1	17	(25)	17
Fees and other income	1,313	145	979	315	600
Total non-interest income	1,314	146	996	290	617
Total income	5,569	413	3,861	1,363	2,440
Provision (income) for credit losses	112	(1)	192	(109)	(368)
Operating and other expenses:					
From externals	3,680	202	1,897	424	669
Inter-segmental	-	-	-	-	-
Total operating and other expenses	3,680	202	1,897	424	669
Profit (loss) before taxes	1,777	212	1,772	1,048	2,139
Provision for taxes (tax benefit) on profit (loss)	622	74	617	379	767
Profit (loss) after taxes	1,155	138	1,155	669	1,372
The Bank's share in profits of equity-basis investees	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	1,155	138	1,155	669	1,372
Loss (profit) attributed to non-controlling interests	-	-	-	-	-
Net profit (loss) attributed to shareholders of the Bank	1,155	138	1,155	669	1,372

NIS millions

	For the year ended December 31, 2022								
	Activity in Israel				Activity overseas				Total
	Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity overseas	
	33	2,871	-	18,193	-	894	133	1,027	19,220
	(948)	(1,972)	-	(5,449)	-	(74)	(230)	(304)	(5,753)
	(915)	899	-	12,744	-	820	(97)	723	13,467
	1,099	1,381	-	3	-	(254)	251	(3)	-
	184	2,280	-	12,747	-	566	154	720	13,467
	52	515	-	578	-	(6)	9	3	581
	99	150	232	3,833	(1)	32	8	39	3,872
	151	665	232	4,411	(1)	26	17	42	4,453
	335	2,945	232	17,158	(1)	592	171	762	17,920
	(2)	35	-	(141)	-	107	-	107	(34)
	168	367	112	7,519	73	296	84	453	7,972
	-	45	(45)	-	-	-	-	-	-
	168	412	67	7,519	73	296	84	453	7,972
	169	2,498	165	9,780	(74)	189	87	202	9,982
	60	875	60	3,454	(10)	74	30	94	3,548
	109	1,623	105	6,326	(64)	115	57	108	6,434
	-	99	-	99	-	-	-	-	99
	109	1,722	105	6,425	(64)	115	57	108	6,533
	-	-	-	-	-	-	(1)	(1)	(1)
	109	1,722	105	6,425	(64)	115	56	107	6,532

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2022				
	Activity in Israel				
	Households[4]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Average balance of assets[1]	153,619	777	59,784	38,137	93,770
Of which: investments in equity-basis investees[1]	-	-	-	-	-
Average balance of gross credit to the public[1]	154,671	780	60,565	38,743	95,800
Balance of gross credit to the public at the end of the reported period	162,541	781	61,649	39,270	108,834
Balance of non-accruing debts	782	-	399	325	1,294
Balance of debts past due by 90 days or more	43	-	37	1	1
Average balance of liabilities[1]	161,690	35,839	96,203	34,673	78,814
Of which: average balance of deposits from the public[1]	161,667	35,837	95,984	34,504	78,437
Balance of deposits from the public at the end of the reported period	165,379	36,379	100,411	34,279	78,647
Average balance of risk-adjusted assets[1][2]	104,752	1,209	73,440	50,402	116,643
Balance of risk-adjusted assets at the end of the reported period[2]	106,769	1,300	72,998	49,116	128,404
Average balance of assets under management[1][3]	66,218	52,053	45,412	28,478	111,292
Segmentation of net interest income:					
Spread from credit granting activity	2,841	9	1,982	851	1,507
Spread from deposit taking activity	1,414	258	883	222	316
Other	-	-	-	-	-
Total net interest income	4,255	267	2,865	1,073	1,823

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 22.9 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

NIS millions

	For the year ended December 31, 2022								
	Activity in Israel				Activity overseas				Total
	Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity overseas	
	2,827	271,335	323	620,572	11	17,839	6,720	24,570	645,142
	-	1,015	-	1,015	-	-	-	-	1,015
	2,578	-	-	353,137	-	17,036	-	17,036	370,173
	2,031	-	-	375,106	-	19,156	-	19,156	394,262
	-	-	-	2,800	9	635	-	644	3,444
	-	-	-	82	1	-	-	1	83
	93,514	75,652	5	576,390	135	7,378	15,322	22,835	599,225
	93,482	-	-	499,911	-	7,055	15,033	22,088	521,999
	92,678	-	-	507,773	1	7,886	16,928	24,815	532,588
	4,829	22,531	4,047	377,853	38	22,411	116	22,565	400,418
	5,049	24,652	3,296	391,584	24	23,883	86	23,993	415,577
	343,391	94,048	4,083	744,975	-	-	-	-	744,975
	7	8,091	-	15,288	-	504	410	914	16,202
	169	(6,975)	-	(3,713)	-	62	(374)	(312)	(4,025)
	8	1,164	-	1,172	-	-	118	118	1,290
	184	2,280	-	12,747	-	566	154	720	13,467

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2022								
	Household Segment				Private Banking Segment				Total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Interest income from externals	**5,465**	**15**	**2,016**	**7,496**	**18**	**-**	**8**	**26**	**7,522**
Interest expenses for externals	**-**	**-**	**(700)**	**(700)**	**-**	**-**	**(276)**	**(276)**	**(976)**
Net interest income:									
From externals	**5,465**	**15**	**1,316**	**6,796**	**18**	**-**	**(268)**	**(250)**	**6,546**
Inter-segmental	**(4,101)**	**(3)**	**1,563**	**(2,541)**	**(14)**	**-**	**531**	**517**	**(2,024)**
Total net interest income	**1,364**	**12**	**2,879**	**4,255**	**4**	**-**	**263**	**267**	**4,522**
Non-interest income:									
Non-interest financing income	**(3)**	**-**	**4**	**1**	**-**	**-**	**1**	**1**	**2**
Fees and other income	**45**	**331**	**937**	**1,313**	**-**	**6**	**139**	**145**	**1,458**
Total non-interest income	**42**	**331**	**941**	**1,314**	**-**	**6**	**140**	**146**	**1,460**
Total income	**1,406**	**343**	**3,820**	**5,569**	**4**	**6**	**403**	**413**	**5,982**
Provision (income) for credit losses	**71**	**-**	**41**	**112**	**-**	**-**	**(1)**	**(1)**	**111**
Operating and other expenses:									
For externals	**453**	**176**	**3,051**	**3,680**	**-**	**2**	**200**	**202**	**3,882**
Inter-segmental	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total operating and other expenses	**453**	**176**	**3,051**	**3,680**	**-**	**2**	**200**	**202**	**3,882**
Profit (loss) before taxes	**882**	**167**	**728**	**1,777**	**4**	**4**	**204**	**212**	**1,989**
Provision for taxes (tax benefit) on profit (loss)	**306**	**59**	**257**	**622**	**1**	**1**	**72**	**74**	**696**
Net profit (loss) attributed to shareholders of the Bank	**576**	**108**	**471**	**1,155**	**3**	**3**	**132**	**138**	**1,293**

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2022								
	Household Segment				Private Banking Segment				Total
	Housing loans[4]	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Average balance of assets[1]	**121,662**	**3,509**	**28,448**	**153,619**	**473**	**108**	**196**	**777**	**154,396**
Average balance of gross credit to the public[1]	**122,066**	**3,509**	**29,096**	**154,671**	**474**	**108**	**198**	**780**	**155,451**
Balance of gross credit to the public at the end of the reported period	**127,632**	**4,365**	**30,544**	**162,541**	**473**	**149**	**159**	**781**	**163,322**
Balance of non-accruing debts	**572**	**-**	**210**	**782**	**-**	**-**	**-**	**-**	**782**
Balance of debts past due by 90 days or more	**-**	**-**	**43**	**43**	**-**	**-**	**-**	**-**	**43**
Average balance of liabilities[1]	**-**	**-**	**161,690**	**161,690**	**-**	**-**	**35,839**	**35,839**	**197,529**
Of which: average balance of deposits from the public[1]	**-**	**-**	**161,667**	**161,667**	**-**	**-**	**35,837**	**35,837**	**197,504**
Balance of deposits from the public at the end of the reported period	**-**	**-**	**165,379**	**165,379**	**-**	**-**	**36,379**	**36,379**	**201,758**
Average balance of risk-adjusted assets[1][2]	**68,493**	**4,208**	**32,051**	**104,752**	**253**	**166**	**790**	**1,209**	**105,961**
Balance of risk-adjusted assets at the end of the reported period[2]	**69,884**	**4,260**	**32,625**	**106,769**	**261**	**163**	**876**	**1,300**	**108,069**
Average balance of assets under management[1][3]	**-**	**-**	**66,218**	**66,218**	**-**	**-**	**52,053**	**52,053**	**118,271**
Segmentation of net interest income:									
Spread from credit granting activity	**1,364**	**12**	**1,465**	**2,841**	**4**	**-**	**5**	**9**	**2,850**
Spread from deposit taking activity	**-**	**-**	**1,414**	**1,414**	**-**	**-**	**258**	**258**	**1,672**
Total net interest income	**1,364**	**12**	**2,879**	**4,255**	**4**	**-**	**263**	**267**	**4,522**

(1) Average balances are calculated based on the balance at the beginning of a quarter or at the beginning of a month.
(2) Risk-weighted assets – as calculated for the purposes of capital adequacy (Proper Conduct of Banking Business Directive 201).
(3) Assets under management – including assets of provident funds, study funds, mutual funds, and securities of customers.
(4) Includes housing loans in the amount of NIS 22.9 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2022									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Interest income from externals	**966**	**1,995**	**2,961**	**760**	**763**	**1,523**	**1,413**	**1,870**	**3,283**	**7,767**
Interest expenses for externals	**(60)**	**(397)**	**(457)**	**(31)**	**(323)**	**(354)**	**(66)**	**(676)**	**(742)**	**(1,553)**
Net interest income:										
From externals	**906**	**1,598**	**2,504**	**729**	**440**	**1,169**	**1,347**	**1,194**	**2,541**	**6,214**
Inter-segmental	**(158)**	**519**	**361**	**(237)**	**141**	**(96)**	**(556)**	**(162)**	**(718)**	**(453)**
Total net interest income	**748**	**2,117**	**2,865**	**492**	**581**	**1,073**	**791**	**1,032**	**1,823**	**5,761**
Non-interest income:										
Non-interest financing income	**1**	**16**	**17**	**(41)**	**16**	**(25)**	**(42)**	**59**	**17**	**9**
Fees and other income	**208**	**771**	**979**	**157**	**158**	**315**	**269**	**331**	**600**	**1,894**
Total non-interest income	**209**	**787**	**996**	**116**	**174**	**290**	**227**	**390**	**617**	**1,903**
Of which: income from credit cards	**-**	**122**	**122**	**-**	**8**	**8**	**-**	**4**	**4**	**134**
Total income	**957**	**2,904**	**3,861**	**608**	**755**	**1,363**	**1,018**	**1,422**	**2,440**	**7,664**
Provision (income) for credit losses	**49**	**143**	**192**	**(160)**	**51**	**(109)**	**215**	**(583)**	**(368)**	**(285)**
Operating and other expenses:										
For externals	**363**	**1,534**	**1,897**	**161**	**263**	**424**	**246**	**423**	**669**	**2,990**
Inter-segmental	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total operating and other expenses	**363**	**1,534**	**1,897**	**161**	**263**	**424**	**246**	**423**	**669**	**2,990**
Profit (loss) before taxes	**545**	**1,227**	**1,772**	**607**	**441**	**1,048**	**557**	**1,582**	**2,139**	**4,959**
Provision for taxes (tax benefit) on profit (loss)	**188**	**429**	**617**	**219**	**160**	**379**	**201**	**566**	**767**	**1,763**
Net profit (loss) attributed to shareholders of the Bank	**357**	**798**	**1,155**	**388**	**281**	**669**	**356**	**1,016**	**1,372**	**3,196**

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2022									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Average balance of assets[1]	**19,987**	**39,797**	**59,784**	**17,947**	**20,190**	**38,137**	**38,624**	**55,146**	**93,770**	**191,691**
Average balance of gross credit to the public[1]	**20,206**	**40,359**	**60,565**	**18,200**	**20,543**	**38,743**	**39,121**	**56,679**	**95,800**	**195,108**
Balance of gross credit to the public at the end of the reported period	**21,569**	**40,080**	**61,649**	**18,071**	**21,199**	**39,270**	**43,343**	**65,491**	**108,834**	**209,753**
Balance of non-accruing debts	**59**	**340**	**399**	**170**	**155**	**325**	**608**	**686**	**1,294**	**2,018**
Balance of debts past due by 90 days or more	**8**	**29**	**37**	**-**	**1**	**1**	**-**	**1**	**1**	**39**
Average balance of liabilities[1]	**15,254**	**80,949**	**96,203**	**7,088**	**27,585**	**34,673**	**11,707**	**67,107**	**78,814**	**209,690**
Of which: average balance of deposits from the public[1]	**15,091**	**80,893**	**95,984**	**6,963**	**27,541**	**34,504**	**11,512**	**66,925**	**78,437**	**208,925**
Balance of deposits from the public at the end of the reported period	**15,878**	**84,533**	**100,411**	**6,745**	**27,534**	**34,279**	**10,455**	**68,192**	**78,647**	**213,337**
Average balance of risk-adjusted assets[1][2]	**30,176**	**43,264**	**73,440**	**25,523**	**24,879**	**50,402**	**53,271**	**63,372**	**116,643**	**240,485**
Balance of risk-adjusted assets at the end of the reported period[2]	**30,069**	**42,929**	**72,998**	**24,392**	**24,724**	**49,116**	**60,850**	**67,554**	**128,404**	**250,518**
Average balance of assets under management[1][3]	**-**	**45,412**	**45,412**	**-**	**28,478**	**28,478**	**-**	**111,292**	**111,292**	**185,182**
Segmentation of net interest income:										
Spread from credit granting activity	**617**	**1,365**	**1,982**	**442**	**409**	**851**	**721**	**786**	**1,507**	**4,340**
Spread from deposit taking activity	**131**	**752**	**883**	**50**	**172**	**222**	**70**	**246**	**316**	**1,421**
Total net interest income	**748**	**2,117**	**2,865**	**492**	**581**	**1,073**	**791**	**1,032**	**1,823**	**5,761**

(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.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2022				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Interest income from externals	**172**	**2,698**	**-**	**1**	**2,871**
Interest expenses for externals	**-**	**(1,972)**	**-**	**-**	**(1,972)**
Net interest income:					
From externals	**172**	**726**	**-**	**1**	**899**
Inter-segmental	**-**	**1,433**	**(37)**	**(15)**	**1,381**
Total net interest income	**172**	**2,159**	**(37)**	**(14)**	**2,280**
Non-interest financing income:					
From externals	**6,060**	**(5,416)**	**(123)**	**(6)**	**515**
Inter-segmental	**(5,728)**	**5,728**	**-**	**-**	**-**
Fees and other income	**-**	**112**	**-**	**38**	**150**
Total non-interest income	**332**	**424**	**(123)**	**32**	**665**
Total income	**504**	**2,583**	**(160)**	**18**	**2,945**
Provision (income) for credit losses	**-**	**35**	**-**	**-**	**35**
Operating and other expenses:					
For externals	**208**	**117**	**32**	**10**	**367**
Inter-segmental	**-**	**45**	**-**	**-**	**45**
Total operating and other expenses	**208**	**162**	**32**	**10**	**412**
Profit (loss) before taxes	**296**	**2,386**	**(192)**	**8**	**2,498**
Provision for taxes (tax benefit) on profit (loss)	**101**	**837**	**(66)**	**3**	**875**
Profit (loss) after taxes	**195**	**1,549**	**(126)**	**5**	**1,623**
The Bank's share in profits of equity-basis investees	**-**	**-**	**99**	**-**	**99**
Net profit (loss) attributed to shareholders of the Bank	**195**	**1,549**	**(27)**	**5**	**1,722**

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2022				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Average balance of assets[1]	**27,381**	**237,100**	**5,296**	**1,558**	**271,335**
Of which: investments in equity-basis investees[1]	**-**	**-**	**1,015**	**-**	**1,015**
Average balance of liabilities[1]	**14,867**	**60,011**	**-**	**774**	**75,652**
Average balance of risk-adjusted assets[1][2]	**7,079**	**11,236**	**4,216**	**-**	**22,531**
Balance of risk-adjusted assets at the end of the reported period[2]	**7,181**	**13,065**	**4,406**	**-**	**24,652**
Average balance of assets under management[1][3]	**-**	**-**	**-**	**94,048**	**94,048**
Components of net interest income and non-interest income					
Net exchange-rate differences[4]	**146**	**(74)**	**-**	**-**	**-**
Net CPI differences[4]	**-**	**1,349**	**-**	**-**	**-**
Net interest exposures[4]	**92**	**128**	**-**	**-**	**-**
Net share exposures[4]	**27**	**-**	**-**	**-**	**-**
Interest spreads attributed to financial management	**-**	**1,374**	**-**	**-**	**-**
Total net interest income and non-interest income based on accrual base	**265**	**2,777**	**-**	**-**	**-**
Profits or losses from sale or other-than-temporary impairment of bonds	**-**	**(128)**	**-**	**-**	**-**
Change in gap between fair value and accrual base of derivative instruments recorded in profit and loss	**-**	**(178)**	**-**	**-**	**-**
Other non-interest income	**239**	**112**	**-**	**-**	**-**
Total net interest income and non-interest income	**504**	**2,583**	**-**	**-**	**-**

(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) Including in respect of securities and derivative instruments.

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021				
	Activity in Israel				
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Interest income from externals	5,237	14	2,150	1,015	1,892
Interest expenses for externals	(279)	(81)	(70)	(103)	(117)
Net interest income:					
From externals	4,958	(67)	2,080	912	1,775
Inter-segmental	(2,063)	112	(72)	(94)	(501)
Total net interest income	2,895	45	2,008	818	1,274
Non-interest income:					
Non-interest financing income	3	-	14	11	49
Fees and other income	1,211	152	895	290	501
Total non-interest income	1,214	152	909	301	550
Total income	4,109	197	2,917	1,119	1,824
Provision (income) for credit losses	(651)	-	48	(184)	(457)
Operating and other expenses:					
For externals	3,562	181	1,836	403	587
Inter-segmental	-	-	-	-	-
Total operating and other expenses	3,562	181	1,836	403	587
Profit (loss) before taxes	1,198	16	1,033	900	1,694
Provision for taxes (tax benefit) on profit (loss)	439	6	383	346	655
Profit (loss) after taxes	759	10	650	554	1,039
The Bank's share in profits of equity-basis investees	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	759	10	650	554	1,039
Loss (profit) attributed to non-controlling interests	-	-	-	-	-
Net profit (loss) attributed to shareholders of the Bank	759	10	650	554	1,039

NIS millions

For the year ended December 31, 2021								
Activity in Israel				Activity overseas				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity overseas	
24	728	-	11,060	(1)	498	127	624	11,684
(220)	(940)	-	(1,810)	-	(20)	(87)	(107)	(1,917)
(196)	(212)	-	9,250	(1)	478	40	517	9,767
261	2,368	-	11	2	(4)	(9)	(11)	-
65	2,156	-	9,261	1	474	31	506	9,767
44	985	-	1,106	-	(1)	(24)	(25)	1,081
101	112	244	3,506	(1)	30	9	38	3,544
145	1,097	244	4,612	(1)	29	(15)	13	4,625
210	3,253	244	13,873	-	503	16	519	14,392
(1)	-	-	(1,245)	-	25	-	25	(1,220)
143	358	176	7,246	216	238	103	557	7,803
-	45	(44)	1	-	-	(1)	(1)	-
143	403	132	7,247	216	238	102	556	7,803
68	2,850	112	7,871	(216)	240	(86)	(62)	7,809
24	983	43	2,879	1	107	(29)	79	2,958
44	1,867	69	4,992	(217)	133	(57)	(141)	4,851
-	49	-	49	-	-	-	-	49
44	1,916	69	5,041	(217)	133	(57)	(141)	4,900
-	11	-	11	-	-	3	3	14
44	1,927	69	5,052	(217)	133	(54)	(138)	4,914

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021				
	Activity in Israel				
	Households[4]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Average balance of assets[1]	136,123	604	55,000	33,334	73,574
Of which: investments in equity-basis investees[1]	-	-	-	-	-
Average balance of gross credit to the public[1]	137,263	611	55,850	34,057	76,236
Balance of gross credit to the public at the end of the reported period	149,186	786	60,258	38,269	89,436
Balance of impaired debts	647	-	701	267	1,085
Balance of debts more than 90 days past due	613	-	39	-	1
Average balance of liabilities[1]	157,332	33,837	85,772	31,757	67,162
Of which: average balance of deposits from the public[1]	157,324	33,837	85,646	31,657	66,999
Balance of deposits from the public at the end of the reported period	156,777	33,897	94,920	33,579	84,106
Average balance of risk-adjusted assets[1][2]	97,073	1,162	68,911	48,043	101,058
Balance of risk-adjusted assets at the end of the reported period[2]	101,598	1,106	74,161	52,580	111,900
Average balance of assets under management[1][3]	68,084	51,605	40,912	23,474	93,272
Segmentation of net interest income:					
Spread from credit granting activity	2,685	6	1,922	790	1,229
Spread from deposit taking activity	210	39	86	28	45
Other	-	-	-	-	-
Total net interest income	2,895	45	2,008	818	1,274

* Reclassified.
(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.

NIS millions

For the year ended December 31, 2021								
Activity in Israel				Activity overseas				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity overseas	
3,530	*250,997	215	*553,377	(48)	14,374	*11,987	*26,313	579,690
–	650	–	650	–	–	–	–	650
3,200	–	–	307,217	–	14,244	500	14,744	321,961
4,164	–	–	342,099	–	15,630	–	15,630	357,729
–	–	–	2,700	–	917	–	917	3,617
–	–	–	653	26	–	–	26	679
83,549	58,856	13	518,278	90	8,856	11,108	20,054	538,332
83,507	–	–	458,970	1	8,706	10,488	19,195	478,165
101,287	–	–	504,566	1	9,101	11,404	20,506	525,072
6,400	20,186	5,183	348,016	138	19,271	185	19,594	367,610
2,760	20,892	4,837	369,834	76	20,240	130	20,446	390,280
365,482	68,667	4,351	715,847	–	–	–	–	715,847
9	3,838	–	10,479	1	463	107	571	11,050
47	(1,334)	–	(879)	–	11	(115)	(104)	(983)
9	(348)	–	(339)	–	–	39	39	(300)
65	2,156	–	9,261	1	474	31	506	9,767

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021								
	Household Segment				Private Banking Segment				Total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Interest income from externals	3,507	15	1,715	5,237	9	-	5	14	5,251
Interest expenses for externals	-	-	(279)	(279)	-	-	(81)	(81)	(360)
Net interest income:									
From externals	3,507	15	1,436	4,958	9	-	(76)	(67)	4,891
Inter-segmental	(2,349)	(1)	287	(2,063)	(6)	-	118	112	(1,951)
Total net interest income	1,158	14	1,723	2,895	3	-	42	45	2,940
Non-interest income:									
Non-interest financing income	-	-	3	3	-	-	-	-	3
Fees and other income	53	199	959	1,211	-	3	149	152	1,363
Total non-interest income	53	199	962	1,214	-	3	149	152	1,366
Total income	1,211	213	2,685	4,109	3	3	191	197	4,306
Income in respect of credit losses	(226)	-	(425)	(651)	-	-	-	-	(651)
Operating and other expenses:									
For externals	390	159	3,013	3,562	-	1	180	181	3,743
Inter-segmental	-	-	-	-	-	-	-	-	-
Total operating and other expenses	390	159	3,013	3,562	-	1	180	181	3,743
Profit (loss) before taxes	1,047	54	97	1,198	3	2	11	16	1,214
Provision for taxes (tax benefit) on profit (loss)	384	19	36	439	1	1	4	6	445
Net profit (loss) attributed to shareholders of the Bank	663	35	61	759	2	1	7	10	769

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021								
	Household Segment				Private Banking Segment				Total
	Housing loans[4]	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Average balance of assets[1]	104,831	3,602	27,690	136,123	330	99	175	604	136,727
Average balance of gross credit to the public[1]	105,460	3,602	28,201	137,263	332	99	180	611	137,874
Balance of gross credit to the public at the end of the reported period	114,690	4,563	29,933	149,186	437	152	197	786	149,972
Balance of impaired debts	-	-	647	647	-	-	-	-	647
Balance of debts more than 90 days past due	569	-	44	613	-	-	-	-	613
Average balance of liabilities[1]	-	-	157,332	157,332	-	-	33,837	33,837	191,169
Of which: average balance of deposits from the public[1]	-	-	157,324	157,324	-	-	33,837	33,837	191,161
Balance of deposits from the public at the end of the reported period	-	-	156,777	156,777	-	-	33,897	33,897	190,674
Average balance of risk-adjusted assets[1][2]	60,832	4,395	31,846	97,073	176	163	823	1,162	98,235
Balance of risk-adjusted assets at the end of the reported period[2]	65,494	4,192	31,912	101,598	232	161	713	1,106	102,704
Average balance of assets under management[1][3]	-	-	68,084	68,084	-	-	51,605	51,605	119,689
Segmentation of net interest income:									
Spread from credit granting activity	1,158	14	1,513	2,685	3	-	3	6	2,691
Spread from deposit taking activity	-	-	210	210	-	-	39	39	249
Total net interest income	1,158	14	1,723	2,895	3	-	42	45	2,940

(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.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Interest income from externals	714	1,436	2,150	517	498	1,015	696	1,196	1,892	5,057
Interest expenses for externals	(8)	(62)	(70)	(3)	(100)	(103)	(4)	(113)	(117)	(290)
Net interest income:										
From externals	706	1,374	2,080	514	398	912	692	1,083	1,775	4,767
Inter-segmental	(81)	9	(72)	(101)	7	(94)	(154)	(347)	(501)	(667)
Total net interest income	625	1,383	2,008	413	405	818	538	736	1,274	4,100
Non-interest income:										
Non-interest financing income	-	14	14	-	11	11	6	43	49	74
Fees and other income	210	685	895	155	135	290	230	271	501	1,686
Total non-interest income	210	699	909	155	146	301	236	314	550	1,760
Of which: income from credit cards	-	67	67	-	4	4	-	2	2	73
Total income	835	2,082	2,917	568	551	1,119	774	1,050	1,824	5,860
Provision (income) for credit losses	85	(37)	48	(107)	(77)	(184)	(42)	(415)	(457)	(593)
Operating and other expenses:										
For externals	385	1,451	1,836	176	227	403	218	369	587	2,826
Inter-segmental	-	-	-	-	-	-	-	-	-	-
Total operating and other expenses	385	1,451	1,836	176	227	403	218	369	587	2,826
Profit (loss) before taxes	365	668	1,033	499	401	900	598	1,096	1,694	3,627
Provision for taxes on profit (loss)	136	247	383	192	154	346	230	425	655	1,384
Net profit (loss) attributed to shareholders of the Bank	229	421	650	307	247	554	368	671	1,039	2,243

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Average balance of assets[1]	19,128	35,872	55,000	16,141	17,193	33,334	27,104	46,470	73,574	161,908
Average balance of gross credit to the public[1]	19,359	36,491	55,850	16,439	17,618	34,057	27,438	48,798	76,236	166,143
Balance of gross credit to the public at the end of the reported period	20,804	39,454	60,258	19,084	19,185	38,269	34,002	55,434	89,436	187,963
Balance of impaired debts	242	459	701	189	78	267	600	485	1,085	2,053
Balance of debts more than 90 days past due	10	29	39	-	-	-	-	1	1	40
Average balance of liabilities[1]	13,303	72,469	85,772	5,421	26,336	31,757	10,138	57,024	67,162	184,691
Of which: average balance of deposits from the public[1]	13,205	72,441	85,646	5,340	26,317	31,657	10,036	56,963	66,999	184,302
Balance of deposits from the public at the end of the reported period	14,724	80,196	94,920	6,777	26,802	33,579	11,310	72,796	84,106	212,605
Average balance of risk-adjusted assets[1][2]	29,190	39,721	68,911	26,257	21,786	48,043	43,175	57,883	101,058	218,012
Balance of risk-adjusted assets at the end of the reported period[2]	30,824	43,337	74,161	28,783	23,797	52,580	49,678	62,222	111,900	238,641
Average balance of assets under management[1][3]	-	40,912	40,912	-	23,474	23,474	-	93,272	93,272	157,658
Segmentation of net interest income:										
Spread from credit granting activity	612	1,310	1,922	408	382	790	531	698	1,229	3,941
Spread from deposit taking activity	13	73	86	5	23	28	7	38	45	159
Total net interest income	625	1,383	2,008	413	405	818	538	736	1,274	4,100

(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.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Interest income from externals	6	722	-	-	728
Interest expenses for externals	-	(940)	-	-	(940)
Net interest income:					
From externals	6	(218)	-	-	(212)
Inter-segmental	-	2,372	(1)	(3)	2,368
Total net interest income	6	2,154	(1)	(3)	2,156
Non-interest income:					
From externals	(1,785)	2,171	599	-	985
Inter-segmental	2,137	(2,137)	-	-	-
Fees and other income	-	69	-	43	112
Total non-interest income	352	103	599	43	1,097
Total income	358	2,257	598	40	3,253
Operating and other expenses:					
For externals	204	71	32	51	358
Inter-segmental	-	45	-	-	45
Total operating and other expenses	204	116	32	51	403
Profit (loss) before taxes	154	2,141	566	(11)	2,850
Provision for taxes (tax benefit) on profit (loss)	53	740	194	(4)	983
Profit (loss) after taxes	101	1,401	372	(7)	1,867
The Bank's share in profits of equity-basis investees	-	-	49	-	49
Net profit (loss) before attribution to non-controlling interests	101	1,401	421	(7)	1,916
Loss (profit) attributed to non-controlling interests	-	11	-	-	11
Net profit (loss) attributed to shareholders of the Bank	101	1,412	421	(7)	1,927

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2021				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Average balance of assets[1]	16,083	*229,324	4,053	1,537	*250,997
Of which: investments in equity-basis investees[1]	-	-	650	-	650
Average balance of liabilities[1]	10,216	47,797	-	843	58,856
Average balance of risk-adjusted assets[1][2]	6,691	10,076	3,419	-	20,186
Balance of risk-adjusted assets at the end of the reported period[2]	7,030	9,883	3,979	-	20,892
Average balance of assets under management[1][3]	-	-	-	68,667	68,667
Components of net interest income and non-interest income					
Net exchange-rate differences[4]	66	36	-	-	-
Net CPI differences[4]	-	405	-	-	-
Net interest exposures[4]	107	*499	-	-	-
Net share exposures[4]	24	-	-	-	-
Interest spreads attributed to financial management	-	997	-	-	-
Total net interest income and non-interest income based on accrual base	197	1,937	-	-	-
Profits or losses from sale or other-than-temporary impairment of bonds	-	256	-	-	-
Change in gap between fair value and accrual base of derivative instruments recorded in profit and loss	-	(5)	-	-	-
Other non-interest income	161	*69	-	-	-
Total net interest income and non-interest income	358	2,257	-	-	-

* Reclassified.
(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) Including in respect of securities and derivative instruments.

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020				
	Activity in Israel				
	Households	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Interest income from externals	4,053	9	2,118	886	1,541
Interest expenses for externals	(226)	(137)	(94)	(73)	(112)
Net interest income:					
From externals	3,827	(128)	2,024	813	1,429
Inter-segmental	(815)	204	(10)	(54)	(309)
Total net interest income	3,012	76	2,014	759	1,120
Non-interest income:					
Non-interest financing income	5	-	14	10	66
Fees and other income	1,210	146	818	271	416
Total non-interest income	1,215	146	832	281	482
Total income	4,227	222	2,846	1,040	1,602
Provision for credit losses	763	2	602	108	338
Operating and other expenses:					
For externals	3,457	171	1,686	365	503
Inter-segmental	-	-	-	-	-
Total operating and other expenses	3,457	171	1,686	365	503
Profit (loss) from continued operations before taxes	7	49	558	567	761
Provision for taxes (tax benefit) on profit (loss) from continued operations	3	18	213	234	315
Profit (loss) from continued operations after taxes	4	31	345	333	446
The Bank's share in profits of equity-basis investees	-	-	-	-	-
Net profit (loss) from continued operations	4	31	345	333	446
Net profit from a discontinued operation	-	-	-	-	-
Net profit (loss) before attribution to non-controlling interests	4	31	345	333	446
Loss (profit) attributed to non-controlling interests	-	-	-	-	-
Net profit (loss) attributed to shareholders of the Bank	4	31	345	333	446

NIS millions

For the year ended December 31, 2020								
Activity in Israel				Activity overseas				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity overseas	
33	912	-	9,552	-	553	155	708	10,260
(186)	(394)	-	(1,222)	-	(51)	(190)	(241)	(1,463)
(153)	518	-	8,330	-	502	(35)	467	8,797
213	825	-	54	-	(43)	(11)	(54)	-
60	1,343	-	8,384	-	459	(46)	413	8,797
57	896	1	1,049	-	-	39	39	1,088
91	121	183	3,256	7	27	1	35	3,291
148	1,017	184	4,305	7	27	40	74	4,379
208	2,360	184	12,689	7	486	(6)	487	13,176
4	(3)	-	1,814	-	129	-	129	1,943
165	323	199	6,869	229	220	183	632	7,501
-	29	(12)	17	-	(17)	-	(17)	-
165	352	187	6,886	229	203	183	615	7,501
39	2,011	(3)	3,989	(222)	154	(189)	(257)	3,732
20	799	13	1,615	(18)	55	(62)	(25)	1,590
19	1,212	(16)	2,374	(204)	99	(127)	(232)	2,142
-	10	-	10	-	-	-	-	10
19	1,222	(16)	2,384	(204)	99	(127)	(232)	2,152
-	-	(109)	(109)	-	-	-	-	(109)
19	1,222	(125)	2,275	(204)	99	(127)	(232)	2,043
-	9	-	9	-	-	4	4	13
19	1,231	(125)	2,284	(204)	99	(123)	(228)	2,056

Note 28 Supervisory Operating Segments (continued)

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020				
	Activity in Israel				
	Households[4]	Private banking	Small businesses and microbusinesses	Mid-sized businesses	Large businesses
Average balance of assets[1]	127,219	557	51,393	28,950	65,679
Of which: investments in equity-basis investees[1]	-	-	-	-	-
Average balance of gross credit to the public[1]	128,554	563	52,455	29,576	67,559
Balance of gross credit to the public at the end of the reported period	132,753	626	54,407	30,866	71,325
Balance of impaired debts	739	-	1,052	369	1,295
Balance of debts more than 90 days past due	671	-	29	2	-
Average balance of liabilities[1]	149,745	33,908	69,878	25,672	47,420
Of which: average balance of deposits from the public[1]	149,742	33,907	69,741	25,551	47,290
Balance of deposits from the public at the end of the reported period	156,024	33,941	79,370	27,540	56,036
Average balance of risk-adjusted assets[1][2]	94,284	1,171	64,487	42,730	87,479
Balance of risk-adjusted assets at the end of the reported period[2]	94,927	1,263	65,500	44,249	91,707
Average balance of assets under management[1][3]	63,468	45,017	30,648	16,147	77,601
Segmentation of net interest income:					
Spread from credit granting activity	2,720	6	1,891	720	1,071
Spread from deposit taking activity	292	70	123	39	49
Other	-	-	-	-	-
Total net interest income	3,012	76	2,014	759	1,120

* Reclassified.
(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 17.6 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

NIS millions

For the year ended December 31, 2020								
Activity in Israel				Activity overseas				Total
Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Total activity overseas	
1,902	*193,210	140	*469,050	25	13,888	*14,060	*27,973	497,023
-	385	-	385	-	-	-	-	385
1,505	-	-	280,212	25	14,316	966	15,307	295,519
3,935	-	-	293,912	-	14,061	-	14,061	307,973
-	-	-	3,455	-	505	-	505	3,960
-	-	-	702	26	-	-	26	728
53,136	59,048	9	438,816	9	7,022	13,115	20,146	458,962
53,075	-	-	379,306	9	7,005	11,179	18,193	397,499
64,109	-	-	417,020	1	7,676	10,520	18,197	435,217
5,925	21,334	4,611	322,021	216	18,566	254	19,036	341,057
6,295	20,964	4,139	329,044	207	18,313	198	18,718	347,762
357,657	42,813	3,778	637,129	114	-	-	114	637,243
17	2,417	-	8,842	-	473	140	613	9,455
33	(1,357)	-	(751)	-	(14)	(277)	(291)	(1,042)
10	283	-	293	-	-	91	91	384
60	1,343	-	8,384	-	459	(46)	413	8,797

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020								
	Household Segment[1]				Private Banking Segment				Total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Interest income from externals	2,108	20	1,925	4,053	5	-	4	9	4,062
Interest expenses for externals	-	-	(226)	(226)	-	-	(137)	(137)	(363)
Net interest income:									
From externals	2,108	20	1,699	3,827	5	-	(133)	(128)	3,699
Inter-segmental	(1,117)	(2)	304	(815)	(3)	-	207	204	(611)
Total net interest income	991	18	2,003	3,012	2	-	74	76	3,088
Non-interest income:									
Non-interest financing income	-	-	5	5	-	-	-	-	5
Fees and other income	57	193	960	1,210	-	3	143	146	1,356
Total non-interest income	57	193	965	1,215	-	3	143	146	1,361
Total income	1,048	211	2,968	4,227	2	3	217	222	4,449
Provision for credit losses	316	-	447	763	1	-	1	2	765
Operating and other expenses:									
For externals	303	138	3,016	3,457	-	1	170	171	3,628
Inter-segmental	-	-	-	-	-	-	-	-	-
Total operating and other expenses	303	138	3,016	3,457	-	1	170	171	3,628
Profit (loss) from continued operations before taxes	429	73	(495)	7	1	2	46	49	56
Provision for taxes (tax benefit) on profit (loss) from continued operations	165	25	(187)	3	-	1	17	18	21
Net profit (loss) attributed to shareholders of the Bank	264	48	(308)	4	1	1	29	31	35

(1) Includes housing loans in the amount of NIS 17.6 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020								
	Household Segment[4]				Private Banking Segment				Total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
Average balance of assets[1]	93,619	3,784	29,816	127,219	288	89	180	557	127,776
Average balance of gross credit to the public[1]	94,218	3,784	30,552	128,554	289	89	185	563	129,117
Balance of gross credit to the public at the end of the reported period	99,173	4,597	28,983	132,753	270	126	230	626	133,379
Balance of impaired debts	1	-	738	739	-	-	-	-	739
Balance of debts more than 90 days past due	626	-	45	671	-	-	-	-	671
Average balance of liabilities[1]	-	-	149,745	149,745	-	-	33,908	33,908	183,653
Of which: average balance of deposits from the public[1]	-	-	149,742	149,742	-	-	33,907	33,907	183,649
Balance of deposits from the public at the end of the reported period	-	-	156,024	156,024	-	-	33,941	33,941	189,965
Average balance of risk-adjusted assets[1][2]	54,827	4,966	34,491	94,284	160	185	826	1,171	95,455
Balance of risk-adjusted assets at the end of the reported period[2]	57,451	4,585	32,891	94,927	142	171	950	1,263	96,190
Average balance of assets under management[1][3]	-	-	63,468	63,468	-	-	45,017	45,017	108,485
Segmentation of net interest income:									
Spread from credit granting activity	991	18	1,711	2,720	2	-	4	6	2,726
Spread from deposit taking activity	-	-	292	292	-	-	70	70	362
Total net interest income	991	18	2,003	3,012	2	-	74	76	3,088

(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 17.6 billion to individuals whose business activity is classified into the Small Businesses and Microbusinesses Segment.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Interest income from externals	678	1,440	2,118	455	431	886	447	1,094	1,541	4,545
Interest expenses for externals	(8)	(86)	(94)	(4)	(69)	(73)	(6)	(106)	(112)	(279)
Net interest income:										
From externals	670	1,354	2,024	451	362	813	441	988	1,429	4,266
Inter-segmental	(68)	58	(10)	(72)	18	(54)	(59)	(250)	(309)	(373)
Total net interest income	602	1,412	2,014	379	380	759	382	738	1,120	3,893
Non-interest income:										
Non-interest financing income	3	11	14	1	9	10	15	51	66	90
Fees and other income	185	633	818	145	126	271	141	275	416	1,505
Total non-interest income	188	644	832	146	135	281	156	326	482	1,595
Of which: income from credit cards	-	57	57	-	3	3	-	2	2	62
Total income	790	2,056	2,846	525	515	1,040	538	1,064	1,602	5,488
Provision for credit losses	111	491	602	1	107	108	30	308	338	1,048
Operating and other expenses:										
For externals	335	1,351	1,686	159	206	365	144	359	503	2,554
Inter-segmental	-	-	-	-	-	-	-	-	-	-
Total operating and other expenses	335	1,351	1,686	159	206	365	144	359	503	2,554
Profit from continued operations before taxes	344	214	558	365	202	567	364	397	761	1,886
Provision for taxes on profit (loss) from continued operations	132	81	213	153	81	234	151	164	315	762
Net profit attributed to shareholders of the Bank	212	133	345	212	121	333	213	233	446	1,124

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020									
	Small Business and Microbusiness Segment			Mid-sized Business Segment			Large Business Segment			Total
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	
Average balance of assets[1]	17,934	33,459	51,393	14,296	14,654	28,950	18,584	47,095	65,679	146,022
Average balance of gross credit to the public[1]	18,236	34,219	52,455	14,588	14,988	29,576	18,897	48,662	67,559	149,590
Balance of gross credit to the public at the end of the reported period	18,230	36,177	54,407	15,370	15,496	30,866	21,455	49,870	71,325	156,598
Balance of impaired debts	312	740	1,052	248	121	369	64	1,231	1,295	2,716
Balance of debts more than 90 days past due	7	22	29	1	1	2	-	-	-	31
Average balance of liabilities[1]	10,976	58,902	69,878	4,159	21,513	25,672	7,789	39,631	47,420	142,970
Of which: average balance of deposits from the public[1]	10,868	58,873	69,741	4,055	21,496	25,551	7,721	39,569	47,290	142,582
Balance of deposits from the public at the end of the reported period	11,925	67,445	79,370	4,069	23,471	27,540	9,196	46,840	56,036	162,946
Average balance of risk-adjusted assets[1][2]	27,016	37,471	64,487	23,627	19,103	42,730	27,587	59,892	87,479	194,696
Balance of risk-adjusted assets at the end of the reported period[2]	27,513	37,987	65,500	24,296	19,953	44,249	32,510	59,197	91,707	201,456
Average balance of assets under management[1][3]	-	30,648	30,648	-	16,147	16,147	-	77,601	77,601	124,396
Segmentation of net interest income:										
Spread from credit granting activity	585	1,306	1,891	374	346	720	375	696	1,071	3,682
Spread from deposit taking activity	17	106	123	5	34	39	7	42	49	211
Total net interest income	602	1,412	2,014	379	380	759	382	738	1,120	3,893

(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.

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Interest income from externals	21	891	-	-	912
Interest expenses for externals	-	(394)	-	-	(394)
Net interest income:					
From externals	21	497	-	-	518
Inter-segmental	-	828	-	(3)	825
Total net interest income	21	1,325	-	(3)	1,343
Non-interest financing income:					
From externals	(1,447)	2,252	70	21	896
Inter-segmental	1,837	(1,837)	-	-	-
Fees and other income	-	73	-	48	121
Total non-interest income	390	488	70	69	1,017
Total income	411	1,813	70	66	2,360
Income in respect of credit losses	-	(3)	-	-	(3)
Operating and other expenses:					
For externals	193	36	47	47	323
Inter-segmental	-	29	-	-	29
Total operating and other expenses	193	65	47	47	352
Profit from continued operations before taxes	218	1,751	23	19	2,011
Provision for taxes on profit (loss) from continued operations	75	710	8	6	799
Profit from continued operations after taxes	143	1,041	15	13	1,212
The Bank's share in profits of equity-basis investees	-	-	10	-	10
Net profit before attribution to non-controlling interests	143	1,041	25	13	1,222
Loss (profit) attributed to non-controlling interests	-	9	-	-	9
Net profit attributed to shareholders of the Bank	143	1,050	25	13	1,231

Note 28 Supervisory Operating Segments (continued)

NIS millions

Information regarding supervisory operating segments (continued)

	For the year ended December 31, 2020				
	Financial Management Segment				
	Trading activity	Asset and liability management activity	Non-financial investment activity	Other	Total
Average balance of assets[1]	19,525	*170,597	2,098	990	*193,210
Of which: investments in equity-basis investees[1]	-	-	385	-	385
Average balance of liabilities[1]	11,787	46,928	-	333	59,048
Average balance of risk-adjusted assets[1][2]	5,809	13,397	2,128	-	21,334
Balance of risk-adjusted assets at the end of the reported period[2]	5,385	12,908	2,671	-	20,964
Average balance of assets under management[1][3]	-	-	-	42,813	42,813
Components of net interest income and non-interest income					
Net exchange-rate differences[4]	111	140	-	-	-
Net CPI differences[4]	-	(93)	-	-	-
Net interest exposures[4]	126	*545	-	-	-
Net share exposures[4]	15	-	-	-	-
Interest spreads attributed to financial management	-	907	-	-	-
Total net interest income and non-interest income by accrual base	252	1,499	-	-	-
Profits or losses from sale or other-than-temporary impairment of bonds	-	156	-	-	-
Change in gap between fair value and accrual base of derivative instruments recorded in profit and loss	-	85	-	-	-
Other non-interest income	159	*73	-	-	-
Total net interest income and non-interest income	411	1,813	-	-	-

* Reclassified.
(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) Including in respect of securities and derivative instruments.

Note 28A 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.

Assignment of customers to segments based on the management approach

Customers' assignments to the operating segments are based on the actual assignment of customers to the organizational units that serve them, which is performed in accordance with the criteria described below. However, it is clarified that customer assignments occasionally take additional criteria into consideration, as in the case of a private customer or a company with a profile or potential for future activity that justifies an assignment to the Private Customer Segment or to the Corporate Segment, as relevant. In assigning a business client to an organizational unit, the client's association with a group of companies is also taken into consideration.

The following reportable segments have been identified by the Bank, in accordance with the management approach:

Retail activity

Private Customer Segment – Customers included in this segment are private customers to whom the Bank provides a range of banking services and financial products, including activity using the Bit payment app and investment advising services.

Small Business Segment – Provides a range of banking services to business customers with total indebtedness (to the Bank or to other lenders) of less than NIS 10 million, or total indebtedness (to the Bank or to other lenders) of more than NIS 10 million but indebtedness to the Bank of less than NIS 6 million and annual revenue of less than NIS 30 million.

Housing Loan Segment – This segment is responsible for providing housing credit services to retail customers.

Business activity

Commercial Segment – This segment includes business customers with total indebtedness (to the Bank or to other lenders) of more than NIS 10 million, up to a total of NIS 100 million; or annual revenue of over NIS 30 million, up to NIS 1 billion. Customers in the construction and real-estate sector included in this segment are customers with total indebtedness higher than NIS 10 million, up to a total of NIS 350 million; or a total credit balance of NIS 150 million or less.

Corporate Segment – Provides financial services to large corporations in Israel and overseas with total indebtedness of NIS 250 million or more, or annual revenue of over NIS 1 billion. Customers in the construction and real-estate sector included in this segment are customers with total indebtedness of NIS 550 million or more, or a total credit balance of NIS 250 million or more.

Note 28A Operating Segments Based on the Management Approach (continued)

Groups with total indebtedness of NIS 100 million to NIS 250 million, and groups in the construction and real-estate sector with total indebtedness of NIS 350 million to NIS 550 million, or total credit balances of NIS 150 million to NIS 250 million, are assigned either to the Corporate Segment or to the Commercial Segment, depending on various parameters examined individually for each group.

International Activity Segment – Includes the activities of the overseas offices of the Bank, including the New York branch, Hapoalim Switzerland, and Bank Pozitif.

Financial Management Segment – Responsible for the management of the Bank's assets and liabilities, management of the nostro activity of the Bank, activity of the dealing rooms (foreign currency and securities), overall business with management companies of provident funds (excluding management companies of provident funds managed within insurance companies) and mutual funds, contact and administration of activity with financial entities (in Israel and overseas), and provision of operational services to financial-asset managers and operational services in securities to all customers of the Bank. The results of operations of Poalim Equity are included in this segment.

The segment is responsible for the management of market and liquidity risks, performed through proactive management of the nostro portfolio and through the use of financial instruments, such as issuance of various securities, deposits, interest and foreign-currency derivatives, and more.

Adjustments – Includes adjustments between total items attributed to the segments and total items in the consolidated financial statements, and other activities of the Bank Group, each of which does not form a reportable segment, including the results of operations of Diur B.P. Ltd. and Peilim Investment Portfolio Management Ltd. In addition, legal and other provisions and expenses in connection with the investigation of the Bank Group's business with American customers are included in this segment, in the comparative figures. The segment also includes, in the comparative figures, the results of disposal of the activity of the Isracard Group, which was classified as a discontinued operation.

Rules for the distribution of results of operations among the segments

The following are the main rules applied in dividing the results of operations among the different segments:

Net interest income – Includes, among other things: (1) the spread between the interest rate received from the segment's customers and the wholesale interest rate which the segment is charged in respect of the resource used to provide the loan to the customer; (2) the spread between the wholesale interest rate at which the segment is credited in respect of resources which it makes available to the Bank, and the interest rate paid to the segment's customers in respect of such resources.

Provision for credit losses – A provision for credit losses is charged to the segment to which the borrower against whose debt the provision is recorded belongs.

Note 28A Operating Segments Based on the Management Approach (continued)

Non-interest financing income – Attributed to the segment to which the customer belongs. Income recorded in the Financial Management Segment includes income from realization and adjustment to fair value of bonds, profits from investment in shares, results of activity in derivative instruments, net profit from exchange-rate differences, and financing expenses arising from hedging of investments overseas. Income recorded in the other segments includes profits from the dealing room.

Fees and other income – Attributed to the segment to which the customer belongs.

Operating and other expenses – Expenses are attributed to each operating segment according to predetermined rules and standard prices, either as an expense identified directly with the activity of the segment, or according to charging formulas. Attribution rules are based on the volumes of activity relevant to the types of costs in each segment.

Debiting for inter-segmental services – The assigned segment of a customer receiving services from another segment is charged with an inter-segmental expense, based on standard prices for services provided by other segments to its customers. The costs of the segment providing the service are reduced accordingly, and the costs are concurrently charged to the segment to which the customer belongs. The charge is determined by the Bank based, among other factors, on market prices for the service, internal cost estimates, and participation in income derived directly or indirectly from the said service.

Taxes on income – The provision for tax on the results of operation of each segment was calculated according to the annual effective tax rate, taking into consideration the tax effects applicable to certain segments, as follows: (1) effects of translation differences in respect of consolidated companies overseas – attributed to the Financial Management Segment; (2) expenses not recognized for tax purposes are attributed to the relevant segment; when no specific attribution of the expenses is possible, the expenses are allocated to the segments proportionally; (3) effect of changes in the tax rate – attributed to the Others and Adjustments Segment; (4) tax expenses of subsidiaries, including tax supplementation performed at the Bank – attributed to the segment to which the company is assigned.

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

A. Information regarding operating segments

	For the year ended December 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	**1,015**	**1,551**	**5,481**	**1,801**	**2,845**	**653**	**121**	**-**	**13,467**
Inter-segmental	**2,563**	**358**	**(4,115)**	**(196)**	**(838)**	**27**	**2,201**	**-**	**-**
Non-interest financing income	**7**	**6**	**(3)**	**(23)**	**52**	**(2)**	**544**	**-**	**581**
Total net financing profit	**3,585**	**1,915**	**1,363**	**1,582**	**2,059**	**678**	**2,866**	**-**	**14,048**
Fees and other income	**1,594**	**635**	**47**	**486**	**686**	**32**	**163**	**229**	**3,872**
Total income	**5,179**	**2,550**	**1,410**	**2,068**	**2,745**	**710**	**3,029**	**229**	**17,920**
Provision (income) for credit losses	**23**	**104**	**71**	**76**	**(421)**	**107**	**6**	**-**	**(34)**
Operating and other expenses:									
From externals	**3,680**	**1,263**	**464**	**542**	**669**	**428**	**815**	**111**	**7,972**
Inter-segmental	**147**	**82**	**(10)**	**46**	**122**	**-**	**(341)**	**(46)**	**-**
Profit (loss) before taxes	**1,329**	**1,101**	**885**	**1,404**	**2,375**	**175**	**2,549**	**164**	**9,982**
Provision for taxes on profit (loss)	**464**	**382**	**307**	**505**	**853**	**84**	**875**	**78**	**3,548**
Profit (loss) after taxes	**865**	**719**	**578**	**899**	**1,522**	**91**	**1,674**	**86**	**6,434**
The Bank's share in profits of equity-basis investees, after taxes	**-**	**-**	**-**	**-**	**-**	**-**	**99**	**-**	**99**
Net profit (loss):									
Before attribution to non-controlling interests	**865**	**719**	**578**	**899**	**1,522**	**91**	**1,773**	**86**	**6,533**
Attributed to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Attributed to shareholders of the Bank	**865**	**719**	**578**	**899**	**1,522**	**90**	**1,773**	**86**	**6,532**
Net credit to the public at the end of the reported period	**38,244**	**34,998**	**127,688**	**57,945**	**108,316**	**17,210**	**4,326**	**-**	**388,727**
Deposits from the public at the end of the reported period	**238,333**	**70,243**	**-**	**51,425**	**75,585**	**24,767**	**72,235**	**-**	**532,588**

(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 10,882 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 also includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment, and expenses recorded in Israel pertaining to the investigation of the Bank Group's business with American customers.

Note 28A Operating Segments Based on the Management Approach (continued)

A. Information regarding operating segments (continued)

Net interest income:
From externals
Inter-segmental
Non-interest financing income
Total net financing profit
Fees and other income
Total income
Provision (income) for credit losses
Operating and other expenses:
From externals
Inter-segmental
Profit (loss) before taxes
Provision for taxes on profit (loss)
Profit (loss) after taxes
The Bank's share in profits of equity-basis investees, after taxes
Net profit (loss):
Before attribution to non-controlling interests
Attributed to non-controlling interests
Attributed to shareholders of the Bank
Net credit to the public at the end of the reported period
Deposits from the public at the end of the reported period

(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 immaterial volumes, each of which does not constitute a reportable segment.

NIS millions

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
1,517	1,293	3,516	1,366	2,003	458	(386)	-	9,767
449	(7)	(2,356)	(155)	(475)	10	2,534	-	-
6	4	-	13	86	(37)	1,009	-	1,081
1,972	1,290	1,160	1,224	1,614	431	3,157	-	10,848
1,476	570	54	446	594	32	140	232	3,544
3,448	1,860	1,214	1,670	2,208	463	3,297	232	14,392
(403)	(79)	(226)	30	(564)	25	(3)	-	(1,220)
3,663	969	525	501	658	530	784	173	7,803
63	323	(135)	57	42	-	(304)	(46)	-
125	647	1,050	1,082	2,072	(92)	2,820	105	7,809
46	235	382	410	783	73	981	48	2,958
79	412	668	672	1,289	(165)	1,839	57	4,851
-	-	-	-	-	-	49	-	49
79	412	668	672	1,289	(165)	1,888	57	4,900
-	-	-	-	-	7	7	-	14
79	412	668	672	1,289	(158)	1,895	57	4,914
39,139	33,899	114,633	52,758	96,335	13,946	1,913	-	352,623
225,824	66,102	-	49,442	85,304	20,277	78,123	-	525,072

Note 28A Operating Segments Based on the Management Approach (continued)

A. Information regarding operating segments (continued)

Net interest income:
From externals
Inter-segmental
Non-interest financing income
Total net financing profit
Fees and other income
Total income
Provision (income) for credit losses
Operating and other expenses:
From externals
Inter-segmental
Profit (loss) from continued operations before taxes
Provision for taxes (tax benefit) on profit (loss) from continued operations
Profit (loss) from continued operations after taxes
The Bank's share in profits of equity-basis investees, after taxes
Net profit (loss) from continued operations
Net profit from a discontinued operation
Net profit (loss):
Before attribution to non-controlling interests
Attributed to non-controlling interests
Attributed to shareholders of the Bank
Net credit to the public at the end of the reported period
Deposits from the public at the end of the reported period

(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 5,818 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 also includes the results of activities of the Bank Group with immaterial volumes, each of which does not constitute a reportable segment, and expenses recorded in Israel pertaining to the investigation of the Bank Group's business with American customers.

NIS millions

For the year ended December 31, 2020								
Retail activity			Business activity					
Private customers	Small businesses	Housing loans	Commercial	Corporate[1]	International activity	Financial management[2]	Adjustments[3]	Total
1,643	1,329	2,113	1,226	1,764	409	307	6	8,797
604	34	(1,120)	(130)	(356)	(38)	1,006	-	-
8	5	-	14	131	37	889	4	1,088
2,255	1,368	993	1,110	1,539	408	2,202	10	9,885
1,432	550	57	392	519	52	120	169	3,291
3,687	1,918	1,050	1,502	2,058	460	2,322	179	13,176
505	397	317	297	295	129	3	-	1,943
3,531	889	453	463	595	619	705	246	7,501
76	343	(150)	32	25	3	(269)	(60)	-
(425)	289	430	710	1,143	(291)	1,883	(7)	3,732
(145)	107	160	281	451	(37)	752	21	1,590
(280)	182	270	429	692	(254)	1,131	(28)	2,142
-	-	-	-	-	-	10	-	10
(280)	182	270	429	692	(254)	1,141	(28)	2,152
-	-	-	-	-	-	-	(109)	(109)
(280)	182	270	429	692	(254)	1,141	(137)	2,043
-	-	-	-	-	4	9	-	13
(280)	182	270	429	692	(250)	1,150	(137)	2,056
37,233	31,371	98,737	42,290	78,103	12,521	1,573	-	301,828
218,490	56,303	-	35,499	59,981	17,701	47,243	-	435,217

Note 28A Operating Segments Based on the Management Approach (continued)

NIS millions

B. Pro-forma data regarding the effect of expenses pertaining to the business of the Bank Group in Israel with American customers on the operating segments

The expenses allocated at Hapoalim Switzerland and at the New York branch pertaining to the investigation of the Bank Group's business with American customers were attributed, within the disclosure of operating segments based on the management approach, to the International Activity Segment.

The expenses recorded in Israel pertaining to the Bank Group's business with American customers include a provision in respect of customers with certain American indications at the branches of the Bank in Israel, as well as a provision in respect of exposure to amounts for other United States authorities (other than the DOJ), in respect of customers in Israel and overseas. These expenses were recorded, within the disclosure of operating segments based on the management approach, in the Adjustments Segment.

If the expenses recorded in Israel in the year ended December 31, 2020, were attributed equally to the Retail Banking Segment and to the International Activity Segment (rather than to the Adjustments Segment), the net profit of retail banking would total approximately NIS 159 million; the loss of the International Activity Segment for the period would total approximately NIS 264 million; and a loss in the amount of approximately NIS 110 million would be recorded in the Adjustments Segment.

C. Information regarding geographical segments[1]

	For the year ended December 31			For the year ended December 31			December 31	
	2022	2021	2020	**2022**	2021	2020	**2022**	2021
	Income[2]			Net profit (loss) attributed to shareholders of the Bank			Total assets	
Israel	**17,210**	13,929	12,726	**6,443**	5,073	2,428	**630,171**	607,330
North America	**692**	462	363	**178**	78	(52)	**34,031**	30,170
Europe	**18**	1	90	**(88)**	(236)	(208)	**1,064**	1,202
Other	**-**	-	(3)	**(1)**	(1)	(3)	**87**	79
Total outside Israel	**710**	463	450	**89**	(159)	(263)	**35,182**	31,451
Total consolidated	**17,920**	14,392	13,176	**6,532**	4,914	2,165	**665,353**	638,781

(1) The division into geographical areas was performed according to the location of the assets.
(2) Income: net interest income and non-interest income.

Note 29 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 1D. 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*

	2022					
	Credit to the public				Banks, governments, and bonds	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year	**4,744**	**533**	**626**	**5,903**	**6**	**5,909**
Adjustment of opening balance of allowance for CECL	**336**	**(83)**	**285**	**538**	**8**	**546**
Provision (income) for credit losses	**(181)**	**71**	**40**	**(70)**	**36**	**(34)**
Charge-offs	**(364)**	**(6)**	**(384)**	**(754)**	**-**	**(754)**
Recoveries of debts charged off in previous years	**484**	**4**	**361**	**849**	**-**	**849**
Net charge-offs	**120**	**(2)**	**(23)**	**95**	**-**	**95**
Allowance for credit losses at year end(1)	**5,019**	**519**	**928**	**6,466**	**50**	**6,516**
(1) Of which: in respect of off-balance sheet credit instruments	**868**	**32**	**31**	**931**	**4**	**935**

* 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 29 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)

	2021					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year	5,142	758	1,026	6,926	5	6,931
Provision (income) for credit losses(1)	(570)	(226)	(425)	(1,221)	1	(1,220)
Charge-offs	(479)	(4)	(341)	(824)	-	(824)
Recoveries of debts charged off in previous years	651	5	366	1,022	-	1,022
Net charge-offs	172	1	25	198	-	198
Allowance for credit losses at year end(2)	4,744	533	626	5,903	6	5,909
(1) Of which: in respect of off-balance sheet credit instruments	66	-	(50)	16	-	16
(2) Of which: in respect of off-balance sheet credit instruments	766	-	31	797	-	797

	2020					
	Credit to the public				Banks and governments	Total
	Commercial	Housing	Other private	Total		
Allowance for credit losses at beginning of year	4,007	446	790	5,243	8	5,251
Provision (income) for credit losses(1)	1,181	317	448	1,946	(3)	1,943
Charge-offs	(648)	(14)	(551)	(1,213)	-	(1,213)
Recoveries of debts charged off in previous years	602	9	339	950	-	950
Net charge-offs	(46)	(5)	(212)	(263)	-	(263)
Allowance for credit losses at year end(2)	5,142	758	1,026	6,926	5	6,931
(1) Of which: in respect of off-balance sheet credit instruments	203	-	42	245	(1)	244
(2) Of which: in respect of off-balance sheet credit instruments	700	-	81	781	-	781

* 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 29 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)

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

	December 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	**201,052**	**-**	**-**	**201,052**	**103,377**	**304,429**
Examined on a collective basis	**29,973**	**128,105**	**35,132**	**193,210**	**10,116**	**203,326**
Total debts*	**231,025**	**128,105**	**35,132**	**394,262**	**113,493**	**507,755**
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	**3,634**	**-**	**-**	**3,634**	**29**	**3,663**
Examined on a collective basis	**517**	**487**	**897**	**1,901**	**17**	**1,918**
Total allowance for credit losses	**4,151**	**487**	**897**	**5,535**	**46**	**5,581**

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

Note 29 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)

2. Additional information regarding the method of calculating the allowance for credit losses in respect of debts*, bonds held to maturity, and bonds available for sale (continued)

	December 31, 2021					
	Credit to the public				Banks and governments	Total
	Commercial**	Housing	Other private	Total		
Recorded debt balance of debts:*						
Examined on an individual basis	178,141	-	934	179,075	15,585	194,660
Examined on a collective basis(1)	29,653	115,127	33,874	178,654	-	178,654
Total debts*	207,794	115,127	34,808	357,729	15,585	373,314
(1) Of which: allowance for which was calculated according to past-due status	39	115,018	-	115,057	-	115,057
Allowance for credit losses in respect of debts:*						
Examined on an individual basis	3,541	-	91	3,632	6	3,638
Examined on a collective basis(2)	437	533	504	1,474	-	1,474
Total allowance for credit losses	3,978	533	595	5,106	6	5,112
(2) Of which: allowance for which was calculated according to past-due status***	-	533	-	533	-	533

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

** The balance of commercial debts includes the balance of housing loans, in the amount of approximately NIS 73 million, of commercial borrowers, or granted to purchasing groups in the process of construction (December 31, 2021: NIS 39 million).

*** Includes the allowance beyond the amount required according to the past-due-based method, calculated on a collective basis, in the amount of approximately NIS 403 million as at December 31, 2021.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public

1. Credit quality and past-due status

	December 31, 2022					
	Nonproblematic	Problematic[1]		Total	Accruing debts – additional information	
		Accruing	Non-accruing		Past due by 90 days or more	Past due by 30 to 89 days[2]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**46,787**	**149**	**216**	**47,152**	**7**	**19**
Construction and real estate – real-estate activities	**30,745**	**36**	**63**	**30,844**	**1**	**13**
Financial services	**27,656**	**6**	**22**	**27,684**	**2**	**1**
Commercial – other	**95,195**	**1,205**	**1,717**	**98,117**	**29**	**63**
Total commercial	**200,383**	**1,396**	**2,018**	**203,797**	**39**	**96**
Private individuals – housing loans[3]	**126,955**	**-**	**572**	**127,527**	**-**	**1,085**
Private individuals – other	**34,387**	**457**	**210**	**35,054**	**43**	**113**
Total public – activity in Israel	**361,725**	**1,853**	**2,800**	**366,378**	**82**	**1,294**
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	**8,959**	**264**	**558**	**9,781**	**-**	**-**
Commercial – other	**16,515**	**855**	**77**	**17,447**	**-**	**-**
Total commercial	**25,474**	**1,119**	**635**	**27,228**	**-**	**-**
Private individuals	**646**	**1**	**9**	**656**	**1**	**10**
Total public – activity overseas	**26,120**	**1,120**	**644**	**27,884**	**1**	**10**
Total public	**387,845**	**2,973**	**3,444**	**394,262**	**83**	**1,304**

(1) Non-accruing, substandard, or special mention credit risk.
(2) Debts past due by 30 to 89 days in the amount of approximately NIS 79 million (December 31, 2021: NIS 44 million) were classified as problematic debts.
(3) Includes a balance of housing loans arranged in a settlement with the borrower, in the amount of approximately NIS 54 million (December 31, 2021: NIS 57 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

1. Credit quality and past-due status (continued)

	December 31, 2021					
	Nonproblematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		Past due by 90 days or more[3]	Past due by 30 to 89 days[4]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	41,977	152	214	42,343	5	20
Construction and real estate – real-estate activities	27,386	80	115	27,581	5	2
Financial services	23,395	140	6	23,541	-	5
Commercial – other	90,081	2,005	1,719	93,805	30	45
Total commercial	182,839	2,377	2,054	187,270	40	72
Private individuals – housing loans[5]	114,043	569	-	114,612	**576	**832
Private individuals – other	34,037	71	646	34,754	44	84
Total public – activity in Israel	330,919	3,017	2,700	336,636	**660	**988
Banks in Israel	167	-	-	167	-	-
Israeli government	787	-	-	787	-	-
Total activity in Israel	331,873	3,017	2,700	337,590	**660	**988

* For this purpose, "unimpaired debts" include nonproblematic debts.
** Restated.
(1) Credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist, which are past due by 90 days or more.
(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 29B(4) below.
(3) Classified as unimpaired problematic debts accruing interest income.
(4) Accruing interest income. Debts past due by 30 to 89 days in the amount of approximately NIS 79 million (December 31, 2021: NIS 44 million) were classified as problematic debts.
(5) Includes a balance of housing loans arranged in a settlement with the borrower, in the amount of approximately NIS 54 million (December 31, 2021: NIS 57 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

1. Credit quality and past-due status (continued)

	December 31, 2021					
	Nonproblematic	Problematic[1]		Total	Unimpaired debts* – additional information	
		Unimpaired	Impaired[2]		Past due by 90 days or more[3]	Past due by 30 to 89 days[4]
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	7,171	109	702	7,982	-	-
Commercial – other	11,001	1,327	214	12,542	-	-
Total commercial	18,172	1,436	916	20,524	-	-
Private individuals	542	26	1	569	26	8
Total public – activity overseas	18,714	1,462	917	21,093	26	8
Banks overseas	13,444	-	-	13,444	-	-
Governments overseas	1,187	-	-	1,187	-	-
Total activity overseas	33,345	1,462	917	35,724	26	8
Total public	349,633	4,479	3,617	357,729	**686	**996
Total banks	13,611	-	-	13,611	-	-
Total governments	1,974	-	-	1,974	-	-
Total	365,218	4,479	3,617	373,314	**686	**996

* For this purpose, "unimpaired debts" include nonproblematic debts.
** Restated.
(1) Credit risk that is impaired, substandard, or special mention, including in respect of housing loans for which an allowance based on past-due status exists, and housing loans for which an allowance based on past-due status does not exist, which are past due by 90 days or more.
(2) In general, impaired debts do not accrue interest income. For information regarding certain impaired debts restructured in troubled debt restructuring, see Note 29B(4) below.
(3) Classified as unimpaired problematic debts accruing interest income.
(4) Accruing interest income. Debts past due by 30 to 89 days in the amount of approximately NIS 79 million (December 31, 2021: NIS 44 million) were classified as problematic debts.
(5) Includes a balance of housing loans arranged in a settlement with the borrower, in the amount of approximately NIS 54 million (December 31, 2021: NIS 57 million).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

Credit quality – past-due status of debts

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

Concessions and troubled debt restructuring

The policy of the Bank regarding concessions takes a range of factors into account in order to maximize repayment to the Bank: management of the relationship with the customer, maximization of opportunities, prevention of default, foreclosures, public aspects, etc.

Concessions are granted in cases where customers have demonstrated the intention to repay the loans and are expected to meet their obligations.

In cases where, for economic or legal reasons related to financial difficulties of the borrower, the Bank grants a concession to a debtor that it would not grant under other conditions, the debt is considered a troubled debt restructuring.

Troubled debt restructuring may constitute a change in the terms of the debt, leading to reduction or postponement of cash payments required of the debtor in the near future; a reduction of the rate of interest; a reduction of payments on principal; consolidation of debts; etc.

The Bank can accept assets or an interest in the equity capital of the debtor, in cash, as repayment of the debt, even if the value obtained is lower than the amount of the debt, if the Bank reaches the conclusion that this would maximize the recovery of its investment.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

2. Credit quality by year in which the credit was granted

	December 31, 2022							
	Recorded debt balance of fixed-term credit to the public granted in the year						Recorded debt balance of revolving loans*	Total
	2022	2021	2020	2019	2018	Previous		
Borrower activity in Israel								
Public – commercial								
Construction and real estate – total	33,108	12,289	3,822	2,395	1,786	2,588	22,008	77,996
Credit at credit execution rating	32,348	11,931	3,650	2,316	1,753	2,479	21,747	76,224
Nonproblematic credit not at credit execution rating	618	288	148	50	23	25	156	1,308
Accruing problematic credit	94	27	8	9	7	19	21	185
Non-accruing credit	48	43	16	20	3	65	84	279
Commercial – other – total	48,758	21,212	9,206	5,763	3,176	9,125	28,561	125,801
Credit at credit execution rating	46,543	20,215	8,189	5,477	2,929	8,003	27,176	118,532
Nonproblematic credit not at credit execution rating	1,561	592	760	199	172	196	839	4,319
Accruing problematic credit	154	282	202	59	47	102	365	1,211
Non-accruing credit	500	123	55	28	28	824	181	1,739
Private individuals – housing loans – total	23,435	27,652	18,337	13,686	9,326	35,091	–	127,527
LTV up to 60%**	13,652	16,271	10,436	8,144	6,229	23,291	–	78,023
LTV over 60% up to 75%**	9,520	10,931	7,620	5,350	2,981	10,070	–	46,472
LTV over 75%**	263	450	281	192	116	1,730	–	3,032
Credit not past due at credit execution rating	23,300	27,403	18,109	13,488	9,135	34,104	–	125,539
Credit not past due not at credit execution rating	17	27	14	22	30	221	–	331
Past due by 30-89 days	107	175	168	119	106	410	–	1,085
Past due by 90 days or more	11	47	46	57	55	356	–	572
Non-accruing credit	13	50	46	57	53	353	–	572
Private individuals – other – total	18,621	7,308	2,864	1,699	1,182	731	2,649	35,054
Credit not past due at credit execution rating	17,728	6,499	2,520	1,419	927	446	2,200	31,739
Credit not past due not at credit execution rating	860	765	323	263	238	266	412	3,127
Past due by 30-89 days	25	32	15	11	11	10	25	129
Past due by 90 days or more	8	12	6	6	6	9	12	59
Non-accruing credit	31	48	31	31	31	36	2	210
Total credit to the public – activity in Israel	123,922	68,461	34,229	23,543	15,470	47,535	53,218	366,378
Borrower activity outside Israel								
Total credit to the public – activity overseas	14,312	4,690	1,957	1,225	965	1,463	3,272	27,884
Nonproblematic credit	13,939	4,622	1,728	923	816	961	3,131	26,120
Accruing problematic credit	354	68	122	57	13	365	141	1,120
Non-accruing credit	19	–	107	245	136	137	–	644
Total credit to the public	138,234	73,151	36,186	24,768	16,435	48,998	56,490	394,262

* As at December 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 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts*

	December 31, 2022					
	Balance[1] of non-accruing debts for which an allowance exists	Allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance of non-accruing debts	Balance of contractual principal of non-accruing debts	Interest income recorded[2]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**163**	**68**	**53**	**216**	**1,270**	**1**
Construction and real estate – real-estate activities	**19**	**4**	**44**	**63**	**644**	**-**
Financial services	**22**	**11**	**-**	**22**	**173**	**-**
Commercial – other	**1,564**	**454**	**153**	**1,717**	**4,495**	**13**
Total commercial	**1,768**	**537**	**250**	**2,018**	**6,582**	**14**
Private individuals – housing loans	**572**	**47**	**-**	**572**	**634**	**-**
Private individuals – other	**210**	**93**	**-**	**210**	**950**	**7**
Total public – activity in Israel	**2,550**	**677**	**250**	**2,800**	**8,166**	**21**
Borrower activity outside Israel						
Total credit to the public – activity overseas	**589**	**151**	**55**	**644**	**921**	**1**
Total**	**3,139**	**828**	**305**	**3,444**	**9,087**	**22**
** Of which:						
Measured individually at present value of cash flows	**2,045**	**616**	**196**	**2,241**		
Measured individually at fair value of collateral	**140**	**7**	**109**	**249**		
Measured on a collective basis	**954**	**205**	**-**	**954**		

* 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 304 million would have been recorded for the year ended December 31, 2022.
Additional information: the total average recorded debt balance of non-accruing debts in 2022 is NIS 3,336 million.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts* (continued)

	December 31, 2021					
	Balance[1] of impaired debts for which an individual allowance exists[2]	Individual allowance[2]	Balance[1] of impaired debts for which no individual allowance exists[2]	Total balance[2] of impaired debts	Balance of contractual principal of impaired debts	Interest income recorded[3]
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	120	30	94	214	1,380	3
Construction and real estate – real-estate activities	43	6	72	115	914	1
Financial services	5	1	1	6	270	-
Commercial – other	1,417	872	302	1,719	4,597	27
Total commercial	1,585	909	469	2,054	7,161	31
Private individuals – other	644	87	2	646	1,454	45
Total public – activity in Israel	2,229	996	471	2,700	8,615	76
Borrower activity outside Israel						
Public – commercial						
Construction and real estate	458	174	244	702	719	10
Commercial – other	34	34	180	214	443	-
Total commercial	492	208	424	916	1,162	10
Private individuals	1	-	-	1	3	-
Total public – activity overseas	493	208	424	917	1,165	10
Total public**	2,722	1,204	895	3,617	9,780	86
** Of which:						
Measured at the present value of cash flows	2,559	1,132	618	3,177	-	-
Debts in troubled debt restructuring	1,766	930	386	2,152	-	-

* As at December 31, 2021 – impaired debts.
(1) Recorded debt balance.
(2) Individual allowance for credit losses.
(3) Amount of interest income recorded in the reported period in respect of the average balance of non-accruing debts, during the period in which the debts were classified as non-accruing.
If the non-accruing debts had accrued interest according to the original terms, interest income in the amount of NIS 317 million would have been recorded in 2021.
Additional information: the total average recorded debt balance of impaired debts in 2021 is NIS 3,681 million.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring

	December 31, 2022					December 31, 2021				
	Recorded debt balance									
	Not accruing interest income	Accruing[(1)], past due by 90 days or more	Accruing[(1)], past due by 30 to 89 days	Accruing[(1)], not past due	Total[(2)]	Not accruing interest income	Accruing[(1)], past due by 90 days or more	Accruing[(1)], past due by 30 to 89 days	Accruing[(1)], not past due	Total[(3)]
Borrower activity in Israel										
Public – commercial										
Construction and real estate – construction	**26**	**-**	**1**	**16**	**43**	25	-	-	22	47
Construction and real estate – real-estate activities	**22**	**-**	**-**	**2**	**24**	14	-	-	3	17
Financial services	**6**	**-**	**-**	**2**	**8**	2	-	-	3	5
Commercial – other	**799**	**1**	**3**	**140**	**943**	1,008	-	-	179	1,187
Total commercial	**853**	**1**	**4**	**160**	**1,018**	1,049	-	-	207	1,256
Private individuals – housing loans	**13**	**-**	**-**	**-**	**13**	-	-	-	-	-
Private individuals – other	**200**	**1**	**11**	**368**	**580**	193	-	-	430	623
Total public – activity in Israel	**1,066**	**2**	**15**	**528**	**1,611**	1,242	-	-	637	1,879
Borrower activity outside Israel										
Total public – activity overseas	**247**	**-**	**-**	**65**	**312**	190	-	-	83	273
Total public	**1,313**	**2**	**15**	**593**	**1,923**	1,432	-	-	720	2,152

(1) Accruing interest income.
(2) As at December 31, 2022, debts that have undergone troubled debt restructuring in the amount of NIS 1,906 million were classified as problematic debts.
(3) Included in impaired debts.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	Debts restructured								
	In the year ended December 31, 2022			In the year ended December 31, 2021			In the year ended December 31, 2020		
	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	Number of contracts	Recorded debt balance before restructuring	Recorded debt balance after restructuring
Borrower activity in Israel									
Public – commercial									
Construction and real estate – construction	**138**	**24**	**20**	148	30	25	213	58	55
Construction and real estate – real-estate activities	**16**	**11**	**11**	25	22	20	38	21	20
Financial services	**11**	**8**	**8**	11	2	2	18	3	2
Commercial – other	**839**	**104**	**89**	752	209	101	1,344	1,626	1,560
Total commercial	**1,004**	**147**	**128**	936	263	148	1,613	1,708	1,637
Private individuals – housing loans	**57**	**13**	**13**	-	-	-	-	-	-
Private individuals – other	**5,442**	**244**	**229**	4,546	206	204	6,478	341	323
Total public – activity in Israel	**6,503**	**404**	**370**	5,482	469	352	8,091	2,049	1,960
Borrower activity outside Israel									
Total public – activity overseas	**8**	**2**	**2**	14	25	25	19	315	315
Total public	**6,511**	**406**	**372**	5,496	494	377	8,110	2,364	2,275

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

B. Credit to the public (continued)

4. Additional information regarding troubled debt restructuring (continued)

	Failed restructured debts*					
	In the year ended December 31, 2022		In the year ended December 31, 2021		In the year ended December 31, 2020	
	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance	Number of contracts	Recorded debt balance
Borrower activity in Israel						
Public – commercial						
Construction and real estate – construction	**103**	**10**	142	12	180	11
Construction and real estate – real-estate activities	**11**	**2**	20	-	15	-
Financial services	**6**	**3**	5	-	7	-
Commercial – other	**532**	**23**	565	49	782	1,003
Total commercial	**652**	**38**	732	61	984	1,014
Private individuals – other	**3,162**	**42**	3,092	40	3,656	56
Total public – activity in Israel	**3,814**	**80**	3,824	101	4,640	1,070
Borrower activity outside Israel						
Total public – activity overseas	**4**	**-**	12	-	7	-
Total public	**3,818**	**80**	3,836	101	4,647	1,070

* Debts that became past due by 30 days or more during the reported year, which underwent troubled debt restructuring during the 12 months preceding the date on which they became past due.

5. Additional information regarding non-accruing credit and past-due balances

	December 31, 2022							
	Not past due or past due by up to 89 days	Past due by 90 to 180 days	Past due by over 180 days, up to 1 year	Past due by over 1 year, up to 3 years	Past due by over 3 years, up to 5 years	Past due by over 5 years, up to 7 years	Past due by more than 7 years	Total
Commercial	**1,940**	**22**	**213**	**306**	**70**	**14**	**88**	**2,653**
Housing loans	**-**	**279**	**121**	**110**	**21**	**17**	**33**	**581**
Private individuals – other	**195**	**6**	**7**	**2**	**-**	**-**	**-**	**210**
Total	**2,135**	**307**	**341**	**418**	**91**	**31**	**121**	**3,444**

Note 29 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

		December 31, 2022			
		Balance of housing loans – private individuals			Off-balance sheet credit risk
		Total	Of which: bullet and balloon	Of which: floating interest rate	
First lien: financing rate	Up to 60%	**78,465**	**1,199**	**49,458**	**3,239**
	Over 60%	**48,562**	**439**	**31,230**	**2,492**
Secondary lien or no lien		**1,078**	**20**	**680**	**1,438**
Total		**128,105**	**1,658**	**81,368**	**7,169**

		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	
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.

Credit quality – LTV ratio

The LTV ratio provides another indication of credit quality for the Bank. The LTV ratio is the ratio of the amount of the loan to the estimated value of the financed asset, as approved by the Bank when the credit facility was granted. The LTV ratio is calculated at the time of approval of the credit, with the following exceptions:

(1) Granting of additional credit secured by the same asset.

(2) Receiving a loan from another corporation with a joint pari-passu lien on the asset.

(3) Transfer of a mortgage.

(4) A part of a credit facility that has not been utilized.

(5) Substantial prepayment (10% or more).

The note presents balances of debt in respect of housing loans, with segmentation by ranges of LTV ratios and levels of liens.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

C. Sale and acquisition of credit to the public during the year

1. Sale and acquisition of credit to the public

	Risk of credit to the public sold									
	For the year ended December 31, 2022					For the year ended December 31, 2021				
	Credit to the public sold this year	Off-balance sheet credit risk* sold this year	Of which: problematic credit	Total profit (loss) in respect of credit sold	Year-end balance of credit sold for which the Bank provides service	Credit to the public sold this year	Off-balance sheet credit risk* sold this year	Of which: problematic credit	Total profit (loss) in respect of credit sold	Year-end balance of credit sold for which the Bank provides service
Total commercial	**1,275**	**337**	**243**	**(6)**	**2,520**	-	-	-	-	2,046
Private individuals – housing loans	**-**	**-**	**-**	**-**	**259**	-	-	-	-	327
Total risk of credit to the public	**1,275**	**337**	**243**	**(6)**	**2,779**	-	-	-	-	2,373

	Risk of credit to the public acquired							
	For the year ended December 31, 2022				For the year ended December 31, 2021			
	Credit to the public acquired this year(1)	Off-balance sheet credit risk* acquired this year	Of which: problematic credit	Year-end balance of credit acquired	Credit to the public acquired this year(1)	Off-balance sheet credit risk* acquired this year	Of which: problematic credit	Year-end balance of credit acquired
Total commercial	**12,255**	**496**	**-**	**5,271**	8,849	279	1	3,301
Total risk of credit to the public	**12,255**	**496**	**-**	**5,271**	8,849	279	1	3,301

* Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, excluding in respect of derivative instruments.

(1) Mostly includes short-term discounting transactions.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

C. Sale and acquisition of credit to the public during the year (continued)

2. Syndications and participation in loan syndications

	Balance as at December 31, 2022					
	Syndication transactions initiated by the Bank*				Syndication transactions initiated by others	
	Share of the Bank		Share of others		Share of the Bank	
	Credit to the public	Off-balance sheet credit risk**	Credit to the public	Off-balance sheet credit risk**	Credit to the public	Off-balance sheet credit risk**
Total commercial	**12,111**	**9,440**	**19,182**	**8,799**	**5,082**	**2,504**
Private individuals – other	**1**	**-**	**2**	**-**	**-**	**-**
Total credit to the public	**12,112**	**9,440**	**19,184**	**8,799**	**5,082**	**2,504**

	Balance as at December 31, 2021					
	Syndication transactions initiated by the Bank*				Syndication transactions initiated by others	
	Share of the Bank		Share of others		Share of the Bank	
	Credit to the public	Off-balance sheet credit risk**	Credit to the public	Off-balance sheet credit risk**	Credit to the public	Off-balance sheet credit risk**
Total commercial	9,434	5,544	16,237	4,419	5,123	3,447
Private individuals – other	2	-	3	-	-	-
Total credit to the public	9,436	5,544	16,240	4,419	5,123	3,447

* Including if the Bank is a material service provider in the syndication transaction; includes transactions managed as syndications that were treated as credit sales in the past.

** Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness, excluding in respect of derivative instruments.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

D. Balances of credit to the public(1) and of off-balance sheet credit risk(1)(2) by volume of credit per borrower

	December 31, 2022		
	Number of borrowers(1)	Credit*(2)	Off-balance sheet credit risk(2)(3)
Credit per borrower in NIS thousands			
Up to 10	**486,815**	**670**	**1,203**
10 to 20	**283,462**	**1,254**	**1,824**
20 to 40	**211,234**	**2,762**	**3,245**
40 to 80	**198,156**	**6,675**	**4,680**
80 to 150	**155,590**	**12,177**	**4,920**
150 to 300	**107,692**	**18,154**	**4,444**
300 to 600	**72,254**	**27,768**	**3,725**
600 to 1,200	**82,951**	**65,807**	**5,687**
1,200 to 2,000	**29,707**	**39,610**	**4,480**
2,000 to 4,000	**9,180**	**20,898**	**3,395**
4,000 to 8,000	**2,449**	**10,570**	**2,883**
8,000 to 20,000	**1,612**	**14,309**	**6,039**
20,000 to 40,000	**837**	**15,895**	**7,926**
40,000 to 200,000	**1,303**	**72,690**	**37,932**
200,000 to 400,000	**206**	**34,129**	**22,401**
400,000 to 800,000	**80**	**25,995**	**18,605**
800,000 to 1,200,000	**23**	**8,944**	**12,854**
1,200,000 to 1,600,000	**11**	**10,981**	**4,029**
1,600,000 to 2,000,000	**5**	**3,223**	**5,918**
2,000,000 to 3,200,000	**7**	**7,590**	**10,495**
Over 3,200,000	**1**	**2,348**	**2,808**
Total	**1,643,575**	**402,449**	**169,493**

* Credit to the public, investments in bonds of the public, other assets in respect of derivative instruments where the public is the counterparty, at a total of NIS 394,262, 5,698, and 2,489 million, respectively.

(1) The number of borrowers is calculated according to total credit and off-balance sheet credit risk, based on the recorded balance.

(2) Credit 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.

(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.

Note:
Data for credit and off-balance sheet credit risk (hereinafter: "credit") in the credit brackets up to NIS 8,000 thousand, including the number of borrowers, were calculated by aggregating the data in each credit bracket of each consolidated company (layer-based consolidation), whereas data on credit over NIS 8,000 thousand, including the number of borrowers, were calculated by aggregating the credit of each borrower throughout the Bank Group and classifying it in the appropriate credit bracket (specific consolidation).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

D. Balances of credit to the public[(1)] and of off-balance sheet credit risk[(1)(2)] by volume of credit per borrower (continued)

	December 31, 2021		
	Number of borrowers[(1)]	Credit*[(2)]	Off-balance sheet credit risk[(2)(3)]
Credit per borrower in NIS thousands			
Up to 10	465,279	614	1,157
10 to 20	258,740	1,214	1,744
20 to 40	207,137	2,841	3,068
40 to 80	198,793	7,026	4,391
80 to 150	158,261	12,784	4,568
150 to 300	104,369	17,713	4,136
300 to 600	73,606	27,670	4,371
600 to 1,200	80,929	62,352	7,138
1,200 to 2,000	26,623	33,497	5,815
2,000 to 4,000	8,085	17,359	4,077
4,000 to 8,000	2,306	9,548	3,046
8,000 to 20,000	1,716	14,681	7,050
20,000 to 40,000	891	15,481	9,384
40,000 to 200,000	1,246	64,007	41,250
200,000 to 400,000	192	27,432	25,741
400,000 to 800,000	92	26,522	24,203
800,000 to 1,200,000	16	6,549	8,460
1,200,000 to 1,600,000	12	6,244	10,302
1,600,000 to 2,000,000	2	2,257	1,657
2,000,000 to 3,200,000	5	6,290	4,375
Over 3,200,000	3	5,309	7,277
Total	1,588,303	367,390	183,210

* Credit to the public, investments in bonds of the public, other assets in respect of derivative instruments where the public is the counterparty, at a total of NIS 357,729, 3,600, and 6,061 million, respectively.
(1) The number of borrowers is calculated according to total credit and off-balance sheet credit risk, based on the recorded balance.
(2) Credit 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.
(3) Credit risk in off-balance sheet financial instruments, as calculated for the purpose of the limit on borrower indebtedness.

Note:
Data for credit and off-balance sheet credit risk (hereinafter: "credit") in the credit brackets up to NIS 8,000 thousand, including the number of borrowers, were calculated by aggregating the data in each credit bracket of each consolidated company (layer-based consolidation), whereas data on credit over NIS 8,000 thousand, including the number of borrowers, were calculated by aggregating the credit of each borrower throughout the Bank Group and classifying it in the appropriate credit bracket (specific consolidation).

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

E. Off-balance sheet financial instruments

	December 31			
	2022	2021	**2022**	2021
	Contract balances**		Allowance for credit losses	
Transactions the balance of which represents a credit risk:				
(a) Documentary credit	**1,741**	1,996	**5**	9
(b) Credit guarantees	**7,666**	6,758	**55**	36
(c) Guarantees to purchasers of homes	**(1)41,143**	(1)*32,974	**41**	131
(d) Other guarantees and liabilities***	**34,040**	*29,801	**264**	170
(e) Unutilized credit-card credit facilities	**12,427**	11,333	**23**	31
(f) Unutilized revolving overdraft and other credit facilities in on-demand accounts	**28,272**	41,534	**59**	116
(g) Irrevocable commitments to grant credit approved but not yet drawn****	**(1)52,092**	(1)64,021	**484**	210
(h) Commitments to issue guarantees	**31,939**	33,720	**4**	94

* Reclassified.
** Contract balances or the nominal amounts thereof at year end, before the effect of the allowance for credit losses.
*** Includes the Bank's liabilities in respect of its share in the risk fund of the Maof Clearing House, in the amount of NIS 66 million (December 31, 2021: NIS 75 million).
**** Includes commitments to grant credit given to customers in loans "approved in principle with a hold on the interest rate," under Proper Conduct of Banking Business Directive 451, "Procedures for Granting Housing Loans."
(1) Includes off-balance sheet credit risk in respect of which insurance was acquired from foreign insurers.

Note 29 Additional Information Regarding Credit Risk, Credit to the Public, and Allowance for Credit Losses (continued)

NIS millions

F. 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.

	December 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
Credit guarantees	**5,717**	**985**	**540**	**416**	**8**	**7,666**
Guarantees to purchasers of homes	**4,421**	**69**	**-**	**-**	**36,653**	**41,143**
Guarantees and other commitments	**15,813**	**4,763**	**2,029**	**3,512**	**7,923**	**34,040**
Commitments to issue guarantees	**16,761**	**12,902**	**2,208**	**68**	**-**	**31,939**
Total	**42,712**	**18,719**	**4,777**	**3,996**	**44,584**	**114,788**

	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
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 30 Assets and Liabilities by Linkage Base

NIS millions

	December 31, 2022						
	Israeli currency		Foreign currency[1]			Non-monetary items*	Total
	Unlinked	CPI-linked	USD	EUR	Other		
Assets							
Cash and deposits with banks	116,502	-	15,452	605	808	57	133,424
Securities	58,995	2,122	38,027	3,024	1,184	4,048	107,400
Securities borrowed or purchased under agreements to resell	316	-	582	-	-	-	898
Net credit to the public[2]	289,721	56,693	30,495	4,869	2,648	4,301	388,727
Credit to governments	141	-	484	1,532	-	-	2,157
Investments in equity-basis investees	-	-	-	-	-	1,198	1,198
Buildings and equipment	-	-	-	-	-	3,522	3,522
Assets in respect of derivative instruments	7,890	1,313	9,929	1,249	572	879	21,832
Other assets	4,836	15	145	32	18	1,149	6,195
Total assets	478,401	60,143	95,114	11,311	5,230	15,154	665,353
Liabilities							
Deposits from the public	386,568	12,189	115,148	10,666	3,653	4,364	532,588
Deposits from banks	7,177	-	1,294	194	31	-	8,696
Deposits from the government	301	-	2,958	3	-	-	3,262
Securities lent or sold under agreements to repurchase	-	-	13,877	-	-	-	13,877
Bonds and subordinated notes	4,372	19,282	3,212	-	-	-	26,866
Liabilities in respect of derivative instruments	8,370	1,932	6,379	986	489	887	19,043
Other liabilities	8,333	4,548	757	184	236	460	14,518
Total liabilities	415,121	37,951	143,625	12,033	4,409	5,711	618,850
Surplus assets (liabilities)	63,280	22,192	(48,511)	(722)	821	9,443	46,503
Effect of non-hedging derivatives:							
Derivative instruments (excluding options)	(41,955)	(3,601)	46,089	552	(1,085)	-	-
Options in the money, net (in terms of underlying asset)	(256)	-	9	237	10	-	-
Options out of the money, net (in terms of underlying asset)	(700)	-	802	(139)	37	-	-
Overall total	20,369	18,591	(1,611)	(72)	(217)	9,443	46,503
Options in the money, net (nominal present value)	1,339	-	(1,360)	12	9	-	-
Options out of the money, net (nominal present value)	(1,707)	-	1,990	(522)	239	-	-

* 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 30 Assets and Liabilities by Linkage Base (continued)

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 31 Assets and Liabilities by Currency and by Term to Maturity

	December 31, 2022				
	Future expected contractual cash flows*				
	On demand up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year	Over 1 year up to 2 years	Over 2 years up to 3 years
	NIS millions				
Israeli currency (including foreign-currency linked)					
Assets	**182,611**	**27,340**	**78,286**	**49,679**	**45,540**
Liabilities	**331,647**	**29,249**	**35,156**	**19,746**	**10,543**
Difference	**(149,036)**	**(1,909)**	**43,130**	**29,933**	**34,997**
Derivative instruments (excluding options)	**(13,452)**	**(7,576)**	**(19,220)**	**(2,257)**	**(1,201)**
Options (in terms of underlying asset)	**(375)**	**197**	**(31)**	**674**	**4**
Difference after effect of derivative instruments	**(162,863)**	**(9,288)**	**23,879**	**28,350**	**33,800**
Foreign currency**					
Assets	**28,362**	**7,642**	**14,839**	**14,273**	**18,393**
Liabilities	**83,563**	**28,820**	**36,876**	**5,999**	**1,201**
Difference	**(55,201)**	**(21,178)**	**(22,037)**	**8,274**	**17,192**
Of which: difference in USD	**(43,147)**	**(12,406)**	**(21,523)**	**5,247**	**14,242**
Of which: difference in respect of foreign operations	**2,688**	**(2,075)**	**(2,548)**	**650**	**2,535**
Derivative instruments (excluding options)	**13,527**	**7,579**	**19,325**	**2,169**	**1,202**
Options (in terms of underlying asset)	**375**	**(197)**	**31**	**(674)**	**(4)**
Difference after effect of derivative instruments	**(41,299)**	**(13,796)**	**(2,681)**	**9,769**	**18,390**
Total as at December 31, 2022					
Assets***	**210,973**	**34,982**	**93,125**	**63,952**	**63,933**
Liabilities****	**415,210**	**58,069**	**72,032**	**25,745**	**11,744**
Difference	**(204,237)**	**(23,087)**	**21,093**	**38,207**	**52,189**
*** Of which: credit to the public	**72,774**	**25,985**	**62,596**	**45,602**	**39,068**
**** Of which: deposits from the public	**397,290**	**44,765**	**58,492**	**18,936**	**4,077**

* This note presents expected future contractual cash flows in respect of assets and liabilities by currency, according to the remaining contractual maturity periods of each cash flow. The data are presented net of the effect of charge-offs and of allowances for credit losses.
** Excluding Israeli currency linked to foreign currency.
(1) Assets with no maturity period, including assets in the amount of NIS 7,124 million, which are past due.
(2) As included in Note 30, "Assets and Liabilities by Linkage Base," including off-balance sheet amounts in respect of derivatives.
(3) The contractual return rate is the interest rate discounting the expected contractual future cash flows presented in this note in respect of a monetary item to its balance sheet balance.
(4) Including revolving credit in the amount of NIS 15,284 million, of which amounts in excess of revolving credit facilities in the amount of NIS 619 million.

NIS millions

December 31, 2022								
Future expected contractual cash flows*						Balance sheet balance[2]		Contractual return rate[3]
Over 3 years up to 4 years	Over 4 years up to 5 years	Over 5 years up to 10 years	Over 10 years up to 20 years	Over 20 years	Total cash flows	No maturity period[1]	Total	
NIS millions								%
36,802	20,705	75,482	68,921	26,772	612,138	5,265	538,941	4.21%
6,160	3,980	17,476	3,048	1	457,006	-	453,456	2.20%
30,642	16,725	58,006	65,873	26,771	155,132	5,265	85,485	
(588)	(1,623)	352	(70)	-	(45,635)	-	(44,556)	
-	-	-	-	-	469	-	437	
30,054	15,102	58,358	65,803	26,771	109,966	5,265	41,366	
11,553	7,394	18,590	1,856	185	123,087	1,859	111,258	5.00%
934	752	5,321	110	176	163,752	-	159,683	4.85%
10,619	6,642	13,269	1,746	9	(40,665)	1,859	(48,425)	
10,268	5,623	15,572	1,639	-	(24,485)	1,589	(22,853)	
3,551	1,547	3,107	220	-	9,675	475	7,511	
558	1,563	(354)	66	-	45,635	-	44,556	
-	-	-	-	-	(469)	-	(437)	
11,177	8,205	12,915	1,812	9	4,501	1,859	(4,306)	
48,355	28,099	94,072	70,777	26,957	735,225	7,124	[4]650,199	4.34%
7,094	4,732	22,797	3,158	177	620,758	-	613,139	2.89%
41,261	23,367	71,275	67,619	26,780	114,467	7,124	37,060	1.45%
28,351	21,603	65,644	67,701	25,827	455,151	6,928	384,426	4.46%
1,847	1,411	3,303	1,717	174	532,012	-	528,224	3.09%

Note 31 Assets and Liabilities by Currency and by Term to Maturity (continued)

	December 31, 2021				
	Future expected contractual cash flows*				
	On demand up to 1 month	Over 1 month up to 3 months	Over 3 months up to 1 year	Over 1 year up to 2 years	Over 2 years up to 3 years
	NIS millions				
Israeli currency (including foreign-currency linked)					
Assets	224,831	23,069	55,440	40,561	31,243
Liabilities	358,982	20,263	24,397	13,027	7,143
Difference	(134,151)	2,806	31,043	27,534	24,100
Derivative instruments (excluding options)	(31,825)	(4,581)	(12,552)	(4,037)	95
Options (in terms of underlying asset)	(56)	665	1,197	150	530
Difference after effect of derivative instruments	(166,032)	(1,110)	19,688	23,647	24,725
Foreign currency**					
Assets	24,477	5,121	15,649	8,483	6,276
Liabilities	93,466	13,066	25,055	2,608	1,315
Difference	(68,989)	(7,945)	(9,406)	5,875	4,961
Of which: difference in USD	(58,978)	(5,892)	(8,966)	5,076	2,943
Of which: difference in respect of foreign operations	2,492	(1,150)	(1,611)	1,614	1,423
Derivative instruments (excluding options)	31,815	4,571	12,572	4,053	(106)
Options (in terms of underlying asset)	56	(665)	(1,197)	(150)	(530)
Difference after effect of derivative instruments	(37,118)	(4,039)	1,969	9,778	4,325
Total as at December 31, 2021					
Assets***	249,308	28,190	71,089	49,044	37,519
Liabilities****	452,448	33,329	49,452	15,635	8,458
Difference	(203,140)	(5,139)	21,637	33,409	29,061
*** Of which: credit to the public	56,757	23,123	59,158	42,435	32,630
**** Of which: deposits from the public	436,010	28,138	38,411	8,488	4,286

* This note presents expected future contractual cash flows in respect of assets and liabilities by currency, according to the remaining contractual maturity periods of each cash flow. The data are presented net of the effect of charge-offs and of allowances for credit losses.

** Excluding Israeli currency linked to foreign currency.

(1) Assets with no maturity period, including assets in the amount of NIS 4,688 million, which are past due.

(2) As included in Note 30, “Assets and Liabilities by Linkage Base,” including off-balance sheet amounts in respect of derivatives.

(3) The contractual return rate is the interest rate discounting the expected contractual future cash flows presented in this note in respect of a monetary item to its balance sheet balance.

(4) Including revolving credit in the amount of NIS 14,012 million, of which amounts in excess of revolving credit facilities in the amount of NIS 2,107 million.

NIS millions

December 31, 2021								
Future expected contractual cash flows*						Balance sheet balance[2]		Contractual return rate[3]
Over 3 years up to 4 years	Over 4 years up to 5 years	Over 5 years up to 10 years	Over 10 years up to 20 years	Over 20 years	Total cash flows	No maturity period[1]	Total	
NIS millions								%
33,704	29,986	62,573	54,630	18,601	574,638	3,654	539,448	2.2%
6,112	5,639	15,579	1,595	1	452,738	-	451,904	1.1%
27,592	24,347	46,994	53,035	18,600	121,900	3,654	87,544	-
(31)	(627)	(429)	(20)	-	(54,007)	-	(53,774)	-
-	-	-	-	-	2,486	-	2,205	-
27,561	23,720	46,565	53,015	18,600	70,379	3,654	35,975	-
6,903	7,517	13,837	1,180	716	90,159	1,034	86,332	2.4%
834	690	1,618	3,827	716	143,195	-	139,926	2.6%
6,069	6,827	12,219	(2,647)	-	(53,036)	1,034	(53,594)	-
4,734	6,724	11,306	303	-	(42,750)	841	(42,713)	-
1,126	2,147	2,279	149	-	8,469	618	7,868	-
67	606	411	18	-	54,007	-	53,774	-
-	-	-	-	-	(2,486)	-	(2,205)	-
6,136	7,433	12,630	(2,629)	-	(1,515)	1,034	(2,025)	-
40,607	37,503	76,410	55,810	19,317	664,797	4,688	[4]625,780	2.2%
6,946	6,329	17,197	5,422	717	595,933	-	591,830	1.4%
33,661	31,174	59,213	50,388	18,600	68,864	4,688	33,950	0.8%
26,505	19,632	55,189	53,575	18,578	387,582	4,561	350,287	2.5%
2,208	1,587	3,957	2,168	709	525,962	-	522,668	1.5%

Note 32 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 assessment of fair value does not necessarily constitute 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 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.

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. The balance of credit was segmented into homogeneous categories. In each category, the flow of future receipts (principal and interest) was calculated and 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. An increase of 1% in discounting interest rates of impaired debts would reduce their fair value by a total of NIS 17 million.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

The calculation of fair value includes assumptions regarding prepayment of housing loans, in accordance with the estimates of the Bank, based on an examination of the historical data regarding prepayment in relation to parameters that explain such prepayment. The effect of these assumptions on fair value resulted in an increase of the fair value by NIS 270 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.

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 models or service bureaus, some of the inputs of which are unobservable.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

A. Balances and fair-value estimates of financial instruments

	December 31, 2022				
	Balance sheet balance	Fair value[1]			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and deposits with banks	**133,424**	**3,110**	**-**	**130,266**	**133,376**
Securities*	**107,400**	**83,920**	**20,020**	**2,809**	**106,749**
Securities borrowed or purchased under agreements to resell	**898**	**-**	**-**	**898**	**898**
Net credit to the public	**388,727**	**10,233**	**-**	**368,382**	**378,615**
Credit to governments	**2,157**	**-**	**-**	**2,141**	**2,141**
Assets in respect of derivative instruments	**21,832**	**1,052**	**14,103**	**6,677**	**21,832**
Other financial assets	**1,499**	**25**	**-**	**1,474**	**1,499**
Total financial assets**	**655,937**	**98,340**	**34,123**	**512,647**	**645,110**
Financial liabilities					
Deposits from the public***	**532,588**	**17,020**	**658**	**513,228**	**530,906**
Deposits from banks	**8,696**	**-**	**-**	**8,404**	**8,404**
Deposits from the government	**3,262**	**-**	**-**	**3,270**	**3,270**
Securities lent or sold under agreements to repurchase	**13,877**	**-**	**-**	**13,877**	**13,877**
Bonds and subordinated notes	**26,866**	**26,631**	**-**	**21**	**26,652**
Liabilities in respect of derivative instruments	**19,043**	**1,035**	**14,037**	**3,971**	**19,043**
Other financial liabilities	**6,295**	**25**	**-**	**6,270**	**6,295**
Total financial liabilities**	**610,627**	**44,711**	**14,695**	**549,041**	**608,447**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	**-**	**-**	**-**	**133**	**133**

* Includes shares and options without a readily determinable fair value, which are stated at cost, in the amount of NIS 2,315 million. For further details regarding the balance sheet balance and fair value of securities, see Note 12.

** Of which: assets and liabilities in the amount of NIS 130,306 million and in the amount of NIS 42,376 million, respectively, whose balance sheet balance is identical to their fair value (instruments presented at fair value in the balance sheet). For further information regarding instruments measured at fair value on a recurring basis and on a nonrecurring basis, see Sections B-F.

*** Of which, a total of NIS (41) million in respect of embedded derivative instruments is included in the item of deposits from the public.

(1) Level 1 – Fair-value measurements using quoted prices on an active market.
Level 2 – Fair-value measurements using other significant observable inputs.
Level 3 – Fair-value measurements using significant unobservable inputs.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

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	*24,994	1,589	*39	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	36,501	7,704	546,444	590,649
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	-	-	-	133	133

* Reclassified.

** Includes shares and options without a readily determinable fair value, 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 12.

*** 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 stated 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 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

B. Items measured at fair value on a recurring basis

	December 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	45,103	6,648	-	51,751
Foreign government bonds	19,519	2,133	-	21,652
Bonds of foreign financial institutions	-	7,357	177	7,534
Bonds of foreign others	15	3,155	-	3,170
Total bonds available for sale	64,637	19,293	177	84,107
Investments in tradable shares not held for trading	1,671	62	-	1,733
Securities held for trading				
Israeli government bonds	7,699	7	-	7,706
Foreign government bonds	765	-	-	765
Bonds of foreign others	-	238	-	238
Bonds of foreign financial institutions	-	420	-	420
Total securities held for trading	8,464	665	-	9,129
Assets in respect of derivative instruments				
NIS-CPI contracts	-	951	120	1,071
Other interest contracts	-	9,533	621	10,154
Foreign-currency contracts	195	3,277	4,891	8,363
Share contracts	857	341	1,042	2,240
Commodity and other contracts	-	1	3	4
Assets in respect of embedded derivatives	-	39	20	59
Total assets in respect of derivative instruments	1,052	14,142	6,697	21,891
Credit in respect of securities lending	10,311	-	-	10,311
Assets in respect of activity in the Maof market	25	-	-	25
Total assets	86,160	34,162	6,874	127,196
Liabilities				
Liabilities in respect of derivative instruments				
NIS-CPI contracts	-	546	399	945
Other interest contracts	-	9,371	597	9,968
Foreign-currency contracts	167	3,058	2,696	5,921
Share contracts	868	1,060	277	2,205
Commodity and other contracts	-	2	2	4
Liabilities in respect of embedded derivatives	-	18	-	18
Total liabilities in respect of derivative instruments	1,035	14,055	3,971	19,061
Deposits in respect of inter-customer lending	8,218	-	-	8,218
Liabilities in respect of activity in the Maof market	25	-	-	25
Liabilities in respect of securities lending	8,802	658	-	9,460
Total liabilities	18,080	14,713	3,971	36,764

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

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 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

C. Items measured at fair value on a nonrecurring basis

	December 31, 2022				
	Fair value measurements using			Total fair value	Total profit in respect of changes in value in the period ended Dec. 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					
Collateral-dependent non-accruing credit	**-**	**-**	**249**	**249**	[(1)]**14**
Investments in shares	**-**	**-**	**190**	**190**	[(2)]**88**
Total	**-**	**-**	**439**	**439**	**102**

	December 31, 2021				
	Fair value measurements using			Total fair value	Total profit (loss) in respect of changes in value in the period ended Dec. 31, 2021
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value on a nonrecurring basis					
Collateral-dependent impaired credit	-	-	440	440	[(1)](18)
Investments in shares	-	-	338	338	[(2)]146
Total	-	-	778	778	128

(1) Profits (losses) included in the statement of profit and loss under the item "provision for credit losses."
(2) Profits included in the statement of profit and loss under the item "non-interest financing income."

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3

	Fair value as at Dec. 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 Dec.31, 2022	Unrealized gains (losses) in respect of instruments held as at Dec. 31, 2022
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	**160**	**18**	**(1)**	**-**	**-**	**-**	**-**	**177**	**-**
Net balances in respect of derivative instruments									
NIS-CPI contracts	**(137)**	**(150)**	**-**	**-**	**8**	**-**	**-**	**(279)**	**[(3)](142)**
Other interest contracts	**(4)**	**45**	**-**	**(4)**	**(13)**	**-**	**-**	**24**	**[(3)(1)]196**
Foreign-currency contracts	**(3,769)**	**4,025**	**-**	**3**	**1,936**	**-**	**-**	**2,195**	**[(3)]1,958**
Share contracts	**(664)**	**858**	**-**	**-**	**571**	**-**	**-**	**765**	**[(3)]120**
Commodity and other contracts	**(1)**	**3**	**-**	**-**	**(1)**	**-**	**-**	**1**	**-**
Embedded derivatives	**(21)**	**21**	**-**	**1**	**19**	**-**	**-**	**20**	**[(3)]5**
Total	**(4,436)**	**4,820**	**(1)**	**-**	**2,520**	**-**	**-**	**2,903**	**2,137**

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

NIS millions

D. Changes in items measured at fair value on a recurring basis included in Level 3 (continued)

	Fair value as at Dec. 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 Dec. 31, 2021	Unrealized gains (losses) in respect of instruments held as at Dec. 31, 2021
Assets									
Bonds available for sale									
Bonds of foreign financial institutions	165	(5)	-	-	-	-	-	160	-
Net balances in respect of derivative instruments									
NIS-CPI contracts	169	(251)	-	-	(55)	-	-	(137)	[(3)](169)
Other interest contracts	118	(72)	-	(10)	(40)	-	-	(4)	[(3)(1)](48)
Foreign-currency contracts	(2,202)	(2,934)	-	(9)	1,376	-	-	(3,769)	[(3)](1,101)
Share contracts	(752)	(675)	-	-	763	-	-	(664)	[(3)]10
Commodity and other contracts	-	(1)	-	-	-	-	-	(1)	-
Embedded derivatives	(18)	(8)	-	-	5	-	-	(21)	-
Total	(2,520)	(3,946)	-	(19)	2,049	-	-	(4,436)	(1,308)

(1) Gains (losses) included in the statement of profit and loss under the item "interest income."
(2) Gains (losses) included in equity under the item "adjustments for presentation of bonds available for sale at fair value."
(3) Gains (losses) included in the statement of profit and loss under the item "non-interest financing income."

E. During the period, there were no transfers of items measured at fair value from Level 3 measurement to Level 2 measurement, with the exception of transfers due to transaction counterparty risk. In accordance with the policy of the banking corporation, transfers from level to level are recognized as occurring at the end of the reported period.

Note 32 Balances and Fair Value Estimates of Financial Instruments (continued)

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3

	December 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	**177**	Quote from transaction counterparty		
Net balances in respect of derivative instruments				
NIS-CPI contracts	**(279)**	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.35%-4.52% (0.75%)
Other interest contracts	**15**	Interest-rate derivatives pricing model	Transaction counterparty risk	0.24%-3.76% (0.93%)
Foreign-currency contracts	**2,195**	Option pricing model	Transaction counterparty risk	0.16%-14.45% (0.60%)
Share contracts	**762**	Share derivatives pricing model	Transaction counterparty risk	0.24%-2.58% (0.51%)
Share contracts	**3**	Option pricing model	Quote from counterparty	
Foreign-currency contracts	**-**	Option pricing model	Quote from counterparty	
Other interest contracts	**9**	Option pricing model	Standard deviation	110.00%-122.00% (112.57%)
Commodity and other contracts	**1**	Currency derivatives pricing model	Transaction counterparty risk	0.35%-2.39% (0.39%)
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	**190**	Valuation		
Collateral-dependent non-accruing credit	**249**	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 32 Balances and Fair Value Estimates of Financial Instruments (continued)

F. Additional information regarding significant unobservable inputs and assessment techniques used in the measurement of the fair value of items classified as Level 3 (continued)

	December 31, 2021			
	Fair value	Assessment technique	Unobservable inputs	Range (weighted average by relative fair value)
	NIS millions			
1. Items measured at fair value on a recurring basis				
Assets				
Bonds of foreign financial institutions	160	Quote from transaction counterparty		
Net balances in respect of derivative instruments				
NIS-CPI contracts	(137)	Currency and interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-1.84% (0.68%)
Other interest contracts	(4)	Interest-rate derivatives pricing model	Transaction counterparty risk	0.04%-14.23% (1.12%)
Foreign-currency contracts	(3,769)	Option pricing model	Transaction counterparty risk	0.04%-14.29% (0.37%)
Share contracts	(687)	Share derivatives pricing model	Transaction counterparty risk	0.04%-1.79% (0.20%)
Share contracts	21	Option pricing model	Quote from counterparty	
Foreign-currency contracts	-	Option pricing model	Quote from counterparty	
Other interest contracts	2	Option pricing model	Standard deviation	37.00%-62.00% (48.00%)
Commodity and other contracts	(1)	Currency derivatives pricing model	Transaction counterparty risk	0.09%-0.09% (0.09%)
Embedded derivatives(1)	(21)	Option pricing model	Quote from counterparty	
2. Items measured at fair value on a nonrecurring basis				
Investment in non-tradable shares	338	Valuation		
Collateral-dependent impaired credit	440	Tradable assets – market value less an appropriate safety coefficient		
		Non-tradable assets – discounted cash flow less an appropriate safety coefficient		

Sensitivity analysis of fair-value measurements classified as Level 3:
(1) An increase (decrease) in the discounting interest rate would lead to a significantly lower (higher) fair-value measurement.

Note 33 Interested and Related Parties

NIS millions

Parent companies, controlling shareholder, and subsidiaries

Interested party and related party transactions were carried out in the ordinary course of business, in general, based on business considerations, at terms similar to terms of transactions with entities unrelated to the Bank. In a few cases, the Bank supported subsidiaries, according to common practice, through investment in capital, loans, comfort letters, indemnity letters, etc. Income or expenses related to such transactions are included in the appropriate items of the statement of profit and loss.

For details regarding a credit line granted by the Bank to Bank Pozitif at pricing below market terms, due to the special circumstances of Bank Pozitif, see Note 24J above.

For details regarding settlements with insurers (subject to court approval) in which a total of USD 140 million will be paid to the Bank, with no claims filed against officers, see Note 25F above.

A. Balance sheet balances

	December 31, 2022							
	Interested parties							
	Shareholders		Interested party at the time of the transaction		Officers*		Others	
	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**
Assets								
Securities	-	-	-	-	-	-	-	-
Credit to the public	**13**	**121**	**508**	**618**	**10**	**15**	**3,455**	**5,168**
Allowance for credit losses	-	-	**(9)**	**(4)**	-	-	**(12)**	**(3)**
Net credit to the public	**13**	**121**	**499**	**614**	**10**	**15**	**3,443**	**5,165**
Investments in equity-basis investees	-	-	-	-	-	-	-	-
Other assets	**409**	**430**	-	**1**	-	-	**1,437**	**2,865**
Liabilities								
Deposits from the public	**1,881**	**2,706**	-	-	**30**	**72**	**18,490**	**28,329**
Deposits from banks	-	-	-	-	-	-	-	-
Bonds and subordinated notes	**2**	**9**	-	-	-	-	**7**	**9**
Other liabilities	**40**	**168**	-	-	**40**	**45**	**650**	**2,155**
Shares (included in equity)	-	-	-	-	-	-	-	-
Credit risk in off-balance sheet financial instruments* **	**121**	**231**	**255**	**493**	**4**	**6**	**2,979**	**5,697**

* Pursuant to Section 80D(3) of the Public Reporting Directives.
** Based on the balance at the end of each month.
*** As calculated for the purpose of the limit on borrower indebtedness.

Note 33 Interested and Related Parties (continued)

NIS millions

A. Balance sheet balances (continued)

	December 31, 2022					
	Related parties held by the Bank and its consolidated companies					
	Unconsolidated subsidiaries		Equity-basis investees		Others	
	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*
Assets						
Securities	-	-	-	-	**506**	**506**
Credit to the public	-	-	**2,138**	**2,402**	**129**	**131**
Allowance for credit losses	-	-	**(9)**	**(5)**	-	-
Net credit to the public	-	-	**2,129**	**2,397**	**129**	**131**
Investments in equity-basis investees[(1)]	-	-	**1,198**	**1,198**	-	-
Other assets	-	-	**1**	**8**	-	-
Liabilities						
Deposits from the public	**4**	**13**	**619**	**1,061**	**119**	**196**
Deposits from banks	-	-	-	-	-	-
Bonds and subordinated notes	-	-	-	-	-	-
Other liabilities	-	-	**17**	**30**	-	**4**
Credit risk in off-balance sheet financial instruments**	-	-	**1,557**	**2,060**	**266**	**553**

* Based on the balance at the end of each month.
** As calculated for the purpose of the limit on borrower indebtedness.
(1) Details of this item are also included in Note 15.

Note 33 Interested and Related Parties (continued)

NIS millions

A. Balance sheet balances (continued)

	December 31, 2021							
	Interested parties							
	Shareholders		Interested party at the time of the transaction		Officers*		Others	
	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**	Year-end balance	Highest balance during the year**
Assets								
Securities	-	113	-	-	-	-	-	-
Credit to the public	120	248	595	687	10	13	(1)1,262	(1)2,629
Allowance for credit losses	-	-	(4)	(3)	-	-	(1)(8)	(1)(4)
Net credit to the public	120	248	591	684	10	13	(1)1,254	(1)2,625
Other assets	18	89	1	33	-	-	(1)279	(1)658
Liabilities								
Deposits from the public	2,578	3,129	-	-	72	96	(1)16,005	(1)17,326
Bonds and subordinated notes	9	15	-	-	-	-	9	11
Other liabilities	166	231	-	-	45	45	(1)566	(1)1,020
Shares (included in equity)	-	-	-	-	-	-	-	-
Credit risk in off-balance sheet financial instruments* **	224	259	468	581	4	7	(1)3,287	(1)3,851

* Pursuant to Section 80D(3) of the Public Reporting Directives.
** Based on the balance at the end of each month.
*** As calculated for the purpose of the limit on borrower indebtedness.
(1) Restated.

Note 33 Interested and Related Parties (continued)

NIS millions

A. Balance sheet balances (continued)

	December 31, 2021					
	Related parties held by the Bank and its consolidated companies					
	Unconsolidated subsidiaries		Equity-basis investees		Others	
	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*	Year-end balance	Highest balance during the year*
Assets						
Securities	-	-	-	-	[(1)]374	[(1)]374
Credit to the public	-	-	261	458	112	144
Allowance for credit losses	-	-	(5)	(3)	(2)	(1)
Net credit to the public	-	-	256	455	110	143
Investments in equity-basis investees	-	-	853	853	-	-
Other assets	-	-	7	8	-	-
Liabilities						
Deposits from the public	7	11	236	470	111	173
Other liabilities	-	-	4	7	1	3
Credit risk in off-balance sheet financial instruments**	-	-	452	504	421	472

* Based on the balance at the end of each month.
** As calculated for the purpose of the limit on borrower indebtedness.
(1) Restated.

Note 33 Interested and Related Parties (continued)

NIS millions

B. Income and expenses in the statement of profit and loss

	For the year ended December 31, 2022							
	Interested parties				Related parties held by the Bank and its consolidated companies			Total
	Shareholders	Others	Officers**	Others	Unconsolidated subsidiaries	Equity-basis investees	Others***	
Net interest income*	**(34)**	**-**	**-**	**(197)**	**-**	**61**	**3**	**(167)**
Income (provision) in respect of credit losses	**-**	**-**	**-**	**(7)**	**-**	**19**	**3**	**15**
Non-interest income (expenses)	**506**	**-**	**-**	**3,533**	**-**	**(5)**	**100**	**4,134**
Of which: management and service fees	**(7)**	**-**	**-**	**91**	**-**	**10**	**7**	**101**
Operating and other expenses(2)	**(22)**	**-**	**(1)(62)**	**(12)**	**(10)**	**(19)**	**(1)**	**(126)**
Of which: interested party employed by or on behalf of the corporation: 22	**-**	**-**	**(50)**	**-**	**-**	**-**	**-**	**(50)**
Benefits to directors not employed by the corporation or on its behalf – number of beneficiaries: 10	**-**	**-**	**(12)**	**-**	**-**	**-**	**-**	**(12)**
Total	**450**	**-**	**(62)**	**3,317**	**(10)**	**56**	**105**	**3,856**

* Details in section C below.
** Pursuant to Section 80D(3) of the Public Reporting Directives, including those who retired during the year.
*** Parties meeting the definition of a related party, who were not included in other columns, and a party on whose business the activity of the Bank and of its consolidated companies depends to a significant extent.
(1) Short-term employee benefits – NIS 44 million; post-employment benefits – NIS 0 million; severance benefits – NIS 0 million; other long-term benefits – NIS 1 million; share-based payment – NIS 4 million.
(2) Includes donations to non-profit organizations related to a related party of the Bank in the amount of NIS 685 thousand.

Note 33 Interested and Related Parties (continued)

NIS millions

B. Income and expenses in the statement of profit and loss (continued)

	For the year ended December 31, 2021							
	Interested parties				Related parties held by the Bank and its consolidated companies			Total
	Shareholders	Others	Officers**	Others	Unconsolidated subsidiaries	Equity-basis investees	Others***	
Net interest income*	(14)	-	-	(10)	-	6	4	(14)
Income (provision) in respect of credit losses	-	-	-	(2)	-	(2)	-	(4)
Non-interest income (expenses)	(140)	-	-	[1](24)	-	13	2	[1](149)
Of which: management and service fees	-	-	-	76	-	2	4	82
Operating and other expenses[3]	(23)	-	[2](49)	(7)	(9)	(17)	(1)	(106)
Of which: interested party employed by or on behalf of the corporation: 17	-	-	(39)	-	-	-	-	(39)
Benefits to directors not employed by the corporation or on its behalf – number of beneficiaries: 8	-	-	(10)	-	-	-	-	(10)
Total	(177)	-	(49)	[1](43)	(9)	-	5	[1](273)

* Details in section C below.
** Pursuant to Section 80D(3) of the Public Reporting Directives, including those who retired during the year.
*** Parties meeting the definition of a related party, who were not included in other columns, and a party on whose business the activity of the Bank and of its consolidated companies depends to a significant extent.
(1) Restated.
(2) Short-term employee benefits – NIS 34 million; post-employment benefits – NIS 0 million; severance benefits – NIS 0 million; other long-term benefits – NIS 1 million; share-based payment – NIS 4 million.
(3) Includes donations to non-profit organizations related to a related party of the Bank in the amount of NIS 472 thousand.

Note 33 Interested and Related Parties (continued)

NIS millions

B. Income and expenses in the statement of profit and loss (continued)

	For the year ended December 31, 2020							
	Interested parties				Related parties held by the Bank and its consolidated companies			Total
	Shareholders	Others	Officers**	Others	Subsidiaries	Equity-basis investees	Others***	
Net interest income*	(3)	-	-	(1)(2)	-	2	5	(1)2
Income (provision) in respect of credit losses	-	-	-	-	-	-	(1)	(1)
Non-interest income (expenses)	(3)	-	-	(1)(121)	-	2	3	(1)(119)
Of which: management and service fees	-	-	-	48	-	2	3	53
Operating and other expenses(3)	(26)	-	(2)(43)	-	-	-	-	(69)
Of which: interested party employed by or on behalf of the corporation: 21	-	-	(35)	-	-	-	-	(35)
Benefits to directors not employed by the corporation or on its behalf – number of beneficiaries: 8	-	-	(8)	8	9	16	-	25
Total	(32)	-	(43)	(1)(123)	-	4	7	(1)(187)

* Details in section C below.
** Pursuant to Section 80D(3) of the Public Reporting Directives, including those who retired during the year.
*** Parties meeting the definition of a related party, who were not included in other columns, and a party on whose business the activity of the Bank and of its consolidated companies depends to a significant extent.
(1) Restated.
(2) Short-term employee benefits – NIS 30 million; post-employment benefits – NIS 0 million; severance benefits – NIS 0 million; other long-term benefits – NIS 1 million; share-based payment – NIS 4 million.
(3) Includes donations to non-profit organizations related to a related party of the Bank in the amount of NIS 600 thousand.

Note 33 Interested and Related Parties (continued)

NIS millions

C. Net interest income in transactions with interested and related parties

	2022	2021	2020
Income (expenses)			
In respect of assets			
From credit to the public	**102**	[1]26	[1]26
From deposits with banks	**-**	-	-
From securities borrowed or purchased under agreements to resell	**-**	-	-
From bonds	**-**	-	-
From other assets	**-**	1	3
In respect of liabilities			
On deposits from the public	**(267)**	[1](39)	[1](26)
On deposits from banks	**-**	-	-
On securities borrowed or purchased under agreements to repurchase	**-**	-	-
On bonds and subordinated notes	**(2)**	(2)	(1)
On other liabilities	**-**	-	-
Other			
Financing transaction fees	**-**	-	-
Other financing income	**-**	-	-
Total	**(167)**	[1](14)	[1]2

(1) Restated.

Note 34 Condensed Financial Statements of the Bank

NIS millions

A. Condensed statement of profit and loss

	2022	2021	2020
Interest income	**19,183**	11,624	10,175
Interest expenses	**(5,799)**	(1,931)	(1,477)
Net interest income	**13,384**	9,693	8,698
Provision (income) for credit losses	**(28)**	(1,217)	1,951
Net interest income after provision for credit losses	**13,412**	10,910	6,747
Non-interest income			
Non-interest financing income	**623**	588	1,213
Fees	**3,560**	3,221	3,019
Other income	**63**	117	70
Total non-interest income	**4,246**	3,926	4,302
Operating and other expenses			
Salaries and related expenses	**4,298**	4,227	3,695
Maintenance and depreciation of buildings and equipment	**1,441**	1,322	1,355
Other expenses	**2,065**	1,946	2,089
Total operating and other expenses	**7,804**	7,495	7,139
Profit from continued operations before taxes	**9,854**	7,341	3,910
Provision for taxes on profit from continued operations	**3,482**	2,778	1,516
Profit from continued operations after taxes	**6,372**	4,563	2,394
Share of the Bank in profits of affiliates, after taxes, attributed to a discontinued operation	**-**	-	(109)
Share of the Bank in profits (losses) of other affiliates	**160**	351	(229)
Net profit			
Attributed to shareholders of the Bank	**6,532**	4,914	2,056

Note 34 Condensed Financial Statements of the Bank (continued)

NIS millions

B. Condensed balance sheet

	December 31	
	2022	2021
Assets		
Cash and deposits with banks	**133,236**	189,157
Securities	**102,073**	66,142
Securities borrowed or purchased under agreements to resell	**898**	1,253
Credit to the public	**394,089**	357,452
Allowance for credit losses	**(5,510)**	(5,068)
Net credit to the public	**388,579**	352,384
Credit to governments	**2,157**	1,969
Investments in other affiliates	**11,019**	13,593
Buildings and equipment	**3,350**	3,383
Assets in respect of derivative instruments	**21,826**	12,983
Other assets	**5,966**	4,908
Total assets	**669,104**	645,772
Liabilities and capital		
Deposits from the public	**543,928**	541,834
Deposits from banks	**8,673**	11,723
Deposits from the government	**3,262**	752
Securities lent or sold under agreements to repurchase	**13,877**	3,419
Bonds and subordinated notes	**19,701**	16,146
Liabilities in respect of derivative instruments	**19,040**	14,347
Other liabilities	**14,121**	14,816
Total liabilities	**622,602**	603,037
Capital	**46,502**	42,735
Total liabilities and capital	**669,104**	645,772

Note 34 Condensed Financial Statements of the Bank (continued)

NIS millions

C. Condensed statement of cash flows

	2022	2021	2020
Cash flows from (for) operating activity			
Net profit for the year	**6,532**	4,914	2,056
Adjustments necessary to present cash flows from operating activity			
The Bank's share in profits of affiliates	**(160)**	(351)	338
Depreciation of buildings and equipment (including impairment)	**706**	591	528
Amortization of issuance expenses	**40**	15	53
Provision (income) for credit losses	**(28)**	(1,217)	1,928
Gain from sale of a subsidiary	**-**	-	1
Gain from realization of bonds available for sale and held to maturity	**60**	(179)	(129)
Realized and unrealized gain from adjustments to fair value of securities held for trading	**19**	54	(10)
Realized and unrealized loss from adjustments to fair value of shares not held for trading	**60**	(68)	24
Gain from realization of buildings and equipment	**(46)**	(92)	(57)
Change in benefit due to share-based payment transactions	**(12)**	(6)	(256)
Net change in liabilities in respect of employee benefits	**(29)**	(7)	(209)
Deferred taxes, net	**(71)**	590	(129)
Loss (gain) from sale of credit portfolios	**6**	-	(21)
Dividends received from affiliates	**3,585**	-	81
Adjustments in respect of exchange-rate differences	**(1,431)**	559	1,470
Accumulation differentials included in investing and financing activities	**(5,387)**	645	1,139
Net change in current assets			
Assets in respect of derivative instruments	**(8,843)**	1,902	(3,899)
Securities held for trading	**3,715**	1,854	348
Other assets	**(1,056)**	243	(678)
Net change in current liabilities			
Liabilities in respect of derivative instruments	**4,693**	(2,453)	4,818
Other liabilities	**819**	(1,858)	(1,813)
Net cash from (for) operating activity	**3,172**	5,136	5,583

Note 34 Condensed Financial Statements of the Bank (continued)

NIS millions

C. Condensed statement of cash flows (continued)

	2022	2021	2020
Cash flows from (for) investing activity			
Deposits with banks	**69**	249	2,603
Credit to the public	**(32,520)**	(46,623)	(11,079)
Credit to governments	**(172)**	225	(222)
Securities borrowed or purchased under agreements to resell	**355**	(885)	103
Acquisition of bonds held to maturity	**(5,863)**	(190)	(157)
Proceeds from redemption of bonds held to maturity	**-**	115	43
Acquisition of bonds available for sale	**(62,676)**	(28,670)	(46,929)
Proceeds from sale of bonds available for sale	**23,434**	21,194	24,030
Proceeds from redemption of bonds available for sale	**10,429**	5,688	9,981
Acquisition of credit portfolios	**(1,132)**	(472)	(959)
Proceeds from sale of credit portfolios	**1,606**	-	55
Investments in affiliates	**(1,082)**	-	(385)
Proceeds from realization of investments in affiliates	**148**	-	2
Acquisition of buildings and equipment	**(687)**	(879)	(679)
Proceeds from realization of buildings and equipment	**60**	141	72
Net cash from (for) investing activity	**(68,031)**	(50,107)	(23,521)
Cash flows from (for) financing activity			
Deposits from banks	**(3,050)**	5,036	3,282
Deposits from the public	**(4,732)**	84,929	71,186
Deposits from the government	**2,510**	(9)	76
Securities lent or sold under agreements to repurchase	**10,458**	3,419	-
Issuance of bonds and subordinated notes	**6,568**	8,123	1,740
Redemption of bonds and subordinated notes	**(3,239)**	(3,690)	(3,285)
Dividend paid to shareholders of the Bank	**(939)**	(1,479)	-
Net cash from (for) financing activity	**7,576**	96,329	72,999
Increase (decrease) in cash	**(57,283)**	51,358	55,061
Balance of cash at beginning of year	**188,474**	137,675	84,084
Effect of changes in exchange rates on cash balances	**1,431**	(559)	(1,470)
Balance of cash at end of year	**132,622**	188,474	137,675

Interest and taxes paid and/or received			
Interest received	**15,161**	10,052	10,576
Interest paid	**(3,628)**	(1,144)	(1,917)
Dividends received	**3,586**	-	81
Income tax paid	**(2,260)**	(1,596)	(2,123)
Income tax received	**244**	-	446

2022

Bank Hapoalim

Corporate Governance,
Additional Information and Appendices

Contents

List of Tables

List of Diagrams

6. Corporate governance

6.1. The Board of Directors and the Board of Management

Members of the Board of Directors of the Bank*

Ruben Krupik	Chairman of the Board; external director pursuant to Directive 301
David Avner	External director pursuant to the Companies Law
Ronit Abramson-Rokach	External director pursuant to the Companies Law
Noam Hanegbi	External director pursuant to Directive 301
Israel Trau	Director
Dalia Lev	External director pursuant to the Companies Law
Odelia Levanon	Director
Yoel Mintz	External director pursuant to Directive 301
David Zvilichovsky	Director
Ronit Schwartz	Director

Activity of the Board of Directors

45 meetings of the Board of Directors of the Bank in plenary session and 102 meetings of the committees of the Board of Directors were held in the course of 2022.

Ten directors serve on the Board of Directors of the Bank as of September 2022. The Bank contacted the Committee for the Appointment of Directors at Banking Corporations to request the proposal of candidates, in advance of the annual meeting for 2023, for three positions: two external directors pursuant to the directives of the Companies Law (for the offices of Ronit Abramson-Rokach and Dalia Lev, whose second terms of service end in February 2024 and April 2024, respectively), and one "other" director who is not an external director (for the office of Israel Trau, whose first term of service ends in November 2023).

For details regarding changes in the composition of the Board of Directors during 2022, see Section 6.6 ("Other matters") below.

Report on directors with accounting and financial expertise

In March 2018, and again recently in December 2022, the Board of Directors of the Bank determined that the minimum number of directors with accounting and financial expertise would be three, and that the minimum number of directors with accounting and financial expertise who should be members of the Audit Committee was two. This takes into consideration the duties of the Board of Directors of the Bank, and in particular its responsibility for the preparation and approval of the financial statements of the Bank, given the size of the Bank and the complexity of its operations, and the high importance accorded to the functioning of the control functions at the Bank and the supervision thereof.

* For additional details regarding the members of the Board of Directors of the Bank, their education, occupations, and experience (including the accounting and financial expertise of some of the directors), the committees of the Board of Directors on which they serve, additional corporations at which they serve, and more, see Standard 26 of the Periodic Report and the Magna website of the Israel Securities Authority: http://www.magna.isa.gov.il.

Based on their education, experience, skills, and knowledge, and as estimated by the Board of Directors, eight directors with accounting and financial expertise serve on the Board of Directors of the Bank: Ruben Krupik, David Avner, Ronit Abramson-Rokach, Dalia Lev, Israel Trau, David Zvilichovsky, Yoel Mintz, and Ronit Schwartz. For details regarding the education, occupation, and experience of these directors, see Standard 26 of the Periodic Report. Four directors with accounting and financial expertise serve on the Audit Committee.

Members of the Board of Management of the Bank*

Dov Kotler	President and Chief Executive Officer
Amit Oberkovich	Head of Human Resources
Yael Almog	Chief Legal Advisor
Eti Ben-Zeev	Head of Information Technology
Merav Ben Shushan Cohen	Chief Risk Officer (CRO)
Ram Gev	Chief Financial Officer (CFO)
Zeev Hayo	Head of Banking Services
Guy Kalif	Member of the Board of Management, Chief Accountant
Yadin Antebi	Head of Financial Markets and International Banking
Itamar Furman	Head of Corporate Banking
Dalit Raviv	Head of Retail Banking

Chief Internal Auditor –

Amir Bachar	Head of Internal Audit in Israel and Abroad

* For additional details regarding the members of the Board of Management and additional officers, see Standard 26A of the report and Section 6.6 below, and the Magna website of the Israel Securities Authority: http://www.magna.isa.gov.il.

6.2. Internal audit

Information regarding the Internal Auditor – Dr. Amir Bachar, Adv., serves as Chief Internal Auditor of the Bank as of June 1, 2022, in a full-time position, with the rank of a Member of the Board of Management. Dr. Bachar has worked at the Bank Group since 2010; prior to his appointment to the office of auditor, he served as Chief Risk Officer. Dr. Bachar is licensed in law in Israel; holds a B.A. degree in Law and Economics, an M.A. degree in Economics, and a Ph.D. in Law from the Hebrew University of Jerusalem; has experience in the areas of banking; and meets the conditions stipulated in Section 3(A) of the Internal Audit Law, 1992 (the "Internal Audit Law"). The Internal Auditor is not an interested party of the Bank or its subsidiaries, and holds no other office in addition to his position as Chief Internal Auditor of the Bank. The appointment and termination of internal audit employees are subject to approval by the Chief Internal Auditor; audit employees receive instructions on audit-related matters only from the Chief Internal Auditor or from internal audit executives authorized by him; in general, internal audit employees do not hold other positions in addition to internal auditing.

Appointment method – The appointment of the Internal Auditor was approved by the Board of Directors of the Bank on February 27, 2022, following the recommendation and approval of the Audit Committee on February 27, 2022, which cited considerations including his professional qualifications, personal qualities, education, and experience. Dr. Bachar replaced Mr. Zeev Hayo, who was appointed to the position of Head of Banking Services, in this position.

Superior officer of the Internal Auditor – The Chief Internal Auditor reports organizationally to the Chairman of the Board of Directors.

Work plan – Internal auditing is conducted in accordance with an annual work plan and a three-year long-term work plan. The work plan for 2022 was derived from the multi-year plan, which is based on the following, among other matters: risk assessment at audited units; a risk survey; the current organizational structure of the Bank; audit rounds at various units; and findings discovered in previous audits. In order to formulate the work plan, the audit team held discussions and consultations with the Bank's senior managers and other management functions, as well as the external auditors. The audit work plan at the Bank's subsidiaries was established in a similar manner; the Bank's Internal Audit unit provides auditing services to most subsidiaries. The audit work plan also includes examination of the approval processes of material transactions, all based on a comprehensive perspective focusing on risks.

Following the formulation of the audit work plan by Internal Audit, the plan was submitted for discussion and approval by the Audit Committee; subsequently, taking the committee's recommendations into consideration, the plan was discussed and approved by the Board of Directors.

The Chief Internal Auditor has the discretion to diverge from the work plan in response to changing, unexpected needs. Among other matters, the work plan includes resource allocation for audits of special events and unplanned audits, including audits by demand of authorized parties, such as the Board of Directors, the Audit Committee, Bank management officials, and regulators. Material changes to the work plan are discussed and approved by the Audit Committee and by the Board of Directors.

The internal audit work plan also addresses the Bank's activity overseas through branches and representative offices, and the Bank's subsidiaries in Israel and outside Israel. The subsidiaries overseas have local internal auditors. Pozitif has a full-time local internal auditor. At Hapoalim Switzerland, in view of the current status of the activity of the company, the audit function is a part-time role, and, as of January 30, 2022, is performed through dedicated local outsourcing. The New York branch has a local internal auditor, reporting to the Chief Internal Auditor of the Bank.

Internal Audit in Israel performs oversight and ensures that the internal auditing is executed at an adequate professional level, as required under Proper Conduct of Banking Business Directive 307, "The Internal Audit Function," and Proper Conduct of Banking Business Directive 306, "Supervision of Overseas Branches."

In 2022, auditing in Israel and at the local audit unit at the New York branch continued to operate in accordance with the expanded audit plan (EAP) submitted in late July 2020 to the United States authorities, as required under the resolutions of the Bank with the United States authorities.

The EAP addresses auditing in the following areas, among other matters: compliance, prohibition of money laundering, and activity with American customers.

In general, the subsidiaries in Israel receive internal audit services from Internal Audit at the Bank.

Manpower – The number of positions in Internal Audit was determined in accordance with the multi-year work plan, based on a risk survey. The Internal Audit team at the Bank, its subsidiaries, and its overseas offices numbered an average of approximately 112 employee positions and 7 outsourced positions in 2022, as detailed below.

Table 6-1: Average number of positions of Internal Audit staff

	Average number of employee positions in 2022		
	Bank	Subsidiaries	Total
Activity in Israel	**100**	**1**	**101**
Activity overseas	**8**	**3**	**11**
Total	**108**	**4**	**112**

In addition, approximately 7 positions were invested in outsourcing.

Performing audits – Internal Audit at the Bank operates under laws; regulations; directives and guidelines of the Supervisor of Banks, including Proper Conduct of Banking Business Directive 307, "The Internal Audit Function"; professional standards; professional guidelines of the Institute of Internal Auditors in Israel; and guidelines of the Audit Committee and of the Board of Directors.

Having examined the Internal Audit work plan and the actual execution of said plan, the Board of Directors and the Audit Committee believe, also based on the notification of the Internal Auditor, that the Bank's internal auditing complies with the requirements established in the professional standards and in the directives of the Supervisor of Banks.

Access to information – Internal Audit has unrestricted access to all information at the Bank, including continuous unmediated access to the Bank's information systems, including financial data, as necessary to perform its duties. This authority is anchored in the audit charter and procedures. This policy is applied to the activity of the Bank in Israel, overseas, and at its subsidiaries, with adjustments to local regulatory requirements, as relevant.

Internal Auditor's report – Internal audit reports, including periodic reports, are submitted in writing.

A list of all audit reports published during the preceding month is presented to the Board of Directors' Audit Committee each month, after being submitted to the Chairperson of the Audit Committee. Audit reports are presented to the Chairman of the Board of Directors, the Chairperson of the Audit Committee, and the CEO of the Bank. All of the summaries of the reports are also distributed to members of the Audit Committee, and substantial audit reports are discussed in meetings of the committee.

In 2022, semiannual and annual summaries were presented to the Board of Directors' Audit Committee and discussed by the committee, reviewing internal audit activities during the reported period. A summary of audit activities for 2021 was submitted on March 21, 2022, and discussed by the Audit Committee on March 23, 2022. A summary of audit activities in the first half of 2022 was submitted on October 2, 2022, and discussed by the Audit Committee on October 19, 2022. A summary of audit activities in 2022 is planned to be discussed by the Audit Committee near the end of the first quarter of 2023.

Evaluation of the activity of the Internal Auditor by the Board of Directors – In the opinion of the Board of Directors and of the Audit Committee, the volume, nature, continuity of activity, and work plan of Internal Audit are reasonable under the circumstances, and are sufficient to realize the Bank's internal auditing objectives.

Remuneration – For details regarding the remuneration of Dr. Amir Bachar (who, as noted, has served as Chief Internal Auditor since June 2022), see Section 6.5 herein, below.

The following are details of the salary, compensation, value of benefits, and employer payments and contributions paid, or in respect of which a provision was recorded, for Mr. Zeev Hayo, who served as Internal Auditor until the end of May 2022 (including the remuneration in respect of the service of Mr. Hayo as Head of Banking Services beginning in June 2022): salary in the amount of NIS 1,667 thousand; bonuses in the amount of NIS 761 thousand; a benefit in respect of share-based payment in the amount of NIS 362 thousand; value of additional benefits in the amount of NIS 103 thousand; and employer provision payments in the amount of NIS (568) thousand. Total remuneration pursuant to Regulation 21 amounted to NIS 2,325 thousand. Total salaries and related expenses pursuant to the Remuneration Limit Law amounted to NIS 2,948 thousand.

Mr. Hayo has holdings at a negligible rate (approximately 0.01%) in shares of the Bank (145,381 shares) and in rights to receive shares of the Bank (approximately 0.01%) received within an equity compensation plan for senior executives of the Bank, which are not such that would influence the quality of his work.

The salary, salary terms, and terms of employment of the Internal Auditor are approved by the Remuneration Committee and by the Board of Directors, based on the recommendation of the Audit Committee. The remuneration of the Auditor is appropriate to his office and based on the prevalent principles also used for the remuneration of the members of the Board of Management (defined as control functions). In the opinion of the Board of Directors, the remuneration of the Internal Auditor is not such that would bias his professional judgment.

6.3. Disclosure regarding the procedure for approval of the financial statements

The Board of Directors of the Bank is the organ charged with overarching control at the Bank, and with the approval of its financial statements. The Audit Committee of the Board of Directors discusses and examines the drafts of the financial statements presented to it and makes a recommendation to the Board of Directors with regard to the approval of the financial statements. The Audit Committee received reports and held discussions regarding deficiencies and material weaknesses in internal control over the financial statements, if and as found, and received reports of any fraud, whether material or immaterial, if and inasmuch as any existed, in which the Board of Management is involved, or in which other employees are involved who take part in the Bank's internal control over financial reporting. The Audit Committee examined the material issues and critical estimates applied in the financial statements; the reasonableness of the data; the accounting policies applied and the changes thereto, if any; and the accounting treatment applied to material matters. The committee also examined the implementation of the due-disclosure principle in the financial statements and in the accompanying information, through detailed presentation of the issues by officers and others at the Bank, including the Chief Executive Officer and the Chief Accountant, and examined the effectiveness of the internal control over financial reporting.

As part of the discussion of the financial statements, the Audit Committee discussed, among other matters, the problematic debts of the Bank, examined the value of the Bank's holdings in securities, and discussed the provision for impairment of securities and provision for credit losses of the Bank. In addition, the Audit Committee discussed and examined the Bank's exposures to risks and the reflection and impact of such risks on the financial statements.

The Bank's external auditors, Ziv Haft CPA (Isr.) and Somekh Chaikin CPA (Isr.), are invited to the meetings of the Audit Committee in which the financial statements are discussed (to which the other members of the Board of Directors are also invited), and to the meetings of the Board of Directors in which the financial statements are discussed and approved, and they attend all such meetings. The Bank's Internal Auditor is invited to the discussions of the Audit Committee and the Board of Directors regarding the approval of the financial statements.

For additional information regarding the procedure for the approval of the financial statements, see the Corporate Governance Questionnaire, Sections 25, 26, and 27.

6.4. Remuneration of auditors[(1)(2)(3)]

Table 6-2: Remuneration of auditors

	Consolidated		Bank	
	2022	2021	**2022**	2021
	NIS thousands			
For auditing activity[(4)]				
Joint auditors	**18,152**	18,350	**13,147**	12,677
For audit-related services[(5)]				
Joint auditors	**7,328**	7,177	**6,301**	6,068
For tax services[(6)]				
Joint auditors	**3,276**	2,832	**3,112**	2,699
For other services[(7)]				
Joint auditors	**2,461**	7,005	**1,633**	1,487
Total remuneration of auditors	**31,217**	35,364	**24,193**	22,931

(1) Report by the Board of Directors to the annual general meeting on the remuneration of auditors for audit activities.
(2) The remuneration of the external auditors includes payments to partnerships and corporations under their control, as well as payments in accordance with the Value Added Tax Law.
(3) Including remuneration paid and accrued remuneration.
(4) Audit of the annual financial statements and review of interim reports, including an audit of the internal control of financial reporting (SOX 404) and a review of the Bank's overseas branches.
(5) Audit-related fees mainly include consultation regarding the implementation of new regulation, special examinations, prospectuses, and special approvals.
(6) Mainly includes tax adjustment reports, tax assessment discussions, and tax consulting in Israel and abroad.
(7) Mainly includes assistance with preparation of the Corporate Social Responsibility Report and consulting on the prohibition of money laundering.

In 2022, the Audit Committee adopted a policy with regard to the receipt of non-audit services from the external auditors, aimed at preserving the objectivity and non-dependence of the external auditors. Among other matters, the policy includes periodic monitoring and oversight by the Audit Committee of the additional services received.

6.5. Remuneration for interested parties and senior officers

Following the passing of the Financial Corporations Officer Remuneration Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Remuneration), 2016 (the "Remuneration Limit Law"), the Bank formulated a remuneration policy and a remuneration plan for officers and senior executives, aligned with the directives of the Remuneration Limit Law. The remuneration policy for officers of the Bank for 2021-2023 was approved by the general meeting in October 2020. For further details, see Notes 22 and 23 to the Financial Statements.

Salaries, compensation, value of benefits, and employer payments and provisions for the senior office-holders of the Bank Group are set out below (in NIS thousands).

Table 6-3: Details of salaries, compensation, value of benefits, employer payments, and provisions for the senior officers of the Bank Group (in NIS thousands)

		2022								
Name	Position	Rate of holdings in the capital of the Bank (%)	Salaries[1]	Bonuses	Benefit in respect of share-based payment	Value of additional benefits[2]	Employer payments and provisions[3]	Total remuneration pursuant to Regulation 21[4]	Total salaries and related expenses based on the Remuneration Limit Law[5][6]	Loans granted with regular terms[7]
Ruben Krupik	Chairman of the Board of Directors	-	**2,955**	-	-	-	-	**2,955**	**2,955**	**229**
Dov Kotler	President and Chief Executive Officer	**0.0***	**2,531**	**244**	**109**	**13**	**394**	**3,291**	**2,955**	**65**
Barry Elram	CEO of Hapoalim Switzerland	-	**[8]2,097**	**351**	-	**[8]464**	**282**	**3,194**	**[9]-**	**264**
Yael Almog	Member of the Board of Management	**0.0***	**1,667**	**723**	**362**	**82**	**327**	**3,161**	**2,889**	**46**
Amir Bachar	Member of the Board of Management	**0.0***	**1,575**	**718**	**341**	**90**	**257**	**2,981**	**2,778**	**273**
Ram Gev	Member of the Board of Management	**0.0***	**1,471**	**686**	**325**	**68**	**317**	**2,867**	**2,633**	**19**
Dalit Raviv	Member of the Board of Management	**0.0***	**1,471**	**682**	**325**	**91**	**281**	**2,850**	**2,675**	**649**

* Low holding rate of 0.01 percent.
(1) Also includes payments classified as fixed remuneration that does not grant entitlement to benefits, as detailed in Note 22 to the Financial Statements.
(2) Includes payments for vehicle expenses, daily allowances, and gross-up.
(3) Includes provisions for severance pay, compensation, pensions, study funds, vacation, National Insurance, and sick days, as well as unforeseen expenses (income) due to actuarial adjustments recorded to the capital reserve. It is clarified that employer payments and provisions (and accordingly the total cost of remuneration) do not include the interest cost in respect of actuarial liabilities (the interest component, which is stated, in accordance with accounting standards, within the item "other expenses").
(4) Excluding wage tax.
(5) Does not include an unforeseen expense due to actuarial adjustments recorded to the capital reserve, as follows: Dov Kotler – negative adjustment in the amount of NIS 57 thousand; Yael Almog – adjustment in the amount of NIS 10 thousand; Amir Bachar – negative adjustment in the amount of NIS 45 thousand; Ram Gev – adjustment in the amount of NIS 14 thousand; and Dalit Raviv – negative adjustment in the amount of NIS 60 thousand. It is clarified that these adjustments are included in the employer provision columns and in the total remuneration pursuant to Regulation 21.
(6) Not including deposits and employer provisions for severance pay and compensation (including disability) in accordance with the law, which are not included in the definition of "remuneration" for the purposes of the Remuneration Limit Law, and not including provisions for past benefits accrued before the inception of the Remuneration Limit Law.
(7) Includes loans, housing loans, and charges in respect of credit cards.
(8) Includes tax paid in Israel through tax gross-up and retention of employee rights (payment of the employer component of National Insurance). Tax gross-up in Israel constitutes a taxable benefit in Switzerland, in respect of which Mr. Elram was required to pay additional tax and national insurance in Switzerland. The Bank will bear the additional payment for national insurance in Switzerland and the additional tax payment in Switzerland if Mr. Elram is not reimbursed by the Israel Tax Authority.
(9) The Financial Corporations Officer Remuneration Law does not apply to this officer.

Table 6-3: Details of salaries, compensation, value of benefits, employer payments, and provisions for the senior officers of the Bank Group (in NIS thousands) (continued)

		2021								
Name	Position	Rate of holdings in the capital of the Bank (%)	Salaries[(1)]	Bonuses	Benefit in respect of share-based payment	Value of additional benefits[(2)]	Employer payments and provisions[(3)]	Total remuneration pursuant to Regulation 21[(4)]	Total salaries and related expenses based on the Remuneration Limit Law[(5)]	Loans granted with regular terms[(6)]
Ruben Krupik	Chairman of the Board of Directors	-	2,436	-	-	3	-	2,439	2,439	49
Dov Kotler	President and Chief Executive Officer	*0.0	2,432	340	104	12	430	3,318	2,944	52
Eti Ben-Zeev	Member of the Board of Management	0.01	1,684	607	346	28	854	3,519	2,944	27
Yadin Antebi	Member of the Board of Management	0.01	1,684	593	346	18	763	3,404	2,944	37
Barry Elram	CEO of Hapoalim Switzerland	-	[(7)]2,059	313	-	[(7)]409	366	3,147	[(8)]-	162
Dalit Raviv	Member of the Board of Management	*0.0	1,249	607	262	89	862	3,069	2,322	807
Tsahi Cohen	Member of the Board of Management	0.02	1,609	597	346	87	317	2,956	2,702	258

* Low holding rate of 0.01 percent.
(1) Also includes payments classified as fixed remuneration that does not grant entitlement to benefits, as detailed in Note 22 to the Financial Statements.
(2) Includes payments for vehicle expenses, daily allowances, and gross-up.
(3) Includes provisions for severance pay, compensation, pensions, study funds, vacation, National Insurance, and sick days, as well as unforeseen expenses (income) due to updated actuarial calculations in respect of the Bank's obligation for benefits accrued in the past, before the inception of the Remuneration Limit Law.
(4) Excluding wage tax.
(5) Not including deposits and employer provisions for severance pay and compensation (including disability) in accordance with the law, which are not included in the definition of "remuneration" for the purposes of the Remuneration Limit Law, and not including provisions for past benefits accrued before the inception of the Remuneration Limit Law.
(6) Includes loans, housing loans, and charges in respect of credit cards.
(7) Includes tax paid in Israel through tax gross-up and retention of employee rights (payment of the employer component of National Insurance). Tax gross-up in Israel constitutes a taxable benefit in Switzerland, in respect of which Mr. Elram was required to pay additional tax and national insurance in Switzerland. The Bank will bear the additional payment for national insurance in Switzerland and the additional tax payment in Switzerland if Mr. Elram is not reimbursed by the Israel Tax Authority.
(8) The Remuneration Limit Law does not apply to this officer.

General notes

The recipients of the remuneration are employed in full-time (100%) positions.

All employees of the Bank, including officers of the Bank (with the exception of the directors and the Chairman), enjoy various benefits in the management of their bank accounts. The benefits mainly refer to an exemption from fixed account-management fees, fees for recording transactions in accounts, information printouts, checkbooks, securities custody, cash withdrawals, money transfers to other accounts, and credit-card membership fees. In addition, there are benefits in the form of reduced fee rates for buying and selling securities and foreign currency, standing instructions for payments executed through the account, and safe-deposit box rentals. Further, like all other employees of the Bank, the officers (with the exception of the directors and the Chairman) enjoy preferred interest rates on credit and debit balances in current accounts. The entire range of benefits given to officers totals negligible amounts, which do not exceed a total of NIS 50 thousand per year for each officer.

For further details regarding lateral remuneration components (including share-based payment) to which all members of the Board of Management of the Bank are entitled, including retirement terms, bonuses, etc., and with regard to the remuneration plan and the effects of the Remuneration Limit Law, see Notes 22 and 23 to the Financial Statements.

For additional information in accordance with the detailed disclosure requirements of Basel Pillar 3, see the disclosure published on the Bank's website and on the Magna website.

Bonuses in respect of 2022, which were approved by the Remuneration Committee and the Board of Directors of the Bank, were determined in accordance with the 2021 Remuneration Plan. The component of the performance of the Bank was determined according to the return on equity attained, which was higher than the maximum return on equity set by the Board of Directors pursuant to the remuneration policy at the beginning of the year (10.5%).

The discussions of the Board of Directors regarding bonuses for officers were preceded by preliminary discussions of this matter by the Remuneration Committee. In discussions held as noted, specific criteria established in advance according to the officer's position were examined, separately for each officer (particularly with regard to officers in supervision and control functions), as well as the officer's fulfillment of these criteria, the congruence of the remuneration of the officer with the directives of the remuneration policy, and compliance with the directives of the law limiting the salaries of senior executives.

The terms of service and employment of the officers serving at the Bank are consistent with the employment agreements with the officers, which were lawfully approved by the organs of the Bank; with the remuneration policy and remuneration plan of the Bank that were in effect in 2021 and 2022; and with the directives of the Remuneration Limit Law, Amendment 20, and the Banking Corporation Remuneration Policy Directive. For further details, see Notes 22 and 23 to the Financial Statements.

Mr. Ruben Krupik

Mr. Ruben Krupik was elected to serve as Chairman of the Board of Directors of the Bank (the "Chairman") on June 28, 2020. The appointment was approved by the Supervisor of Banks on July 28.

In April 2022, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directives 301 and 301A concerning the duties of the chairperson of the board of directors and the terms of service of chairpersons of boards of directors of banks without a controlling core. Updated terms of service for the Chairman of the Board, consistent with the updated supervisory directives, were approved by the general meeting on August 11, 2022. The updated terms of service are in effect as of the beginning of 2022, and as long as Mr. Krupik serves in the office of Chairman (his term of service as a director ends in February 2025). For further details regarding the terms of service of the Chairman, see Note 22C(2) to the Financial Statements and the section "Other matters" herein.

Mr. Dov Kotler

Mr. Dov Kotler took office as CEO of the Bank on October 1, 2019. With regard to the terms of remuneration and employment of Mr. Kotler from the beginning of his service to the end of 2020, see the General Meeting Summons Report of November 20, 2019, reference no. 2019-01-112810. On October 22, 2020, the general meeting approved an amendment of the terms of remuneration of the CEO, applicable from January 2021 to December 31, 2023. For further details, see Note 22C(3) to the Financial Statements.

Mr. Barry Elram

Mr. Barry Elram serves as CEO of Hapoalim Switzerland as of October 1, 2018.

Ms. Yael Almog

Ms. Yael Almog serves as Senior Deputy Managing Director, Chief Legal Advisor of the Bank, as of March 1, 2018. Her current employment agreement ends on June 30, 2025.

Mr. Amir Bachar

Mr. Amir Bachar serves as a Senior Deputy Managing Director at the Bank as of June 2018, and as the Chief Internal Auditor of the Bank as of March 2022. His current employment agreement ends on March 31, 2025.

Mr. Ram Gev

Mr. Ram Gev serves as a Senior Deputy Managing Director at the Bank as of January 2020, in the position of Chief Financial Officer. His current employment agreement ends on December 31, 2025.

Ms. Dalit Raviv

Ms. Dalit Raviv serves as Senior Deputy Managing Director, Head of Retail Banking, as of December 1, 2019. Her current employment agreement ends on December 31, 2025.

Ms. Eti Ben-Zeev

Ms. Eti Ben-Zeev serves as Senior Deputy Managing Director, Head of Information Technology, as of February 2016. Her current employment agreement ends on March 31, 2024.

Mr. Yadin Antebi

Mr. Yadin Antebi serves as a Senior Deputy Managing Director at the Bank as of August 2013, and as Head of Financial Markets and International Banking as of June 2018. His current employment agreement ends on June 30, 2024.

Mr. Tsahi Cohen

Mr. Tsahi Cohen served as Senior Deputy Managing Director, Head of Corporate Banking, from March 1, 2018, to July 19, 2022. His employment ended in January 2023.

6.6. Other matters

In March and April 2022, the Board of Directors of the Bank adopted standards, in accordance with the directives of the Companies Regulations (Rules Concerning Remuneration and Expenses for External Directors) (Temporary Order), 2022, with regard to remuneration for participation in meetings of the Board of Directors and the board committees, pursuant to which the participation of a director using means of communication due to restrictions as a result of the coronavirus is classified as participation in a regular meeting. The Board of Directors subsequently classified the participation of the directors using means of communication in meetings from March 2020 to the beginning of June 2022 (when the temporary order expired) according to the standards established. Further to the foregoing, in the first half of 2022 the Bank paid supplementary remuneration to the directors (including former directors who served during the aforesaid period) in a total amount of approximately NIS 1.9 million (plus VAT).

In May 2022, the Board of Directors of the Bank approved a policy for diversity in the composition of the board, within which, as part of the overall considerations regarding the composition of the board and its collective qualifications, the board will aspire to a composition consisting, at a rate of 40% or more, of people from population segments underrepresented in senior offices in business (such as women, ethnic minorities, ultra-orthodox people, etc.), and in any event shall act subject to the directives of the law applicable to a banking corporation without a controlling core, with the aim of maintaining gender diversity at a rate of at least 30%. When formulating a request presenting needs to the Committee for the Appointment of Directors in advance of a general meeting where the appointment of directors is on the agenda, the Board of Directors will examine its existing level of diversity and include a request for the Committee for the Appointment of Directors to propose, if possible, candidates to allow the realization of this policy. It is clarified that even if, for any reason, the rate of gender diversity on the Board of Directors of the Bank does not meet the threshold noted above, there shall be no impairment of its qualifications or of the validity of the resolutions of the Board of Directors. Beginning in September 2022 and at the date of the report, four women serve on the Board of Directors of the Bank (out of ten directors); thus, the objective established in the aforesaid diversity policy has been achieved.

On April 13, 2022, the Board of Directors, at the recommendation of the CEO of the Bank, approved the addition of Ms. Merav Ben Shushan Cohen, who had served in the preceding six years as Head of the Asset and Liability Management Area in the Financial Markets and International Banking Division, to the Board of Management of the Bank, and her appointment to the position of Chief Risk Officer and Head of Risk Management. Ms. Ben Shushan Cohen replaced Dr. Amir Bachar in this role. On May 12, 2022, the Supervisor of Banks notified the Bank that he does not object to the appointment of Ms. Ben Shushan Cohen to this position. This appointment, as well as the appointment of Dr. Amir Bachar to the position of Chief Internal Auditor and the appointment of Mr. Zeev Hayo to the position of Head of Banking Services, took effect on June 1, 2022.

Mr. Asaf Azulay, who served as Head of Marketing at the Bank, ended his service on May 15, 2022, and left the Bank. Mr. Azulay was replaced in this position by Mr. Igal Bareket, who joined the Bank.

On June 26, 2022, the Board of Directors, at the recommendation of the CEO of the Bank, approved the organizational changes and appointments described below: The units of the Innovation and Strategy Division were reassigned to the divisions of the Bank. The Financial Markets and International Banking Division, headed by Yadin Antebi, oversees the investment arm and the business and strategic development of the Bank; in addition to Poalim Equity (the non-financial investment arm of the Bank), it was also given responsibility for the corporate business development units and for Bit. The strategy, data, and analytics units were transferred from the Innovation and Strategy Division and brought under the responsibility of the Finance Division, headed by Ram Gev.

The accountancy unit of the Bank was separated from the Finance Division, and the Chief Accountant, Guy Kalif, now reports directly to the CEO of the Bank.

Golan Scherman, who headed the Innovation and Strategy Division, went on unpaid leave in July 2022.

In addition, Mr. Tsahi Cohen, who headed the Corporate Banking Division, announced his intention to retire from the Bank after some 28 years of work, of which ten years as a member of the Board of Management of the Bank, and ended his service on July 19, 2022. At the recommendation of the CEO, the Board of Directors approved the appointment of Itamar Furman to the position of Head of Corporate Banking. The appointment took effect on July 20, 2022, after the notification of the Supervisor of Banks that he did not object to the appointment was received.

On September 4, 2022, Ms. Rivka Hadasa Gugig was appointed to the position of Chief Transformation Officer (CTRO), reporting to the CEO of the Bank.

In June 2022, the Remuneration Committee (pursuant to Regulation 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (the "Relief Regulations")) and the Board of Directors approved the renewal of an insurance policy providing coverage for liability of directors and officers at the Bank Group and monetary indebtedness imposed upon them due to their function as officers, also including coverage for the company in respect of amounts for which it indemnifies officers and in respect of securities claims. The insurance coverage has liability limits of USD 183 million, as well as additional coverage for directors and officers (Side A) with liability limits of USD 72 million (total coverage of USD 255 million), beginning July 1, 2022, for a period of twelve months. The total premium for the aforesaid insurance coverage is approximately USD 7.4 million.

At the annual general meeting convened on August 11, 2022, the following resolutions were discussed and passed: (1) Discussion of the Financial Statements and the Report of the Board of Directors and Board of Management of the Bank for 2021; (2) Approval of the reappointment of Somekh Chaikin (KPMG), Certified Public Accountants, and Ziv Haft (BDO), Certified Public Accountants, as the joint auditors of the Bank until the end of the next annual general meeting of the Bank. The reappointment was approved at the recommendation of the Audit Committee of the Board of Directors of the Bank and the Board of Directors of the Bank. To formulate its recommendation, the Audit Committee conducted a process to consider the replacement of the auditors of the Bank, including, among other matters, examining the candidacy of four accounting firms, of the largest firms in Israel. For further details regarding the examination process and the recommendations of the Audit Committee and the Board of Directors of the Bank, see the meeting summons report issued by the Bank on July 3, 2022 (reference no. 2022-01-083005); (3) Approval of updated terms of service for the Chairman of the Board, Mr. Ruben Krupik, among other matters following the update of Proper Conduct of Banking Business Directive 301 and 301A issued in April 2022 with regard to the duties of the chairperson of the board of directors and the terms of service of board chairpersons at banks without a controlling core; (4) Approval of the appointment of David Avner as an external director pursuant to the Companies Law (who also meets the conditions for qualification as an external director pursuant to Directive 301 of the Supervisor of Banks ("Directive 301")), for an additional term of service of three years; (5) Approval of the appointment of Noam Hanegbi as an external director pursuant to Directive 301, for an additional term of service of three years; (6) Approval of the appointment of Dr. David Zvilichovsky (for an additional term of service) and Odelia Levanon as directors with "other" status, i.e. who are not external directors pursuant to the Companies Law or pursuant to Directive 301, for a period of three years.

All of the candidates for service as directors were proposed to the general meeting by the Committee for the Appointment of Directors at Banking Corporations. In September 2022, the Supervisor of Banks gave notice that he did not object to the aforesaid appointments of directors, and the appointments took effect.

In May 2022, the Board of Directors of the Bank approved the Environment, Social, and Governance (ESG) Report of the Bank for 2021. This was the fifteenth consecutive annual report, and was written in accordance with the GRI standards at the highest transparency level (Comprehensive Option). This year, for the first time, the report also complied with the SASB standards.

Further to the private offering for international investors in October 2021, in September 2022 the Bank issued its Green Bond Report on the financing or refinancing of Eligible Green Projects, as defined in the offering documents, and the environmental impact of the projects. The reports are available on the Bank's website.

In February 2023, the Supervisor of Banks imposed a monetary sanction in the amount of NIS 850,000 on the Bank, under his authority pursuant to Section 14H(a)(1) of the Banking Ordinance, 1941. The sanction is in respect of a breach of Section 25 of Proper Conduct of Banking Business Directive 450, "Debt Collection Procedures," pursuant to which banking corporations are required to report to the Execution Office within seven days on proceeds paid on debts other than through the Execution Office. As the Bank had taken actions to remedy the deficiencies and prevent recurrence, the amount of the sanction was reduced by 15% to the aforesaid total.

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 (the "Holding Permit"), allowing the control of the Bank to be decentralized, and the Bank became a banking corporation without a controlling core. Pursuant to the terms of the Holding Permit, Ms. Arison, who holds approximately 5.62% of the shares of the Bank at the date of publication of this statement, is required to sell her holdings in the Bank in excess of 5% within several years (according to the original permit – by November 2022, with an option for extension by two additional years, with the approval of the Supervisor of Banks; on June 10, 2021, Arison Holdings gave notice that the Supervisor of Banks had extended the period within which it must sell means of control of the Bank in excess of 5%, as noted, by one year, until November 20, 2023). For additional information regarding the Holding Permit, the change in the structure of control of the Bank in 2018, and the consequences thereof, see Section 6.6 in the Corporate Governance section of the Annual Financial Statements of the Bank for 2018.

6.7. Standards concerning interested party transactions

The following are details of the main points of the various standards established by the Audit Committee, in the past, and recently in February 2023, with regard to the approval and reporting of interested party transactions of the Bank in accordance with the directives of the Companies Law and the Securities Law. At the date of publication of the financial statements, the Bank is a banking corporation without a controlling core, and has no controlling party. Accordingly, the standards are primarily used by the Bank in the classification of transactions with officers, or in which officers have a personal interest, and for reporting on interested party transactions.

Extraordinary/non-extraordinary transactions

Pursuant to the directives of the Companies Law, a transaction shall be considered a non-extraordinary transaction if it fulfills the following cumulative conditions: the transaction is in the ordinary course of business of the company, it is performed at market terms, and it is not material for the company. The standards established by the Audit Committee, as noted, include the following main directives with regard to this matter:

Ordinary course of business of the Bank. A transaction shall be considered one that is performed in the ordinary course of business of the Bank if the contractual engagement is performed within the routine transactions of the Bank in practice, and it is not a nonrecurring transaction or a transaction that is exceptional within the activity of the Bank. Transactions of the following types shall be considered transactions in the ordinary course of business of the Bank, unless special considerations apply: a banking transaction of any type whatsoever, including granting of credit of all kinds, guarantees, and the related contractual engagements, depositing and taking deposits, transactions in securities, participation units in mutual funds or other funds, execution of investments of any kind whatsoever (non-financial, in tradable or nontradable securities), etc., provided that the transaction is of a type of transaction in which the Bank has engaged in the past during the course of its business, and is similar to such transactions in its characteristics (for example, with respect to lending – the credit is in an amount that the Bank customarily grants to borrowers with similar characteristics); a transaction that is part of the core business of the Bank, or that is related to the business activity of the Bank or is in the service thereof, even if it is not in the core of its business (for example, a transaction for rental of a property to be used as a branch of the Bank, an insurance transaction related to the activity of the Bank, a contractual engagement with external service providers to promote business activity, activity to instill the vision of the Bank, etc.), which is of a type of transaction in which the Bank customarily engages or which it has executed in the past in the course of its activity; transactions for the acquisition/sale of an asset (including a yield-generating asset or other fixed assets), product, or service, which is of a type of transaction in which the Bank customarily engages or which it has executed in the past in the course of its activity; and contractual engagements related to the service and/or employment of officers and employees of the company (including insurance, exemption, and indemnification), of a type of contractual engagement customary and practiced at the Bank, or similar in characteristics to past contractual engagements of the Bank.

Market terms. A transaction shall be considered one that is performed at market terms if the price and other principal and material terms of the transaction reflect the price and principal terms of a similar transaction, if it were executed between the company and an unrelated third party, or between other unrelated parties. The existence of market terms in a transaction with an interested party can be determined if a market for transactions of the type of the examined transaction exists, or if external evidence exists for the transaction that can indicate the price and other principal terms prevalent for transactions of this type. Among other matters, the existence of market terms can be determined in one or more of the following ways: the terms of the transaction are similar to the terms of at least two transactions similar in characteristics (such as the type of customer or counterparty to the transaction and characteristics thereof, the volume of the transaction, and other characteristics relative to market terms, such as collateral or the extent of the customer's activity with the Bank), performed by the Bank in the period near the date of the contractual engagement in the transaction under examination (including quotes/binding offers proposed by the Bank to its customers, and binding offers proposed to the Bank), provided that they are prepared (or quoted, as relevant), with a party unrelated to the Bank, and a controlling party/officer of the Bank had no personal interest therein; the terms of the transaction are similar to the terms of at least two transactions in the relevant market, known to the Bank and similar in characteristics (such as the type of customer or counterparty to the transaction and characteristics thereof, the volume of the transaction, and other characteristics relative to market terms, such as collateral), performed in the period near the date of the contractual engagement in the transaction under examination, provided that they are performed between unrelated parties; a price set in an orderly market of buyers and sellers, such as prices of tradable securities or commodity prices, provided that sufficient tradability exists in that market with respect to the relevant asset, product, or service; based on the terms of transactions similar in essence to the transaction under examination in which the other party in the transaction contracted, or received an offer to contract (and was willing to contract, even if it did not actually contract) with unrelated parties, provided that the other party affirms the same to the company in writing; or if the terms of the transaction between the company and the related party were established before it was a related party, and under the circumstances there is no concern over bias in the terms of the transaction, and no significant change in market terms is known, as shall be determined by the Audit Committee.

Materiality of the transaction. The materiality of a transaction with an interested party is examined based on a quantitative and qualitative test. In the absence of special qualitative considerations arising from the overall circumstances of the matter, the following interested party transactions shall be considered immaterial transactions: any transaction involving the granting of credit by the Bank, if the increase in indebtedness ("indebtedness" as defined in Proper Conduct of Banking Business Directive 312 of the Supervisor of Banks) of the borrower after the transaction does not exceed 2% of the supervisory capital ("supervisory capital" – Tier 1 capital after supervisory adjustments and deductions, as defined in Proper Conduct of Banking Business Directive 202) in the most recent financial statements of the Bank, and after the execution thereof the total indebtedness of the borrower does not exceed 5% of the supervisory capital (the Audit Committee shall discuss the classification of each transaction in an amount exceeding 0.5% of supervisory capital). A number of transactions executed consecutively with the same borrower and related to one another shall be considered a single transaction, such that for the purpose of the classification of the aforesaid transactions the cumulative amount of such transactions shall be examined; a transaction of depositing moneys of any kind whatsoever, if following the transaction the total deposits of the depositor do not exceed 2% of total deposits from the public, as reported in the most recent consolidated balance sheet of the Bank published to the public prior to the deposit; a transaction of deposit and/or acquisition and/or sale of securities, participation units in mutual funds and/or other funds, and any other investment held by the Bank as an asset of the customer (not as a balance sheet liability), when the amount of such a transaction does not exceed 0.5% of the total balance of off-balance sheet monetary assets of the customers in the Bank Group, as reported in the most recent consolidated balance sheet of the Bank published to the public at the date of execution of the transaction; and any other transaction of the Bank not mentioned above, if the amount of the transaction does not exceed NIS 300 million. The materiality of transactions executed frequently, regularly, and repeatedly over a period of time shall be examined based on the annual volume of the transactions. In multi-year transactions, the volume of the transaction for the purpose of examining its materiality shall be calculated on an annual basis. The examination of qualitative considerations may affect the classification of a transaction as material/immaterial. Thus, for example, a transaction with quantitative characteristics slightly higher than those noted above may be considered immaterial, if in qualitative terms and under the circumstances it is reasonable to determine that it is not likely to materially affect the Bank.

Negligible transactions

An interested party transaction shall be considered a negligible transaction for the purposes of approval and reporting procedures if the following cumulative conditions apply to it: the transaction is not extraordinary (whether classified as such based on the standards, or by the Audit Committee); the transaction is of a type of transaction in which the Bank engages in the ordinary course of its business, including banking transactions of any kind and transactions in connection with financial products and services, the acquisition of products and services, rental, and renting of property; the transaction is compliant with the limits on indebtedness of related persons based on Directive 312; and one of the following conditions applies to the transaction: (a) it is a banking transaction of the type of transactions that the Bank usually executes with the public in the ordinary course of its business, and its volume does not exceed 0.1% of the supervisory capital in the most recent financial statements of the Bank; or (b) it is another transaction the volume of which does not exceed NIS 10 million, provided that the total transactions of its type in the calendar year with the interested party do not exceed 0.1% of supervisory capital.

7. 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.

7.1. Control of the Bank

The Bank is a banking corporation without a controlling core, and has no controlling party or shareholder holding a control permit. Until November 22, 2018, Ms. Shari Arison was the holder of the permit for control of the Bank, through her holdings in the Bank via Arison Holdings (1998) Ltd. For additional information regarding the replacement of the control permit by a holding permit and the restrictions that apply to the holdings of Ms. Arison in the Bank, see Section 6.6 above and Section 6.6 in the Corporate Governance section of the Annual Financial Statements of the Bank for 2018.

7.2. Fixed assets

Table 7-1: Fixed assets

	December 31			
	2022			2021
	Cost	Accrued depreciation	Balance	Balance
	NIS millions			
Buildings and land (including installations and improvements to rented properties)	**4,173**	**2,605**	**1,568**	1,659
Equipment, including computers, furniture, and vehicles	**2,861**	**2,387**	**474**	505
Software	**6,222**	**4,742**	**1,480**	1,391
Total	**13,256**	**9,734**	**3,522**	3,555

The buildings in which the Bank's business is conducted in Israel are under its ownership (directly or under the ownership of wholly-owned property companies), or rented for various rental periods.
Most of the properties in which the Bank Group's business is conducted overseas are rented.
The Bank owns 125 properties with an area of 187 thousand square meters, of which 108 buildings with a total area of 80 thousand square meters used as branches, and 17 buildings with a total area of 107 thousand square meters used as management offices and auxiliary space. In addition to the buildings under its ownership, the Bank Group rents 104 buildings with an area of 83 thousand square meters.
In June 2021, the Bank entered into an agreement for the acquisition of a headquarters building; for details, see Note 25B(12) to the Financial Statements.

The Bank sees the centralization of the head-office units in a single headquarters building as conferring value and benefits on several levels. Thus, the relocation will allow more efficient use of space by the units relative to the present situation, and consequently greater efficiency in routine operational and logistical expenses in connection with these spaces.

The centralization of the units in one building will also contribute significantly to enhancing work interfaces and synergies among the units, and to cultural values in this area. The location of the planned headquarters building in Tel Aviv, close to major transportation arteries and to existing and future mass-transit systems in the Tel Aviv metropolitan area, has future advantages in terms of personnel, employee well-being, and transportation efficiency.

The relocation is expected to make it possible to vacate and eventually sell properties currently in use, subject to additional considerations. Accordingly, the Bank is examining alternatives for the betterment of properties currently used by head-office units, which are expected to be vacated, as noted, in the course of the relocation to the headquarters building that has been acquired (with area of more than 50,000 sq.m.). Within this process, during the third quarter of 2022, the Local Committee on Planning and Construction approved filing of a conditional plan regarding several head-office properties. The deposit of the plan and publication for objections were approved after the date of the report.

For further data regarding buildings and equipment, see Note 16 to the Financial Statements.

IT infrastructures

General information

The Bank has two central IT sites: Rotem in Emek Hefer, the primary production site of the Bank, and a secondary GDC site in a hosting configuration located in Herzliya. The Bank's core system is installed on an IBM mainframe computer. Two mainframe computers with active-active configuration are in operation at the Rotem site. An additional mainframe computer with minimal configuration, serving as DR (disaster recovery backup), is in operation at the backup site. When necessary, this computer will be expanded to the required power.

Additional systems operate alongside the core system (Linux, Unix, and Windows-based systems, and private cloud infrastructure – hereinafter: the "Open Systems"), for specific needs, using a platform that allows dynamic distribution and optimal utilization of resources.

These systems operate in a high-availability configuration between the Rotem and GDC sites.

The Bank Group's branches, regional administrations, business centers, and Head Office units are computerized and connected online to the computer centers of the Information Technology Division. 590 external ATMs, 126 internal ATMs, 106 external check-deposit machines, 189 internal check-deposit machines, 22 Adkan information stations, 306 Toran self-service stations, and 110 Night Safes are available to customers.

The Bank uses advanced methodologies and systems to streamline development and production processes. The Bank is currently carrying out an extensive project to upgrade its core systems, in order to adapt these systems to coping with the challenges of the future.

Information backup and storage

As noted above, the Bank has two central IT sites (at two geographical locations: Emek Hefer and Herzliya). In addition, the Bank has databases that store copies of paper documents, mortgage documents, etc., for everyday use in data retrieval and in order to retain an accessible historical copy of these data.

Every action executed on the Bank's computers is simultaneously updated at the primary site and at the secondary site, so that in case of disaster or physical malfunction, a backup exists for the Bank's critical systems, and damage to the hardware at one of the sites would not cause information loss. Beyond that, the Bank retains a copy of the data at a separate site (in Petach Tikva), in accordance with the policy of the Bank of Israel.

Each of the two active sites of the Bank (primary and secondary) has the required capability to allow full operation of the Bank, without dependence on the other site.

In the event of an emergency switch to the secondary site, the Bank has the ability to immediately increase the power of the backup computer (MF) to the power level of the production computer, by operating dormant engines; in other words, the secondary site has the capacity for the computer power (MF) required for all of the Bank's routine business activity.

Communications

The Bank has an advanced data and voice communications network, with high data transmission speeds. The communications network has high survivability and includes backups that allow work with the Bank's IT centers. The Bank's communications network also connects the Bank's branches and offices worldwide and transmits data services, speech, and video conferences.

Subsidiaries and affiliates overseas

The IT and operational systems of the subsidiaries and affiliates of the Bank in Israel and overseas are based on independent systems, with the exception of subsidiaries in Israel whose systems are on the infrastructure of the Bank and which receive IT services from the Bank. In both cases, managerial responsibility rests with the managements and boards of directors of the subsidiaries and affiliates, or with the member of the Board of Management responsible for the activity, as relevant.

Suppliers

From time to time, the Bank enters into contractual engagements with suppliers from Israel and elsewhere to receive the various services it requires in the area of information systems, including agreements for the purchase and maintenance of equipment, implementation of information systems, and purchase of software. Among other matters, the Bank acquires IT infrastructure components for the mainframe from IBM (through its representative in Israel, IBM Israel) and receives maintenance services from it for these components, on which the core systems of the Bank are operated. The Bank has dependence with respect thereto.

The Bank has contracted with suppliers for the provision of outsourcing services, at this stage mainly in the areas of development, testing, support services, and maintenance of IT sites.

Information security

The Bank views information security and cyber defense as matters of key importance and invests extensive technological and human resources in the protection of customer privacy, secrecy of banking information, and the assets of customers and of the Bank, using some of the most advanced cyber defense methods and information security products in the world.

Information security for the systems of the Bank is operated by embedding defense technologies and cyber controls in multiple layers. Controls are applied on the levels of human resources, organizational infrastructures, policies, procedures, business aspects, technologies, and more.

The Bank has a dedicated information security operations center (SOC) to manage all cyber events and fraud attempts in real time. The SOC, which is staffed by analysts and researchers at all times (24/7), uses automated tools and work processes to identify and address cyber events and fraud.

Projects in the area of information systems at the Bank are accompanied from their inception and throughout the development and maintenance stages by an information-security team that ensures secure development processes and strict compliance with rules, including protection of the privacy of information and restriction of access to information.

The Bank routinely tests the information security of its systems, including through external parties, as required by regulation. In addition, periodic evaluations are performed of the Bank's compliance with its cyber defense policy.

Cyber defense at the Bank is managed in accordance with the requirements of the relevant regulatory directives. The Bank is also certified under the information security standards ISO27001 and ISO27032.

Main projects

Core systems modernization plan – The Bank is carrying out significant investments in technological transformation, and intends to continue to do so over the coming years, in order to cope with the challenges of the future, taking into consideration regulatory, technological, and consumer trends. In this context, the Bank is implementing a large-scale plan to upgrade its central core banking systems. This project is characterized by massive short-term investment in infrastructure systems that will serve the Bank in the long term, the benefit of which will be derived gradually, over long periods.

Transition to a public cloud – As part of the process conducted by the Bank to improve the pace of implementation of the development of new products and system modifications (time to market), the Bank is working to establish advanced infrastructures to allow it to work more effectively in a public cloud environment, simplifying many processes, such as the integration of external components and services at the Bank.

Open banking – Completion of supporting infrastructure and continued exposure of the Bank's APIs, both to comply with regulatory requirements in this area and for the purposes of business collaborations.

Data infrastructures – Construction of infrastructures to provide solutions for projects based on customer data and value offers, including methodologies for information management and analysis and creation of innovative models.

Mortgages – Upgrade of mortgage systems, allowing support for the accelerated growth of this activity, increased efficiency, and optimal response to the customers of the Bank.

Capital market core – Upgrade of securities operations systems, to support the growth of customers' activity and create a rapid response to business initiatives and growth in custody.

Banking via mobile devices – Continued development and expansion of applications designed for use on mobile devices of customers of the Bank and of all customers. The applications offer business capabilities in a wide range of areas and customer segments, through an innovative and unique interface and user experience, with an emphasis on business and technological leadership and adaptation to the customer.

Websites and mobile sites – Development of websites and mobile sites aimed at maintaining and solidifying the technological business leadership of the Bank, while realizing advanced concepts in visibility and customer service, multi-channel integration, and architectural aspects.

Scope of investment

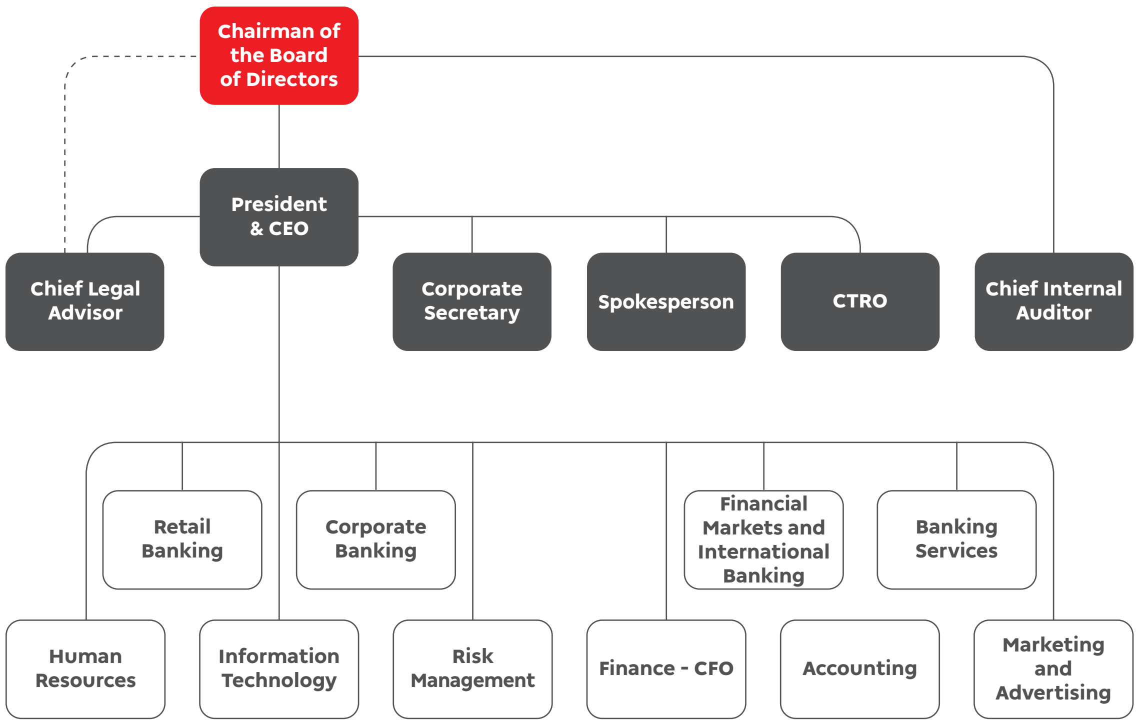
Costs of the information-technology system are recorded as assets in the financial statements only during the development stage of the IT system. Costs that can be capitalized as assets include direct costs of hardware, services, and labor.

Other costs, such as pre-project costs, software development costs that do not exceed the materiality threshold, absorption and training costs, routine maintenance costs, administrative costs, and other costs that cannot be attributed directly to software development, are recognized as an expense in the statement of profit and loss as incurred.

For details regarding costs of the information-security system, see Section 2.2.3 of the Report of the Board of Directors and Board of Management, above.

7.3. Human capital

Diagram 7-1: Organizational structure chart of the Bank



Human-resources strategy

Human-resources strategy is multi-annual, and is derived from the strategy of the Bank, its business needs, and trends in the banking industry and in the labor market. The essential purpose of this strategy is to regularly increase return on human capital, such that the ratio of the total expenditure on human capital to its direct and indirect contribution to the growth of the Bank progressively rises. Increasing the return on human capital is based on methodical, ongoing processes to focus and reduce expenses, alongside systemic processes at the level of the organization and of the individual to raise productivity. These efforts are aimed at adapting the Bank to coping with the challenges of competition in a perpetually evolving financial universe, its business growth objectives, and the future world of work.

The Human Resources Division has formulated an approach of business partnership, linking employee connectedness, organizational culture, and the business results of the Bank.

In recent years, in line with this approach, the Bank has promoted remote work and learning processes, innovative hiring and screening processes, and broader implementation of the Agile perspective; applied processes of learning and drawing conclusions; and advanced structured processes strengthening inter-division cooperation, while developing and empowering leadership in middle and senior ranks, including management. This multi-year program of organizational cultural change, under the heading "Change The Bank," encompasses systemic lateral processes focused on improving competitive capabilities and connectedness, empowerment, and building a concept of one unified bank. At the same time, a structured and integrative in-depth plan is in progress for management of the business partnership of the Human Resources Division with each of the divisions of the Bank, under the heading "HR Business Partner," supporting the growth objectives of the Bank and the changes necessary to ensure that these objectives are realized. Both the lateral systemic processes and the depth initiatives that support the objectives of the divisions have become part of a business plan backed by clear targets and success metrics.

Table 7-2: Data regarding the headcount of the Bank Group, in terms of positions[(1)]

	2022		2021	
	Annual average	Year-end balance	Annual average	Year-end balance
Bank				
In Israel	**8,119**	**7,938**	8,240	8,100
Outside Israel	**230**	**232**	221	224
Bank total	**8,349**	**8,170**	8,461	8,324
Subsidiaries				
In Israel	**140**	**141**	143	139
Outside Israel	**73**	**72**	90	72
Subsidiaries total	**213**	**213**	233	211
Bank Group total	**8,562**	**8,383**	8,694	8,535

(1) The number of positions also includes translation of overtime costs into employee positions, plus the positions of external personnel who are not employees of the Bank but who provide labor services as required for the adjustment of manpower needs in the course of routine operations and for the introduction of projects, less 777 positions of employees whose wages were capitalized to fixed assets in 2022 (2021: 642 positions).

Principal changes in the headcount of the Bank Group at the end of 2022, in comparison to the end of 2021, are set out below.

The number of positions at the Bank Group as at December 31, 2022, decreased by 152 compared with the number of positions at the end of 2021.

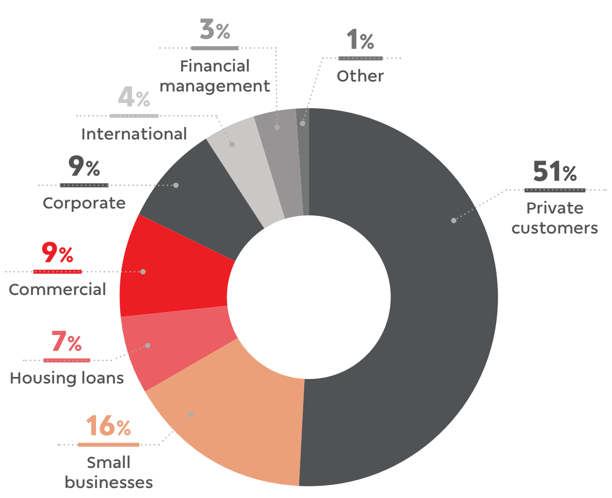
The decrease primarily resulted from the implementation of the efficiency plan of the Bank in Israel. By contrast, systems in growth-oriented areas of activity were reinforced, and the number of positions of employees in the areas of information technology increased, in view of the large volume of investment in this field.

Table 7-3: Distribution of the average number of employee positions in the Bank Group by management approach operating segment[1]

	For the year ended December 31		Change
	2022	2021	
Private customers	**4,356**	4,534	(3.9%)
Small businesses	**1,363**	1,366	(0.2%)
Housing loans	**572**	538	6.3%
Commercial	**757**	746	1.5%
Corporate	**746**	717	4.0%
International activity	**366**	367	(0.3%)
Financial management	**308**	330	(6.7%)
Adjustments	**94**	96	(2.1%)
Total	**8,562**	8,694	(1.5%)

(1) Includes positions of Head Office employees whose cost of employment was charged to the segments.

Diagram 7-2: Average employee positions by operating segment in the year ended December 31, 2022



Human resource characteristics

The policy of the Bank is to employ, promote, and make decisions concerning employees based on pertinent considerations such as skills and the evaluation of performance, without discrimination on the basis of religion, race, sex, age, views, sexual orientation, disability, place of residence, etc. The Bank encourages the hiring of employees belonging to population segments underrepresented in the labor market, as part of its hiring policy, in recognition of the advantages inherent in a diverse workforce in terms of a better understanding of various customer segments, and the encouragement of innovation and creativity in an open and diverse work environment.

The average seniority of the Bank's employees was 17.2 years in 2022, compared with 17.6 years in 2021. The average age of the employees of the Bank remained unchanged at 45.2 years, as in 2021. In 2022, approximately 64.7% of all employees of the Bank were women, versus 65.9% in 2021. In the Bank's management personnel (at or above the rank of section managers at the Head Office and department managers at branches), the percentage of women in 2022 was 56.0%, compared with 55.4% in 2021.

A majority of the employees of the Bank (71.6% in 2022) hold academic degrees, and the percentage of these employees out of total employees of the Bank has risen steadily.

Efficiency at the Bank

From time to time, the Bank carries out efficiency plans within which, when the desires of both parties align, employees take early retirement with preferred terms; this refers to employees who meet the conditions established in the plan. The Bank reflects employee retirement costs, according to management expectations, in its actuarial assumptions in connection with early retirement.

Remuneration policy and remuneration plan

The Bank aspires to motivate its employees to act to create long-term economic value for the Bank and its stakeholders, strengthening the connection between remuneration and the creation of value for the stakeholders of the Bank while maintaining fair employment, encouraging excellence, and promoting a culture of performance.

The salaries paid to the managers and employees of the Bank are derived from a scale of ranks, which allows promotion and reflects the authority and responsibility of the various levels of the organizational hierarchy. Annual bonuses (if granted) are based, among other matters, on the return on equity of the Bank, and may also be determined by the achievement of measurable (and non-measurable) quantitative and qualitative individual performance objectives, as well as long-term plans and objectives, adapted to the overall strategic plan of the Bank and of its sub-units and to the derived work plans.

For further details, see Notes 22 and 23 to the Financial Statements.

Cost and wages per employee position

Table 7-4: Details of cost per employee position and salary* per employee position at the Bank (in NIS thousands)

	2022	2021
Cost per employee position, excluding bonuses	**447**	429
Cost per employee position, including bonuses	**515**	500
Salary* per employee position, excluding bonuses	**277**	264
Salary* per employee position, including bonuses	**332**	322

* Salary – calculated according to gross salary as paid to the employee.

Vision, values, and ethics

In late 2021, the vision of the Bank and the accompanying five values were introduced.

The vision of the Bank – "Committed to growth through impactful, innovative, fair banking for our customers" – is the organizational compass, representing the ambitions and commitment of the Bank. To ensure our ability to realize the vision of the Bank and integrate its organizational, business, and cultural components, five core values were redefined that guide the way we operate, do business, and benefit the economy, society, and the environment. Each of the core values is relayed into key behaviors for application of the values in practice. Taken together, they form a comprehensive organizational approach integrating a customer-centric worldview with quick, flexible deployment to deliver optimal responsiveness grounded in partnership, boldness, and aspiration to continual improvement.

The code of ethics and conduct of the Bank, "Our Way: A Code of Values and Ethics," constitutes a declaration of our identity and uniqueness as employees of the Bank. The code reflects the bedrock values of the Bank and delineates the expectations and behaviors we are all adopting and striving to uphold, among ourselves and towards our customers and other stakeholders. The code is designed to be used by employees and managers, in all units and at all ranks, as a compass for appropriate conduct in coping with ethical dilemmas during their routine work.

Formulating a leadership model – This process, carried out in partnership with employees and managers, was aimed at defining "the leadership we need today." The five components of the leadership model formulated are:

1. Leadership that is authentic and brave.
2. Leadership that is performance-oriented and creates value.
3. Leadership that is proactive and steers change.
4. Leadership that realizes potential.
5. Leadership that promotes partnership.

Each component of the model is accompanied by a set of behaviors expected of leaders. In 2022, the model was instilled in various ways, including through manager training processes (all programs were redeveloped based on the components of the leadership model), manager recruitment and promotion processes, performance evaluation and feedback processes (with managers measured on leadership model components), and lectures and workshops dedicated to this subject, in the awareness that organizational culture at the Bank is primarily created and influenced by its management culture.

Manager training and development – The Leadership and Organizational Development Center in the Human Resources Division assists managers and units in the entry of managers into new positions, in the management of change processes, and in implementing organizational culture and values, according to the vision and strategy of the Bank. The center works on developing management and leadership capabilities, resilience, the ability to cope with change, and individual empowerment and development for employees and managers. 643 managers at all ranks participated in management and leadership development programs in 2022, accumulating 14,028 hours of learning in total in 2022.

Cultivation, development, and management of human capital

Employees' success is the success of the Bank and its customers. It is employees who guide customers and businesses and help them achieve astute conduct, make better financial decisions, move forward, and evolve. Accordingly, the Bank is committed to cultivating and nurturing its human capital through continual dialogue, investment of resources in training, and the provision of tools to enable employees to advance and develop, while also caring for their health and well-being. The Bank aspires to be a preferred employer and offer its employees meaningful, influential work. To the extent possible, the Bank implements processes for employee and manager participation and influence in future changes and lateral issues, based on deep awareness that the more the employees are influential and meaningful partners in a process, the more optimal and right the process is for the Bank.

As part of the innovative banking vision and alongside the innovative initiatives of the Bank, the Bank is hiring bankers and business advisors who provide its customers with personalized value offers and financial advising and guidance services, as well as staff in the areas of technology, digital services, innovation, and analysis who take part in the leadership of innovative, meaningful projects for our customers. In addition, as part of the growth in the area of real estate, the network of mortgage advisors at the branches has been reinforced with expert advisors to match a wide range of services and solutions to our customers.

The Hiring and Career Guidance Center at the Bank operates based on a perspective centered on customers and employees. During this period, an intra-organizational campaign was launched to encourage Bank employees to recommend friends as candidates for jobs at the Bank. The Bank's new career website was also inaugurated, allowing the general public to consider the opportunities offered by the Bank in the areas of employment and career development. The Bank participated in virtual job fairs, offering positions to job seekers in various areas.

Recognition of the importance of the employee experience as a leading value, as early as the hiring and screening stages, drives the Bank to work continually to improve and adapt processes and tools to align with the changes in the labor market. Employee hiring and screening processes have been adapted for this period and conducted remotely using digital platforms.

The Bank is steering an organizational policy encouraging personal growth and development as an impetus for business growth. The Bank believes that a culture supportive of employee mobility among roles at the Bank creates opportunities for professional and personal development for employees and managers, and creates a stronger sense of meaning, connectedness, and achievement over time.

In view of the ambition to provide employees with occupational and development opportunities while strictly adhering to transparency and equal opportunities, employees and managers of the Bank are invited to use the Maavarim ("Transitions") system to view and apply for available positions at the Bank.

Technological developments and automation processes are accelerating changes that also require us at Bank Hapoalim to prepare for the challenges of the future, as part of the vision of innovative banking. Within the organizational culture promoting development and growth of human capital, the Bank launched the Restart initiative for data analysts, which offers Bank employees an opportunity to embark on a new career without moving to a different workplace, thus achieving development and maintaining occupational relevance. The career change enables employees to continue to use the knowledge and experience they have accumulated, and to bring many advantages to their new roles. Bank employees who complete the screening process and are selected to participate in this initiative will participate in training provided by a leading school in this field, with guidance from professional content experts at the Bank. Some of the employees who complete the training successfully will be placed in new positions at the Technology Division. The other employees will constitute a reserve for professional placement.

Performance evaluation process

The key element of the annual performance evaluation and feedback process is dialogue shared by managers and employees to review the achievements of the last year and plan future objectives and development, as derived from work plans. The process is based on open discussion and transparency, and supports employee empowerment and professional and personal development. The process is part of an annual sequence of managerial actions to encourage excellence and provide evaluation, appreciation, and compensation.
Forms used by managers for employee evaluation and feedback processes were modified further in 2021 for assessment according to the five components of the leadership model. Additional changes are planned in 2023, for a dedicated performance evaluation and feedback process at the "tribes" working in an Agile configuration.

Intra-organizational communication

The Bank views its employees as full partners in its business and organizational processes.
The changes in the job market and in the world at large have repeatedly highlighted the need for continual communication and dialogue, rapid and on equal terms, with the employees of the organization, and for heightened organizational connectedness. Especially during these times, we must create open and cooperative intra-organizational communication between management and employees, between executives and employees, and among the various units. This discourse also supports the process of instilling a new organizational culture at the Bank, especially the value of partnership.
There are several organization-wide channels for internal communication at the Bank:

- The organizational portal, which serves as a central, advanced communications channel supporting the sharing of information with employees and the absorption of intra-organizational change processes.
- Portal Laderech ("Portal To Go") – A mobile application designed for employees of the Bank, which allows them to continue to obtain updates and information on various organizational subjects off the premises of the Bank and beyond work hours.

- The Bank's portal and the Portal To Go app were taken another step forward over the last year to provide a more advanced and convenient user experience. New features were added, such as broader digital self-service in the area of human resources, another platform for writing about employees' accomplishments, and expanded options for reacting and commenting.
- Throughout the year, a mechanism was operated for sending immediate messages or text messages to employees to provide real-time updates from the Business Continuity Committee.
- Strong emphasis was placed on encouraging listening processes between the management and employees of the Bank, through round-table meetings held in a new format.
- Communication materials devoted extensive space to the empowerment of outstanding employees and units, through a series of videos and articles about activities promoting a new organizational culture, which were connected to campaigns led by the Bank and events on the organizational and national calendar.
- This year, the worker experience category was added to intra-organizational communications, promoting observation of employees' journey throughout their time at the organization and improvement of their experience at selected moments (personal and professional).

A culture of continual learning

The bank fosters a culture of organization-wide life-long learning (LLL), and works to maintain and strengthen employees' professional competencies and nurture their ability to cope with present and future challenges. This effort forms the foundation for creating business value, reinforcing a sense of pride and connectedness to the Bank, and ensuring its competitive advantage in the digital age and in an evolving world.

In 2022, further changes were made to the learning culture at the Bank and steps were taken to adapt this culture to today's dynamic and evolving world. The range of learning solutions was expanded, including through the acquisition of a new learning management system (LMS), which will serve as a cloud-based learning platform for the organization as a whole, accessible at any place and time. The platform will allow access to up-to-date content and learning opportunities for the development of the skills employees need, supporting their personal and professional development. The LMS will launch during 2023.

Poalim Learning Hub Campus – from a teaching campus to a learning and teaching organization: most of the professional training processes at the Bank are led by the Poalim Learning Hub Campus, the central arena for change-generating learning. The campus encourages personal, organizational, and professional growth, leading to improved performance. Training programs and content development are derived from business goals, mapping of skills needed for various roles, and mapping of knowledge gaps of employees and managers in all divisions.

The Bank has transitioned from a training approach based on a campus with classrooms for in-person instruction to an organization that perceives learning as a way of life and promotes learning in varied ways, such as remote learning, hybrid learning combining in-person instruction with independent study, remote learning sessions (synchronous and asynchronous), online courses, podcasts, videos, coaching days, and banking and other content necessary to maintain professional qualifications. Skills and capabilities required for the present and future of the organization and the employees are also studied at the Bank.

The Campus took a leap forward in its banking courses in 2022, moving from in-person training programs to hybrid programs combining independent mentor-supported study with work experience at a branch during the course and instructors to boost learning. This leads to a far more effective entry to a new role, shorter training times, shorter time to achieve performance, and better balance between the classroom and work in the field.

Total learning at the Bank in 2022 encompassed more than 212,000 hours of study.

Strengthening competencies – Competencies in general and service competencies in particular were fortified in 2022 through coaching at a simulation center at the Campus, including practicing everyday scenarios and learning skills to cope and improve service. The technological capabilities of the simulation center allow participants to view and analyze simulations, leading to learning through experience, which enhances learning effectiveness and performance.

Professional forums and learning communities – Various professional forums exist at the Bank, such as forums for analysts, real-estate professionals, compliance officers, investment advisors, digital professionals, and more. The Poalim Learning Hub Campus has also launched and led the Learning Leaders Team, which consists of 30 division representatives, to promote a culture of continual learning at the organization, maintain a competitive advantage during an era of changes, and achieve a dramatic impact on connectedness and business growth. Forum members meet monthly to learn, develop, and strengthen skills in the areas studied, to serve as an extension of the Campus at the divisions.

7.4. Material agreements

The following is a summary of the main points of the agreements to which the Bank is a party which may be considered material:

- Collective wage agreement for 2018-2022 – the Bank and the representative body of the Employee Union signed a wage agreement for 2018-2022 in January 2020. For further details, see Note 22A(4) to the Financial Statements.
- For details regarding letters of indemnity received by the officers serving at the Bank, officers who served in the past, and certain employees who are not officers under special circumstances, see Note 25B(4) to the Financial Statements.
- For details regarding letters of indemnity granted in connection with prospectuses and issuances of the Bank Group, see Note 25B(6)-(8) to the Financial Statements.
- For details regarding contractual engagements of the Bank in issuance and operation agreements with credit-card companies, see Note 25C to the Financial Statements.
- For details regarding IT infrastructures of the Bank and contractual engagements with IBM, see Section 7.2 above.
- For details regarding letters of immunity and indemnity received by the Bank from the Attorney General and the Ministry of Finance in connection with the provision of correspondent services to Palestinian banks, see Section 3.6, "Compliance risk," in the Report of the Board of Directors and Board of Management.
- For details regarding resolutions with the United States authorities in connection with the tax investigation and FIFA, see Note 25F to the Financial Statements.

- For details regarding the acquisition and use of land insurance policies that protect the Bank against credit losses in respect of the portfolio of loans secured by a lien on land, insurance policies for Sale Law guarantees, and insurance policies for housing loans (secured by mortgages), see Note 25B(13) to the Financial Statements and the section "Credit risk – construction and real estate" in the Report of the Board of Directors and Board of Management.
- For details regarding agreements with the tax authorities, see Note 8 to the Financial Statements.
- For details regarding the contractual engagement of the Bank for the acquisition of a building for use as headquarters, see Note 25B(12) to the Financial Statements.

7.5. Operating segments based on the management approach

7.5.1. Private Customer Segment

General information and segment structure

The Bank provides a wide range of services to private customers, including routine account-management services, lending 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, services are provided to customers through a network of 166 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 more than 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 allow customers a high-quality, professional, individual encounter.

Collection

Work processes were adjusted due to the coronavirus crisis, with the aim of helping customers cope with the economic difficulties of this period. Most of the adjustments remain in effect at this time:

- Time limits for working with customers were expanded at the Poalim Financial Health unit, the collection centers, and external law firms, with the aim of exhausting the possibilities for settling debts without legal procedures, to the extent possible.
- Evictions from residential properties were not performed (with the exception of realizations with customer consent).
- Following the emergence from the coronavirus crisis, the collection centers and the Poalim Financial Health unit were instructed to continue to treat these customers with sensitivity and flexibility, and to allow them time to organize in order to settle their debts, according to each customer's circumstances.

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 program replaced 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 joint company Blender Pay BNPL Ltd. ("Blender Pay") was founded in May 2022, after the approval of the Competition Authority was received. In January 2023, Blender Pay received a license to grant credit with an expanded scope of activity, in accordance with the Supervision of Financial Services Law (Regulated Financial Services), 2016, from the Supervisor of Financial Service Providers, which granted the Bank permission to hold the company. Blender Pay is preparing to commence its business operations.

With regard to the agreement signed with Electra Consumer Products (1970) Ltd. (ECP) and Cartisei Ashrai LeIsrael Ltd. (CAL), see Note 25B(14) to the Financial Statements.

Capital market activity

Services for customers of the segment in the capital market include a range of activities and financial services in various fields: trading, operations, and custody in Israeli securities (including Maof); trading in foreign securities; and research and advisory services for customers in the area of the capital market. Some of these activities are performed directly by the Bank, while others are performed by subsidiaries, each of which specializes and engages in a specified field.

The Bank provides financial advising services at fourteen Poalim Invest advising centers, as well as through the Platinum Unit, the Corporate Banking Division, and Poalim Pro.

The investment advisors at the Bank provide their customers with professional, innovative advisory services using advanced tools and systems, through understanding their needs, maximizing value, and strengthening relationships in a personal service package tailored to each customer.

Pension advising

The Bank offers pension advising and retirement planning services through a network of advisors located throughout Israel. The Bank is connected to the pension clearing house, and receives information through the clearing house for the purpose of providing advisory services. The Bank holds a pension advisor's license and employs licensed advisors at fourteen Poalim Invest pension advising centers and a national retirement planning center. The Bank has signed distribution agreements with most of the management companies of provident funds and pension funds. The Bank, as an objective advisor, is entitled to a uniform distribution fee for the distribution of the funds, in accordance with the regulations.

The Capital Market, Insurance, and Savings Authority is acting to promote a legislative amendment aimed at permitting banking corporations to provide advisory services by telephone and through digital means.

The draft Supervision of Financial Services Law (Pension Advising, Marketing, and Clearing Systems) (Amendment 11), 2022, passed by the Ministers' Committee in the first quarter of 2022, has not yet been passed by the government.

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.

Marketing and distribution

Marketing and distribution in Israel are conducted through the branches of the Bank, at Poalim by Telephone, and through the digital and direct channels (self-service devices, the website, and the application). The Bank is also active on social media: Facebook, Twitter, Instagram, and LinkedIn. Customer messages on the Facebook page are answered by representatives. Marketing initiatives of the Bank 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 expanded its use of digital channels via internet and mobile applications, allowing customers to receive service without visiting a brick-and-mortar branch. Marketing through digital media has also expanded, on the internet and on mobile applications, which allow a targeted approach to customers according to their interests and the characteristics of their online activity.

Customers

The segment consists of private customers who receive services through the branches, Poalim by Telephone, and the digital channels. Services provided are adapted to the characteristics of the various customers.

Competition

The level of competition has continued to rise in recent years. Causes include technological developments and customers' growing willingness to receive services remotely, concurrently with the removal of barriers to the entry of new competitors and reinforcement of small and medium-sized competitors. Competition continues to expand to encompass financial and non-bank players such as credit-card companies, insurance companies, fintech companies, and other retail organizations. The open banking reform, the implementation of the Law for Increasing Competition in the Banking System (the "Strum Law"), and the Credit Data Law have also contributed to increased intensity of competition in this sector. The Bank continues to adapt its operating model to provide full responsiveness to its customers, according to the changes in their needs and characteristics, while providing full services in a wide range of areas and products, made accessible through a range of service channels.

Technological changes that may have a material impact on the segment

In 2022, the trend of increased customer preference for digital services continued, with continued growth in this area. Accordingly and in light of customer demand, the Bank continues to expand its digital capabilities and value offers.

Poalim MyTrade – new trading system

An advanced system for real-time trading has been rolled out to customers. The trading system enables all customers to trade and benefit from professional tools in the capital market, at no added cost. Poalim MyTrade is suited to all customers, from beginning traders, who can benefit from basic tools for tracking and traders, to professional traders, who can carry out advanced orders, technical analysis, and more. The innovations offered include real-time trading without the need to click a refresh button, and customization of the system for each customer's needs and habits. The system provides trading tools, information, and decision-support tools, from convenient and user-friendly market tracking to the transmission of advanced instructions.

Expansion of the Bit application

Bit is a leading payment app that allows users to perform payments based on charge cards, including, among other things, services for money transfers between users (P2P), the most popular service among Bit users; services for transferring users' charge-card information through the app to purchase products and services at businesses; and services for receiving credits from various entities (such as insurance companies). The Bank is working to develop Bit in order to create new banking products. In 2022, a new service was introduced allowing municipal tax and water bills to be paid directly through the Bit app.

At this time, the Bank bears the costs (clearing fees or alternate fees) involved in transferring money through charge cards in the P2P services of Bit. The Bank is examining options for reducing the costs of Bit. The Bank has reached an agreement with Isracard within which person-to-person (P2P) money transfer transactions using cards from the MasterCard and Visa brands will be cleared through the payment solutions Moneysend and Visa Direct (respectively), which are offered by the international organizations MasterCard and Visa. The payment solution Moneysend was implemented during the second half of 2021; the payment solution Visa Direct was implemented near the end of 2022. These payment solutions reduce the costs involved in such transactions for the Bank.

Digital wallets

As part of the Bit Wallet launch process, the Bank entered into a series of agreements, including with various service providers and a charge-card issuer, and with other operators of wallet services.

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 the section "Regulatory initiatives," below.

Table 7-5: Results of operations and principal data of the Private Customer Segment

	For the year ended December 31	
	2022	2021
	NIS millions	
Total net interest income	**3,578**	1,966
Non-interest financing income	**7**	6
Total net financing profit	**3,585**	1,972
Fees and other income	**1,594**	1,476
Total income	**5,179**	3,448
Provision (income) for credit losses	**23**	(403)
Total operating and other expenses	**3,827**	3,726
Profit (loss) before taxes	**1,329**	125
Provision for taxes (tax benefit) on profit (loss)	**464**	46
Net profit (loss) attributed to shareholders of the Bank	**865**	79
Net credit to the public at the end of the reported period	**38,244**	39,139
Deposits from the public at the end of the reported period	**238,333**	225,824

Net profit attributed to the Private Customer Segment totaled NIS 865 million in 2022, compared with NIS 79 million in the preceding year. The change mainly resulted from an increase in net financing profit and an increase in fees and other income. This increase was partly offset by a decrease in income from credit losses and an increase in operating and other expenses, compared with the preceding year.

Net financing profit totaled NIS 3,585 million in 2022, compared with NIS 1,972 million in the preceding year. The increase resulted from the effect of the increase in the shekel and dollar interest rates.

Income from fees and other income totaled NIS 1,594 million in 2022, compared with NIS 1,476 million in the preceding year. The increase mainly resulted from an increase in credit-card fees and account-management fees, partly offset by a decrease in capital-market fees.

A provision for credit losses in the amount of NIS 23 million was recorded in 2022, compared with income in the amount of NIS 403 million in the preceding year. Most of the change resulted from income recorded in the comparison period due to a decrease in the collective allowance, in light of the improvement in macroeconomic parameters, influenced by factors including the lifting of most of the Covid-19 restrictions, and the substantial decrease in the volume of debts in deferral of payments.

Operating and other expenses of the segment totaled NIS 3,827 million in 2022, compared with NIS 3,726 million in the preceding year. The increase resulted from an increase in IT expenses.

Net credit to the public totaled approximately NIS 38.2 billion as at December 31, 2022, compared with approximately NIS 39.1 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 238.3 billion as at December 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.

7.5.2. Small Business Segment

General information and segment structure

The Bank provides a range of banking services and financial products to small businesses. The segment's activities are conducted through the Bank's nationwide branch network and through the direct channels (see the section "Private Customer Segment" above). The branch network also provides necessary services to business customers of the Corporate and Commercial Segments.

Services for the segment's customers include routine account management, alongside extensive efforts aimed at support for and growth of this segment, including targeted credit tailored to customers' needs through a wide range of products.

Products and services

The Bank offers a wide range of products and services to its customers, within its strategy of focusing on the expansion of its activity in the Small Business Segment, including financing for business activities, 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.

Beginning January 5, 2023, subsidized all-purpose loans are offered to small businesses through the Poalim Business Fund, in amounts of up to NIS 100 thousand, at an interest rate of Prime + 1.5%.

Marketing and distribution

Marketing and distribution in Israel are conducted face-to-face or over the telephone at the Bank's branches, through Poalim by Telephone, and through the various digital properties, both proactively and in response to customers' inquiries. Marketing initiatives are also reflected in advertising in newspapers, on television, on the internet, on the radio, on billboards, and at branches. In recent years, the Bank has significantly expanded its use of marketing via digital media, on the internet and on mobile applications, which allows a targeted approach to customers according to their interests and the characteristics of their online activity.

Customers

The Small Business Segment provides financial services and products to small and mid-sized businesses from a wide range of economic sectors. The segment also handles the private accounts of business clients.

Competition

Activity in this segment requires expertise and in-depth familiarity with the customer in order to provide full, comprehensive, professional service and to manage credit risks. Over recent years, non-bank competitors have entered this field, such as credit-card companies and non-bank financiers, as well as fintech companies. The Bank works to continually adapt the products and services provided to its customers, and to provide access through a range of service channels.

Technological changes that may have a material impact on the segment

The growth trend in customers active on the digital channels and in the number of business and retail customers executing transactions using the digital properties continued in 2022.

New business application

A new application for businesses was introduced to customers in 2022, 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 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.

Bit application

Collaborations have been created with aggregators to promote value offers for small businesses and connections to e-commerce platforms, so that small businesses can accept payment from their customers, with no annual ceiling. Businesses can receive payment remotely through a website, application, or text message, or at a point of sale.

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 the section "Regulatory initiatives," below.

See "Private Customer Segment," above.

Table 7-6: Results of operations and principal data of the Small Business Segment

	For the year ended December 31	
	2022	2021
	NIS millions	
Total net interest income	**1,909**	1,286
Non-interest financing income	**6**	4
Total net financing profit	**1,915**	1,290
Fees and other income	**635**	570
Total income	**2,550**	1,860
Provision (income) for credit losses	**104**	(79)
Total operating and other expenses	**1,345**	1,292
Profit (loss) before taxes	**1,101**	647
Provision for taxes (tax benefit) on profit (loss)	**382**	235
Net profit (loss) attributed to shareholders of the Bank	**719**	412
Net credit to the public at the end of the reported period	**34,998**	33,899
Deposits from the public at the end of the reported period	**70,243**	66,102

Principal changes in net profit and balance sheet balances

Net profit attributed to the Small Business Segment totaled NIS 719 million in 2022, compared with NIS 412 million in the preceding year. The increase mainly resulted from an increase in net financing profit and an increase in fees and other income. This increase was partly offset by recognition of a provision for credit losses, compared with income from credit losses in the preceding year.

Net financing profit totaled NIS 1,915 million in 2022, compared with NIS 1,290 million in the preceding year. Most of the increase resulted from an increase in the volume of credit and deposits from the public, along with an increase in the shekel and dollar interest rates.

Income from fees and other income totaled NIS 635 million in 2022, compared with NIS 570 million in the preceding year. The increase mainly resulted from an increase in credit-card fees and account-management fees.

A provision for credit losses in the amount of approximately NIS 104 million was recorded in 2022, compared with income in the amount of approximately NIS 79 million in the preceding year. Most of the change resulted from recognition of income recorded in the preceding year against a decrease in the collective allowance, due to the improvement in macroeconomic parameters.

Operating and other expenses of the segment totaled NIS 1,345 million in 2022, compared with NIS 1,292 million in the preceding year.

Net credit to the public totaled approximately NIS 35.0 billion as at December 31, 2022, compared with approximately NIS 33.9 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 70.2 billion as at December 31, 2022, compared with approximately NIS 66.1 billion as at December 31, 2021.

7.5.3. 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, via mortgage advisors stationed at Mishkan representative offices at various branches located nationwide.

Applications for in-principle approval of housing loans can also be submitted via digital channels and Poalim by Telephone.

Products and services

The main activity of this segment is granting housing loans. This activity is targeted to customers who apply for a loan for one of the following purposes:

- A loan for the acquisition, construction, expansion, or renovation of a home.
- A loan for the acquisition of land for the construction of a home, or acquisition of an interest in a home.
- A loan granted with a mortgage on a home, other than for business purposes.
- A loan for the prepayment of a loan as described above.

Mortgage underwriting is performed and examined based on four essential components: repayment capability, collateral (the proposed property to be pledged), financing rate, and spreads.

In 2022, in view of the rising interest rate and inflation and in response to its customers' needs, the Bank introduced solutions for coping with the increase in the Prime interest rate, such as spreading of the Prime component over a longer period (with no change in the other terms of the loan and at no cost), and freezing the increase in the interest rate at the rate determined in January 2023, for one year, for the category of customers who meet the criteria established (which, in the eyes of the Bank, represents the customers significantly affected by the rise in interest rates).

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 and through 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, on three levels: transparency of information for customers; ability to compare offers; and simplicity, ease of understanding, and efficiency in the mortgage taking process, as detailed below.

Regulatory changes – legislative restrictions, standards, and special constraints applicable to the segment

Extensive, dedicated regulation applies to housing loans, in addition to the general regulation, including that applicable to credit granted by the Bank.

- **Proper Conduct of Banking Business Directive 451, Procedures for Granting Housing Loans –** On August 31, 2022, the mortgage transparency reform of the Bank of Israel took effect, within an extensive amendment of Directive 451. Main topics of the update: a uniform structure for in-principle approvals; uniform mortgage packages for all banks; SLA of five business days (seven business days in exceptional cases) for in-principle approval; publication of an online calculator; online conduct; and additional accessible information, both for taking a mortgage and for considering whether it is worthwhile to refinance a mortgage. In accordance with the directive, an online calculator has been posted on the Bank's website, as of September 30, 2022, containing the required data under the amended directive.

- **Proper Conduct of Banking Business Directive 449, Simplification of Agreements for Customers –** An amendment of the directive took effect on August 31, 2022, aimed at adapting the method of calculation of the data regarding the "total predicted interest" (the actual cost of the credit) presented in the agreement simplification table (which serves as the first page of the loan contract) to the method of calculation established in the amendment to Directive 451, with the necessary modifications.
- **The Banking Law (Service to Customers) (Amendment 34) (Limit on Housing Loan Application Filing Fees), 2022 –** The Banking Law (Service to Customers) (Amendment 34), 2022, which limits the amount of the fee that banks are permitted to charge for opening a housing loan file to NIS 360, was published in the Official Gazette of the Israeli Government on June 22, 2022. The law took effect on August 22, 2022.
- **Draft amendments to Proper Conduct of Banking Business Directive 329, Limits on Granting Housing Loans, and Proper Conduct of Banking Business Directive 203, Credit Risk –** Drafts of Directives 329 and 203 were issued on October 2, 2022, describing principles for granting a "reverse mortgage" loan (a loan in which a residence is mortgaged, for borrowers over the age of 60, where the repayment date is not known in advance, and there are no monthly payments on the loan principal), and the risk weight to be applied thereto.
- **Proper Conduct of Banking Business Directive 329B, Sale of Housing Loans and Cooperations to Provide Housing Loans –** The directive, issued on October 6, 2022, establishes principles for housing loan sale and syndication transactions.

For further information regarding regulatory initiatives that may have an impact on the activity of the segment, see the section "Regulatory initiatives," below.

Table 7-7: Results of operations and principal data of the Housing Loan Segment

	For the year ended December 31	
	2022	2021
	NIS millions	
Total net interest income	**1,366**	1,160
Non-interest financing income	**(3)**	-
Fees and other income	**47**	54
Total income	**1,410**	1,214
Provision (income) for credit losses	**71**	(226)
Total operating and other expenses	**454**	390
Profit (loss) before taxes	**885**	1,050
Provision for taxes (tax benefit) on profit (loss)	**307**	382
Net profit (loss) attributed to shareholders of the Bank	**578**	668
Net credit to the public at the end of the reported period	**127,688**	114,633

Principal changes in net profit and balance sheet balances

Net profit attributed to the Housing Loan Segment totaled NIS 578 million in 2022, compared with NIS 668 million in the preceding year. The decrease mainly resulted from the recognition of a provision for credit losses, compared with income from credit losses in the same period last year, and from an increase in operating expenses, partly offset by an increase in net financing profit.

Net financing profit totaled NIS 1,363 million in 2022, compared with NIS 1,160 million in the preceding year. The increase mainly resulted from an increase in interest income, due to growth in the volume of credit.

A provision for credit losses in the amount of approximately NIS 71 million was recorded in 2022, compared with income in the amount of approximately NIS 226 million in the preceding year. Most of the change resulted from the recognition of income recorded in the preceding year against a decrease in the collective allowance, due to the improvement in macroeconomic parameters, influenced by factors including the lifting of Covid-19 restrictions, and the substantial decrease in the volume of debts in deferral of payments.

Operating and other expenses of the segment totaled NIS 454 million in 2022, compared with NIS 390 million in the preceding year.

Net credit to the public totaled approximately NIS 127.7 billion as at December 31, 2022, compared with approximately NIS 114.6 billion as at December 31, 2021. The increase mainly resulted from increased demand for housing loans during the reported period.

For additional information regarding risks in the housing-loan portfolio, see the section "Housing loans" in the chapter "Review of risks" in the Report of the Board of Directors and Board of Management.

7.5.4. Commercial Segment

General information and segment structure

The Commercial Segment provides a wide range of banking services to middle-market business clients. The segment operates through business centers for established customers and business centers for growing customers. Operational services for the segment's customers are provided by service centers.

In the first quarter of 2022, based on the decision to expand the Bank's focus on the high-tech sector, this activity was centralized in a new unit whose mission is to develop value offers for targeted high-tech customers, thereby also solidifying the Bank's market share. The unit provides banking services including credit and guarantees, deposits, foreign-currency activity, current accounts, etc.

Products and services

Services offered by the Bank to customers of the segment include credit for routine operations and investment financing, guarantees, letters of credit, foreign trade, and transactions in financial and derivative instruments. Investment services are also provided, in the various channels: foreign currency, shekels, securities, etc.

The Commercial Segment also provides banking services to clients who operate in the construction and real-estate sector. These banking services include the provision of credit to customers, as well as the issuance of guarantees of various types, including guarantees to buyers of homes pursuant to the Sale Law. The Commercial Segment also serves technology industry customers through the High Tech Business Center, which provides banking services including credit and guarantees, foreign-currency activity, current accounts, etc.

Complementary activities

- **Business Direct Credit –** loans within an approved credit facility, which can be taken through the Business Online website.
- **FX Trader –** an online trading system with a convenient platform accessible to customers.
- **Digital empowerment –** Development of adapted solutions in response to the needs of the customers of the Corporate Banking Division; expansion of the infrastructure for activity on the business website and business application.
- **Digital guarantees –** Development of a platform for the production of digital guarantee files.
- **ERPay –** A direct interface for transfers in NIS and foreign currency from the customer's ERP system.

Marketing and distribution

Marketing of banking products and services and distribution to customers are conducted through the Customer Relationship Managers in the Commercial Area and the Sales Management Department in the headquarters of the Commercial Area, and in collaboration with the headquarters of the division. The communication channels commonly used in local banking are available to customers, such as service centers, Poalim by Telephone, the website, etc.

Customers

The main areas of activity of the segment's customers are industry, commerce, and construction and real estate; these customers primarily operate in the domestic market. The segment also serves customers engaged in import and export activities.

Competition

The segment is characterized by a high level of competition. The main competitors are the banking corporations. In the area of credit, competition is reflected both in interest rates and fees offered to customers by the competing banks, and in related aspects such as response time and the financing rates which competitors are willing to approve. In addition, alternatives to bank credit are available in the market to some of the segment's customers, such as public and private offerings and credit granted by non-bank financial institutions.

Technological changes

The segment makes use of technological systems to manage processes of analysis of customers' condition, control, and marketing. The Bank applies an ongoing process of improvement in these systems. This process also includes components relevant to serving the segment's customers. A CRM system is used to manage customer portfolios in this segment, and serves as a significant tool for relationship management, sales, and business activities with customers.

Table 7-8: Results of operations and principal data of the Commercial Segment

	For the year ended December 31	
	2022	2021
	NIS millions	
Total net interest income	**1,605**	1,211
Non-interest financing income	**(23)**	13
Total net financing profit	**1,582**	1,224
Fees and other income	**486**	446
Total income	**2,068**	1,670
Provision (income) for credit losses	**76**	30
Total operating and other expenses	**588**	558
Profit (loss) before taxes	**1,404**	1,082
Provision for taxes (tax benefit) on profit (loss)	**505**	410
Net profit (loss) attributed to shareholders of the Bank	**899**	672
Net credit to the public at the end of the reported period	**57,945**	52,758
Deposits from the public at the end of the reported period	**51,425**	49,442

Principal changes in net profit and balance sheet balances

Net profit attributed to the Commercial Segment totaled NIS 899 million in 2022, compared with NIS 672 million in the preceding year. The increase mainly resulted from an increase in net financing profit and an increase in income from fees and other income, partly offset by an increase in the provision for credit losses.

Net financing profit totaled NIS 1,582 million in 2022, compared with NIS 1,224 million in the preceding year. The increase mainly resulted from an increase in the volume of credit, and from the increase in the shekel and dollar interest rates.

Income from fees and other income totaled NIS 486 million in 2022, compared with NIS 446 million in the preceding year. The increase mainly resulted from an increase in credit-handling fees an increase in fees from financing transactions.

A provision for credit losses in the amount of approximately NIS 76 million was recorded in 2022, compared with a provision in the amount of approximately NIS 30 million in the preceding year. The change mainly resulted from an increase in the individual provision for credit losses.

Operating and other expenses of the segment totaled NIS 588 million in 2022, compared with NIS 558 million in the preceding year.

Net credit to the public totaled approximately NIS 57.9 billion as at December 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 December 31, 2022, compared with approximately NIS 49.4 billion as at December 31, 2021.

7.5.5. Corporate Segment

General information and segment structure

The Corporate Segment specializes in providing financial services to large corporations. 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;
- Infrastructures, energy, 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.

Products and services

Services offered to customers of the segment include financing of routine operations, financing of investments, financing of infrastructure projects based on the BOT/PFI method, financial services, foreign-trade transactions, and transactions in financial derivatives. Services provided to customers operating in the construction and real-estate sector include financing of construction projects, granting credit to customers, and issuing various types of guarantees, including guarantees to buyers of homes pursuant to the Sale Law.

The segment has complementary activities identical in essence to those provided by the Commercial Segment. For further details, see the section "Commercial Segment," above.

Marketing and distribution

Banking products are marketed and distributed to customers of this segment through Customer Relationship Managers in the Corporate Area, in collaboration with the headquarters of the division. As a key element of this sales platform, product experts, working closely with the CRMs, are at the disposal of the segment's customers, in the areas of the dealing room, investment advising, foreign trade, foreign currency, current accounts, and more. CRMs are in continuous contact with the customers they serve, in order to respond to their banking needs, market the Bank's products, and tailor financing solutions to various transactions.

The communication channels commonly used in local banking are available to customers, such as service centers, Poalim by Telephone, the website, etc.

Customers

Customers of the segment are large corporations in Israel, mainly operating in the areas of real estate, industry, the capital market, communications, commerce, hotels, infrastructure, and energy.

Competition

The level of competition in this area is high; competition is reflected in service, prices, financing terms, and rapid response. The Bank Group is contending with growing competition in the Israeli banking system, including from foreign banks with representative offices in Israel. Alternatives to bank credit are available in the market to some of the segment's customers, such as public and private offerings and credit granted by institutional entities and non-bank financial institutions.

Limits on joint loan arrangements (consortium arrangements)

Over the last few years, the Competition Commissioner issued a number of letters establishing several conditions for entering into loan arrangements the parties to which are banking corporations or institutional entities or similar entities incorporated outside of Israel. The validity period of the letters was extended from time to time. The letters establish the conditions under which a bank is exempt from applying to the Authority for approval of a joint loan arrangement (i.e. granting credit to a corporation jointly with another lender or other lenders included in the definition of a "lender" in the exemption directive).

In light of the statements in the type exemption, in any case in which the Bank intends to grant a loan to any corporation, jointly with banking corporations or financial institutions or similar entities incorporated outside Israel, the Bank must examine the fulfillment of the conditions established in the exemption directives, according to the various alternatives and the circumstances of each transaction.

Table 7-9: Results of operations and principal data of the Corporate Segment

	For the year ended December 31	
	2022	2021
	NIS millions	
Total net interest income	**2,007**	1,528
Non-interest financing income	**52**	86
Total net financing profit	**2,059**	1,614
Fees and other income	**686**	594
Total income	**2,745**	2,208
Provision (income) for credit losses	**(421)**	(564)
Total operating and other expenses	**791**	700
Profit (loss) before taxes	**2,375**	2,072
Provision for taxes (tax benefit) on profit (loss)	**853**	783
Net profit (loss) attributed to shareholders of the Bank	**1,522**	1,289
Net credit to the public at the end of the reported period[1]	**108,316**	96,335
Deposits from the public at the end of the reported period	**75,585**	85,304

(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 10,882 million as at December 31, 2022, and in the amount of approximately NIS 8,532 million as at December 31, 2021.

Principal changes in net profit and balance sheet balances

Net profit attributed to the Corporate Segment totaled NIS 1,522 million in 2022, compared with NIS 1,289 million in the preceding year. The increase mainly resulted from an increase in net financing profit and an increase in income from fees and other income. This increase was partly offset by a decrease in income from credit losses and an increase in operating and other expenses.

Net financing profit totaled NIS 2,059 million in 2022, compared with NIS 1,614 million in the preceding year. The increase mainly resulted from an increase in the volume of credit and the increase in the shekel and dollar interest rates.

Income from fees and other income totaled NIS 686 million in 2022, compared with NIS 594 million in the preceding year. The increase mainly resulted from an increase in capital-market fees and an increase in fees from financing transactions.

Income from credit losses in the amount of NIS 421 million was recorded in 2022, compared with income in the amount of NIS 564 million in the preceding year. The change resulted from an increase in the collective provision, offset by an increase in individual income.

Operating and other expenses of the segment totaled NIS 791 million in 2022, compared with NIS 700 million in the preceding year. The increase resulted, among other matters, from an increase in securities and brokerage activity fees.

Net credit to the public totaled approximately NIS 108.3 billion as at December 31, 2022, compared with approximately NIS 96.3 billion as at December 31, 2021.

Deposits from the public totaled approximately NIS 75.6 billion as at December 31, 2022, compared with approximately NIS 85.3 billion as at December 31, 2021. The decrease in deposits from the public mainly resulted from a decrease in balances of major depositors.

7.5.6. 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.

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 25F to the 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 the company, and the Bank is acting to return its banking license.

Activity of the Bank in Turkey

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

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

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

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

For details regarding the credit line granted by the Bank to Bank Pozitif, see Note 24J to the Financial Statements.

Table 7-10: Results of operations and principal data of the International Activity Segment

	For the year ended December 31	
	2022	2021
	NIS millions	
Total net interest income	**680**	468
Non-interest financing income	**(2)**	(37)
Total net financing profit	**678**	431
Fees and other income	**32**	32
Total income	**710**	463
Provision (income) for credit losses	**107**	25
Total operating and other expenses	**428**	530
Profit (loss) before taxes	**175**	(92)
Provision for taxes (tax benefit) on profit (loss)	**84**	73
Net profit (loss):		
Before attribution to non-controlling interests	**91**	(165)
Attributed to non-controlling interests	**(1)**	7
Net profit (loss) attributed to shareholders of the Bank	**90**	(158)
Net credit to the public at the end of the reported period	**17,210**	13,946
Deposits from the public at the end of the reported period	**24,767**	20,277

Principal changes in net profit and balance sheet balances

Net profit attributed to the International Activity Segment totaled NIS 90 million in 2022, compared with a loss in the amount of NIS 158 million in the preceding year.

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

- The net profit of the New York branch totaled approximately NIS 178 million in 2022, compared with net profit of approximately NIS 78 million in the preceding year. The increase mainly resulted from an increase in net interest income, partly offset by an increase in the provision for credit losses. The increase in net financing profit mainly resulted from an increase in the dollar interest rate and an increase in credit balances.
- The loss of Hapoalim Switzerland totaled approximately NIS 66 million in 2022, compared with a loss in the amount of approximately NIS 207 million in the preceding year. The decrease mainly resulted from a decrease in expenses in connection with the reduction of activity and implementation of the resolution concerning the Bank Group's business with American customers.

Total net credit to the public in international activity amounted to approximately NIS 17.2 billion as at December 31, 2022, compared with approximately NIS 13.9 billion as at December 31, 2021.

- Net credit to the public at the New York branch totaled approximately NIS 17.1 billion as at December 31, 2022, compared with approximately NIS 13.7 billion as at December 31, 2021. Most of the credit and growth of credit are in activity in the middle-market sector.
- Net credit to the public at Bank Pozitif in Turkey totaled approximately NIS 0.1 billion as at December 31, 2022, compared with NIS 0.2 billion as at December 31, 2021.

Total deposits from the public in international activity amounted to approximately NIS 24.8 billion as at December 31, 2022, compared with approximately NIS 20.3 billion as at December 31, 2021, primarily originating with the New York branch.

7.5.7. 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 (see below), investment portfolio management, issuance of bonds and notes, deposits with banks outside Israel, 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 corporate bonds.
- Activity in the trading books mainly includes the provision of services to the Bank's customers for the execution of transactions in Israeli and foreign securities, financial instruments in Israeli shekels, foreign currency, and interest rates, through the dealing rooms, as well as support for the development and pricing of sophisticated financial products.

Most of the income of the segment derives from exposure management in the banking book and in the trading book, and from spreads and fees in the dealing rooms' activity and operational services for customers. In addition, in calculating its income, the segment includes the results of the management of a portfolio of shares and bonds and investments in equity-basis investee companies.

This segment is also responsible for managing relationships with banks and financial institutions around the world, and is responsible for providing services to customers operating in Israel in a range of areas, including the capital and money markets.

Activities, products, and services

The banking book – asset and liability management

The Asset and Liability Management Area ("ALM Area") of the Bank is responsible for managing the assets and liabilities of the Bank, over the range of activities of the various segments. The ALM Area sets internal transfer prices ("Wholesale Rate") for raising and allocating resources for the use of the various segments. The Wholesale Rate constitutes the basis for the activity of the various segments with the Bank's customers, and is used to debit and credit the segments. The Wholesale Rate also serves as a means for market and liquidity risk management.

The Bank accords high importance to raising resources that are stable and highly diversified. The Bank has varied sources of financing, primarily arising from deposits from the public in Israel, the large majority of which are from retail customers, with no dependence on any single depositor or group of depositors. The Bank also takes deposits from large institutional and corporate clients. In addition, the Bank raises resources through bonds and capital instruments (subordinated notes) issued by the Bank Group.

Funding in foreign currency includes deposits of private customers and corporate customers in Israel, foreign residents, Global Private Banking customers, Israeli companies abroad, issues of CDs and other instruments secured by the FDIC in the United States, issues of bonds abroad, NIS-foreign currency swap transactions, and repo transactions.

As part of market and liquidity risk management, the Financial Markets and International Banking Division maintains a bond portfolio, consisting of government bonds and corporate bonds. The portfolio is managed by the ALM Unit and the Nostro Investment Management Unit of the Bank.

Nostro investment activity is aimed at increasing flexibility in the management of the banking book, while taking advantage of opportunities to improve returns on liquidity surpluses and diversify areas of activity. The investment portfolio is part of the banking book, and includes investments in bonds and shares, in Israel and overseas.

Trading activity – dealing room (OTC and derivatives)

The Bank provides comprehensive services to its customers through its dealing rooms (OTC and derivatives), allowing them to operate in a range of financial instruments, with various underlying assets, for trading, protection, and risk-hedging purposes. Transactions with the Bank's customers are conducted in accordance with the credit limits allocated to them by the credit authorities at the Bank, and on the basis of the Bank's internal models. The models specify credit exposures for transactions executed in the dealing room.

Awareness of the activities offered by the dealing room has grown steadily in recent years, leading to demand for a broader range of products with a higher level of sophistication. In response to these needs, and in order to preserve the Bank's standing as a leader and innovator, the product range in Israel includes complex products such as derivatives (which include interest-rate options in NIS), exotic options, and sophisticated interest-rate products.

As part of the Bank's trading activity, the dealing room is one of the primary market makers in government bonds, and serves as a market maker in most of the products in which it operates.

Brokerage and custody services

The Bank offers its customers services for the 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; in addition, securities custody services are provided.

Services for financial asset managers

The Bank provides services to financial-asset managers: managers of mutual funds, managers of investment portfolios, and managers of provident funds, study funds, and pension funds.
The Bank also offers services related to account management for mutual funds, including, among other matters, asset revaluation, production of control reports, and preparation of reports to government agencies. On December 31, 2022, the value of assets of mutual funds for which the Bank provides services related to account management, at various volumes, totaled approximately NIS 94 billion.

Services for financial institutions

The Banks and Financial Institutions Department is responsible for managing relationships and business connections with banks and financial institutions around the world. These relationships support the Bank's varied business activities, including foreign trade, trading in foreign currency, deposits, derivatives, and securities.
Within its activity with foreign banks and financial institutions, the Bank provides a wide range of services, including sub-custody services for leading foreign custodian banks active in Israel in the area of securities.

Competition

In recent years, Israel's financial markets have grown progressively more sophisticated. This is particularly notable in the broader range of products available to investors and market players. Various types of tradable instruments as well as derivative instruments are becoming more accessible.
Competition in all areas related to the activity of the dealing room and the securities trading rooms is extensive and intense. The principal competitors are the four major banking groups in Israel, foreign banks, and other financial companies specializing in this area.

Customers

The segment provides diverse services to all customers of the other segments at the Bank, both through the Bank's branches and CRMs, and through direct contact with large clients. The dealing room conducts marketing activity with foreign financial institutions, which has led to substantial expansion of the volume of activity with these customers (in the range of products for which the Bank serves as a market maker).

Regulation of activity

During the routine course of business, the Bank, and within it the Financial Management Segment, maintain extensive ties with the world's leading financial institutions. Business relations between the Bank and these entities in the various capital markets are based, among other things, on standard international arrangements, such as: framework agreements supporting the activity of dealing rooms, special agreements to minimize credit risks aimed at limiting credit risk in derivatives (credit support annex), or activity via international clearinghouses, to minimize counterparty risks and settlement risks in transactions in foreign currencies and in interest rates.

Table 7-11: Results of operations and principal data of the Financial Management Segment(1)

	For the year ended December 31	
	2022	2021
	NIS millions	
Total net interest income	**2,322**	2,148
Non-interest financing income	**544**	1,009
Total net financing profit	**2,866**	3,157
Fees and other income	**163**	140
Total income	**3,029**	3,297
Provision (income) for credit losses	**6**	(3)
Total operating and other expenses	**474**	480
Profit (loss) before taxes	**2,549**	2,820
Provision for taxes (tax benefit) on profit (loss)	**875**	981
Profit (loss) after taxes	**1,674**	1,839
The Bank's share in profits of equity-basis investees, after taxes	**99**	49
Net profit (loss):		
Before attribution to non-controlling interests	**1,773**	1,888
Attributed to non-controlling interests	**-**	7
Net profit (loss) attributed to shareholders of the Bank	**1,773**	1,895
Net credit to the public at the end of the reported period	**4,326**	1,913
Deposits from the public at the end of the reported period	**72,235**	78,123

(1) The Financial Management Segment includes, among other matters, activity with institutional entities, most of which are presented in the information regarding supervisory activity segments as a separate segment.

Principal changes in net profit and balance sheet balances

Net profit attributed to the Financial Management Segment totaled NIS 1,773 million in 2022, compared with NIS 1,895 million in the preceding year.

Net financing profit of the segment totaled NIS 2,866 million in 2022, compared with NIS 3,157 million in the preceding year. The decrease mainly resulted from losses recorded from investment in shares and bonds, compared with profits in the preceding year. In addition, an increase in losses 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. By contrast, income from linkage differentials increased due to changes in the rate of the known CPI between the periods.

Fees and other income totaled NIS 163 million in 2022, compared with NIS 140 million in the preceding year.

Net credit to the public totaled approximately NIS 4.3 billion as at December 31, 2022, compared with approximately NIS 1.9 billion as at December 31, 2021. The increase primarily resulted from an increase in deposits to limit exposure from derivative instruments.

Deposits from the public totaled approximately NIS 72.2 billion as at December 31, 2022, compared with approximately NIS 78.1 billion as at December 31, 2021. The decrease mainly resulted from reduced balances of major depositors.

7.5.8. Adjustments

This section includes activities of the Bank Group with immaterial volumes, each of which does not form a reportable segment. This includes, among other things: (1) the results of the subsidiaries Diur B.P. Ltd. and Peilim Investment Portfolio Management Ltd.; (2) capital gains from the sale of buildings and equipment; (3) legal and other provisions and expenses in connection with the investigation of the Bank Group's business with American customers which are not attributed to international activity; (4) adjustments of inter-segmental activities.

Principal changes in net profit and balance sheet balances

Net profit attributed to the segment totaled NIS 86 million in 2022, compared with net profit in the amount of NIS 57 million in the preceding year. The increase mainly resulted from a decrease in operating expenses.

Fees and other income totaled NIS 229 million in 2022, compared with NIS 232 million in the preceding year.

Operating and other expenses of the segment totaled approximately NIS 65 million in 2022, compared with NIS 127 million in the preceding year. The decrease mainly resulted from a decrease in legal expenses related to the implementation of the resolutions in connection with the investigation of the Bank Group's business with American customers.

7.6. Restrictions and supervision of the activity of the banking corporation

General information

The Bank operates under laws, regulations, and directives, some of which are unique to the banking system, and some of which, even if not unique, affect material parts of its activity. The Banking Ordinance, the various banking laws, and the Proper Conduct of Banking Business Directives issued from time to time by the Supervisor of Banks constitute the central legal foundation for the Bank Group's activity. Among other matters, they define the boundaries of the activities permitted to the Bank, the activities permitted to the subsidiaries and related companies of the Bank Group, the terms of control and ownership of such companies, the relationships between the Bank and its customers, the usage of the Bank's assets, and the manner of reporting such activity to the Supervisor of Banks and to the public.

In addition, the Bank is subject to extensive legislation regulating its activity in the capital market, both on behalf of its customers and on its own behalf (e.g. in the areas of investment advising and customer portfolio management, pension advising, securities laws, and restrictions on insurance activity).

Other laws on specific topics impose specific duties and rules on banks, including the Bank. Examples include the legislation related to the prohibition of money laundering and terrorism financing, the Credit Data Law, legislation related to housing loans, guarantee laws, etc.

Additional legislation related to the Bank's activity has a strong influence on its conduct. Noteworthy in this area are execution laws, liquidation and receivership laws, laws referring to specific segments (local authorities, mortgage takers, home buyers, the agricultural sector), and various tax laws.

The Bank's activity is subject to supervision and auditing by the Banking Supervision Department, as well as other supervisory agencies in specific areas of activity, such as the Israel Securities Authority; the Supervisor of the Capital Market, Insurance, and Savings at the Ministry of Finance; and the Competition Commissioner. These agencies carry out audits at the Bank, from time to time, concerning the various areas of activity.

The Bank and its subsidiaries work to comply with the duties imposed upon them under the aforesaid legal provisions.

The legislation establishes the possibility, with regard to most of the laws applicable to the activity of the Bank, to impose monetary sanctions for violations of the directives of the laws and the secondary legislation (including circulars and guidelines) issued in the past or future under such laws.

Regulatory initiatives

Regulatory reforms for increased competition in the banking system

In recent years, many regulatory initiatives have been formulated that are primarily aimed at increasing competition and encouraging innovation in the banking system in Israel. Some of these initiatives have been put into practice, while others are still in various phases of formulation and implementation, including the following.

Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel

The Law for Increasing Competition and Reducing Concentration in the Banking Market in Israel (Legislative Amendments), 2017 (the "Strum Law"), 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).

Following a discussion of the Economics Committee of December 27, 2021, regarding the reduction of credit facilities, the Ministry of Finance and the chairperson of the Economics Committee agreed, in coordination with the Bank of Israel, to decrease the reduction of credit facilities in credit cards established in the Strum Law. Accordingly, on January 30, 2022, an order of the Minister of Finance was approved that amends Section 9(c) of the Law for Increasing Competition and Reducing Concentration in the Banking Market, extending the reliefs granted by an additional year, until January 31, 2023, such that credit facilities are to be reduced by 45% of the total credit facilities granted to the public in 2015, instead of 50%, and the lowest threshold for the reduction of an existing credit facility is NIS 7,500 instead of NIS 5,000. The rate of reduction changed to 49% in 2023; credit facilities lower than NIS 8,500 will not be taken into account in the calculation of the reduction of credit facilities. Recently, the Minister of Finance decided to issue an order reducing the harm to customers of the banks. On January 31, 2023, an order of the Minister of Finance was approved that amends Section 9(c) of the Strum Law such that in 2023, credit facilities are to be reduced by 25% of the total credit facilities granted to the public in 2015, instead of 50%, and the lowest threshold for the reduction of an existing credit facility is NIS 10,000 instead of NIS 5,000 in the original law.

Open API

On November 4, 2021, the Knesset passed legislation concerning the promotion of open banking – the Financial Information Services Law, 2021. The law emphasizes the following matters, among others: a system of agreements between the customer (including all partners in the account), the information services provider, and the consumer of the information; prohibition of collection of fees for the service; the option to cancel the service; information-security arrangements; etc. The law took effect on June 14, 2022.

The law specifies sets of information to become operational on the following dates: Phase 3, which includes access to additional information of the customer (credit, deposits, and savings), launched on October 31, 2022; Phase 4, which includes information regarding the customers' securities portfolio, is to be completed by June 14, 2023. Expansion of the information for corporations is being implemented in two increments: information regarding corporations with turnover of up to NIS 5 million and a single authorized signatory (small businesses) was introduced in January 2023; for other corporations, the scheduled date is 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. The Banking Supervision Department issued another draft, discussed by the advisory board on December 19, 2022. An updated Proper Conduct of Banking Business Directive has not yet been published.

Expansion of the Credit Data Law to the business sector

On July 20, 2022, the Governor of the Bank of Israel announced that he would exercise his authority to expand the scope of the Credit Data Law to corporations, in order to improve access to credit for small and mid-sized businesses and increase competition in this area. Upon formulation of the rules required for the expansion of the existing database to credit data of corporations, the Governor will hold consultations with the Minister of Justice and present the rules for approval by the Economics Committee of the Knesset, as stated in the law, concurrently with the promotion of legislative amendments that may be necessary to adjust the directives of the law.

Regulatory initiatives in the area of payments

Memorandum of Law for Regulation of Engagement in Payment Services, 2022

The memorandum of law, released on January 10, 2022, is aimed at regulating engagement in payment services provided by non-bank entities and their relationship with banks, to allow such entities to join the payments market as significant players. Pursuant to the memorandum of law, services that will require licensing and supervision by the Israel Securities Authority include, among others: issuing means of payment, giving payment orders, clearing activities, transferring money to a beneficiary without managing an account, managing a payment account allowing the transfer of payments for goods and services, etc.

Payment Services Draft Memorandum of Law (Amendment 2) (Payment Initiation), 2022

The draft memorandum of law, issued on October 12, 2022, is aimed at regulating two additional payment services: basic initiation services, including payment instruction initiation and debit authorization initiation; and authorized initiation services. The memorandum focuses on consumer protection in connection with these services.

Protection of privacy

The Protection of Privacy Bill (Amendment 14), 2022, passed in the first reading in the Knesset on January 5, 2022. The amendment is expected to adapt the existing regulation in Israel in this area to the technological and societal developments, and to the European legislation (GDPR); to reduce the requirement to register databases; and to expand the administrative enforcement authority of the Privacy Protection Authority.

On July 31, 2022, the Privacy Protection Authority issued an opinion statement in which the authority seeks to clarify its interpretation of the **"duty to inform in the course of the collection and use of personal information" established in Section 11 of the Law for the Protection of Privacy.** Section 11 of the law states that contacting a person to request information for the purpose of holding or using the information in a database must be accompanied by a notice indicating to whom the information will be provided, and for what purpose; the purpose for which the information is requested; and whether the person is subject to a legal obligation to submit the information, or whether the submission of the information depends on the person's will and consent. In this regard, the Authority has clarified that the duty to inform applies in any instance in which a person is contacted and, in the course of the contact, personal information regarding the person is collected, either when the information is provided under the force of legal authority or when the information is provided of the person's free will, and obligates the contact initiator to state whether a legal obligation to provide the information applies.

On September 4, 2022, the Competition Authority issued a **draft opinion statement on the subject of the receipt of information at the Competition Authority and perusal of the information by parties that are not the providers of the information.** The objectives of the draft are to reflect a uniform, public policy establishing boundaries for the conduct of the Competition Authority with information providers, and the obligations of information providers when responding to demands for data.

Directives of the Bank of Israel on additional matters that were issued or took effect during the reported period

- **Draft Proper Conduct of Banking Business Directive, "Management of Customer Support Service Systems" –** On January 10, 2023, the Bank of Israel issued a draft directive formalizing principles and work processes in the area of customer service and support. The directive states, among other matters, that in a business environment and organizational culture that maintain and promote fair conduct towards customers in all interfaces, the existence of service and support systems that are effective, available, clear, and fair and enable customers to receive the information and service they need at the right time, in a way that enables them to understand the products and services and the options available to them throughout the stages of the engagement, contributes to effective and responsible communication between the banking corporation and its customers and helps customers make informed decisions about their financial assets and liabilities. The draft Proper Conduct of Banking Business Directive was issued further to the letter of the Supervisor of Banks of October 6, 2022, on the subject "Strengthening actions to benefit customers within work plans."
- **Update of Proper Conduct of Banking Business Directive 422, "Opening a Current Account with a Positive Balance and Managing an Account" –** On December 26, 2022, the Bank of Israel released a draft update of Proper Conduct of Banking Business Directive 422 for comments from the public. The draft directive states that sweeping rules should not be enacted and basic means of payment or the execution of transactions in an account through e-banking channels should not be barred solely because the account or customer belongs to a particular category of accounts or customers, and that each request should be examined in its own right and subject to discretion.

- **Draft Proper Conduct of Banking Business Directive, "Principles for Effective Management of Climate-Related Financial Risks" –** On December 25, 2022, the Bank of Israel issued a new draft Proper Conduct of Banking Business Directive establishing principles which banking corporations are required to follow to optimally manage their exposure to climate-related financial risks, based on a document published by the Basel Committee in June 2022.
- **Draft update of Supervision Reporting Directive 822 –** On November 16, 2022, the Bank of Israel issued a draft update of Supervision Reporting Directive 822, "Data for Calculation of Effective Cost in the Unlinked Israeli Currency Segment (Monthly)," to provide a publication for the public and allow comparison of interest rates actually paid by each bank on shekel deposits, and of interest rates actually collected on credit and on deviations from credit facilities in current accounts.
- **Draft update of Banking Rules (Service to Customers) (Fees), and new draft Banking Order (Service to Customers) (Supervision of Services of the Basic Track, Expanded Track, Expanded Plus Track, Transactions in Direct Channels, and Transactions by Clerks) –** On November 6, 2022, the Bank of Israel issued two drafts updating the method of charging fees in current accounts. According to the new charging method, customers will not be required to actively register for a track. Instead, each month the bank will calculate the least expensive payment method for the customer, based on the actual transactions executed by the customer in their current account that month, and collect payment accordingly. In addition, the definition of a "small business" was expanded from a business with turnover of up to NIS 5 million to a business with turnover of up to NIS 10 million, with the aim of expanding the group of businesses assigned to the price list for individuals and small businesses.
- **Update of Proper Conduct of Banking Business Directive 221, "Liquidity Coverage Ratio," with regard to recognition of operational deposits for liquidity purposes –** On November 2, 2022, the Bank of Israel issued a final version of Proper Conduct of Banking Business Directive 221, "Liquidity Coverage Ratio," including an update of the policy for recognition of operational deposits in the liquidity coverage ratio. In the update, the Banking Supervision Department is applying stricter requirements and policies with regard to the recognition of operational deposits for liquidity management purposes. A decision has been made to set limits on the extent of recognition of operational deposits and on the type of entities in respect of which operational deposits can be recognized (the conditions include existence of a legally binding agreement, and the ability to identify, monitor, and control the deposits, etc.).
- **Proper Conduct of Banking Business Directive 329B, "Sale of Housing Loans and Cooperations to Provide Housing Loans" –** On October 6, 2022, the Bank of Israel issued a final version of the directive establishing a regulatory framework for housing loan sale and syndication transactions. The directive sets limits on sales: housing loan portfolios are to be selected randomly, provided that the quality of the loan sold does not constitute a criterion for its inclusion in or exclusion from the portfolio being sold. Banks are required to retain at least 10% of each loan in a sale transaction; the loan portfolio must contain loans that have existed for at least twelve months prior to the sale. The amount of the housing loans sold shall not exceed 10% of the balance of the housing loan portfolio.

- **Update of Supervision Reporting Directive 823 –** On October 2, 2022, the Bank of Israel issued an update of Supervision Reporting Directive 823, "Monthly Report on Credit to the Public and Deposits from the Public by Linkage Base and Operating Segment," further to the letter of the Supervisor of Banks of September 7, 2022, on the subject, "Fairness to consumers in a changing financial environment." The update to the reporting directive contains adjustments to allow significant expansion of the publication of actual interest rates paid by each bank for NIS deposits and actual interest rates collected in granting credit, to enable customers to easily compare the terms offered by different banks and select the product best suited to them. The update of the directive is expected be in effect as of December 31, 2022.
- **Banking Order (Service to Customers) (Supervision of Services of Transactions by Clerks, Transactions in Direct Channels, Expanded Track, and Expanded Plus Track), 2022 –** Updated on September 1, 2022. The order expands supervision over current-account fees for the following services: the service of a "transaction by a clerk," the service of a "transaction in a direct channel," and services consisting of the services "transaction by a clerk" and "transaction in a direct channel."
- **Proper Conduct of Banking Business Directive 427, "Advanced Payment Services" –** On June 19, 2022, the Banking Supervision Department issued a new directive establishing disclosure requirements applicable to banking corporations with respect to payment transactions executed using payment applications, such that the following information shall be presented to the customer: the name of the payment application through which the payment transaction was executed, the name of the paying party or the beneficiary with which the customer executed the payment transaction, the date of the transaction, and the amount of the transaction; the purpose of the payment transaction, if specified by the customer in the course of the transaction, shall be presented in the customer's current account. The directive is scheduled to apply beginning February 1, 2023.
- **Update of Proper Conduct of Banking Business Directive 362, "Cloud Computing" –** On June 13, 2022, the Banking Supervision Department issued a final version of the update of Proper Conduct of Banking Business Directive 362, "Cloud Computing," and Supervision Reporting Directive 881, "Reporting on Cloud Computing." The update eliminates the prohibition that applied up to this point and permits the banking system to use cloud computing in core systems, subject to strict corporate-governance requirements and tightening of risk-management procedures. It was also determined that the use of cloud-computing services constitutes a subtype of outsourcing, and therefore a bank that uses cloud-computing services is also subject to the requirements of Proper Conduct of Banking Business Directive 359A concerning outsourcing. This directive takes effect on January 1, 2023. With regard to contracts executed prior to the date of publication of this directive, the bank must adapt the contracts to this directive to the extent necessary, at the next date of renewal of the contract, and no later than four years from the inception date. With regard to contracts executed after the date of publication of this directive but before the inception date, the bank must adapt the contracts to this directive, to the extent necessary, no later than one year from the inception date.

- **Proper Conduct of Banking Business Directive 460, "Presentation of Data on Activity in Securities Deposits" –** On June 13, 2022, the Banking Supervision Department issued an update of the directive in which, among other matters: an exception was granted for categories of customers that meet the definition of a "market maker" and a "trader arena," as well as customers who receive securities custody services from the bank; the rate of yield is calculated without taking tax expenses into consideration, as detailed in the guidelines included in the periodic reporting to the customer in the annex to the directive; the calculation of the yield for a customer who receives investment advising services shall also include structured deposits, even for customers who have ceased receiving investment services, but a structured deposit is still maintained in their account. This directive took effect on January 1, 2023.
- **Update of Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy" –** On May 25, 2022, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 203, "Capital Measurement and Adequacy," in which loans to finance land at a financing rate greater than 80% are added to the list of debts weighted as heightened risk, with a risk weight of 150% or more. The update took effect on June 30, 2022; however, its effect on capital adequacy can be spread into quarterly installments until June 30, 2023.
- **Update of Proper Conduct of Banking Business Directive 250 (Coronavirus) –** In view of the effect of the coronavirus crisis on the assets of banks and the continued trend of erosion in the leverage ratio of the banking system, on May 15, 2022, the Banking Supervision Department issued an update (no. 20) to Proper Conduct of Banking Business Directive 250, in which the Bank of Israel extended the period of the relief established in the directive, reducing the leverage ratio by one-half of a percentage point, until December 31, 2023. After that date, the banking system is required to return to the leverage ratios mandated prior to the relief, within two quarters.
- **Updates of Proper Conduct of Banking Business Directive 411, "Money Laundering and Terrorism Financing Prohibition Risk Management" –** On May 9, 2022, the Banking Supervision Department issued a final version of the update of Section 87A of Proper Conduct of Banking Business Directive 411, formalizing the principles and requirements of the banking system in management of the risk of the prohibition of money laundering and prohibition of financing of terrorism entailed in the provision of payment services in the course of activity in virtual currencies, in view of the high potential risk inherent in this activity. Requirements specified in the directive include the following: establishment of policies and procedures for the provision of payment services in the course of activity in virtual currencies; periodic risk assessment; and semiannual reporting to management and the board of directors.

On October 24, 2021, the Banking Supervision Department issued an update of Directive 411, including, among other matters, the addition of Annex B2, which concerns regulation of aspects of the prohibition of money laundering in advanced payment services, such as payment applications. The risk assessment, as prepared by the Banking Supervision Department within the formulation of the regulation, indicated that money laundering and terrorism financing prohibition risks involved in the activity of payment services are not high, at this time, given strict restrictions, including restriction of activity volumes and credit facilities. Pursuant to the update of the directive, banks are permitted to establish alternative methods of identification and verification with respect to some of the requirements of the Money Laundering Prohibition Order, 2001 (Duties of Identification, Reporting, and Record Keeping of Banking Corporations for the Prevention of Money Laundering and Financing of Terrorism). Inception date of Annex B2 – the directive took effect on January 15, 2023.

- **Proper Conduct of Banking Business Directive 451, "Procedures for Housing Loans" –** On January 31, 2022, the Banking Supervision Department issued an update of Directive 451, concerning housing loan procedures, according to which the Bank is required, among other matters, to:
  - Present three tracks, the composition of which is determined by the Banking Supervision Department, in order to improve customers' ability to perform comparisons;
  - Grant in-principle approval to customers within five business days of the date of submission of a loan application;
  - Provide an online calculator available to the public allowing simulations of different compositions of housing loans for different ranges of time;
  - Present information to customers, in their account on the bank's website, according to specified data, in a fixed format, at semiannual frequency.

  This directive took effect on August 31, 2022.

  Further to the foregoing, on July 7, 2022, the Banking Supervision Department issued another update in which, among other matters, banks are required to present, in the online calculator, the amount of the first monthly payment, the amount of the highest expected monthly payment according to the forecast, and the total amount predicted to be paid by the end of the term of the loan. A requirement to present the "overall predicted interest" in various compositions was also added.

  In this context, we also note the position of the Competition Authority (of June 2022), which welcomes the update of the Proper Conduct of Banking Business Directive but states that additional measures are necessary to ensure the contribution of the directive to the promotion of competition in the area of mortgages. Specifically, borrowers should be able to interact solely with the intaking entity (the entity through which they seek to refinance their mortgage) in all stages of mortgage refinancing.
- **Update of Proper Conduct of Banking Business Directive 449, "Simplification of Agreements for Customers" –** On June 14, 2022, the Banking Supervision Department issued an update of Proper Conduct of Banking Business Directive 449, adjusting the directive in view of the update to Proper Conduct of Banking Business Directive 451, "Procedures for Housing Loans."

New legislation

- **The Banking Law (Service to Customers) (Amendment 34), 2022 –** The Banking Law (Service to Customers) (Amendment 34), 2022, which limits the amount of the fee that banks are permitted to charge for opening a housing loan file to up to NIS 360, was published in the Official Gazette of the Israeli Government on June 22, 2022. This law took effect on August 22, 2022.
  On July 21, 2022, the Supervisor of Banks issued a letter clarifying several issues in connection with the implementation of the law: the law applies to all types of customers of banks, including individuals, small businesses, and large businesses. Accordingly, the directive established also applies to all types of customers, in all matters pertaining to the "fee for processing a housing loan application"; the price restriction established in the amendment to the law with regard to housing loans, as defined in Section 9B of the law, applies indirectly to all types of housing loans, as defined in the Fee Rules.
- **The Criminal Information and Rehabilitation of Offenders Law, 2019 –** Issued in January 2019 and took effect on July 12, 2022. This law replaces the Criminal Register and Rehabilitation of Offenders Law, 1981; its purpose is to redefine the appropriate equilibrium between the need to maintain a repository of criminal information and consider such information and the rehabilitation of offenders. Section 38 of the law establishes a normative prohibition on considering criminal information by anyone not entitled to receive it, and a prohibition on considering additional information pertaining to the criminal information that becomes known in other ways, such as from rulings and from the media.
- **Memorandum of Law for Adjudication of Interest and Linkage, 2022 –** The Memorandum of Law for Adjudication of Interest and Linkage, 2022, was released on March 1, 2022. The memorandum of law seeks to apply several amendments to the Law for Adjudication of Interest and Linkage, based on the recommendations of the interministerial committee appointed in 2018 to examine interest rates according to the Adjudication of Interest Law. Among other matters, the updates include two alternatives for the calculation of the basic interest rate only (NIS and linked), and a change and reduction in the penalty interest mechanism. The memorandum of law passed in the first reading in the plenum in June 2022.

The economic plan for Israel for 2023-2024 will be released during the first quarter of 2023, as well as the Economic Policy Law, also known as the "Arrangements Law." This legislation is expected to include bills that affect the banking system.
These regulatory initiatives affect the future business of the Bank. The Bank is examining the business and operational implications, both in the immediate range, for implementation purposes, and the longer-term impacts. Such effects cannot always be quantified when they initially arise, and depend, among other matters, on consumer behavior patterns, additional related regulatory changes, and the conduct of other market players.

7.7. Ratings of the Bank

The following ratings have been assigned to the Bank by rating agencies in Israel and abroad:

Table 7-12: Rating

Bank Hapoalim

Rater	Rating subject	Rating	Rating outlook	Date of rating/ rating approval
Maalot	Long-term issuer rating	ilAAA	Stable	February 2, 2023
	Bonds (Series 100, 200, 101, 201)(1)	ilAAA		February 2, 2023
	Subordinated notes(2)	ilAA+		February 2, 2023
	Subordinated notes with a loss-absorption mechanism (Series E, F, G)(3)	ilAA		February 2, 2023
Midroog	Long-term deposits	Aaa.il	Stable	December 20, 2022
	Short-term deposits	P-1.il		December 20, 2022
	Bonds (Series 100, 200, 101, 201)(1)	Aaa.il	Stable	December 20, 2022
	Subordinated notes(2)	Aa1.il	Stable	December 20, 2022
	Subordinated notes with a loss-absorption mechanism (Series E, F, G)(3)	Aa2.il(hyb)	Stable	December 20, 2022
International rating agency – S&P	Long-term issuer rating(4)	A	Stable	January 30, 2023
	Short-term issuer rating(4)	A-1		January 30, 2023
	Subordinated notes with a loss-absorption mechanism (Poalim $1 CoCo RM)(5)	BBB		January 30, 2023
International rating agency – Moody's	Long-term deposit rating	A2	Stable	February 6, 2023
	Short-term deposit rating	P-1		February 6, 2023
International rating agency – Fitch	Long-term issuer rating	A	Stable	January 26, 2023
	Short-term issuer rating	F1+		January 26, 2023
	Subordinated notes with a loss-absorption mechanism (Poalim $1 CoCo RM)(5)	BBB		January 26, 2023

(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 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) 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.
(5) Traded on the Retzef Mosdi'im (TACT Institutional) system.

Table 7-12: Rating (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, the international rating agency Moody's upgraded its rating outlook for Israel from Stable to Positive.

7.8. Social involvement and contribution to the community; social banking

Strategy and vision

Bank Hapoalim, alongside its business operations, has been committed for many years to the advancement of the society and community of Israel, and has taken action to reduce inequalities and create equal opportunities.

Based on this approach, the Poalim Community Foundation, within the Social Banking Center, promotes hundreds of initiatives aimed at strengthening employment, education, and financial resilience and lessening inequalities for hundreds of thousands of adults, children, and adolescents from every part of Israel. This extensive activity is conducted through partnerships forged with non-profits and social organizations, and takes the form of community engagement, monetary donations, money-equivalent contributions, financing and running of workshops at the Financial Growth Center, and widespread volunteering by the employees and managers of the Bank.

Ongoing activities

The community engagement of Poalim Community in 2022 was expressed in a cumulative financial expenditure of approximately NIS 31 million. The budget for this activity is established based on a predetermined formula, in reference to the net profit of the last three years. This decision is made separately for each specific year, and approved within the overall budget of the Bank. Of the total expense, approximately NIS 685 thousand was donated to non-profit organizations with a connection to a related party of the Bank, following approval of the donations by the Audit Committee of the Board of Directors.

The Bank decided to continue to focus, this year, on promoting high-quality employment, to increase individuals' social mobility, independence, sense of capability, and well-being. This effort is conducted through high-quality training and job placement for people from socially and geographically peripheral regions; providing tools and guidance; supporting entrepreneurship, small businesses, and the high-tech industry; encouraging higher education; and empowering the generation of the future.

Details of the various channels and projects follow.

- Promoting initiatives and high technology – The Bank supported leading non-profits such as 8200 Impact, KamaTech, JBH, and Yozma Leumit, which helped approximately 1,300 beneficiaries.
- 350 students received scholarships from the Bank's Poalim Success scholarship fund, and participated in the Bootcamp career preparation program, which offered lectures by the CEO of Google, workshops on networking and branding, and more. To endeavor to expand the impact of these programs, under the terms of the scholarships, each of the recipients dedicates approximately 160 hours per year to the community, in helping children at Educating for Excellence centers, digital literacy for senior citizens in the Arab community, or financial education for Druze adolescents.
- 18,000 people gained employment skills in 45 employment projects promoted by the Bank, of which 1,800 are currently employed.
- Support was granted to programs promoting inclusion of young people and university graduates from population groups underrepresented in quality employment in the high-tech sector and at government ministries, including Kav Mashve, ITWorks, Mona, and more.
- The Haredi women's community Ultra Code for Women Working in Development was founded, in partnership with the non-profit organization Kamatech and the Alumni Forum, offering professional lectures on various topics in the areas of finance, personal growth, and career development. Sponsorship was also provided for 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.
- Guidance for businesses – 2,650 small businesses were mentored by the non-profits Jasmine, Yozmot Atid, 8200, and others, sponsored by the Bank.
- Keren-Shemesh Small Business Community, sponsored by the Bank – The community consists of 1,700 businesses receiving mentoring to help small-business owners from socially and geographically peripheral regions make a living and create jobs. The volunteer mentors include employees of the Bank.

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, within which all of the Bank's services have been made accessible to people with disabilities, and accessibility is taken into consideration in the development of new products and processes and in tailoring unique solutions for the Bank's customers.

As a diverse bank for diverse customers, the Bank is proud to employ approximately 1,000 people from underrepresented population segments.

Poalim Community – nationwide initiatives

- Miss Fix the Universe – A joint initiative with the Israel Women's Network aimed at encouraging social entrepreneurship by women, dedicated to women. Women entrepreneurs were invited to participate in a competition, applying for grants dedicated to social enterprises. 200 women entrepreneurs participated in the competition; fourteen selected initiatives were awarded grants in a total amount of NIS 335,000 from Poalim Community.
- The Erech Laderech initiative provides training for third-sector representatives, in partnership with the non-profit organization Alumot. In this project, business and managerial tools were provided to non-profits and social organizations, to promote long-term robustness grounded in the ability to raise resources from a range of sources. Four new sessions of the program were held this year, including two targeted sessions – one attended by forty community centers and one for non-profit organizations in the Arab community.
- Poalim Passover – For the seventeenth year, the Bank invited the public to travel during the holiday of Passover and enjoy dozens of heritage sites, museums, national parks, and guided tours free of charge. Over 200,000 people visited museums and traveled across Israel during Passover. 17,000 people also visited the Social Families Pop-Up organized by the Bank at Ben Shemen Forest.
- Great Mall Challenge – A values-driven activity for the whole family, offered free of charge during the Hanukkah holiday, focused on financial education. At six major shopping malls across Israel, the public was invited to participate in the experience and achieve smart and frugal shopping. More than 32,000 people participated, over the course of 5.5 days during Hanukkah.
- 22nd annual Israeli Art Exhibition – Over 3,000 people visited the annual art exhibition of the Bank and purchased artwork. The exhibition, showcasing young Israeli artists, was dedicated to at-risk adolescents this year. A donation of NIS 1 million was given to the non-profit organizations ELEM and Otot and to the "Cooking Up a Future" program by Rabbi Grossman Enterprises.

Bit Social

This year, the Bank supported twelve national fundraising drives through Bit. The campaigns gained immense exposure on prime-time television and digital media, raising approximately NIS 50 million, of which NIS 15.5 million through Bit. The campaigns benefited non-profits including Pitchon Lev, Shalva, Variety, NATAL, Latet, Krembo Wings, and others.

Employee volunteering

During the year, Bank employees and family members contributed a total of approximately 58,500 hours of community volunteering (of which approximately 48,000 hours through the Summer Youth program, attended by approximately 1,200 teenagers who worked through the Bank).

Bank employees volunteered in many areas, including distribution of 4,650 food packages during the holidays of Passover, Rosh Hashana, and Ramadan; financial education for children and adolescents; and more.

This year, again, the Bank participated in Good Deeds Day, extended to a full week of volunteer activities. Approximately 3,200 employees volunteered at 178 institutions and organizations during the week.

Financial growth

The Bank Hapoalim Financial Growth Center, established in 2018, serves as a hub for learning and for acquiring knowledge and tools for astute financial conduct, for households and small businesses. Its services are offered to the general public free of charge, nationwide, in Hebrew and Arabic, with academic supervision by Prof. Zvi Eckstein of Reichman University. The center operates through advanced digital learning tools, via a dedicated website offering lectures by top speakers and interactive learning through digital courses, games for the whole family, lesson plans for elementary and middle-school students, and more. The content studied at the center was developed according to significant financial milestones, such as expansion of the family, taking out a mortgage, career change, retirement planning, and more. The activity of the center is based on collaborations with a range of professionals within and outside the Bank.

This year, over 12,000 people attended lectures on a wide range of topics, such as women's retirement and raising the retirement age for women, investment for women, negotiating to buy property, taking a mortgage, wills and inheritance, digital marketing for businesses, and more. Over 600,000 people used the content on financial behavior on the Financial Growth Center website.

- To promote transparency and fairness, content in Hebrew and Arabic on various topics was added to the account opening screen and on social media, drawing approximately 100,000 views: the Banking ID, how to save on fees, reducing credit facilities, and benefits for people with disabilities.
- Over 300 senior-citizen customers embarked on digital banking.
- 3,600 private customers (households, families, students, senior citizens, yeshiva students, etc.) received individual guidance on astute financial behavior.
- A new podcast channel was launched, hosted by Yaakov Eilon, to help manage everyday economic situations. Over 21,000 people listened to the first three episodes.
- Financial growth in the Arab community: nationwide activities on financial education were held, with the Bank of Israel and the Association of Banks, at more than 65 municipalities. Approximately 10,000 people participated in the program. Local activities were also held by branches, including lectures for business owners and private customers. In total, approximately 2,300 people attended lectures of the Financial Growth Center in Arabic.

Diversity and inclusion

The Bank has earned commendations in and outside Israel:

- The Israel Accessibility Award for 2022, for outstanding leadership of accessibility at a large organization.
- The Yakir Elem award, granted at a ceremony with 1,000 guests, attended by the Chairman of the Bank.
- First place in the Diversity category of the Asia Sustainability Reporting Awards.

In addition, within the Bank's commitment to increasing equality and inclusion among its customers and employees and its work to empower the Arab community, the Bank published its ESG report translated into Arabic, for the first time in Israel, in November 2022.

8. Appendices

8.1. Statement of profit and loss and balance sheet – multi-period data

Table 8-1: Consolidated statement of profit and loss for the years 2018-2022 – multi-period data

	For the year ended December 31				
	2022	2021	2020	2019	2018
	NIS millions				
Interest income	**19,220**	11,684	10,260	11,920	11,672
Interest expenses	**(5,753)**	(1,917)	(1,463)	(2,601)	(2,766)
Net interest income	**13,467**	9,767	8,797	9,319	8,906
Provision (income) for credit losses	**(34)**	(1,220)	1,943	1,276	613
Net interest income after provision for credit losses	**13,501**	10,987	6,854	8,043	8,293
Non-interest income					
Non-interest financing income	**581**	1,081	1,088	559	1,445
Fees	**3,705**	3,355	3,155	3,240	3,318
Other income	**167**	189	136	90	105
Total non-interest income	**4,453**	4,625	4,379	3,889	4,868
Operating and other expenses					
Salaries and related expenses	**4,387**	4,333	3,836	4,108	4,188
Maintenance and depreciation of buildings and equipment	**1,441**	1,333	1,377	1,334	1,376
Other expenses	**2,144**	2,137	2,288	3,334	3,396
Total operating and other expenses	**7,972**	7,803	7,501	8,776	8,960
Profit from continued operations before taxes	**9,982**	7,809	3,732	3,156	4,201
Provision for taxes on profit from continued operations	**3,548**	2,958	1,590	1,681	2,009
Profit from continued operations after taxes	**6,434**	4,851	2,142	1,475	2,192
The Bank's share in profits of equity-basis investees, after taxes	**99**	49	10	11	4
Net profit from continued operations	**6,533**	4,900	2,152	1,486	2,196
Net profit (loss) from a discontinued operation	**-**	-	(109)	296	364

Table 8-1: Consolidated statement of profit and loss for the years 2018-2022 – multi-period data (continued)

	For the year ended December 31				
	2022	2021	2020	2019	2018
	NIS millions				
Net profit					
Before attribution to non-controlling interests	**6,533**	4,900	2,043	1,782	2,560
Loss (profit) attributed to non-controlling interests	**(1)**	14	13	17	35
Attributed to shareholders of the Bank	**6,532**	4,914	2,056	1,799	2,595
Earnings per ordinary share in NIS					
Basic earnings					
Net profit attributed to shareholders of the Bank	**4.89**	3.68	1.54	1.35	1.93
Net profit attributed to shareholders of the Bank from continued operations	**4.89**	3.68	1.62	1.13	1.67
Net profit (loss) attributed to shareholders of the Bank from a discontinued operation	**-**	-	(0.08)	0.22	0.27
Diluted earnings					
Net profit attributed to shareholders of the Bank	**4.89**	3.68	1.54	1.35	1.94
Net profit attributed to shareholders of the Bank from continued operations	**4.89**	3.68	1.62	1.13	1.67
Net profit (loss) attributed to shareholders of the Bank from a discontinued operation	**-**	-	(0.08)	0.22	0.27

Table 8-2: Consolidated balance sheet for the years 2018-2022 – multi-period data

	December 31				
	2022	2021	2020	2019	2018
	NIS millions				
Assets					
Cash and deposits with banks	**133,424**	189,283	138,711	88,122	84,459
Securities	**107,400**	71,105	71,885	59,486	56,116
Securities borrowed or purchased under agreements to resell	**898**	1,253	368	471	708
Credit to the public	**394,262**	357,729	307,973	297,647	286,265
Allowance for credit losses	**(5,535)**	(5,106)	(6,145)	(4,707)	(3,758)
Net credit to the public	**388,727**	352,623	301,828	292,940	282,507
Credit to governments	**2,157**	1,969	2,193	1,971	2,428
Investments in equity-basis investees	**1,198**	853	556	192	103
Buildings and equipment	**3,522**	3,555	3,319	3,233	3,111
Assets in respect of derivative instruments	**21,832**	12,984	14,890	11,143	10,534
Other assets	**6,195**	5,156	5,852	5,281	5,850
Investment constituting a discontinued operation	**-**	-	-	849	15,110
Total assets	**665,353**	638,781	539,602	463,688	460,926
Liabilities and capital					
Deposits from the public	**532,588**	525,072	435,217	361,645	352,260
Deposits from banks	**8,696**	11,601	6,591	3,520	4,528
Deposits from the government	**3,262**	752	761	685	208
Securities lent or sold under agreements to repurchase	**13,877**	3,426	6	3	-
Bonds and subordinated notes	**26,866**	25,582	23,490	26,853	30,024
Liabilities in respect of derivative instruments	**19,043**	14,350	16,804	12,050	9,676
Other liabilities	**14,518**	15,251	16,834	20,711	11,841
Liabilities attributed to a discontinued operation	**-**	-	-	-	14,733
Total liabilities	**618,850**	596,034	499,703	425,467	423,270
Shareholders' equity	**46,502**	42,735	39,873	38,181	37,544
Non-controlling interests	**1**	12	26	40	112
Total capital	**46,503**	42,747	39,899	38,221	37,656
Total liabilities and capital	**665,353**	638,781	539,602	463,688	460,926

8.2. Statement of profit and loss and balance sheet – multi-quarter data

Table 8-3: Quarterly consolidated statement of profit and loss for the years 2021-2022 – multi-quarter data

	2022				2021			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	NIS millions							
Interest income	**6,374**	**5,139**	**4,304**	**3,403**	2,813	3,071	3,209	2,591
Interest expenses	**(2,446)**	**(1,503)**	**(1,117)**	**(687)**	(352)	(506)	(701)	(358)
Net interest income	**3,928**	**3,636**	**3,187**	**2,716**	2,461	2,565	2,508	2,233
Provision (income) for credit losses	**430**	**45**	**91**	**(600)**	187	(252)	(647)	(508)
Net interest income after provision for credit losses	**3,498**	**3,591**	**3,096**	**3,316**	2,274	2,817	3,155	2,741
Non-interest income								
Non-interest financing income	**337**	**115**	**(19)**	**148**	219	212	201	449
Fees	**929**	**984**	**903**	**889**	898	838	802	817
Other income	**37**	**18**	**17**	**95**	56	29	22	82
Total non-interest income	**1,303**	**1,117**	**901**	**1,132**	1,173	1,079	1,025	1,348
Operating and other expenses								
Salaries and related expenses	**1,082**	**1,076**	**1,068**	**1,161**	919	1,153	1,165	1,096
Maintenance and depreciation of buildings and equipment	**364**	**382**	**369**	**326**	348	332	316	337
Other expenses	**600**	**514**	**559**	**471**	638	514	499	486
Total operating and other expenses	**2,046**	**1,972**	**1,996**	**1,958**	1,905	1,999	1,980	1,919
Profit from continued operations before taxes	**2,755**	**2,736**	**2,001**	**2,490**	1,542	1,897	2,200	2,170
Provision for taxes on profit from continued operations	**1,015**	**967**	**704**	**862**	624	705	803	826
Profit (loss) from continued operations after taxes	**1,740**	**1,769**	**1,297**	**1,628**	918	1,192	1,397	1,344
The Bank's share in profits (losses) of equity-basis investees, after taxes	**10**	**16**	**46**	**27**	10	12	20	7

Table 8-3: Quarterly consolidated statement of profit and loss for the years 2021-2022 – multi-quarter data (continued)

	2022				2021			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	NIS millions							
Net profit (loss)								
Before attribution to non-controlling interests	**1,750**	**1,785**	**1,343**	**1,655**	928	1,204	1,417	1,351
Loss (profit) attributed to non-controlling interests	**-**	**-**	**-**	**(1)**	6	3	2	3
Attributed to shareholders of the Bank	**1,750**	**1,785**	**1,343**	**1,654**	934	1,207	1,419	1,354
Earnings per ordinary share in NIS								
Basic earnings (loss)								
Net profit attributed to shareholders of the Bank	**1.31**	**1.34**	**1.00**	**1.24**	0.70	0.90	1.06	1.01
Net profit attributed to shareholders of the Bank from continued operations	**1.31**	**1.34**	**1.00**	**1.24**	0.70	0.90	1.06	1.01
Net profit (loss) attributed to shareholders of the Bank from a discontinued operation	**-**	**-**	**-**	**-**	-	-	-	-
Diluted earnings (loss)								
Net profit attributed to shareholders of the Bank	**1.31**	**1.34**	**1.00**	**1.24**	0.70	0.90	1.06	1.01
Net profit attributed to shareholders of the Bank from continued operations	**1.31**	**1.34**	**1.00**	**1.24**	0.70	0.90	1.06	1.01
Net profit (loss) attributed to shareholders of the Bank from a discontinued operation	**-**	**-**	**-**	**-**	-	-	-	-

Table 8-4: Consolidated balance sheet as at the end of each quarter in the years 2021-2022 – multi-quarter data

	2022			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	NIS millions			
Assets				
Cash and deposits with banks	**133,424**	**145,423**	**162,579**	**178,317**
Securities	**107,400**	**90,078**	**81,506**	**68,604**
Securities borrowed or purchased under agreements to resell	**898**	**1,028**	**1,181**	**658**
Credit to the public	**394,262**	**386,775**	**377,085**	**369,293**
Allowance for credit losses	**(5,535)**	**(5,193)**	**(5,109)**	**(5,036)**
Net credit to the public	**388,727**	**381,582**	**371,976**	**364,257**
Credit to governments	**2,157**	**1,910**	**2,057**	**1,911**
Investments in equity-basis investees	**1,198**	**1,188**	**1,155**	**966**
Buildings and equipment	**3,522**	**3,439**	**3,457**	**3,492**
Assets in respect of derivative instruments	**21,832**	**28,481**	**22,356**	**13,874**
Other assets	**6,195**	**5,207**	**5,331**	**5,546**
Total assets	**665,353**	**658,336**	**651,598**	**637,625**
Liabilities and capital				
Deposits from the public	**532,588**	**527,699**	**529,508**	**519,776**
Deposits from banks	**8,696**	**9,779**	**9,045**	**11,370**
Deposits from the government	**3,262**	**486**	**1,116**	**605**
Securities lent or sold under agreements to repurchase	**13,877**	**9,081**	**6,018**	**6,432**
Bonds and subordinated notes	**26,866**	**26,263**	**27,334**	**27,411**
Liabilities in respect of derivative instruments	**19,043**	**26,026**	**19,711**	**14,385**
Other liabilities	**14,518**	**13,933**	**14,648**	**14,415**
Total liabilities	**618,850**	**613,267**	**607,380**	**594,394**
Shareholders' equity	**46,502**	**45,068**	**44,217**	**43,230**
Non-controlling interests	**1**	**1**	**1**	**1**
Total capital	**46,503**	**45,069**	**44,218**	**43,231**
Total liabilities and capital	**665,353**	**658,336**	**651,598**	**637,625**

Table 8-4: Consolidated balance sheet as at the end of each quarter in the years 2021-2022 – multi-quarter data (continued)

	2021			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1
	NIS millions			
Assets				
Cash and deposits with banks	189,283	175,765	170,439	159,943
Securities	71,105	70,383	69,910	64,798
Securities borrowed or purchased under agreements to resell	1,253	1,219	892	892
Credit to the public	357,729	340,347	328,909	311,780
Allowance for credit losses	(5,106)	(5,050)	(5,152)	(5,663)
Net credit to the public	352,623	335,297	323,757	306,117
Credit to governments	1,969	2,017	2,077	2,106
Investments in equity-basis investees	853	781	571	566
Buildings and equipment	3,555	3,425	3,254	3,245
Assets in respect of derivative instruments	12,984	10,084	10,092	11,366
Other assets	5,156	5,353	5,352	5,365
Total assets	638,781	604,324	586,344	554,398
Liabilities and capital				
Deposits from the public	525,072	505,483	483,090	455,394
Deposits from banks	11,601	10,448	10,110	6,942
Deposits from the government	752	543	533	556
Securities lent or sold under agreements to repurchase	3,426	922	672	3
Bonds and subordinated notes	25,582	18,761	20,944	21,415
Liabilities in respect of derivative instruments	14,350	10,851	10,570	11,363
Other liabilities	15,251	14,581	18,090	17,867
Total liabilities	596,034	561,589	544,009	513,540
Shareholders' equity	42,735	42,717	42,314	40,835
Non-controlling interests	12	18	21	23
Total capital	42,747	42,735	42,335	40,858
Total liabilities and capital	638,781	604,324	586,344	554,398

8.3. Material developments in income and expenses by quarter

Table 8-5: Quarterly developments in total net financing profit

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Interest income	**6,374**	**5,139**	**4,304**	**3,403**	2,813	3,071	3,209	2,591
Interest expenses	**(2,446)**	**(1,503)**	**(1,117)**	**(687)**	(352)	(506)	(701)	(358)
Net interest income	**3,928**	**3,636**	**3,187**	**2,716**	2,461	2,565	2,508	2,233
Non-interest financing income (expenses)	**337**	**115**	**(19)**	**148**	219	212	201	449
Total reported financing profit	**4,265**	**3,751**	**3,168**	**2,864**	2,680	2,777	2,709	2,682
Excluding effects not from regular activity:								
Income from realization and adjustments to fair value of bonds	**(173)**	**4**	**(14)**	**46**	37	57	49	59
Profit (loss) from investments in shares	**96**	**(59)**	**(190)**	**30**	94	120	92	293
Adjustments to fair value of derivative instruments(1)	**171**	**(199)**	**(77)**	**(73)**	(6)	(21)	(7)	29
Income (expenses) from hedges and others(2)	**(13)**	**(17)**	**17**	**(49)**	22	23	35	(37)
Total effects not from regular activity	**81**	**(271)**	**(264)**	**(46)**	147	179	169	344
Total income from regular financing activity(3)	**4,184**	**4,022**	**3,432**	**2,910**	2,533	2,598	2,540	2,338

(1) The effect of the measurement of profit and loss in derivative instruments constituting part of the Bank's asset and liability management strategy on a fair-value basis, versus measurement on an accrual basis.

(2) The effect of hedging the asymmetry in the tax liability in respect of exchange-rate differences in investments in subsidiaries overseas, which are not included in the income base for the calculation of the provision for tax, in contrast to exchange-rate differences in respect of financing sources. The Bank hedges against tax exposure in respect of investments overseas by establishing surplus financing sources against such investments.

(3) Financing profit excluding extraordinary effects, and excluding effects arising mainly from the timing of recording in accounting. Of which, in respect of the effects of changes in the CPI: income of NIS 202 million in the fourth quarter of 2022; income of NIS 330 million in the third quarter of 2022; income of NIS 516 million in the second quarter of 2022; income of NIS 301 million in the first quarter of 2022; income of NIS 44 million in the fourth quarter of 2021; income of NIS 159 million in the third quarter of 2021; income of NIS 190 million in the second quarter of 2021; and income of NIS 12 million in the first quarter of 2021.

Table 8-6: Provision for credit losses in respect of debts and in respect of off-balance sheet credit instruments, by quarter**

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Individual provision for credit losses	**159**	**45**	**121**	**149**	223	112	129	89
Decrease in individual allowance for credit losses and recovery of charged off debts	**(63)**	**(196)**	**(129)**	**(699)**	(203)	(300)	(378)	(144)
Net individual provision (income) for credit losses	**96**	**(151)**	**(8)**	**(550)**	20	(188)	(249)	(55)
Net provision (income) in respect of the collective allowance for credit losses and net automatic charge-offs(1)	**334**	**196**	**99**	**(50)**	167	(64)	(398)	(453)
Total provision (income) for credit losses*	**430**	**45**	**91**	**(600)**	187	(252)	(647)	(508)
* Of which:								
Net provision (income) for credit losses in respect of commercial credit risk	**351**	**(22)**	**76**	**(586)**	189	(253)	(303)	(203)
Net provision (income) for credit losses in respect of housing credit risk	**37**	**(4)**	**6**	**32**	5	9	(172)	(68)
Net provision (income) for credit losses in respect of other private credit risk	**33**	**69**	**(16)**	**(46)**	(8)	(8)	(172)	(237)
Net provision (income) for credit losses in respect of risk of credit to banks and governments	**9**	**2**	**25**	**-**	1	-	-	-
Total provision (income) for credit losses	**430**	**45**	**91**	**(600)**	187	(252)	(647)	(508)
Provision as a percentage of total credit to the public:***								
Percentage of individual provision (income) for credit losses	**0.16%**	**0.05%**	**0.13%**	**0.16%**	0.26%	0.13%	0.16%	0.11%
Gross provision (income) for credit losses as a percentage of the average recorded balance of credit to the public****	**0.50%**	**0.25%**	**0.24%**	**0.11%**	0.45%	0.06%	(0.34%)	(0.47%)
Provision (income) for credit losses as a percentage of the average recorded balance of credit to the public	**0.43%**	**0.05%**	**0.10%**	**(0.66%)**	0.21%	(0.30%)	(0.81%)	(0.66%)
Net charge-offs in respect of credit to the public as a percentage of the average recorded balance of credit to the public	**(0.02%)**	**(0.03%)**	**-**	**(0.06%)**	0.06%	(0.21%)	(0.12%)	0.03%
Net charge-offs in respect of credit to the public as a percentage of the allowance for credit losses in respect of credit to the public	**(1.30%)**	**(1.85%)**	**0.16%**	**(4.37%)**	4.07%	(13.70%)	(7.76%)	1.62%

** Including in respect of housing credit.

*** Annualized.

**** The gross provision for credit losses is the total provision for credit losses, excluding the decrease in the individual allowance for credit losses and recovery of charged off debts.

(1) Charge-offs in respect of debts past due by 150 days or more not examined individually.

Table 8-7: Details of fees and other income, by quarter

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Fees								
Account-management fees	**225**	**223**	**218**	**211**	217	197	192	187
Securities activity	**160**	**185**	**193**	**210**	203	186	194	221
Financial product distribution fees	**41**	**43**	**47**	**48**	47	46	44	41
Credit cards, net	**132**	**177**	**93**	**69**	75	75	70	55
Credit processing	**70**	**61**	**51**	**56**	59	53	46	62
Financing transaction fees	**167**	**163**	**161**	**174**	170	161	147	139
Conversion differences	**80**	**85**	**82**	**77**	83	70	65	70
Other fees	**54**	**47**	**58**	**44**	44	50	44	42
Total fees	**929**	**984**	**903**	**889**	898	838	802	817
Other income	**37**	**18**	**17**	**95**	56	29	22	82
Total fee income and other income	**966**	**1,002**	**920**	**984**	954	867	824	899

Table 8-8: Details of operating and other expenses, by quarter

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	NIS millions							
Wages	**1,082**	**1,076**	**1,068**	**1,161**	919	1,153	1,165	1,096
Maintenance and depreciation of buildings and equipment	**364**	**382**	**369**	**326**	348	332	316	337
Others(1)	**600**	**514**	**559**	**471**	638	514	499	486
Total	**2,046**	**1,972**	**1,996**	**1,958**	1,905	1,999	1,980	1,919

(1) In the fourth quarter of 2021, an expense was included in respect of a settlement in connection with a class action concerning the investigation of the Bank Group's business with American customers, in the amount of NIS 50 million.

Table 8-9: Principal data by quarter

	For the three months ended				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
	NIS millions				
Main performance indicators					
Return of net profit attributed to shareholders of the Bank on equity*[(1)]	**15.3%**	15.9%	12.3%	15.6%	8.8%
Return of net profit attributed to shareholders of the Bank on equity excluding extraordinary items*[(1)(2)]	**15.3%**	15.9%	12.3%	15.6%	9.2%
Net profit attributed to shareholders of the Bank excluding extraordinary items[(2)]	**1,750**	1,785	1,343	1,654	977
Financing margin from regular activity[(1)(3)]	**2.64%**	2.58%	2.24%	1.91%	1.72%

* 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.

(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) 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.

8.4. Rates of interest income and expenses

Table 8-10: 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 year ended December 31								
	2022			2021			2020		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	NIS millions		%	NIS millions		%	NIS millions		%
A. Average balances and interest rates									
Interest-bearing assets									
Credit to the public[3]:									
In Israel	**345,441**	**15,293**	**4.43%**	300,147	10,459	3.48%	274,224	8,827	3.22%
Outside Israel	**17,358**	**909**	**5.24%**	14,963	591	3.95%	14,869	628	4.22%
Total	**362,799**	**(4)16,202**	**4.47%**	315,110	(4)11,050	3.51%	289,093	(4)9,455	3.27%
Credit to governments:									
In Israel	**1,952**	**91**	**4.66%**	2,074	45	2.17%	2,389	49	2.05%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**1,952**	**91**	**4.66%**	2,074	45	2.17%	2,389	49	2.05%
Deposits with banks:									
In Israel	**4,871**	**97**	**1.99%**	3,999	45	1.13%	6,782	83	1.22%
Outside Israel	**163**	**2**	**1.23%**	127	1	0.79%	189	(6)	(3.17%)
Total	**5,034**	**99**	**1.97%**	4,126	46	1.11%	6,971	77	1.10%
Deposits with central banks:									
In Israel	**119,933**	**1,319**	**1.10%**	131,664	132	0.10%	77,230	100	0.13%
Outside Israel	**9,299**	**146**	**1.57%**	10,086	15	0.15%	9,565	36	0.38%
Total	**129,232**	**1,465**	**1.13%**	141,750	147	0.10%	86,795	136	0.16%
Securities borrowed or purchased under agreements to resell:									
In Israel	**1,313**	**16**	**1.22%**	1,011	-	-	328	-	-
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**1,313**	**16**	**1.22%**	1,011	-	-	328	-	-

(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) Before deduction of the average balance sheet balance of the allowance for credit losses, including debts that do not accrue interest income.
(4) Fees in the amount of NIS 595 million were included in interest income in the year ended December 31, 2022 (December 31, 2021: NIS 629 million; December 31, 2020: NIS 529 million).

Table 8-10: 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 year ended December 31								
	2022			2021			2020		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	NIS millions		%	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	**68,901**	**1,072**	**1.56%**	56,996	347	0.61%	52,682	447	0.85%
Outside Israel	**3,635**	**77**	**2.12%**	3,085	28	0.91%	3,163	65	2.06%
Total	**72,536**	**1,149**	**1.58%**	60,081	375	0.62%	55,845	512	0.92%
Bonds held for trading[3]:									
In Israel	**8,164**	**198**	**2.43%**	4,058	21	0.52%	7,895	31	0.39%
Outside Israel	**1**	**-**	**-**	2	-	-	2	-	-
Total	**8,165**	**198**	**2.42%**	4,060	21	0.52%	7,897	31	0.39%
Other assets:									
In Israel	**571**	**-**	**-**	488	-	-	1,520	-	-
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**571**	**-**	**-**	488	-	-	1,520	-	-
Total interest-bearing assets	**581,602**	**19,220**	**3.30%**	528,700	11,684	2.21%	450,838	10,260	2.28%
Non-interest-bearing debtors in respect of credit cards	**7,374**	**-**	**-**	6,851	-	-	6,426	-	-
Other non-interest-bearing assets[4]	**56,166**	**-**	**-**	44,139	-	-	39,759	-	-
Total assets	**645,142**	**-**	**-**	579,690	-	-	497,023	-	-
Total interest-bearing assets attributed to activities outside Israel	**30,456**	**1,134**	**3.72%**	28,263	635	2.25%	27,788	723	2.60%

(1) Data presented after the effect of hedging derivative instruments.
(2) Based on monthly opening balances (in the unlinked Israeli currency segment, based on daily balances).
(3) The average balance of unrealized gains (losses) from adjustments to fair value of bonds held for trading and of gains (losses) from bonds available for sale, which are included in equity within accumulated other comprehensive income, in the amount of NIS (1,641) million for the year ended December 31, 2022 (December 31, 2021: NIS 296 million; December 31, 2020: NIS 405 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 8-10: 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 year ended December 31								
	2022			2021			2020		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	NIS millions		%	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)									
Interest-bearing liabilities									
Deposits from the public:									
In Israel	**276,320**	**3,716**	**1.34%**	246,433	880	0.36%	206,768	815	0.39%
On demand	**136,790**	**1,151**	**0.84%**	125,980	33	0.03%	96,472	30	0.03%
Fixed term	**139,530**	**2,565**	**1.84%**	120,453	847	0.70%	110,296	785	0.71%
Outside Israel	**20,003**	**309**	**1.54%**	17,593	103	0.59%	16,561	227	1.37%
On demand	**6,872**	**92**	**1.34%**	7,650	27	0.35%	5,304	43	0.81%
Fixed term	**13,131**	**217**	**1.65%**	9,943	76	0.76%	11,257	184	1.63%
Total	**296,323**	**4,025**	**1.36%**	264,026	983	0.37%	223,329	1,042	0.47%
Deposits from the government:									
In Israel	**796**	**23**	**2.89%**	555	4	0.72%	423	5	1.18%
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**796**	**23**	**2.89%**	555	4	0.72%	423	5	1.18%
Deposits from central banks:									
In Israel	**4,166**	**-**	**-**	3,503	-	-	245	-	-
Outside Israel	**-**	**-**	**-**	-	-	-	64	1	1.56%
Total	**4,166**	**-**	**-**	3,503	-	-	309	1	0.32%
Deposits from banks:									
In Israel	**5,415**	**21**	**0.39%**	4,728	7	0.15%	2,637	8	0.30%
Outside Israel	**104**	**1**	**0.96%**	136	3	2.21%	145	5	3.45%
Total	**5,519**	**22**	**0.40%**	4,864	10	0.21%	2,782	13	0.47%
Securities lent or sold under agreements to repurchase:									
In Israel	**7,488**	**187**	**2.50%**	1,026	4	0.39%	1	-	-
Outside Israel	**1**	**-**	**-**	5	-	-	4	-	-
Total	**7,489**	**187**	**2.50%**	1,031	4	0.39%	5	-	-

(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 8-10: 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 year ended December 31								
	2022			2021			2020		
	Average balance(2)	Interest expenses	Rate of expense	Average balance(2)	Interest expenses	Rate of expense	Average balance(2)	Interest expenses	Rate of expense
	NIS millions		%	NIS millions		%	NIS millions		%
A. Average balances and interest rates (continued)									
Interest-bearing liabilities (continued)									
Bonds:									
In Israel	**26,765**	**1,483**	**5.54%**	21,464	908	4.23%	25,203	396	1.57%
Outside Israel	**-**	**-**	**-**	3	-	-	109	5	4.59%
Total	**26,765**	**1,483**	**5.54%**	21,467	908	4.23%	25,312	401	1.58%
Other liabilities:									
In Israel	**298**	**13**	**4.36%**	775	8	1.03%	757	-	-
Outside Israel	**-**	**-**	**-**	19		-	1	1	100.0%
Total	**298**	**13**	**4.36%**	794	8	1.01%	758	1	0.13%
Total interest-bearing liabilities	**341,356**	**5,753**	**1.69%**	296,240	1,917	0.65%	252,918	1,463	0.58%
Non-interest-bearing deposits from the public	**225,676**	**-**	**-**	214,139	-	-	174,170	-	-
Non-interest-bearing creditors in respect of credit cards	**4,636**	**-**	**-**	7,512	-	-	7,256	-	-
Other non-interest-bearing liabilities(3)	**27,557**	**-**	**-**	20,441	-	-	24,618	-	-
Total liabilities	**599,225**	**-**	**-**	538,332	-	-	458,962	-	-
Total capital means	**45,917**	**-**	**-**	41,358	-	-	38,061	-	-
Total liabilities and capital means	**645,142**	**-**	**-**	579,690	-	-	497,023	-	-
Interest spread	**-**	**-**	**1.61%**	-	-	1.56%	-	-	1.70%
Net return on interest-bearing assets(4)									
In Israel	**551,146**	**12,643**	**2.29%**	500,437	9,238	1.85%	423,050	8,313	1.97%
Outside Israel	**30,456**	**824**	**2.71%**	28,263	529	1.87%	27,788	484	1.74%
Total	**581,602**	**13,467**	**2.32%**	528,700	9,767	1.85%	450,838	8,797	1.95%
Total interest-bearing liabilities attributed to activities outside Israel	**20,108**	**310**	**1.54%**	17,756	106	0.60%	16,884	239	1.42%

(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 8-10: 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 year ended December 31								
	2022			2021			2020		
	Average balance[2]	Interest income/ (expenses)	Rate of income/ (expense)	Average balance[2]	Interest income/ (expenses)	Rate of income/ (expense)	Average balance[2]	Interest income/ (expenses)	Rate of income/ (expense)
	NIS millions		%	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	**432,954**	**12,380**	**2.86%**	402,645	7,750	1.92%	331,590	7,620	2.30%
Total interest-bearing liabilities	**226,301**	**(2,211)**	**(0.98%)**	194,148	(354)	(0.18%)	158,081	(392)	(0.25%)
Interest spread	**-**	**-**	**1.88%**	-	-	1.74%	-	-	2.05%
Israeli currency CPI-linked									
Total interest-bearing assets	**59,014**	**4,340**	**7.35%**	52,923	2,658	5.02%	50,342	1,118	2.22%
Total interest-bearing liabilities	**31,469**	**(1,957)**	**(6.22%)**	32,210	(1,225)	(3.80%)	36,178	(440)	(1.22%)
Interest spread	**-**	**-**	**1.13%**	-	-	1.22%	-	-	1.00%
Foreign currency (includes Israeli currency linked to foreign currency)									
Total interest-bearing assets	**59,178**	**1,366**	**2.31%**	44,869	641	1.43%	41,118	799	1.94%
Total interest-bearing liabilities	**63,478**	**(1,275)**	**(2.01%)**	52,126	(232)	(0.45%)	41,775	(392)	(0.94%)
Interest spread	**-**	**-**	**0.30%**	-	-	0.98%	-	-	1.00%
Total activity in Israel									
Total interest-bearing assets	**551,146**	**18,086**	**3.28%**	500,437	11,049	2.21%	423,050	9,537	2.25%
Total interest-bearing liabilities	**321,248**	**(5,443)**	**(1.69%)**	278,484	(1,811)	(0.65%)	236,034	(1,224)	(0.52%)
Interest spread	**-**	**-**	**1.59%**	-	-	1.56%	-	-	1.73%

(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 8-10: Rates of interest income and expenses of the Bank and its consolidated companies, and analysis of changes in interest income and expenses[1] (continued)

	Year ended December 31, 2022, versus year ended December 31, 2021			Year ended December 31, 2021, versus year ended December 31, 2020		
	Increase (decrease) due to change[2]		Net change	Increase (decrease) due to change[2]		Net change
	Quantity	Price		Quantity	Price	
	NIS millions					
C. Analysis of changes in interest income and expenses						
Interest-bearing assets						
Credit to the public:						
In Israel	**2,005**	**2,829**	**4,834**	903	729	1,632
Outside Israel	**125**	**193**	**318**	4	(41)	(37)
Total	**2,130**	**3,022**	**5,152**	907	688	1,595
Other interest-bearing assets:						
In Israel	**74**	**2,129**	**2,203**	151	(271)	(120)
Outside Israel	**(3)**	**184**	**181**	1	(52)	(51)
Total	**71**	**2,313**	**2,384**	152	(323)	(171)
Total interest income	**2,201**	**5,335**	**7,536**	1,059	365	1,424
Interest-bearing liabilities						
Deposits from the public:						
In Israel	**402**	**2,434**	**2,836**	142	(77)	65
Outside Israel	**37**	**169**	**206**	6	(130)	(124)
Total	**439**	**2,603**	**3,042**	148	(207)	(59)
Other interest-bearing liabilities:						
In Israel	**495**	**301**	**796**	81	441	522
Outside Israel	**(1)**	**(1)**	**(2)**	(3)	(6)	(9)
Total	**494**	**300**	**794**	78	435	513
Total interest expenses	**933**	**2,903**	**3,836**	226	228	454
Total interest income less interest expenses	**1,268**	**2,432**	**3,700**	833	137	970

(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.

Annual Periodic Report

2022

Standard 9 Financial Statements

The audited annual financial statements, with the attached Auditors' Review, are enclosed and constitute an integral part of this report.

Standard 10C

The consideration for the issuance of bonds (Series F, Series 100, and Series 200) in a total amount of approximately NIS 2.5 billion of March 2022 is being used by the Bank for its routine operations.
The consideration for the issuance of bonds (Series G, Series 101, and Series 201) in a total amount of approximately NIS 4.2 billion of November 2022 is being used by the Bank for its routine operations.

General note on Standards 11, 12, and 13

Standards 11, 12, and 13 were applied with regard to investments in subsidiaries and equity-basis investees with business activity, provided that they meet one or more of the following criteria:

1. The share of the Bank in the balance sheet value of the investment in the investee company (concatenated) is greater than 0.5% of the shareholders' equity in the financial statements of the Bank.
2. The company constitutes a banking corporation.

Standard 11 List of investments in subsidiaries and related companies as at the balance sheet date

A. In shares and convertible securities

	Share type		
	Share	Par value per share	Currency
Company			
Opaz Ltd.	Ordinary shares	*0.01	NIS
Bank Pozitif Kredi Ve Kalkinma Bankasi A.S.*	-	-	-
Diur B.P. Ltd.	-	-	-
Hapoalim (Switzerland) Ltd.	Founding shares	*100.00	CHF
Hapoalim Nechasim (Menayot) Ltd.	-	-	-
Poalim Equity Ltd.	-	-	-
Peilim Portfolio Management Company Ltd.	Ordinary shares	*1.00	NIS
Peilim Portfolio Management Company Ltd.	Ordinary shares 0.001	*0.00	NIS
Pekaot Poalim Ltd.	Ordinary shares	*100.00	NIS
Continental Poalim Ltd.	Ordinary shares	*0.00	NIS
Continental Poalim Ltd.	A management shares	*0.00	NIS
Continental Poalim Ltd.	B management shares	*0.00	NIS
Revadim (Nechasim) Ltd.	Ordinary shares	*0.00	NIS
Sure-Ha International Ltd.	Ordinary shares	*1.00	USD
Tarshish Hapoalim Holdings and Investments Ltd.	Ordinary shares	*0.00	NIS

* For details regarding an agreement with the minority shareholder, see Note 15F.

Number of shares	Total par value	Balance sheet value (in NIS M)	Holding rate			
			In securities	In capital	In voting	In authority to appoint directors
1,000,770	10,008	1,591	100%	100%	100%	100%
-	-	-	-	100%	100%	100%
-	-	231	-	100%	100%	100%
650,000	65,000,000	290	100%	100%	100%	100%
-	-	758	-	100%	100%	100%
-	-	2,713	-	100%	100%	100%
50,000	50,000	260	100%	100%	100%	100%
5,000	5	260	100%	100%	100%	100%
370,214	37,021,400	310	100%	100%	100%	100%
58,351,356,355	5,835,136	539	100%	100%	100%	100%
20	-	539	100%	100%	100%	100%
20	-	539	100%	100%	100%	100%
20,000	2	1,511	100%	100%	100%	100%
1	1	343	0%	100%	100%	100%
4,420	-	700	100%	100%	100%	100%

Standard 11 List of investments in subsidiaries and related companies as at the balance sheet date (continued)

B. In bonds and capital notes

	Linkage terms	Balance sheet balance (NIS millions)	Interest rate %	Final maturity year
Company				
Zohar Hashemesh Lehashkaot Ltd.	Unlinked	850	-	No maturity date
Poalim Equity & Investments - Holdings Ltd.	Unlinked	400	-	2027

C. Balance of loans as at December 31, 2022

	Balance of loans as at Dec. 31, 2022	Interest rate of unlinked loans	Interest rate of foreign-currency loans	Interest rate of CPI-linked loans	Interest rate of foreign-currency linked loans	Final maturity date
	(NIS millions)			%		
Company						
Bank Pozitif Kredi Ve Kalkinma Bankasi A.S.	**77**	-	6.88	-	-	2023

D. List of inactive companies

Otsar Bavel Ltd.	In voluntary liquidation
BHI Investment Advisors Asia	In voluntary liquidation
Diur B.P. Investments (1992) Ltd.	In voluntary liquidation
Hasneh Israel Insurance Company Ltd.	
Hevra Lepitouh Ashkelon Barnea Ltd.	
The Rest Village Ashkelon Ltd.	In voluntary liquidation
Teus Trust Company Ltd.	In voluntary liquidation
Hevrat Odar Ltd.	
Hanyon Allenby 115 Tel-Aviv Ltd.	In voluntary liquidation
Chatzron Hevra Lehashkaot Ltd.	In voluntary liquidation
Matai Ramatim Ltd.	
Poalim Ventures I Ltd.	In voluntary liquidation
Karkaot Beguosim 7123 7124 7128 Ltd.	

Standard 12 Changes in the Bank's investments in subsidiaries and equity-basis investees during the reported period

	Share type						
	Share	Par value per share	Currency	Date of change	Nature of change	Total par value	Cost (in NIS millions)
Company							
Bank Pozitif Kredi Ve Kalkinma Bankasi A.S.	Ordinary	0.1	TRY	Mar. 10, 2022	Investment	101,777,661	16
Poalim Equity & Investments - Holdings Ltd.		1.0	NIS	Mar. 2, 2022	Share allocation		225
Hapoalim (Luxembourg) S.A.			USD	Sep. 13, 2022	Return of investment		141
Hapoalim (Switzerland) Ltd.			CHF	Feb. 22, 2022	Investment		35
Hapoalim (Switzerland) Ltd.			CHF	Dec. 1, 2022	Investment		36

Standard 13 Income of subsidiaries and related companies and the Bank's income from such companies as at the balance sheet date*

	Profit (loss) reported by the company		Bank income		
	Profit (loss) reported by the company	Accumulated other comprehensive income (loss)	Interest	Management fees	Dividends
	NIS millions				
Company					
Opaz Ltd.	(86)	-	-	-	-
Bank Pozitif Kredi Ve Kalkinma Bankasi A.S.	3	-	4	-	-
Diur B.P. Ltd.**	72	-	-	-	-
Hapoalim (Switzerland) Ltd.	(76)	-	-	-	-
Hapoalim Nechasim (Menayot) Ltd.	(16)	-	-	-	-
Poalim Equity Ltd.	123	-	-	-	-
Pekaot Poalim Ltd.	3	-	-	-	-
Continental Poalim Ltd.	7	-	-	-	-
Revadim (Nechasim) Ltd.	69	-	-	-	-
Sure-Ha International Ltd.	15	-	3	-	-
Tarshish Hapoalim Holdings and Investments Ltd.	(20)	-	-	-	2,625

* Companies that had no profits (losses) during the accounting period, and from which the Bank derived no income during the accounting period, were not included in this list.

** Many years ago, Diur B.P. sold land that had been under its ownership. Pursuant to the agreements with some of the buyers, the company is entitled to some of the proceeds upon disposal of the properties by the buyers. Over the years, the buyers have sold or disposed the properties, following betterment, and the company received and is receiving its share of the proceeds, which are recorded as other income in the financial statements, and constitute its principal income.

Subsidiaries overseas – in local currency translated based on the exchange rate as at December 31, 2022.

Standard 14 List of groups of balances of loans granted as at the date of the report on financial position, if loan granting was one of the corporation's main activities

The list is included in Note 29D to the Financial Statements.

Standard 20 Trading on the stock exchange – securities listed for trading – dates and reasons for halt of trading

On March 15, 2022, Subordinated Notes (Series F) of par value NIS 397,650,000 were issued and listed on the stock exchange, as well as (via expansion of a series) Bonds (Series 100) of par value NIS 1,000,000,000 and Bonds (Series 200) of par value NIS 988,615,000.
On November 29, 2022, Subordinated Notes (Series G) of par value NIS 950,000,000, Bonds (Series 101) of par value NIS 1,205,867,000, and Bonds (Series 201) of par value NIS 2,000,000,000 were issued and listed on the stock exchange.
During the period of the report, there were no halts of trading on the stock exchange in securities issued by the Bank.

Standard 21 Remuneration of interested parties and senior officers

The remuneration paid to the directors (excluding the Chairman) in 2022 in respect of their service, not exceeding commonly accepted levels, paid pursuant to Regulations 4 and 5 of the Companies Regulations (Rules Concerning Remuneration and Expenses for External Directors), 2000, amounted to a total of approximately NIS 7,730 thousand (not including VAT), of which a total of approximately NIS 1,660 thousand in supplementary compensation for directors for the Covid-19 period in 2020 and 2021 (see Section 6.6, "Other matters," in the Corporate Governance Report. For details regarding remuneration of the Chairman of the Board, see the Corporate Governance Report, page 392.

Standard 21A Control of the corporation

Until November 2018, Ms. Shari Arison held the permit for control of the Bank, through Arison Holdings (1998) Ltd. 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, that allowed the control of the Bank to be decentralized, and the Bank became a banking corporation without a controlling core; since then, the Bank does not have a shareholder who is a controlling party. For further details, see Section 6.6 in the Corporate Governance Report.

Standard 22 Transactions with controlling parties

Beginning November 22, 2018, the Bank is a banking corporation without a controlling core, and the Bank does not have a controlling shareholder according to the directives of the Companies Law or the Securities Law. For details regarding the criteria established by the Audit Committee with regard to the approval and reporting of interested-party transactions of the Bank, see Section 6.7 in the Corporate Governance Report and Note 33 to the Financial Statements.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[(1)]

A. Holdings of Bank shares by interested parties

	Corporation number	Par value shares in NIS[(2)]	Rate of holdings in capital	Rate of holdings in voting[(3)]	Rate of holdings in capital after dilution	Rate of holdings in voting after dilution
Interested party						
Arison Holdings (1998) Ltd.	512705153	75,193,761.00	5.62	5.62 see note) (below	5.62	5.62
Clal Insurance Enterprises Holdings Ltd. – nostro	520036120	2,545,559.00	0.19	0.19	0.19	0.19
Clal Insurance Enterprises Holdings Ltd. – provident funds	520036120	90,402,796.00	6.76	6.76	6.76	6.76
The Phoenix Holdings Ltd. – nostro	520017450	2,153,555.00	0.16	0.16	0.16	0.16
The Phoenix Holdings Ltd. – insurance	520017450	160,330.00	0.01	0.01	0.01	0.01
The Phoenix Holdings Ltd. – provident funds	520017450	55,732,686.66	4.17	4.17	4.17	4.17
Excellence Investments Ltd.	520041989	31,476,212.26	2.35	2.35	2.35	2.35
Excellence Investments Ltd. – market making	520041989	6,362,578.17	0.48	0.48	0.48	0.48
Altshuler-Shaham Ltd. – fund management	511446551	4,551,246.00	0.34	0.34	0.34	0.34
Altshuler-Shaham Ltd. – provident funds and pensions	511446551	65,931,902.20	4.93	4.93	4.93	4.93
Altshuler Shaham Yanshuf Gidur Ltd. (General Partner)	514060904	865,000.00	0.06	0.06	0.06	0.06
Altshuler Shaham Portfolio A Gidur Ltd. (General Partner)	515229086	10,000.00	0.00	0.00	0.00	0.00
Harel Insurance and Financial Services Investments Ltd. – nostro	520033986	2,749,847.00	0.21	0.21	0.21	0.21
Harel Insurance and Financial Services Investments Ltd. – mutual funds	520033986	21,446,020.00	1.60	1.60	1.60	1.60
Harel Insurance and Financial Services Investments Ltd. – provident funds	520033986	60,472,815.00	4.52	4.52	4.52	4.52
Meitav Investment House Ltd. – mutual funds	520043795	47,650,101.00	3.56	3.56	3.56	3.56
Meitav Investment House Ltd. – provident funds	520043795	24,602,260.00	1.84	1.84	1.84	1.84

(1) Data are as at January 31, 2023.
(2) Par value NIS 1.0 for one ordinary share.
(3) The Bank holds 540,105.00 dormant shares; this holding constitutes 100% of the dormant shares.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[(1)] (continued)

Holdings of bonds and convertible securities of the Bank by interested parties

Name of interested party	Corporation number	Security	Notional value
Clal Insurance Enterprises Holdings – nostro	520036120	Poalim Bonds 200	1,410,841.80
Clal Insurance Enterprises Holdings – provident funds	520036120	Poalim Bonds 100	330,733,382.00
		Poalim Bonds 200	419,400,000.00
		Poalim Bonds 201	301,049,007.00
		Subordinated Notes E	3,327.00
		Subordinated Notes G	1,987.00
The Phoenix Holdings Ltd. – nostro	520017450	Poalim Bonds 100	15,183,697.30
		Poalim Bonds 101	9,189,071.00
		Poalim Bonds 200	24,690,950.80
		Poalim Bonds 201	12,000,000.00
		Subordinated Notes E	105.00
		Subordinated Notes F	234.00
		Subordinated Notes G	118.00
The Phoenix Holdings Ltd. – insurance	520017450	Poalim Bonds 100	4,512,000.00
		Poalim Bonds 200	9,090.00
		Poalim Bonds 201	4,994,000.00
The Phoenix Holdings Ltd. – provident funds	520017450	Poalim Bonds 100	198,453,433.00
		Poalim Bonds 101	190,956,245.00
		Poalim Bonds 200	92,294,157.30
		Poalim Bonds 201	153,739,258.00
		Subordinated Notes E	900.00
		Subordinated Notes F	1,323.00
		Subordinated Notes G	552.00
Excellence Investments Ltd. – nostro	520041989	Subordinated Notes G	23.00
Excellence Investments Ltd. – mutual funds	520041989	Poalim Bonds 100	159,217,066.10
		Poalim Bonds 101	24,691,543.00
		Poalim Bonds 200	176,169,062.70
		Poalim Bonds 201	22,566,188.00
		Subordinated Notes E	25.00
		Subordinated Notes F	1.00
		Subordinated Notes G	17.00
Excellence Investments Ltd. – market making	520041989	Poalim Bonds 100	-37,559.30
		Poalim Bonds 101	-8,764.00
		Poalim Bonds 200	-213,267.00
		Poalim Bonds 201	-222,526.00
Altshuler-Shaham Ltd. – fund management	511446551	Poalim Bonds 100	82,039,296.90
		Poalim Bonds 101	41,060,000.00
		Poalim Bonds 200	14,269,165.50

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[(1)] (continued)

Holdings of bonds and convertible securities of the Bank by interested parties (continued)

Name of interested party	Corporation number	Security	Notional value
Altshuler-Shaham Ltd. – provident funds and pensions	511446551	Poalim Bonds 200	485,581,731.30
		Poalim Bonds 201	167,811,000.00
Harel Insurance and Financial Services Investments Ltd. – nostro	520033986	Poalim Bonds 100	4,107,335.30
		Poalim Bonds 101	-7,673.00
		Poalim Bonds 200	108,884,356.10
		Poalim Bonds 201	396,399.00
		Subordinated Notes E	22.00
		Subordinated Notes F	600.00
		Subordinated Notes G	596.00
Harel Insurance and Financial Services Investments Ltd. – mutual funds	520033986	Poalim Bonds 100	83,233,624.20
		Poalim Bonds 101	15,444,604.00
		Poalim Bonds 200	78,182,934.50
		Poalim Bonds 201	9,887,383.00
		Subordinated Notes E	348.00
		Subordinated Notes F	213.00
		Subordinated Notes G	151.00
Harel Insurance and Financial Services Investments Ltd. – provident funds	520033986	Poalim Bonds 101	8,425,410.00
		Subordinated Notes E	2,126.00
		Subordinated Notes F	1,348.00
		Subordinated Notes G	993.00
Meitav Investment House Ltd. – mutual funds	520043795	Poalim Bonds 100	98,835,378.00
		Poalim Bonds 101	16,966,035.00
		Poalim Bonds 200	133,080,486.00
		Poalim Bonds 201	29,475,215.00
		Subordinated Notes E	66.00
		Subordinated Notes G	8.00
Meitav Investment House Ltd. – provident funds	520043795	Poalim Bonds 100	86,404,398.00
		Poalim Bonds 200	176,344,668.00
		Poalim Bonds 201	283,852,185.00
		Subordinated Notes E	1,520.00
		Subordinated Notes G	2,984.00

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

B. Holdings of shares of the Bank by the directors/CEO[2]

	Corporation number		Par value shares in NIS[3]	Rate of holdings in capital	Rate of holdings in voting	Rate of holdings in capital after dilution	Rate of holdings in voting after dilution
Interested party							
Dov Kotler	54010483	Ordinary shares	9,200	-	-	-	-
Yoel Mintz	52302825	Ordinary shares	1,640	-	-	-	-

Holdings of shares by senior officers

	Corporation number		Par value shares in NIS[3]	Rate of holdings in capital	Rate of holdings in voting	Rate of holdings in capital after dilution	Rate of holdings in voting after dilution
Interested party							
Amit Oberkovich[2]	59030015	Ordinary shares	19,484	0.00	0.00	0.00	0.00
Yael Almog[2]	59284745	Ordinary shares	54,872	0.00	0.00	0.00	0.00
Eti Ben-Zeev	23571540	Ordinary shares	99,582	0.01	0.01	0.01	0.01
Merav Ben Shushan Cohen	28710143	Ordinary shares	72,629	0.01	0.01	0.01	0.01
Ram Gev[2]	32283046	Ordinary shares	18,658	0.00	0.00	0.00	0.00
Zeev Hayo	57069676	Ordinary shares	145,381	0.01	0.01	0.01	0.01
Guy Kalif	28761088	Ordinary shares	147,717	0.01	0.01	0.01	0.01
Yadin Antebi	28078525	Ordinary shares	203,853	0.02	0.02	0.02	0.02
Itamar Furman[2]	25359696	Ordinary shares	24,850	0.00	0.00	0.00	0.00
Dalit Tova Raviv[2]	24149783	Ordinary shares	43,224	0.00	0.00	0.00	0.00
Amir Bachar[2]	29331113	Ordinary shares	54,048	0.00	0.00	0.00	0.00
Gilad Bloch[2]	28487296	Ordinary shares	9,197	0.00	0.00	0.00	0.00
Rivka Gugig[2]	36164994	Ordinary shares	3,686	0.00	0.00	0.00	0.00

(1) Data are as at January 31, 2023.
(2) Rate of holdings lower than 0.01%.
(3) Par value NIS 1.0 for one ordinary share.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[(1)] (continued)

C. Holdings of interested parties and senior officers in bonds of Hapoalim Hanpakot Ltd.

	Corporation/ID number	Security	Quantity
Interested party			
Clal Insurance Enterprises Holdings Ltd. – nostro	520036120	POALIM HAN B32	2,268,440.74
		POALIM HAN B15	968,756.75
		POALIM HAN B34	0.03
		POALIM HAN B36	39,316,662.75
Clal Insurance Enterprises Holdings Ltd. – provident funds	520036120	POALIM HAN B32	67,361,417.51
		POALIM HAN B15	1,676,337.80
		POALIM HAN B16	100,360.53
		POALIM HAN B34	76,422,644.91
		POALIM HAN B18	1,215.00
		POALIM HAN B19	1,616.00
		POALIM HAN B36	120,629,069.41
		POALIM HAN B20	2,938.00
		POALIM HAN B21	1,500.00
Clal Insurance Enterprises Holdings Ltd. – nostro	520036120	POALIM HAN B36	1,029,752.58
The Phoenix Holdings Ltd. – nostro	520017450	POALIM HAN B32	3,676,768.69
		POALIM HAN B15	1,765,998.20
		POALIM HAN B16	70,271.14
		POALIM HAN B34	4,090,474.38
		POALIM HAN B18	97.00
		POALIM HAN B35	914,239.58
		POALIM HAN B19	23.00
		POALIM HAN B36	28,398,466.93
		POALIM HAN B20	210.00
		POALIM HAN B21	205.00
The Phoenix Holdings Ltd. – insurance	520017450	POALIM HAN B32	834,175.00
		POALIM HAN B15	23,333.38
		POALIM HAN B34	103,949.41
		POALIM HAN B19	7.00
		POALIM HAN B36	4,516,700.12

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

C. Holdings of interested parties and senior officers in bonds of Hapoalim Hanpakot Ltd. (continued)

	Corporation/ID number	Security	Quantity
Interested party			
The Phoenix Holdings Ltd. – provident funds	520017450	POALIM HAN B32	66,496,291.00
		POALIM HAN B15	13,584,623.83
		POALIM HAN B16	184,976.86
		POALIM HAN B34	30,513,861.39
		POALIM HAN B18	2,124.00
		POALIM HAN B35	60,997,005.79
		POALIM HAN B19	916.00
		POALIM HAN B36	258,707,205.44
		POALIM HAN B20	1,045.00
		POALIM HAN B21	2,152.00
Excellence Investments Ltd.	520041989	POALIM HAN B32	26,311,116.32
		POALIM HAN B15	5,877,148.08
		POALIM HAN B16	3,104,757.82
		POALIM HAN B34	6,810,016.32
		POALIM HAN B18	214.00
		POALIM HAN B35	70,955,447.07
		POALIM HAN B19	417.00
		POALIM HAN B36	190,416,254.08
		POALIM HAN B20	439.00
		POALIM HAN B21	178.00
Excellence Investments Ltd. – market making	520041989	POALIM HAN B32	4,213.01
		POALIM HAN B15	4,286.46
		POALIM HAN B34	4,440.49
		POALIM HAN B35	-68,102.90
		POALIM HAN B36	-140,471.69
Harel Insurance and Financial Services Investments Ltd. – nostro	520033986	POALIM HAN B32	0.37
		POALIM HAN B15	680,426.99
		POALIM HAN B16	0.06
		POALIM HAN B34	0.71
		POALIM HAN B18	104.00
		POALIM HAN B35	317,194.18
		POALIM HAN B19	62.00
		POALIM HAN B36	36,299,560.07
		POALIM HAN B20	942.00
		POALIM HAN B21	476.00

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

C. Holdings of interested parties and senior officers in bonds of Hapoalim Hanpakot Ltd. (continued)

	Corporation/ID number	Security	Quantity
Interested party			
Harel Insurance and Financial Services Investments Ltd. – mutual funds	520033986	POALIM HAN B32	16,362,318.31
		POALIM HAN B15	5,115,709.61
		POALIM HAN B16	1,961,045.53
		POALIM HAN B34	7,946,169.54
		POALIM HAN B18	1,239.00
		POALIM HAN B35	32,248,989.71
		POALIM HAN B19	989.00
		POALIM HAN B36	95,932,355.32
		POALIM HAN B20	727.00
		POALIM HAN B21	1,075.00
Harel Insurance and Financial Services Investments Ltd. – provident funds	520033986	POALIM HAN B15	3,843,429.44
		POALIM HAN B16	195,558.00
		POALIM HAN B18	2,147.00
		POALIM HAN B35	4,551,428.57
		POALIM HAN B19	2,288.00
		POALIM HAN B36	8,679,816.05
		POALIM HAN B20	3,553.00
		POALIM HAN B21	3,668.00
Meitav Investment House Ltd. – mutual funds	520043795	POALIM HAN B32	22,823,232.00
		POALIM HAN B15	6,714,659.00
		POALIM HAN B16	7,866,907.00
		POALIM HAN B34	11,974,104.00
		POALIM HAN B18	381.00
		POALIM HAN B35	42,063,348.00
		POALIM HAN B19	117.00
		POALIM HAN B36	165,486,695.00
		POALIM HAN B20	272.00
		POALIM HAN B21	89.00
Meitav Investment House Ltd. – provident funds	520043795	POALIM HAN B32	157,102,100.00
		POALIM HAN B15	47,100,056.00
		POALIM HAN B34	26,016,762.00
		POALIM HAN B18	1,949.00
		POALIM HAN B35	245,200.00
		POALIM HAN B19	422.00
		POALIM HAN B36	105,911,204.00
		POALIM HAN B20	517.00
		POALIM HAN B21	1,647.00

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[(1)] (continued)

C. Holdings of interested parties and senior officers in bonds of Hapoalim Hanpakot Ltd. (continued)

	Corporation/ID number	Security	Quantity
Interested party			
Altshuler-Shaham Ltd. – provident funds and pensions	511446551	POALIM HAN B32	48,392,881.55
		POALIM HAN B15	1,739,080.29
		POALIM HAN B34	41,974,268.10
		POALIM HAN B35	79,800,909.88
		POALIM HAN B36	63,198,034.73
Altshuler-Shaham Ltd. – mutual funds	511944670	POALIM HAN B32	422,172.18
		POALIM HAN B34	1,465,355.73
		POALIM HAN B35	39,950,994.49
		POALIM HAN B36	137,692,898.87
Yanshuf Gidur Ltd. (general partner)	514060904	POALIM HAN B15	200,000.00
		POALIM HAN B34	450,000.00
Netz Gidur Ltd. (general partner)	515007938	POALIM HAN B36	-215,160.71

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

Additional details regarding principal holders –

1. Controlling parties of Arison Holdings (1998) Ltd.

Eternity Holdings One Trust and Eternity Four-A Trust (the "Trusts") hold 30% and 70%, respectively, of the shares of Arison Holdings (1998) Ltd. ("Arison Holdings"). The trustees of the Eternity Holdings One Trust are The Northern Trust Company of Delaware and Fides VE LLC, and the trustees of the Eternity Four-A Trust are The Northern Trust Company of Delaware, Braiden Services LLC, and Confia LLC. Ms. Shari Arison is the principal beneficiary of the Trusts and shall have the exclusive discretion to vote at the shareholder meetings of Arison Holdings under a power of attorney granted to her by the trustees. The powers of attorney were granted with the intention not to revoke them as long as Arison Holdings holds shares of the Bank.

It is clarified that the rate of holding of Arison Holdings in voting power was calculated with reference to the total shares that it holds, and was not reduced according to the directive in the holding permit received by Ms. Arison from the Bank of Israel, pursuant to which, from the inception date of the permit, Arison shall not vote using the power of voting rights in excess of 5% of the means of control of the Bank. Accordingly, the holding rates in voting of the other holders were also not increased. For details regarding the directives of the holding permit, see Section 6.6 in the Corporate Governance Report, above; the Immediate Report of the Bank of September 4, 2018 (reference no. 2018-01-082039); and the Immediate Report of the Bank of June 10, 2021 (reference no. 2021-01-037666), which stated that the Supervisor of Banks had extended the period in which Arison must sell the means of control it holds in the Bank in excess of 5% by one year (until November 20, 2023).

2. Clal Insurance Enterprises Holdings Ltd.

Clal Insurance Enterprises Holdings Ltd. ("Clal Holdings") is a public company without a controlling core, resident in Israel, securities of which are listed on the Tel Aviv Stock Exchange Ltd.

3. The Phoenix Holdings Ltd.

The controlling party of The Phoenix Holdings Ltd. is Belenus Lux S.a.r.l. ("Belenus"), a corporation established in Luxembourg.

Controlling parties of Belenus: Lewis (Lee) Sachs, Matthew Botein, CCP III Cayman GP Ltd.

The Phoenix Holdings Ltd. (Public Company 520017450) indirectly holds 100% of Excellence Investments Ltd. (Public Company 520041989).

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

4. Altshuler-Shaham Ltd.

The following information is presented as submitted to the Bank by the interested party. Altshuler-Shaham Ltd. ("AS") is an institutional reporting group consisting of Altshuler-Shaham Provident Funds and Pension Ltd. ("AS Provident Funds and Pension") and Altshuler-Shaham Mutual Fund Management Ltd. ("AS Mutual Funds").

The controlling parties of AS are:
Gilad Altshuler, ID no. 057379315, through a 100% holding in Gilad Altshuler Holdings Ltd., which holds 44.81% of the shares of AS. Kalman Shaham, ID no. 000915983, through a 100% holding in Kalman Shaham Holdings Ltd., which holds 44.81% of the shares of AS.

Controlling parties of AS Provident Funds and Pension:
The controlling parties of AS, as stated in the note above, through their holding in AS, which holds 55.77% of AS Provident Funds and Pension directly, and Yair Lowenstein, ID no. 023016678, through a 100% holding in Yair Lowenstein Holdings Ltd.

Controlling parties of AS Mutual Funds:
The controlling parties of AS Mutual Funds are the controlling parties of AS, as noted above, through their holding in AS, which holds 100% of the shares of AS Mutual Funds.
Some of the controlling parties of AS are also the controlling parties of companies that are general partners in several partnerships engaged in hedge-fund management.

5. Harel Insurance and Financial Services Investments Ltd.

The controlling parties are: Yair Hamburger, ID no. 007048671; Gideon Hamburger, ID no. 007048663; Nurit Manor, ID no. 051171312.
The controlling parties hold the holder through G.Y.N. Investment Management & Economic Consulting 2017 Limited Partnership (partnership no. 550272587), a partnership under the full control and ownership of the controlling parties, which they hold as limited partners through private companies under their full ownership; they also hold the general partner in the partnership G.Y.N.

6. Meitav Investment House Ltd.

The controlling parties are: (1) Mr. Eli Bareket, ID no. 058368143, through BRM Finances Ltd. The final shareholders of BRM Finances are: Mr. Eli Bareket, ID no. 058368143, who also holds shares in trust; Mr. Nir Bareket, ID no. 056092430; and Mr. Yuval Rakavy, ID no. 058142431. (2) Mr. Avner Stepak, ID no. 027378058, who holds shares of Meitav Investment House directly and through companies under his control.

(1) Data are as at January 31, 2023.

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[(1)] (continued)

D. Holdings of subsidiaries in shares of subsidiaries or related companies

Name of company held by interested party	Name of interested party	Company number at Companies Registrar
IBI - Management and Underwriting Ltd.	Poalim Equity Ltd.	511819617
BAMI Nechasim Ltd.	Hapoalim American Israeli Ltd.	511584781
BHI – USA Holdings Inc.	Poalim Equity (Euro) Ltd.	352460912
Bank Pozitif Kredi Ve Kalkinma Bankasi A.S.	Tarshish Hapoalim Holdings and Investments Ltd.	774483903
Diur B.P. Ltd.	Opaz Ltd.	510237878
Diur B.P. Properties (1993) Ltd.	Diur B.P. Ltd.	511895773
Hapoalim (Latin America) S.A.	Hapoalim (Cayman) Ltd.	774177877
Hapoalim Nechasim (Menayot) Ltd.	Opaz Ltd.	511391278
Hapoalim Securities U.S.A. Inc.	BHI – USA Holdings Inc.	133732556
Chatzron Hevra Lehashkaot Ltd.	Revadim (Nechasim) Ltd.	510364508
Mivnim Vetsiud Ltd.	Bitzur Ltd.	510439284
May-Oz Ltd.	Diur B.P. Ltd.	511470999
C Bilisim Teknolojileri	Bank Pozitif Kredi Ve Kalkinma Bankasi A.S.	500422084
Poalim Ofakim Ltd.	Hapoalim Nechasim (Menayot) Ltd.	513624338
Poalim Equity - Investment House Ltd.	Bitzur Ltd.	520032541
Poalim Equity - Financial Applications & Research Ltd.	Poalim Equity Ltd.	511735185
Poalim Equity - Financial Applications & Research Ltd.	Poalim Equity & Investments - Holdings Ltd.	511735185
Poalim Equity (Euro) Ltd.	Poalim Equity Ltd.	512693441
Poalim Equity (Euro) Ltd.	Poalim Equity & Investments - Holdings Ltd.	512693441
Poalim Equity Ltd.	Poalim Equity & Investments - Holdings Ltd.	510820046
Poalim Equity & Investments - Holdings Ltd.	Poalim Equity - Investment House Ltd.	520043290
Poalim Equity & Investments - Holdings Ltd.	Tarshish Hapoalim Holdings and Investments Ltd.	520043290
Poalim Ventures - Fund Management Ltd.	Poalim Equity Ltd.	512433194

(1) Data are as at January 31, 2022.

Name of security	Number of shares	Par value per share	Currency	Par value held at balance sheet date	Holding rate		
					In capital	In voting	In authority to appoint directors
Ordinary shares	5,755,518	0.01	NIS	57,555.2	25%	25%	25%
Ordinary shares	100	1.00	NIS	100.0	100%	100%	100%
Ordinary shares	100	1.00	USD	100.0	100%	100%	100%
Ordinary shares	3,372,923,491	0.10	-	337,292,349.1	100%	100%	100%
Ordinary shares	1,066	0.10	NIS	106.6	100%	100%	100%
Ordinary shares	100	1.00	NIS	100.0	100%	100%	100%
Bearer	398,537,083	1.00	UYU	398,537,083.0	100%	100%	100%
Ordinary shares	100	1.00	NIS	100.0	100%	100%	100%
Common	10	0.01	USD	0.1	100%	100%	100%
Ordinary shares	335,670	0.10	NIS	33,567.0	33%	33%	33%
Ordinary shares	5	0.10	NIS	0.5	5%	5%	5%
Ordinary shares	100	1.00	NIS	100.0	100%	100%	100%
Ordinary shares	4,000,000	1.00	-	4,000,000.0	100%	100%	100%
Ordinary shares	50,000	1.00	NIS	50,000.0	100%	100%	100%
Ordinary shares	180,628,882	1.00	NIS	180,628,882.0	100%	100%	100%
Ordinary shares	1	1.00	NIS	1.0	1%	1%	1%
Ordinary shares	99	1.00	NIS	99.0	99%	99%	99%
Ordinary shares	999	1.00	NIS	999.0	100%	100%	100%
Ordinary shares	1	1.00	NIS	1.0	0%	0%	0%
Ordinary shares	222,411,690	0.01	NIS	2,224,116.9	100%	100%	100%
Ordinary shares	4,816,131	1.00	NIS	4,816,131.0	20%	20%	20%
Ordinary shares	18,443,293	1.00	NIS	18,443,293.0	78%	78%	78%
Ordinary shares	999	1.00	NIS	999.0	100%	100%	100%

Standard 24 Shares and convertible securities held by interested parties and senior officers of the corporation, a subsidiary, or a related company near the date of the report on financial position[1] (continued)

D. Holdings of subsidiaries in shares of subsidiaries or related companies (continued)

Name of company held by interested party	Name of interested party	Company number at Companies Registrar
Poalim Ventures - Fund Management Ltd.	Poalim Equity & Investments - Holdings Ltd.	512433194
Poalim Ventures I Ltd.	Poalim Equity Ltd.	512882317
Poalim Ventures I Ltd.	Poalim Ventures - Fund Management Ltd.	512882317
Poalim Venture Services Israel Ltd.	Hapoalim Nechasim (Menayot) Ltd.	510464795
Poalim Mortgages Insurance Agency (2005) Ltd.	Poalim Ofakim Ltd.	513661025
Pitango 2019 SPV D.N. Limited Partnership	Poalim Equity Ltd.	540287265
Tzadit Ltd.	Revadim (Nechasim) Ltd.	510437494
Sure-Ha International Ltd.	Opaz Ltd.	740000401

(1) Data are as at January 31, 2022.

Name of security	Number of shares	Par value per share	Currency	Par value held at balance sheet date	Holding rate In capital	In voting	In authority to appoint directors
Ordinary shares	1	1.00	NIS	1.0	0%	0%	0%
Ordinary shares	1,061,330	0.01	NIS	10,613.3	54%	54%	0%
No share capital	1	1.00	NIS	1.0	0%	0%	100%
A ordinary shares	2,698	0.10	NIS	269.8	100%	100%	100%
Ordinary shares	1,000	1.00	NIS	1,000.0	100%	100%	100%
No share capital	3,834	1.00	NIS	3,834.0	38%	38%	38%
Ordinary shares	114,799	0.00	NIS	11.5	100%	100%	100%
Ordinary shares	4,999,999	1.00	USD	4,999,999.0	100%	100%	100%

Standard 24A

	Amount in NIS	
	Registered	Issued and paid-up
Share capital		
Ordinary shares of NIS 1	4,000,000,000	1,337,377,111

Dormant shares

Bank Hapoalim B.M. holds 540,105 dormant shares; this holding constitutes 100% of the dormant shares.

The number of shares included in issued share capital, excluding the dormant shares (which confer no rights), is 1,336,837,006.

The shares are registered for trading on the Tel Aviv Stock Exchange.

Standard 24B Registry of shareholders

Book of shareholders – Bank Hapoalim B.M.	Number of shares
Bank Hapoalim Nominee Company Ltd.*	1,337,339,116
Tzitzian Avraham	31,680
Don Maxwell	2,450
Florsheim Mark and Zippora	1,640
Agmon Eliahu	700
Berkner Albert	603
Levy Victoria	544
Mindel Shira Milca	122
Geva Arieh	100
Pentzer Natan	75
Zachs Eran	40
Yehuda Bar-Lev	10
Neuman David	10
Aharon Elias	10
Caleb Victoria	5
IMM C. Investments and Finance Ltd.	2
Zaktzar Ram	1
Erez Tal	1
Kramer Moshe	1
Livnat Raz	1
Total	1,337,377,111

* The quantity of shares at the Nominee Company includes 540,105 dormant shares owned by Bank Hapoalim.

Standard 26 Board of Directors of the Bank[1]

Name	Ruben Krupik
Personal details	Identification number: 013482518 Date of birth: August 22, 1951 Address: Ha'Emek 3, Hod Hasharon Citizenship: Israeli and Argentinian
Membership in committees of the Board of Directors	Chairperson of the Credit Committee, chairperson of the Corporate Governance and Stakeholders Committee, and chairperson of the Strategy and Business Development Committee. Member of the following board committees: the Risk Management and Control Committee, the Information Technology and Technological Innovation Committee, and the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to Directive 301.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No. Serves as Chairman of the Board of Directors of the Bank as of July 28, 2020 (and served as Acting Chairman of the Board of Directors as of June 9, 2020).
Date of commencement of service as a director of the company	February 18, 2016.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Social Sciences (specialized in Economics and Political Science), Hebrew University of Jerusalem; L.L.B., Tel Aviv University; graduate of business course at the Kellogg Recanati Center, Tel Aviv University. Director at NYK Technologies (family firm, wholly owned). Member of the executive board of the Institute for Medical BioMathematics, Registered Non-Profit Association. Formerly a director at various companies, primarily in the area of technology, including a director at Recanati Winery Ltd. (2004-2019); an external lecturer at Ben Gurion University (2019-2020); and a business entrepreneur.
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[(1)] (continued)

Name	David Avner
Personal details	Identification number: 050782184 Date of birth: August 29, 1951 Address: Derech Hasadot 16, Beit Yitzhak Citizenship: Israeli
Membership in committees of the Board of Directors	The Audit Committee, the Risk Management and Control Committee, the Strategy and Business Development Committee, and the Information Technology and Technological Innovation Committee.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to the directives of the Companies Law.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	September 10, 2019.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Mathematics, in the Computer Science and Philosophy program, Haifa University; M.B.A., Technion Israel Institute of Technology; graduate of information-systems analyst courses, Technion Israel Institute of Technology, External Studies Division. Formerly chairperson of the board of directors of Cellomat Ltd. (2018-2022), advisor to the board of directors of Starcom Ltd. (2019-2020), and a director at Bank Leumi (2011-2017).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience, as defined in Section 25(a) of Directive 301 ("banking experience"). Has knowledge and experience in the areas of information technology and in the area of information security – was directly engaged over the years in the development of information systems; software engineer at Elbit in the development of military systems (3 years); managed a team of software personnel in the information-systems units at the shipping company Zim (3 years); managed information systems at the Strauss Ltd. dairy (7 years); and managed development centers and product divisions at Amdocs (5 years). Has experience with information security, in development and management roles in the area of information systems at large organizations (including Elbit Systems Ltd., Zim Integrated Shipping Services Ltd., Strauss Group Ltd., and Amdocs Ltd.).
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Ronit Abramson-Rokach
Personal details	Identification number: 054121108 Date of birth: August 17, 1957 Address: Shimshon 5, Jerusalem Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Audit Committee and chairperson of the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities. Member of the following board committees: the Risk Management and Control Committee, the Corporate Governance and Stakeholders Committee, and the Remuneration Committee.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to the directives of the Companies Law.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	February 5, 2018.
Education and occupation in last five years, with details of service at corporations as a director	L.L.B., Hebrew University of Jerusalem. Serves as a legal advisor in the areas of companies, securities, and banking. Member of the executive board of the Shiluv Family and Couples Therapy Institute (Registered Non-Profit Association), the Jerusalem Foundation (Registered Non-Profit Association), Beit Berl College (Registered Non-Profit Association), and the general assembly of the Zippori Center for Training and Leadership Ltd. (Public Benefit Company). Formerly a director at Migdal Insurance Company Ltd., Migdal Insurance and Financial Holdings Ltd., and Migdal Capital Markets Ltd. (2009-2017).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Noam Hanegbi
Personal details	Identification number: 055445647 Date of Birth: July 20, 1958 Address: Trumpeldor 5, Kfar Saba Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Information Technology and Technological Innovation Committee. Member of the following board committees: the Credit Committee, the Audit Committee, the Remuneration Committee, the Corporate Governance and Stakeholders Committee, and the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to Directive 301, and independent director.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	October 6, 2019.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Economics and Computer Science, Bar-Ilan University. CEO of Noam Hanegbi Ltd. (a wholly-owned company). Formerly Deputy CEO and Head of the Information Systems and Telecommunications Division at Maccabi Health Services (2015-2019), and external technological consultant at Clalit Health Services Ltd. (2019).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with professional qualification. An expert director. Has banking experience. Has knowledge and experience in the areas of information technology and has experience, expertise, and skill in the area of cybersecurity, mainly from the perspective of policy and management at large organizations in the Israeli economy; in his roles as head of information systems at Israel Discount Bank Ltd. and head of information systems at Maccabi Health Services, engaged extensively in cybersecurity issues – setting policies, work plans, acquisition of solutions, running surveys and implementing solutions to the findings, surveying types of risks and acquiring solutions, setting up centers to identify and cope with attacks, training and absorption, and more.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Israel Trau
Personal details	Identification number: 053641775 Date of birth: December 16, 1955 Address: Pnina Salzman 4, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Member of the following board committees: the Audit Committee, the Credit Committee, and the Strategy and Business Development Committee.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	November 24, 2020.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Humanities (Geography, expanded), Tel Aviv University; senior management course, Lahav Executive Education; advanced course on investments and the capital market, Lahav Executive Education, Tel Aviv University. As of 2019, serves as a business consultant for several companies and ventures, and serves as an external director at Aviation Links Ltd. Formerly CEO of Union Bank Israel Ltd. (2014-2018); chairperson of the board of directors of Union Investments and Enterprise Ltd. and Union Leasing Ltd.; chairperson of the board of directors and director at Union Systems Ltd. (2014-2018); member of the nostro credit committee at Union Bank Israel Ltd. (2019-2020).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Dalia Lev
Personal details	Identification number: 007555337 Date of birth: August 2, 1947 Address: Bnei Moshe 16/33, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Remuneration Committee of the Board of Directors. Member of the following board committees: the Credit Committee, the Audit Committee, and the Strategy and Business Development Committee.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to the directives of the Companies Law.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	April 12, 2018.
Education and occupation in last five years, with details of service at corporations as a director	CPA, Hebrew University; LLM, Bar Ilan University; Advanced Management Program, Harvard Business School. Certified mediator, Israel Bar Association. Director at Belgal Ltd. (wholly-owned company). As of August 2019, serves as an external director at Strauss Group Ltd. (in 2008-2017, served as an independent director there). Member of the board of trustees of Tel Aviv University. Member of the board of trustees of Ben Gurion University. Formerly a director at First International Bank of Israel Ltd. (2012-2018).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Odelia Levanon
Personal details	Identification number: 057971632 Date of birth: November 16, 1962 Address: Aharon Becker 11, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Member of the following board committees: the Information Technology and Technological Innovation Committee. As of January 1, 2023, also a member of the Corporate Governance and Stakeholders Committee.
Is the director an independent/external director according to the Companies Law or an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	September 13, 2022.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Mathematics and Computer Science, Tel Aviv University; M.Sc. in Computer Science, Tel Aviv University; Ph.D. studies in Business, Tel Aviv University. As of 2015, lecturer on information systems management at the Academic College of Ramat Gan. Formerly CEO of the Inter-University Computation Center (IUCC) (2017-2021); vice president of technologies and business innovation, Irani Group (2014-2017); director at Bos Dimex Ltd. (2014-2021); and independent director at ETG Group Ltd. (2021-2022).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with professional qualification. An expert director. Has knowledge and experience in the areas of information technology, and has experience in the management of an information security and cybersecurity system within the various roles she has held, including in her most recent position as CEO of IUCC. In this position, she was responsible for information security and cybersecurity of the internet network of all of the research institutions in Israel.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Yoel Mintz
Personal details	Identification number: 052302825 Date of birth: February 3, 1954 Address: Hamatsbi'im 58, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Member of the following board committees: the Credit Committee and the Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities. As of January 1, 2023, also a member of the Risk Management and Control Committee.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	External director pursuant to Directive 301, and independent director.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	November 25, 2021.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Economics, Tel Aviv University; M.B.A., Tel Aviv University. Formerly chairperson of the board of directors of Bank Leumi UK (2012-2020) and Bank Leumi Romania (2012-2019), director at Bank Leumi USA (2017-2020), and member of management at Bank Leumi (2012-2017).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	David Zvilichovsky
Personal details	Identification number: 057056426 Date of birth: August 31, 1961 Address: Habanim 1, Ramat Hasharon Citizenship: Israeli
Membership in committees of the Board of Directors	Chairperson of the Risk Management and Control Committee. Member of the following board committees: the Credit Committee, the Information Technology and Technological Innovation Committee, and the Strategy and Business Development Committee.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	September 25, 2019.
Education and occupation in last five years, with details of service at corporations as a director	Ph.D. in Economics, Tel Aviv University; M.Sc. in Computer Science, Tel Aviv University; B.A. in Economics, Computer Science, and Mathematics, Hebrew University. As of 2011, member of the senior academic staff of the Department of Management at Tel Aviv University. Teaches in international academic programs, including programs of the Wharton business school. Provides advisory services to advanced-technology companies. Formerly a director and controlling shareholder at Innovent Israel Ltd. (1999-2022). Served as a guest professor at the Cyprus International Institute of Management (2012-2018).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has knowledge and proven experience in the areas of information technology, and has expertise in the areas of information security and cybersecurity, from MA studies, and experience in the area of information security from various roles in which he served in the past.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26 Board of Directors of the Bank[1] (continued)

Name	Ronit Schwartz
Personal details	Identification number: 022339766 Date of birth: May 29, 1966 Address: Rabbi Chanina 21/6, Tel Aviv Jaffa Citizenship: Israeli
Membership in committees of the Board of Directors	Member of the following board committees: the Risk Management and Control Committee and the Corporate Governance and Stakeholders Committee. As of January 1, 2023, also a member of the Remuneration Committee and the Strategy and Business Development Committee.
Is the director an independent director/an external director according to the Companies Law/an external director according to Directive 301?	No.
Is the director an employee of the company, or of a subsidiary, related company, or interested party thereof?	No.
Date of commencement of service as a director of the company	November 23, 2021.
Education and occupation in last five years, with details of service at corporations as a director	B.A. in Economics, Tel Aviv University; M.B.A., Tel Aviv University; graduate of corporate directors and senior officers course, School of Management, Tel Aviv University. Serves as a director at Energy Infrastructures Ltd. as of 2018 and at Amir Marketing and Investments in Agriculture Ltd. as of 2017. As of 2017, member of the executive board of the Association for Israel's Soldiers. Formerly an external director at SimiGon Ltd. (2019-2022), Elad Canada Realty Inc. (2018-2021), and Chim Nir Aviation Services Ltd. (2010-2018); director at Ashdod Port Ltd. (2015-2018).
Is the director considered by the company to be a director with accounting and financial expertise, a director with professional qualification, an expert director, or a director with other qualifications?	A director with accounting and financial expertise and professional qualification. An expert director. Has banking experience.
To the best of the knowledge of the company and the directors, is the director a family member of another interested party of the corporation?	No.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of directors is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1]

Name	Dov Kotler
Personal details	Identification number: 054010483 Date of birth: August 2, 1956
Date of commencement of service	October 1, 2019.
Position at the corporation or at a subsidiary, related company, or interested party thereof	President and Chief Executive Officer, Member of the Board of Management.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Business Administration, Tel Aviv University; M.A. in Economics, Tel Aviv University. Chairperson of the board of directors of Iintoo Investments Ltd. (and of corporations in which companies in the group are general partners: Pinto Afik and Iintoo Oshkosh) (2015-2019). Director on the boards of directors of the following companies: Bezeq The Israel Telecommunication Corp. Ltd., Pelephone, Yes, Bezeq International, and Bezeq On Line (2018-2019). Director at V-Finance Technologies Ltd. (of the Blender group, and at additional companies in the group) (2015-2019). Member of the advisory boards of the fintech startups Doorbill ABC and Splitit Ltd., and external consultant to Max It Finance Ltd. and Warburg Pincus (2015-2019).
Name	**Amit Oberkovich**
Personal details	Identification number: 059030015 Date of birth: August 19, 1964
Date of commencement of service	December 1, 2019.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Human Resources. Director at Avuka Hevra le Hashkaot Ltd. (a subsidiary of the Bank).
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	M.A. in Political Science, Tel Aviv University; M.B.A., University of Derby. Member of the executive board (volunteer) of A.V. Israel (Registered Non-Profit Association) (as of 1998). VP Human Resources at Israel Electric Corporation Ltd. (2015-2019).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Yael Almog
Personal details	Identification number: 59284745 Date of birth: March 6, 1968
Date of commencement of service	June 1, 2017.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Legal Advisor of the Bank, as of March 1, 2018.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	L.L.B., Tel Aviv University; M.A. in Law, Columbia University, New York; Harvard Business School – Advanced Management Program. Head of Stakeholder Relations at the Bank (June 2017-February 2018).
Name	**Amir Bachar**
Personal details	Identification number: 029331113 Date of birth: April 20, 1972
Date of commencement of service	May 29, 2018.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Chief Internal Auditor. Head of Internal Audit in Israel and Abroad as of June 1, 2022.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Law and Economics, Hebrew University; M.A. in Economics and Ph.D. in Law, Hebrew University. Licensed attorney. Member of the Board of Management, Chief Risk Officer (CRO) of the Bank (May 2018-May 2022). Advising and Research Area Manager at the Bank (November 2016-May 2018). External lecturer on banking law at the Hebrew University (as of 2009). Lecturer on banking law at Reichman University (as of 2022).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Eti Ben-Zeev
Personal details	Identification number: 023571540 Date of birth: December 2, 1967
Date of commencement of service	February 14, 2016.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Information Technology. Chairperson of the board of directors at the subsidiary Poalit Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Mathematics and Computer Science, Tel Aviv University; M.B.A., Tel Aviv University. Has experience, expertise, and skill in information security and cybersecurity in her role as Head of Information Technology at the Bank, which also encompasses cybersecurity, and from her military service in the 8200 Unit.
Name	**Merav Ben Shushan Cohen**
Personal details	Identification number: 28710143 Date of birth: August 14, 1971
Date of commencement of service	June 1, 2022.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Risk Officer (CRO).
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Economics and Management, Technion. Asset and Liability Management Area Manager at the Bank (August 2016-May 2022).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Ram Gev
Personal details	Identification number: 032283046 Date of birth: April 3, 1975
Date of commencement of service	January 1, 2020.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Financial Officer (CFO). Chairperson of the board of directors at the following subsidiaries: Mivnim Vetsiud Ltd., Bitan Investments and Mortgages Ltd., Alzur Property Development Company Ltd., Tzadit Ltd., Revadim (Nechasim) Ltd., and Ramchal Poalim Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Accounting and Economics, Hebrew University; M.B.A., Hebrew University. CPA. CFO of Isracard Ltd. (from June 2019 also served as Deputy CEO of Isracard) (2011-2019).
Name	**Zeev Hayo**
Personal details	Identification number: 057069676 Date of birth: February 24, 1961
Date of commencement of service	July 14, 2014.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Banking Services, as of June 1, 2022.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Accounting and Economics, Tel Aviv University. CPA. Chief Internal Auditor, Head of Internal Audit in Israel and Abroad at the Bank (July 2014-May 2022). Internal auditor of the following companies: Isracard Ltd., Europay (Eurocard) Israel Ltd., Peilim (July 2014-May 2022), Poalim Express Ltd. (July 2014-April 2018).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Itamar Furman
Personal details	Identification number: 25359696 Date of birth: September 2, 1973
Date of commencement of service	July 20, 2022.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Corporate Banking. Chairperson of the boards of directors of the subsidiaries: Diur B.P. Ltd., Diur B.P. Investments (1992) Ltd., and Diur B.P. Properties (1993) Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Economics and Management, Bar-Ilan University; M.B.A., specialized in finance and accounting, Tel Aviv University. Corporate Area Manager at the Bank (2021-2022). Infrastructure, Energy, and Capital Market Sector Manager at the Bank (2016-2021).
Name	**Guy Kalif**
Personal details	Identification number: 028761088 Date of birth: September 23, 1971
Date of commencement of service	January 1, 2021.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Chief Accountant.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Accounting and Economics, Tel Aviv University; M.B.A., Tel Aviv University. Director at Hapoalim Switzerland (as of May 2018). Finance and Management Information Area Manager at the Bank (2016-2020). Director and chairperson of the risk management committee at Isracard Ltd. (2013-2020).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Yadin Antebi
Personal details	Identification number: 028078525 Date of birth: October 31, 1970
Date of commencement of service	July 23, 2013.
Position at the corporation or at a subsidiary, related company, and/or interested party thereof	Member of the Board of Management, Head of Financial Markets and International Banking, as of May 29, 2018. Chairperson of the board of directors of the following subsidiaries: Hapoalim Switzerland Ltd., Poalim Financial Holdings (1993) Ltd., Bank Hapoalim Nominee Company Ltd., Poalim Equity and Investments Holdings Ltd., Poalim Equity - Investment House Ltd., Pekaot Poalim Ltd., Continental Poalim Ltd., Opaz Ltd., Hapoalim American Israeli Ltd., Hapoalim Nechasim (Menayot) Ltd., Tarshish Holdings and Investments Hapoalim Ltd., Teuda Hevra Finansit Ltd., Hapoalim Hanpakot Ltd., BAMI Nechasim Ltd., Poalim Ofakim Ltd., and Poalim Mortgages Insurance Agency (2005) Ltd.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Accounting and Economics, Hebrew University of Jerusalem; M.B.A. (specialized in finance), Hebrew University of Jerusalem. CPA. Director at Yadin Antebi Consulting Ltd. Chief Financial Officer (CFO) at the Bank (2013-2018). Previously served as Supervisor of the Capital Market, Insurance, and Savings at the Ministry of Finance. Previously served as deputy chairperson of the board of directors at Bank Pozitif.
Name	**Dalit Tova Raviv**
Personal details	Identification number: 024149783 Date of birth: June 22, 1969
Date of commencement of service	November 13, 2019.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Member of the Board of Management, Head of Retail Banking.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Economics, Ben-Gurion University; M.B.A., Tel Aviv University. Commercial Banking Area Manager, Corporate Banking Division, at the Bank (2016-2019).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Gilad Bloch
Personal details	Identification number: 028487296 Date of birth: March 15, 1971
Date of commencement of service	February 1, 2019.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Corporate Secretary.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Business Administration, College of Management, Rishon Lezion; M.B.A., Executive MBA Program, Tel Aviv University. Personal Assistant to the CEO of the Bank in the areas of credit, compliance, and risk management (2017-2019).
Name	**Igal Bareket**
Personal details	Identification number: 024557043 Date of birth: October 24, 1969
Date of commencement of service	May 16, 2022.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Chief Marketing Officer.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.A. in Business and Communications, College of Management. CEO of the advertising firm Yehoshua TBWA (2017-2022).

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 26A Senior Officers of the Bank[1] (continued)

Name	Rivka Gugig
Personal details	Identification number: 036164994 Date of birth: March 12, 1979
Date of commencement of service	September 4, 2022.
Position at the corporation or at a subsidiary, related company, or interested party thereof	Chief Transformation Officer (CTRO). Serves as chairperson of the board of directors of Poalim Sahar Ltd. (subsidiary) as of March 2021.
Is the officer an interested party of the corporation, or a family member of another senior officer or of an interested party of the corporation?	No.
Education and business experience in the last five years, with details of professions or subjects in which education was acquired, the educational institution, and the academic degree or professional certification held by the officer	B.Sc. in Software Engineering, Lustig Campus, Lev Academic Center; M.B.A., specialized in information systems, Lustig Campus, Lev Academic Center. Financial Applications Senior Manager, Information Technology Division at the Bank (2020-2022). Capital Market Applications and Dealing Room Department Manager at the Bank (2018-2020).
Golan Scherman	Served as Member of the Board of Management, Head of Innovation and Strategy, from February 1, 2018, to July 8, 2022.
Tsahi Cohen	Served as Member of the Board of Management as of July 1, 2012, and as Head of Corporate Banking from March 1, 2018, to July 19, 2022.
Asaf Azulay	Served as Head of Marketing from February 1, 2021, to May 15, 2022.

Standard 26B Independent authorized signatories

None.

Standard 27 Accountants of the Bank

Ziv Haft, Certified Public Accountants, 48 Menachem Begin Rd., Tel-Aviv.
Somekh Chaikin, Certified Public Accountants, 17 Ha'arba'ah St., Tel Aviv.

(1) The information in this standard is correct as at the date of publication of this report, unless otherwise indicated. In general, information regarding the past positions and occupations of senior officers of the Bank is provided for the period of the last five years.

Standard 28 Details of changes in the Memorandum and Articles of the Bank

There were no changes in the Memorandum and Articles of the Bank in 2022.

Standard 29

A. Recommendations of the Board of Directors to the general meeting, and resolutions that do not require approval by the general meeting:

1. Dividend distribution – for details regarding dividend distribution, see the Report of the Board of Directors and Board of Management, page 56.
2. Changes in capital – for details regarding a change in the number of dormant shares of the Bank as a result of the automatic conversion of RSU of employees of the Bank (who are not officers) into ordinary shares of the Bank (held as dormant by the Bank), see the report of March 10, 2022 (reference no. 2022-01-028303); and regarding the allocation of restricted shares and restricted stock units to executives and employees of the Bank within the remuneration plan, see the reports of April 26, 2021 (reference no. 2021-01-070341) and May 24, 2022 (reference nos. 2021-01-027832 and 2022-01-063130, respectively).
3. Change in the Memorandum and Articles of the Bank – none.
4. Redemption of shares – none.
5. Early redemption of Subordinated Notes (Series C) – On November 1, 2022, the Bank executed full early redemption of Subordinated Notes (Series C), in consideration for a total of approximately NIS 1.67 billion. The early redemption was approved by the Board of Directors of the Bank and by the Supervisor of Banks. For further information, see the Immediate Reports of the Bank of August 14, 2022 (reference no. 2022-01-102784), September 8, 2022 (reference no. 2022-01-115480), and October 18, 2022 (reference no. 2022-01-127069).
6. Transactions not at market terms between the Bank and an interested party of the Bank, except a transaction of the corporation with a subsidiary thereof – none.

B. Resolutions of the general meeting passed in contradiction of the recommendations of the Board of Directors – none.

C. Resolutions of a special general meeting – no special general meeting was held in 2022. For details regarding resolutions passed at the annual general meeting held on August 11, 2022, see the section "Other matters" in the chapter "Corporate governance and additional information."

Standard 29A

Extraordinary transactions that require approval under Section 270(1) of the Companies Law – none. For details regarding settlements with insurers (subject to court approval) according to which a total of USD 140 million will be paid to the Bank in connection with the tax affair and the FIFA affair, further to the adoption of the recommendations of the independent committee headed by Justice (Retired) Yoram Danziger, see Notes 25F, 25E(c)(1), and 25E(c)(2) to the Financial Statements..

Standard 29A(4) – All of the directors and officers of the Bank have exemption letters and indemnity commitments, and are insured under an officers' liability policy.

Exemption for officers

On February 18, 2016, the general meeting of shareholders of the Bank, following the approval of the Remuneration Committee (in its meetings of January 7 and 10, 2016), and the Board of Directors of the Bank (in its meeting of January 13, 2016), approved the granting of letters of exemption to the officers and directors of the Bank serving and/or who may serve from time to time at the Bank, including the CEO of the Bank, serving and/or who may serve from time to time, and including the officers and directors of the Bank, serving and/or who may serve from time to time, in the granting of letters of exemption to whom the controlling party of the Bank may be considered to have a personal interest. Pursuant to the letters of exemption, the Bank exempts the officer, subject to the provisions of the Companies Law, from responsibility towards the Bank due to any damage to the Bank and/or to subsidiaries of the Bank and/or to related companies of the Bank and/or to any other corporations in which the Bank holds securities, and/or may hold securities from time to time, caused by a past or future action or omission of the officer during the term of the officer's service, which constitutes a violation of the duty of care of the officer towards the Bank. The exemption shall not apply to an action or omission of the officer pertaining to a decision or transaction in which the controlling party or any officer of the Bank has a personal interest. At the date of the report, all of the directors and officers of the Bank have letters of exemption. For further details, see the Immediate Report on convening the meeting issued by the Bank on January 13, 2016 (reference no. 2016-01-009607).

Officers' insurance

Within the officer remuneration policy of the Bank, which was approved by the meeting of shareholders of the Bank on October 22, 2020, a framework of liability limits of up to USD 500 million was established for the acquisition of an officer liability insurance policy, and in addition, an option to acquire a POSI (public offering of securities insurance) policy, and a run-off officer liability insurance policy (providing coverage for past activity) under circumstances of structural changes or changes in control.

Standard 29A (continued)

In June 2022, the Remuneration Committee (pursuant to Regulation 1B(1) of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000 (the "Relief Regulations")) and the Board of Directors approved the renewal of an insurance policy providing coverage for liability of directors and officers at the Bank Group and monetary indebtedness imposed upon them due to their function as officers, also including coverage for the company in respect of amounts for which it indemnifies officers and in respect of securities claims. The insurance coverage has liability limits of USD 183 million, as well as additional coverage for directors and officers (Side A) with liability limits of USD 72 million (total coverage of USD 255 million), beginning July 1, 2022, for a period of twelve months. The total premium for the aforesaid insurance coverage is approximately USD 7.4 million.

Within the separation from Isracard Ltd. ("Isracard"), on December 26, 2018, further to the approval of the Audit Committee on December 19, 2018, and the approval of the Remuneration Committee on December 19, 2018 (pursuant to Regulation 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000), the Board of Directors approved the acquisition of a POSI (public offering of securities insurance) policy in connection with the offering of shares of Isracard, jointly with Isracard. The policy insures directors' and officers' liability at the Bank and at Isracard, and insures the Bank and Isracard in respect of offerings of shares of Isracard to the public by the Bank, and an initial offering of bonds by Isracard in April 2019. The liability limit of the policy is in the amount of USD 200 million per claim and cumulatively. The premium for the POSI policy is approximately USD 1 million. The policy is in effect from March 1, 2019, to January 31, 2028.

Indemnification of officers

For details regarding indemnity letters received by all officers serving at the Bank, see Note 25B(4) to the Financial Statements.

Guy Kalif
Member of the Board of Management,
Chief Accountant

Gilad Bloch
Corporate Secretary

Tel-Aviv, March 8, 2023

Corporate Governance Questionnaire[1]

Independence of the board of directors			
		True	False
1.	Throughout the reported year, two or more external directors served at the corporation. This question can be answered "True" if the period during which two external directors did not serve does not exceed 90 days, as noted in Section 363A(b)(10) of the Companies Law; however, with any answer (true/false), the duration of the period (in days) in which two or more external directors did not serve at the corporation during the reported year should be noted (including a term of service approved retrospectively, separately for each of the external directors): Director A: **Ronit Abramson-Rokach** Director B: **Dalia Lev** Director C: **David Avner** Number of external directors serving at the corporation as at the date of publication of this questionnaire: **3 (and 3 additional external directors as defined in Directive 301 of the Supervisor of Banks, who are not external directors pursuant to the directives of the Companies Law).**	✓	
2.	Rate[2] of independent directors[3] serving at the corporation as at the date of publication of this questionnaire: **5/10.** Rate of independent directors established in the articles[4] of the corporation:[5] ______ Not applicable (no directive has been established in the articles). **Pursuant to the provisions of the Banking Ordinance, because the Bank is a banking corporation without a controlling core, all of the directors are required to have no affinity to the Bank, or, effectively, to be independent of the Bank. In addition, pursuant to Directive 301 of the Supervisor of Banks, at least one-third of the directors on the Board of Directors of the Bank are required to be external directors, as defined in Directive 301 (including external directors pursuant to the Companies Law). As noted, six external directors, as defined in Directive 301, serve at the Bank; excluding the Chairman of the Board, the other external directors are also independent directors.**	____	____
3.	An examination was conducted in the reported year with the external directors (and the independent directors), and it was found that they fulfilled the directives of Section 240(B) and (F) of the Companies Law, in the reported year, with regard to the lack of affinity of the external (and independent) directors serving at the corporation, and that they fulfilled the required conditions for service as external (or independent) directors.	✓	

(1) Published pursuant to the proposed legislation for the improvement of financial statements of March 16, 2014.
(2) In this questionnaire, "**rate**" indicates the specific number out of the total; for example, 3/8.
(3) Including "external directors" as defined in the Companies Law.
(4) For the purposes of this question, "articles," including according to a specific legal directive applicable to the corporation (for example, at a banking corporation, the directives of the Supervisor of Banks).
(5) A bond company is not required to answer this item.

Corporate Governance Questionnaire (continued)

Independence of the board of directors (continued)			
		True	False
4.	None of the directors who served at the corporation during the reported year report[6] to the general manager, directly or indirectly (with the exception of a director who is a representative of the employees, if the corporation has employee representation). If your answer is "False" (i.e. the director reports to the general manager, as noted), the rate of directors who do not meet this limit should be noted: ______	✓	
5.	All directors who gave notice of the existence of a personal interest in the approval of a transaction on the agenda of a meeting did not attend that discussion and did not participate in such voting (with the exception of a discussion and/or vote under circumstances according to Section 278(B) of the Companies Law). If your answer is "False" – Was this for the purpose of presentation of a specific subject by the director, in accordance with the directives of Section 278(A), last clause? ☒ **Yes** ☐ No (mark an X in the appropriate box) Note the rate of meetings in which directors as noted above were present at a discussion and/or participated in a vote, except under the circumstances as noted in Subsection (a): **0%.**		✓
6.	A controlling party (including a relative thereof and/or a person acting on behalf thereof), who is not a director or other senior officer of the corporation, was not present at the meetings of the board of directors held during the reporting year. If your answer is "False" (i.e., a controlling party and/or a relative thereof and/or a person acting on behalf thereof who is not a member of the board of directors and/or a senior officer of the corporation was present at meetings of the board of directors, as noted) – state the following information regarding the presence of each additional person at meetings of the board of directors, as noted: Identity: __–__ Position at the corporation (if any): __–__ Details of affinity to controlling party (if the person present is not the controlling party): __–__. Was this for the purpose of presentation of a specific subject by the attendee? No (mark an X in the appropriate box) Rate of attendance[7] at meetings of the board of directors held in the reported year in order to present a specific subject: __–__ Other attendance: __–__ ☒ Not applicable (the corporation does not have a controlling party).		

(6) For the purposes of this question, service as a director at an affiliated corporation controlled by the corporation shall not be considered, in itself, "reporting." However, service of a director of the corporation as an officer (other than a director) and/or employee of an affiliated corporation controlled by the corporation shall be considered "reporting" for the purposes of this question.

(7) With differentiation of the controlling party, a relative thereof, and/or a person acting on behalf thereof.

Corporate Governance Questionnaire (continued)

Qualification and skills of directors				
			True	False
7.	The articles of the corporation do not contain a directive restricting its ability to immediately terminate the service of any directors of the corporation who are not external directors (for this purpose, determination by simple majority is not considered a restriction)[8]. **Special legal directives apply to a banking corporation without a controlling core.** If your answer is "False" (i.e., such a restriction does exist), state:		✓	
	A.	The period of time specified in the articles for the service of a director: _______		
	B.	The required majority specified in the articles for the termination of service of directors: _______		
	C.	The legal quorum at the general meeting specified in the articles for the termination of service of directors: _______		
	D.	The majority required to change these directives in the articles: _______		
8.	The corporation has prepared a training program for new directors in the area of the business of the corporation and in the area of the law applicable to the corporation and to the directors, as well as a program for continued training of serving directors, adapted, among other matters, to the position held by the director at the corporation. If your answer is "True," state whether the program was operated during the reported year: ☒ **Yes** ☐ No (mark an X in the appropriate box)		✓	
9.	A.	A minimum required number of directors on the board of directors who must have accounting and financial expertise has been established at the corporation. If your answer is "True," state the minimum number established: **3**.	✓	
	B.	The number of directors who served at the corporation during the reported year who have accounting and financial expertise[9]: **8** Directors with professional qualification[10]: **9** If the number of such directors changed during the reported year, state the lowest number (except during the period of 60 days from the change) of directors of each kind who served during the reported year.		

(8) A bond company is not required to answer this item.
(9) After evaluation of the Board of Directors, pursuant to the directives of the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise), 2005.
(10) See footnote 9 above.

Corporate Governance Questionnaire (continued)

Qualification and skills of directors (continued)				
			True	False
10.	A.	The composition of the board of directors included members of both sexes throughout the reported year. If your answer is "False," state the duration of the period (in days) during which this was not the case: ______ This question can be answered "True" if the period during which directors of both sexes did not serve does not exceed 60 days; however, for any answer (true/false), the duration of the period (in days) in which directors of both sexes did not serve at the corporation should be noted: ______	✓	
	B.	Number of directors of each sex serving on the board of directors of the corporation as at the date of publication of this questionnaire: Men: **6**, Women: **4**.		

Corporate Governance Questionnaire (continued)

Meetings of the board of directors (and convening of the general meeting)									
								True	False
11.	A.	Number of meetings of the board of directors held during each quarter of the reported year: First quarter (2022): **13** Second quarter: **11** Third quarter: **8** Fourth quarter: **13**							
	B.	Beside each of the names of the directors who served at the corporation during the reported year, note the rate of meetings of the board of directors in which he or she participated (in this subsection, including meetings of the committees of the board of directors of which he or she is a member, as noted below), which were held during the reported year (in reference to the term of his or her service): (add additional rows according to the number of directors).							
		Director's name	Rate of participation in meetings of the board of directors	Rate of participation in meetings of the audit committee[11]	Rate of participation in meetings of the committee for the examination of the financial statements[12]	Rate of participation in meetings of the remuneration committee	Rate of participation in meetings of additional committees of the board of directors of which the director is a member (note the name of the committee)		
		Ruben Krupik	100%				Strategy and Business Development Committee – 100% Corporate Governance and Stakeholders Committee – 100% Credit Committee – 90% Information Technology and Technological Innovation Committee – 100% Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 89% Risk Management and Control Committee – 88%		

(11) With regard to a director who is a member of this committee. Pursuant to the supervisory directives, discussions of the financial statements are held by the audit committee of the board of directors.
(12) See footnote 11 above.

Corporate Governance Questionnaire (continued)

Meetings of the board of directors (and convening of the general meeting) (continued)									
								True	False
		David Avner	98%	100%	100%	100%	Strategy and Business Development Committee – 100% Risk Management and Control Committee – 100% Information Technology and Technological Innovation Committee – 100%		
		Ronit Abramson-Rokach	98%	100%	100%	100%	Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100% Risk Management and Control Committee – 100% Corporate Governance and Stakeholders Committee – 100%		
		Noam Hanegbi	98%	100%	100%	100%	Credit Committee – 100% Corporate Governance and Stakeholders Committee – 100% Information Technology and Technological Innovation Committee – 100% Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100%		
		Israel Trau	95%	100%	100%		Credit Committee – 95% Strategy and Business Development Committee – 100%		
		Dalia Lev	98%	97%	97%	100%	Credit Committee – 95% Strategy and Business Development Committee – 100%		
		Odelia Levanon[13]	100%						

(13) Ms. Odelia Levanon commenced her service at the Bank on September 13, 2022.

Corporate Governance Questionnaire (continued)

Meetings of the board of directors (and convening of the general meeting) (continued)									
								True	False
		Yoel Mintz	100%				Credit Committee – 100% Committee for Monitoring the Implementation of the Resolutions of the Bank with the United States Authorities – 100%		
		David Zvilichovsky	100%				Risk Management and Control Committee – 100% Credit Committee – 100% Strategy and Business Development Committee – 100% Information Technology and Technological Innovation Committee – 100%		
		Ronit Schwartz	100%				Risk Management and Control Committee – 100% Corporate Governance and Stakeholders Committee – 100%		
12.	The board of directors held at least one discussion during the reported year regarding the management of the business of the corporation by the general manager and the officers who report to the general manager, when they were not present, and they were given the opportunity to express their position.							✓	

Corporate Governance Questionnaire (continued)

Separation of the duties of the general manager and the chairperson of the board of directors				
			True	False
13.	A chairperson of the board of directors served at the corporation throughout the reported year. This question can be answered "True" if the period during which a chairperson of the board of directors did not serve at the corporation does not exceed 60 days, as noted in Section 363A(2) of the Companies Law; however, for any answer (true/false), the duration of the period (in days) in which a chairperson of the board of directors did not serve at the corporation should be noted: ______		✓	
14.	A general manager served at the corporation throughout the reported year. This question can be answered "True" if the period during which a general manager did not serve at the corporation does not exceed 90 days, as noted in Section 363A(6) of the Companies Law; however, for any answer (true/false), the duration of the period (in days) in which a general manager did not serve at the corporation should be noted: ______		✓	
15.	At a corporation where the chairperson of the board of directors also serves as the general manager of the corporation and/or exercises the authority of the general manager, the double service has been approved in accordance with the directives of Section 121(C) of the Companies Law.[14] ☒ Not relevant (as no such double service exists at the corporation).			
16.	The general manager <u>is not</u> a relative of the chairperson of the board of directors. If your answer is "False" (i.e., the general manager is a relative of the chairperson of the board of directors) –		✓	
	A.	State the familial relationship between the parties: ______	____	____
	B.	The service was approved pursuant to Section 121(C) of the Companies Law:[15] ☐ Yes ☐ No (mark an X in the appropriate box)	____	____
17.	A controlling party or a relative thereof <u>does not</u> serve as the general manager or as a senior officer of the corporation, except as a director. ☒ Not applicable (the corporation does not have a controlling party).			

(14) At a bond company, approval pursuant to Section 121(D) of the Companies Law.
(15) At a bond company, approval pursuant to Section 121(D) of the Companies Law.

Corporate Governance Questionnaire (continued)

Audit committee				
			True	False
18.	The following persons did not serve on the audit committee during the reported year:		____	____
	A.	A controlling party or a relative thereof. ☒ Not applicable (the corporation does not have a controlling party).		
	B.	The chairperson of the board of directors.	✓	
	C.	A director employed by the corporation or by a controlling party of the corporation or by a corporation under a controlling party's control.	✓	
	D.	A director who regularly provides services to the corporation or to a controlling party of the corporation or to a corporation under a controlling party's control.	✓	
	E.	A director whose primary livelihood depends on the controlling party. ☒ Not applicable (the corporation does not have a controlling party).		
19.	No person not permitted to be a member of the audit committee, including a controlling party or a relative thereof, was present at the meetings of the audit committee during the reported year, except in accordance with the directives of section 115(E) of the Companies Law.(16)		✓	
20.	The legal quorum for discussion and for the passing of resolutions at all meetings of the audit committee held during the reported year was a majority of the members of the committee, where the majority of those present were independent directors, and at least one of those present was an external director. If your answer is "False," state the rate of meetings at which this requirement was not fulfilled: ______		✓	
21.	The audit committee held at least one meeting during the reported year in the presence of the internal auditor and the external auditor, without the presence of officers of the corporation who are not members of the committee, with regard to flaws in the business management of the corporation.		✓	
22.	For all meetings of the audit committee attended by a person not authorized to be a committee member, such attendance was approved by the chairperson of the committee and/or was at the request of the committee (with regard to the legal counsel and secretary of the corporation who is not a controlling party or a relative thereof).		✓	
23.	Arrangements were in effect during the reported year, established by the audit committee, with respect to the treatment of complaints of employees of the corporation regarding flaws in the management of its business and with respect to the protection to be given to employees who make such complaints.		✓	
24.	The audit committee (and/or the committee for the examination of the financial statements) obtained satisfactory assurance that the volume of work and the fees of the external auditor with respect to the financial statements in the reported year were appropriate in order to adequately perform the auditing and reviewing work.		✓	

(16) Members of the Board of Directors who are not members of the Audit Committee were present at parts of several meetings of the committee in 2022 in order to present a specific topic (in accordance with the directives of Section 115(E) of the Companies Law), and were present while the financial statements were discussed, when the committee was in session as the committee for the examination of the financial statements.

Corporate Governance Questionnaire (continued)

Duties of the committee for the examination of the financial statements (hereinafter: the Committee) in its preliminary work prior to the approval of the financial statements[17]				
			True	False
25.	A.	Period of time (in days) established by the board of directors as a reasonable period for the submission of recommendations of the Committee in advance of the meeting of the board of directors in which the financial statements are approved: **2 days, if possible.**	____	____
	B.	Actual number of days elapsed from the submission of the recommendations to the board of directors to the date of the discussion of the approval of the financial statements by the board of directors: Report for the first quarter (2022): **3** Report for the second quarter: **3** Report for the third quarter: **1** Annual report: **2**	____	____
	C.	Number of days elapsed from the submission of the draft of the financial statements to the directors to the date of the discussion of the approval of the financial statements by the board of directors: Report for the first quarter (2022): **5** Report for the second quarter: **6** Report for the third quarter: **8** Annual report: **6**		
26.	The external auditor of the corporation attended all meetings of the Committee and of the board of directors in which the financial statements of the corporation referring to the periods included in the reported year were discussed. If your answer is "False," state the rate of participation: ______		✓	

(17) In accordance with the directives of the Banking Supervision Department, the Audit Committee serves as the committee for the examination of the financial statements.

Corporate Governance Questionnaire (continued)

			True	False
Duties of the committee for the examination of the financial statements (hereinafter: the Committee) in its preliminary work prior to the approval of the financial statements[17] (continued)				
			True	False
27.	All of the following conditions were fulfilled by the Committee during the entire reported year and until the publication of the annual report:		____	____
	A.	The number of members did not fall below three (at the date of the discussion by the Committee and the approval of the financial statements, as noted).	✓	
	B.	All of the conditions set forth in Section 115(B) and (C) of the Companies Law (with regard to the service of members of the audit committee) were fulfilled.[18]	✓	
	C.	The chairperson of the Committee is an external director.	✓	
	D.	All of the members are directors and the majority of members are independent directors.	✓	
	E.	All of the members have the ability to read and understand financial statements, and at least one of the independent directors has accounting and financial expertise.	✓	
	F.	The members of the Committee made a declaration prior to their appointment.	✓	
	G.	The legal quorum for discussions and for passing of resolutions in the Committee is a majority of its members, provided that the majority of those present are independent directors, including at least one external director.	✓	
	If your answer to one or more of the subsections of this question is "False," note the report (periodic/quarterly) with respect to which the condition was not fulfilled and state which condition was not fulfilled: ______		____	____

(17) In accordance with the directives of the Banking Supervision Department, the Audit Committee serves as the committee for the examination of the financial statements.
(18) See footnote 17 above.

Corporate Governance Questionnaire (continued)

The remuneration committee				
			True	False
28.	In the reported year, the committee consisted of at least three members, and external directors were a majority of the committee (at the date of the discussion in the committee). ☐ Not applicable (no discussion was held).		✓	
29.	The terms of service and employment of all members of the remuneration committee in the reported year are in accordance with the Companies Regulations (Rules for Remuneration and Expenses of External Directors), 2000.		✓	
30.	The following persons did not serve on the remuneration committee during the reported year:		____	____
	A.	A controlling party or a relative thereof. ☒ Not applicable (the corporation does not have a controlling party).		
	B.	The chairperson of the board of directors.	✓	
	C.	A director employed by the corporation or by a controlling party of the corporation or by a corporation under a controlling party's control.	✓	
	D.	A director who regularly provides services to the corporation or to a controlling party of the corporation or to a corporation under a controlling party's control.	✓	
	E.	A director whose primary livelihood depends on the controlling party. ☒ Not applicable (the corporation does not have a controlling party).		
31.	A controlling party or a relative thereof were not present at the meetings of the remuneration committee during the reported year, unless the chairperson of the committee determined that the presence of any of them was required for the presentation of a particular matter. ☒ Not applicable (the corporation does not have a controlling party).			
32.	The remuneration committee and the board of directors did not exercise their authority pursuant to sections 267A(C), 272(C)(3), and 272(C1)(1)(c) for the approval of a transaction or remuneration policy despite the objection of the general meeting of shareholders. If your answer is "False," state – The type of transaction approved in the aforesaid manner: ______ The number of times this authority was exercised during the reported year: ______		✓	

Corporate Governance Questionnaire (continued)

Internal auditor			
		True	False
33.	The chairperson of the board of directors or the general manager of the corporation is the organizational supervisor of the internal auditor of the corporation.	✓	
34.	The chairperson of the board of directors or the audit committee approved the work plan in the reported year. In addition, list the audit subjects addressed by the internal auditor during the reported year:[19] ______	✓	
35.	Volume of employment of the internal auditor at the corporation in the reported year (in hours[20]): **100% position** **For details regarding number of employee positions in Internal Audit at the Bank, see Section 6.2, "Internal audit," in the section of the report concerning corporate governance and additional information.**	____	____
	A discussion of the findings of the internal auditor was held (by the audit committee or the board of directors) during the reported year.	✓	
36.	The internal auditor is not an interested party of the corporation, a relative thereof, an external auditor, or anyone acting on behalf thereof, and does not maintain material business ties with the corporation, a controlling party of the corporation, a relative thereof, or corporations under their control.	✓	

(19) For details regarding internal audit at the Bank, see Section 6.2, "Internal Audit," in the section of the report concerning corporate governance and additional information.
(20) Including hours of work invested at affiliated corporations and in audits outside Israel, as relevant.

Corporate Governance Questionnaire (continued)

Transactions with interested parties			
		False	False
37.	The controlling party or a relative thereof (including a company under the control thereof) is not employed by the corporation and does not provide the corporation with management services. If your answer is "False" (i.e., the controlling party or a relative thereof is employed by the corporation or provides it with management services), state – The number of relatives (including the controlling party) employed by the corporation (including companies under their control and/or through management companies): ______ Were the aforesaid employment agreements and/or management services approved by the legally appointed organs: ☐ Yes ☐ No (mark an X in the appropriate box) ☒ Not applicable (the corporation does not have a controlling party). ______		
38.	To the best of the corporation's knowledge, the controlling party does not have additional business in the area of activity of the corporation (in one or more areas). If your answer is "False" – state whether an arrangement has been established for boundaries between the activities of the corporation and of the controlling party thereof: ☐ Yes ☐ No (mark an X in the appropriate box) ☒ Not applicable (the corporation does not have a controlling party).		

Ruben Krupik
Chairperson of the board of directors

Ronit Abramson-Rokach
Chairperson of the Audit Committee[21]

Tel Aviv, March 8, 2023

(21) See footnote 17 above.

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.

Option

A contract between two parties (the option writer and the option buyer); the option writer grants the option buyer the right to buy or sell a particular asset for a predetermined price, usually at a predetermined time.

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.

Phantom share

An instrument granting cash compensation based on the value of shares of the company, without entitlement to receive the share.

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.

S

T