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CONDENSED FINANCIAL STATEMENTS

[Link to an accessible report]

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ISRAEL DISCOUNT BANK

Board of Directors and Management Report

Internal Control over Financial Reporting

Condensed Financial Statements

Corporate Governance, audit, additional details regarding the business of the banking corporation and management thereof

Appendices to the Quarterly Report

Board of Directors and Management Report

Board of Directors and Management Report - List of tables

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Chapter "A" - General overview, goals and strategy

At the meeting of the Board of Directors held on November 22, 2022, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for September 30, 2022 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

Condensed financial information regarding financial position and operating results

Condensed financial information and main performance indicators over a period of time - consolidated

	Nine months		Year
	2022	2021	2021
		In %	
Main performance indicators:			
Return on equity [4]	15.0	14.9 [1]	13.6 [1]
Return on assets [4]	0.98	0.99	0.91
Ratio of net credit to the public to deposits from the public	81.5	83.1	81.7
Ratio of common equity tier 1 to risk assets	10.17	10.29	10.14
Ratio of total capital to risk assets	12.79	13.39	13.46
Leverage ratio	6.0	6.3	6.0
Liquidity coverage ratio[2]	125.3	130.1	123.1
Net Stable Funding Ratio	121.4	-[3]	126.7 [3]
Efficiency ratio	56.5	63.3	65.4
Main credit quality indicators [4]:			
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.31	1.51	1.41
Ratio of the balance of impaired credit to the public together with the balance of credit to the public in arrears for 90 days and over, to balance of credit to the public	0.67	0.87	0.76
Ratio of net accounting write-offs for credit to the public to the average balance of credit to the public	(0.07)	-	0.03
Ratio of credit loss expenses (expenses release) to the average balance of credit to the public	0.10	(0.46)	(0.34)
		In NIS millions	
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	**2,556**	**2,244**	**2,773**
Net interest income	6,153	4,846	6,529
Credit loss expense (expenses release)	177	(683)	(693)
Non-financing income	3,137	2,923	3,962
Of which: Fees and commissions	2,547	2,316	3,125
Non-financing expenses	5,250	4,919	6,858
Of which: salaries and related expenses	2,580	2,498	3,468
Comprehensive income, attributed to the Bank's shareholders	**1,812**	**2,115**	**2,396**
Total earnings per share attributed to Bank's shareholders (in NIS)	2.11	1.93	2.38

For footnotes see next page.

Condensed financial information and main performance indicators over a period of time – consolidated (continued)

	Nine months		Year
	2022	2021	2021
	In NIS millions		
Principal balance sheet data for the end of the reporting period:			
Total assets	**379,074**	**313,411**	**335,088**
Of which:			
Cash and deposits with banks	71,510	46,334	59,638
Securities	42,633	45,962	43,869
Net credit to the public	236,881	203,827	213,156
Total liabilities	**354,356**	**291,405**	**312,940**
Of which:			
Deposits from the public	290,646	245,393	260,907
Deposits from banks	16,719	13,635	12,534
Bonds and Subordinated debt notes	13,491	11,170	15,071
Shareholders' equity	24,112	21,346	21,483
Total equity	**24,718**	**22,006**	**22,148**
Additional data:			
Share price	1,806	1,712	2,094
Dividend per share	35.44	-	12.41
Ratio of fees and commissions to total assets (4)	0.98	0.97	1.02

Footnotes:

(1) The method of computing the quarterly rate of ROE in annual terms has been changed as from January 1, 2022, according to the accepted practice at US banks. The comparative data was restated accordingly.

(2) The ratio is computed for the three months ended at the end of the reporting period.

(3) The Directive regarding Net Stable Funding Ratio is being implemented as from December 31, 2021.

(4) In annual terms.

For details regarding the decision of the Bank's Board of Directors dated November 22, 2022, to distribute a dividend in the amount of approx. 0.14438 Agorot per share, see below "Dividend distribution" and Note 18 to the condensed financial statements.

Market share

Based on data relating to the banking industry as of June 30, 2022, published by the Bank of Israel, the Discount Bank Group's share in the total of the five largest banking groups in Israel was as follows:

	June 30, 2022	December 31, 2021
	In %	
Total assets	15.9	15.2
Net credit to the public	16.8	16.6
Deposits from the public	15.4	14.6
Net interest income	17.6	17.6
Total non-interest income	22.8	21.4

Development of the Discount share

	Closing price at end of the trading day			Change in the first
	November 20, 2022	September 30, 2022	December 31, 2021	nine months of 2022 in %
Discount share	1,992	1,806	2,094	(13.8)
The TA 5 Banks index	3,521.60	3,286.75	3,420.05	(3.9)
The TA 35 index	1,907.42	1,837.23	1,978.06	(7.1)
Discount market value (in NIS billions)	24.64	22.34	24.37	(8.3)

Goals and business strategy

The strategic plan, which was formed in the course of 2020, directs towards the realization of an ambitious vision of being **the best financial institution for its customers, which creates maximum value to its shareholders over time**. The strategic plan is made up of three central pillars – accelerated evolution of traditional banking, revolution in banking business by way of groundbreaking innovation and maximizing the value of the Group.

First pillar – Accelerated evolution of traditional banking

The Discount Group will accelerate the evolution of banking activity with a view of improving competitive ability and increase its market share and profitability in banking activity. The said acceleration is to be achieved by way of focusing on five areas:

Winning customer experience

Goal: To be the bank with the best customer experience in the system

Changing reality requires us to improve customer experience quickly and qualitatively – customers expect another level of service, and the base for comparison is not necessarily other banks but the organizations leading in customer experience provided by them. Discount shall act to create a differentiating competitive advantage by way of a winning customer experience.

In order to realize this vision and become the best bank for its customers, Discount has introduced a comprehensive strategic project, intended to turn the whole Bank into a customer focused organization. This, by making a significant and extensive effort covering all units of the Bank and leading to a basic and deep change of work processes and of service and behavior principles.

The leading index measuring the success of the change is the customer recommendation index – Net Promoter Score. This index has been successfully implemented by thousands of leading organizations around the world. This index has been proven as directly connected to the increase in income, to attracting new customers and increasing customer loyalty.

Within the framework of this mechanism, the Bank integrated processes involving attentiveness to customers, deep and methodological analysis of feedback from customers through translating the messages into effective initiatives for improving customer experience at all his interface points with the Bank.

Significant growth and increasing market share in focal segments

Goal: Growth at a faster rate than that of competitors in the credit portfolio and in income

- The Bank will act to increase income at a faster pace than market growth, and to maximize the potential of income from interest and fees and commissions, as well as non-interest financing income. The Bank shall endeavor to increase its credit portfolio at a faster pace than market growth, mainly in the housing and commercial banking fields and in additional focal fields;
- In order to enable the said growth, the Bank implements new operational models in retail and corporate banking areas, which are to include, inter alia, changes in service, sales and operating layouts.

Innovation

Goal: Positioning at the front of traditional banking innovation

- The Bank will act to enlarge the offer of digital services with a view of maximizing the usefulness of such services while providing response to expectations of customers and of the period;
- The Bank will leverage advanced data capabilities with the aim of improving value offers to customers and making banking personal, effective and valuable;
- The Bank will continue to intensify relations and cooperation with the fintech community in Israel and abroad, with a view of offering its customers and also customers of all banks, the most advanced services and products, both in banking and related areas.

Banking excellence

Goal: Creating a qualitative organizational platform based on efficiency, operational excellence and a high level of performance

- In order to support all the strategic goals of the Bank, it is the Bank's intention to integrate operational excellence that would support customer experience, would reduce errors and operating risks and assist in obtaining significant efficiency;
- In this respect, the Bank will introduce automation, digitization and improvement of processes enabling greater efficiency, shortening of reaction time and improvement of measurement and monitoring capabilities, and will integrate additional new work methods improving central processes;
- The Bank will continue to perform efficiency measures leading to the reduction in manpower of the Discount Group; optimization regarding real estate areas; and savings in purchase expenditure and other expenses.

Winning organizational culture

Goal: Being the best employer for our employees

With the understanding of the importance and centrality of the Bank's employees in providing the best service to customers and the ability to realize the strategic plan, the Bank will act to strengthen its managers and employees and to design an organizational culture that promotes performance, excellence and continuous striving for improvement. Furthermore, the Bank will act to improve the feeling of commitment and organizational bonding of employees and managers and to modify their skills to the changing environment.

Second pillar – groundbreaking innovation

Goal: Being a leading player in the implementation of groundbreaking banking models that create competition

The financial field in general and banking business in particular, is in the midst of an accelerated process of change. The change is motivated by diverse trends headed by an ever growing transition to digital banking, competition encouraging regulation, entry of new players into the traditional banking areas, and growth in expectation of customers for more varied and customized value offers than in the past.
The competitive and singular positioning of the Discount Group which, on the one hand, is large enough in order to lead a change, and on the other hand is small enough in order not to be deterred by the implications of the change, creates for it a significant opportunity to establish its position as a leading banking-financial group, which encourages competition in the system, and to increase its market share, inter alia, by forming new initiatives, off-banking, based on extensive cooperation with third parties and fintech companies:

- The Bank will act to form initiatives in cooperation with fintech companies and other third parties, for the creation of innovative products and services designed for customers of all banks;
- The first initiative of the Bank, in cooperation with Shufersal, will develop PayBox as the leading digital wallet in Israel, which combines an open platform on which will be offered products and services of third parties to customers of all banks. For details regarding this strategic cooperation, see "Management's handling of current material issues" below.

Third Pillar – maximizing the value of the Group

Goal: Utilization of the synergies between the Group companies and maximization of their value

- The Bank, as a holding company, will continue the implementation of the unique strategies defined for the central subsidiaries – IDB Bank, MDB, Discount Capital and ICC, with the aim of modifying their operations to the new competitive environment;
- The Bank will continue to act to identify and utilize possible synergies among the group companies, both in the field of revenues and in the field of expenditure, which may contribute significantly to the Group's economic value;
- The Bank will continue to promote assembling all Head Office units of the Group companies in a joint campus located in the Millennium Complex in Rishon LeTzion, with the aim of accelerating the realization of synergies and work processes, thus achieving significant real estate efficiency.

The strategic plan goals

Subsequent to updating the strategic plan formulated in 2020, which includes a financial plan for the years 2021 through 2025, and in light of the reduction in the level of uncertainty associated with the Corona crisis and the stabilization of the economy during 2021, the Bank's Board of Directors decided on March 8, 2022 to approve the following goals:

- a return on equity goal exceeding 12.5% in 2025;
- an efficiency ratio goal of less than 55% in 2025;
- a net profit goal which will exceed NIS 3.5 billion in 2025;
- a continuation of dividend distributions according to the existing policy, namely, up to a rate of 30%. As progress is made in executing the plan, the possibility of raising the dividend rate will be examined.

Forward-looking information. The aforesaid reflects the plans of the Bank's Management and its intentions, paying attention to information already in its possession at the time of preparing the reports with regard to the development of the banking sector, to the macroeconomic forecast, including in relation to an increase in the rates of interest and inflation and to the uncertainty associated with planning for several years ahead. Material changes in the economic and regulatory environment or in the geo-political or defense situations, technological developments, actions of competitors operating in the banking sector and other potential competitors, and changes in consumer patterns and customer expectations, which are not under the Bank's control, might results in changes in the ability to execute the Bank's plans as they exist at the time of publishing the statements. For the definition of the term "forward looking information", see "Appendix No. 4 – Glossary".

Material environmental, social and governance aspects. The Bank conducted examination and evaluation of its policy and goals regarding environmental, social and governance matters, especially with respect to matters of the environment and climate, on the background of the amendment to the public reporting directives of December 2021. At the present time, the Bank is in the midst of a move for the formation of an ESG strategy. Following the completion of the process, projects and/or goals regarding the above matters would be integrated into the strategic plan.

Chapter "B" - Explication and analysis of the financial results and business position

Material trends, occurrences, developments and changes

Management's handling of current material issues

The Bank's financial base and its capital infrastructure remain stable and are being stringently managed. The ratio of equity capital Tier 1 amounts to 10.17% and the liquidity coverage ratio amounts to 125.3%. This is the capital infrastructure that allows the Group to continue growing.
The central challenges and issues in the first nine months of 2022 were:

Increase in capital

On March 30, 2022, the Bank completed a process of issuing shares to the public, comprising 72,994,300 shares of a par value of NIS 0.1 each, in total consideration for approx. NIS 1,428 million. The raising of capital has been made in order to enable the Bank to continue its growth momentum and realize the existing significant potential, while focusing on areas being in the strategic center of the Bank, viz, mortgages and medium businesses, utilizing opportunities arising in the market. The raising of capital has been effected on the background of the sharp increase in yields which occurred in recent months and of the fluctuations in the market, which imbeds a significant rise in probability for the increase and force of interest rates, which temporarily affected the capital reserves and capital ratio.

Issue of debt instruments

On June 2, 2022, the Bank, by means of Manpikim, completed the issue of financial instruments intended to respond to the liquidity requirements and strengthen the infrastructure for the accelerated growth strategy for the credit portfolio of the Bank. In this framework, bonds (Series "N") were issued in a total amount of approx. NIS 1 billion, and at an effective margin of 1.05% and commercial securities (Series 2) in a total amount of approx. NIS 700 million and at a margin of 0.34% over the Bank of Israel interest rate.

2022 Retirement plan

On August 29, 2022, the Bank's Board of Directors approved a retirement plan for permanent employees having the defined characteristics, would be entitled to early retirement under preferential terms.
The liability existing in the books of the Bank covers in full the cost of the plan, accordingly, no increase in the liability reflected in the books of the Bank is expected, and no effect is expected on the Bank's equity capital and on its capital adequacy.
Until November 21, 2022, some 33 permanent employees had signed an early retirement request from the Bank.

Striving for a winning customer experience

In order to realize the vision and become the best bank for its customers, the Bank had introduced a comprehensive strategic effort intended to turn the whole Bank into a customer focused organization. This, in a significant and wide move that would engulf all units of the Bank and lead to a fundamental and deep change of work procedures and of service and behavioral principles.
The index for the measurement of the success of the change is the Net Promoter Score (NPS). This index has been successfully implemented by thousands of leading organizations around the world. It has been proven that this index is directly related to the growth in income, to attracting new customers and to increasing customer loyalty.
Within the framework of this mechanism, the Bank implements processes of listening to customers, of in-depth and methodological analysis of customer feedback and the ability to translate the messages into effective initiatives improving customer experience at all his interface points with the Bank.
As an additional step in striving for a winning customer experience, the Bank has introduced a few months ago a new and quick service of correspondence on the Application, which invites all Bank customers to approach the Bank and receive a reply within one hour at the most.

Additional issues

- **Issues.** The Bank, through Manpikim, is taking steps for the issue of a new series of subordinate debt notes (Series "I"). As of date of approval of this Report, there is no certainty regarding the realization of this issue, its timing, volume and terms. In addition, the Bank studies the possibility of issue of debt instruments;
- **Strategic cooperation with Shufersal – PayBox Ltd.** On March 29, 2022, PayBox expanded its digital wallet services by entering into an engagement with ICC for the issue of digital credit cards to users of the Application. The issue of digital credit cards began during the second quarter of the year. For additional details, see the 2021 Annual Report (pp. 22-23 and 324) and in the item "Credit Card Operations" below;
- **Changes in the organizational structure.** For details, see "The Human Capital" below;
- **Equity compensation for officers and to senior employees.** For details, see "The Human Capital" below and Note 23 to the condensed financial statements;
- **Discount Campus.** Construction work on the campus continued in the reported period. For additional details, see Note 10 section 5 to the condensed financial statements and "Fixed assets and installations" below;
- **The "One-Click Mobility" reform.** For details, see the 2021 Annual Report (p. 23);
- **Increase in competition and reduction in concentration Law.** The preparation for changes in the financial system is continuing, both at the Bank and at ICC, following the Increase in Competition and Reduction in Centralization in the Banking Market in Israel Law including an examination of the separation of ICC from the Bank. For additional details, see Note 17 to the condensed financial statements.

Principal economic developments

Presented below are the main economic developments that impacted the economic environment in which the Israeli banking sector, including the Bank, operated in the first nine months of 2022.

Growth. Upon recovery from the Corona crisis, the global economy is experiencing fluctuations due to inflation, which has gathered acceleration with the outbreak of the war in the Ukraine, which has led to an accelerated rise in commodities prices and to damage to the chain of supply. A slowdown in economic activity is noticed in recent months, although this is not yet reflected in the growth data for the third quarter, with economic growth in the US at an annualized rate of 2.6%, and at 0.8% in the Eurozone.

In Israel, following the fast growth of the economy in the second quarter (approx. 7%), a slow growth of 2.1% was recorded in the third quarter, with the business product expanding by 0.9% only. Private consumption shrank at an annualized rate of nearly 2%, and when eliminating the purchase of motor vehicles, growth was at a negligible rate. At the same time, significant slowdown may be noticed in the rate of expansion of exports, due to regression in industrial export and a slowdown in the export of hi-tech services. On the other hand, the fast expansion of investments in residential construction continues.

The Bank estimates that a significant slowdown in economic growth to a rate of 2.5% will take place in 2023, as compared with 6%-6.5% in 2022, combined with growth in unemployment. In addition, the Bank estimates that a slowdown is expected in the growth of bank credit, in comparison with the rate recorded in the years 2020-2021, this, due mainly to the expected decline in demand for credit on the background of the acceleration in inflation, the steep rise in interest rates and the economic slowdown.

Exchange rates. A significant strengthening of the US dollar was recorded around the world in the first nine months of the year, when in total for the period the dollar basket (DXY) appreciated by 17%. At the same time, the shekel devalued against the dollar by 14% and against the currencies basket by 3.8%, this, due to a sharp decline on the equities markets abroad and the strengthening of the dollar around the world.

Inflation. In recent months, the global inflation is penetrating domestic demand, and accordingly, central banks adopt an aggressive monetary cutting down. Israel is also experiencing an across-the-board inflationary acceleration with noticeable acceleration in the housing item. Thus, in September, the annual rate of inflation amounted to 4.6%, compared to 2.5% and 2.8% during September and December 2021, respectively. At the end of the third quarter, Index contracts took into account an inflation rate of approx. 3.1% for the coming year, compared to approx. 2.4% at the end of 2021.

Monetary policy. As stated, central banks are adopting an aggressive monetary cut down. Thus, the FED had raised the interest rate to a level of 3%-3.25% and is reducing the balance sheet. Concurrently, the ECB had raised the interest rate to a level of 0.75%. Until September, the Bank of Israel had raised the interest rate by 1.9%, from a level of 0.1% to 2%. Concurrently, the Bank of Israel had increased the volume of short-term loan (MAKAM) issues.

Financial markets. The last nine months, which were marked by a high level of volatility, ended with falling prices, with noticeable drop in the leading share indices, in contrast to rising prices last year. This was the result of the monetary policies of the central banks, designed to curb inflation, and of the global economic slowdown. Trading in US bonds was also marked by fluctuations, and at the end of the third quarter, yield on ten year bonds was traded at 3.83%, as compared to 1.51% at the end of 2021. The parallel yield on bonds in Germany increased in a similar fashion.

The fourth quarter of 2022[1]. In Israel, the budgetary surplus amounted to 0.5% of the GDP in the twelve months ended in October.

Unemployment is growing, reaching 4.1% in October, as compared to 3.8% in September and 3.3% in June.

Central banks continue to adopt the monetary restraint policy. The FED raised the interest rate to a level of 3.75%-4%, the ECB to 1.5% and the Bank of Israel raised it to 2.75%. In Israel, the annual inflation rate rose in October to 5.1%.

Since the end of September, the S&P 500 Index rose by approx. 10%, while the TA 125 Index rose by approx. 2%. Rising prices on the equities markets and the weakening of the US dollar led to appreciation of the shekel as against the dollar by 2.4% and as against the currencies basket by 0.5%.

1 All data relate to the period from October 1, 2022 and until November 17, 2022.

Yield on Israeli government bonds for ten years amounts at the moment to approx. 3.27%, as compared to 3.44% at the end of the third quarter. Inflationary expectations were slightly reduced during this period, all along the graph, with an Index contract for one year being traded at the end of the period at 2.9%, compared to 3.1% at the end of September.

Forward-looking information. The aforesaid includes, inter alia, assessments of the Bank regarding the future development of primary indicators, which are deemed to be forward-looking information. The aforesaid reflects the assessment of the Bank's Management, taking account of information available to it at the time of preparing the quarterly report, with regard to trends in the Israeli and world economies. The aforesaid might not materialize should changes occur in the trends, in Israel and/or in the world, and as a result of various developments in the macro-economic conditions that are not under the control of the Bank.

For further details, see "Main developments in Israel and around the world in the first nine months of 2022" in "Corporate governance, audit, additional details regarding the business of the banking corporation and management thereof".

Material leading and developing risks

The Bank considers business model risks, cyber and data protection risks, macro environment risk, model risks, privacy protection aspects as well as conduct risks and environment and climate risk, as the most significant developing leading risks. No material changes have taken place during the reported period with respect to the said risks, except for the macro-environment risk, as stated below. For additional details see the 2021 Annual Report (pp. 26-27).

Developments in the macro-environment. The sharp fluctuations on the markets, the pace of changes and effects of the macro-economic situation, including the rise in interest rates and in inflation, as a result of the aftereffects of the Corona crisis and the effect of the war between Russia and the Ukraine, create an increased risk of global recession. The said developments may have a medium-term effect on the repayment ability of borrowers.

Initiatives concerning the banking sector and its operations

Increase in competition and reduction in concentration Law. The Increase in Competition and Reduction in Concentration in the Banking Market in Israel (Legislation Amendments) Law, 5777-2017, was published in the Official Gazette on January 31, 2017. The Law constitutes the adoption of the recommendations of the Strum Committee, appointed in June 2015 by the Minister of Finance and by the Governor of the Bank of Israel, in order to recommend, inter alia, of ways for attracting new participants in the competition for the supply of prevalent financial services, including by way of separation from banks of the ownership of credit card companies.

In the first stage, within the framework of implementing the Law, the credit card companies Isracard and MAX (formally: Leumi Card) were separated from Bank Hapoalim and Bank Leumi, respectively, and the separation of ownership of the credit card companies from the banks did not apply to the owners of ICC. Only in the second stage will the issue of the separation of ownership in relation to ICC be re-examined. According to the law, a period of two year began on February 1, 2021, ending on February 1, 2023, during which the Minister of Finance may order ICC to be separated from Discount.

On October 18, 2022, a letter was published on the website of the Bank of Israel, issued by the Head of the Research Division of the Bank of Israel, who acts also as co-chairman of the Committee established by Law, and addressed to members of the Committee. Among its duties, the Committee advises on matters of applying the authority of the Minister of Finance under Section 11B of the Banking Law (Licensing), 5741-1981 (hereinafter – "the Committee" and "the Banking Law").

The subject matter of the said letter is the position of the Bank of Israel in the matter of separating ICC from Discount Bank. According to Section 11B of the Banking Law, the Minister of Finance, with the consent of the Governor of the Bank of Israel and with the approval of the Finance Committee of the Knesset, may determine that the definition "a bank with wide-ranging activity" shall apply also to a bank, the value of its assets is lower than 20% of the total value of the assets of all banks in Israel, provided that it shall not be lower than 10%. The significance of such determination, if decided, is that the Bank would be required to sell its holdings in ICC. According to the letter, the position of the Bank of Israel is that the definition "a bank with wide-ranging activity" as stated in the Law, should be changed so as to apply also to the Bank. It is noted that the letter in question is a letter addressed to members of the Committee. The Committee has not yet published its recommendations in the matter, neither has the decision of the Minister of Finance been received with the consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset in the matter. It is also noted, that in a clarification letter sent on October 24, 2022, by the Director of the Trading Division at the Bank of Israel, it has been clarified that the letter of October 18, 2022, includes the recommendation made only by members of the Committee representing the Bank of Israel.

On November 6, 2022, the Bank received a draft recommendation by the Committee stating that the Minister of Finance should use his authority under Section 11(b)(d) of the Banking Law, permitting the Minister to determine that the definition "a bank with Wide-Ranging Activity" shall apply also to a bank, the value of its assets exceeds a rate lower than 20% of the total value of assets of all banks in Israel, provided that it does not exceed 10%. The Bank may submit its comments on the said draft recommendation until November 27, 2022. On November 21, 2022, the Bank filed a motion with the High Court of Justice for the issue of an Order Nisi and of an Interim Order for delivery of all documents serving as a basis for the Commission in forming the draft recommendation and for extending the date for submission of the Bank's position regarding the draft recommendation.

In addition to the above stated, if in the past the large banks (Hapoalim, Leumi and Discount) issued to their customers credit cards of the credit card companies owned by them (Isracard, MAX and ICC), then, competition had intensified between the companies in the transitional period determined in the Law. Each bank holding control means in a debit card company, is required to divert a part of the business of issuing new cards to its customers to at least one other operating company, with which the bank had no business relations in the past. From the view point of ICC, although there is a reduction in the issue of credit cards to customers of the owner banks, ICC now has the opportunity to compete in the issue of new credit cards to customers of Hapoalim and Leumi. In this context, it should be mentioned that the transitional period ended in January, February and April 2022, with respect to Discount Bank, Bank Leumi and Bank Hapoalim, respectively. In the era following the entry into effect of the new Law, and now again, with the ending of the transitional period[2], the different participants in the credit card market, banks on the one part and credit card companies on the other part, find themselves in front of an array of moves and action possibilities of each of them and of each of the other participants.

The aforementioned could have a material effect on the banking system, including the Bank itself, on the credit card market and on ICC. Nevertheless, at this stage, prior to clarifying the nature, character, scope and timing of all the measures that will be taken, it is not possible to assess the aforesaid effects either in terms of materiality or in terms of quantity.

The additional tax that may apply, if doubt is raised as to the continued holding (according to this term's meaning in generally accepted accounting principles) of the Bank in ICC, computed in relation to the value of the holdings in ICC stated in the books of the Bank as of September 30, 2022, is estimated at approx. NIS 50 million.

For details regarding the said Law and additional legislation initiatives concerning the banking sector, see "Legislation and Supervision" in the Chapter "Corporate governance, audit and additional details regarding the business and manner of management of a banking corporation". For details on agreements between ICC and certain banks on the one hand, and between the Bank and MAX on the other hand, see in the 2021 Annual Report (p. 319-320) and Note 17 to the condensed financial statements. For details in the matter of "Changes regarding competition in the credit card market", see "Credit Card Operations" in the 2021 Annual Report (p. 390). For details on the contribution of ICC to the Discount Group's profit, see below under "Main investee companies" and the 2021 Annual Report (p. 61). For details regarding ICC segment data, within the framework of Managerial Operating Segments, see below in Note 13 to the condensed financial statements and the Annual Report for 2021 (pp 268-270). For details regarding an option of the "Phantom" type that had been granted to El Al, and which would be exercisable upon sale or issue events by ICC or Diners, see Note 17 C to the condensed financial statements.

Continuation of the plan for strengthening competition in the banking market. For further details, see "Legislation and Supervision".

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2 The dates relating to Bank Leumi and Bank Hapoalim are to the best knowledge of the Bank, based on open information.

Reduction of the cross-commission rate. The Banking Oder (Customer service)(Supervision over cross-clearing service for transactions made by charge cards and for immediate debit transactions), 2018, was published on November 25, 2018, establishing an outline with respect to the reduction of the cross-commission in deferred charge transactions, from the rate of 0.7% at that date to a rate of 0.5%, this in five stages, and an outline with respect to the reduction of the cross-commission regarding immediate charge transactions, from the rate of 0.3% at that date to a rate of 0.25%.
For details regarding the exemption terms for the agreement (a new arrangement in the industry replacing the arrangement expired on December 31, 2018), published by the Competition Commissioner, see in the 2021 Annual Report (p. 318).

For additional details, see the 2021 Annual Report (pp. 28-29).

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three and nine months periods ended on September 30, 2022, the independent auditors drew attention to Note 10 section 4, regarding class actions and other legal actions that cannot be estimated.

Material developments in income, expenses and other comprehensive income

Profit and Profitability

Net profit attributed to the Bank's shareholders for the first nine months of 2022 totalled NIS 2,556 million, compared with NIS 2,244 million in the corresponding period last year, an increase of 13.9%.
Return on equity net attributed to the Bank's shareholders for the first nine months of 2022 reached a rate of 15.0%, on an annual basis, compared with a rate of 14.9% for the corresponding period last year, and 13.6% for all of 2021.
The following are the main factors that had an effect on the business results of the Group in the first nine months of 2022, compared with the corresponding period last year:

a. An increase in net interest income in an amount of NIS 1,307 million (27.0%), which was affected by the growth in credit to the public in the non-linked segment, from an increase in the Bank of Israel interest rate and from the effect of the difference in the rise in the CPI;
b. An increase in credit loss expenses of NIS 860 million. Increasing the expenses at a total of NIS 177 million in the first nine months of 2022, stemmed mostly from the intensified effect of the macro component and from growth in credit. This, compared with expenses release at a total of NIS 683 million in the corresponding period last year;
c. An increase in the non-interest income, of NIS 214 million (7.3%), which was affected, mostly, by an increase in other income, which includes capital gains on the sale of buildings in the amount of NIS 413 million, by a decrease of NIS 416 million in non-interest financing income (71.1%), mostly a reduction in income from derivatives operations and from the reduction in gains on investment in shares, and from an increase of NIS 231 million in fees and commissions (10.0%), mainly from an increase in credit card fees and commissions;
d. An increase of NIS 331 million in operating and other expenses (6.7%), affected, mainly, from an increase of NIS 82 million in salaries (3.3%), from an increase of NIS 224 million in other expenses (14.7%), and from a NIS 25 million rise in maintenance and depreciation of buildings and equipment (2.8%);
e. Tax provision of NIS 1,290 million on earnings in the first nine months of 2022, compared with NIS 1,247 million in the corresponding period last year.

Additional details and explanations are presented below.
Net profit attributable to the Bank's shareholders amounted in the third quarter of 2022 to NIS 893 million, compared to NIS 680 million in the second quarter of the year, an increase at the rate of 31.3%, and compared to NIS 722 million in the third quarter of 2021, an increase at the rate of 23.7%.

Net return on equity attributable to the Bank's shareholders reached in the third quarter of 2022 an annualized rate of 15.0%, compared to 11.8% in the second quarter of the year and compared to 13.8% in the third quarter of 2021.

The principal factors affecting the Group's business results in the third quarter of 2022, compared to the previous quarter, are:

a. An increase in net interest income in the amount of NIS 207 million (10.0%).
b. A decrease in credit loss expenses in the amount of NIS 25 million (19.1%).
c. An increase in non-interest income in the amount of NIS 203 million (24.6%).
d. An increase in operating and other expenses in the amount of NIS 111 million (6.5%).
e. A provision for taxes on income in the amount of NIS 472 million was recorded in the third quarter of 2022, compared to an amount of NIS 371 million in the preceding quarter.

Developments in Income and Expenses

Developments in certain income statement items in the first nine months of 2022, compared with the first nine months of 2021

	For the nine months ended September 30,		
	2022	2021	Change in
	In NIS millions		%
Interest income	7,770	5,620	38.3
Interest expenses	1,617	774	108.9
Net interest income	**6,153**	**4,846**	**27.0**
Credit loss expenses (expenses release)	177	(683)	
Net interest income after credit loss expenses	**5,976**	**5,529**	**8.1**
Non-interest Income			
Non-interest financing income	169	585	(71.1)
Fees and commissions	2,547	2,316	10.0
Other income	421	22	1,813.6
Total non-interest income	**3,137**	**2,923**	**7.3**
Operating and other Expenses			
Salaries and related expenses	2,580	2,498	3.3
Maintenance and depreciation of buildings and equipment	919	894	2.8
Other expenses	1,751	1,527	14.7
Total operating and other expenses	**5,250**	**4,919**	**6.7**
Profit before taxes	3,863	3,533	9.3
Provision for taxes on profit	1,290	1,247	3.4
Profit after taxes	**2,573**	**2,286**	**12.6**
Bank's share in profit of associates, net of tax effect	30	16	87.5
Net profit attributed to the non-controlling interests in consolidated companies	(47)	(58)	(19.0)
Net Profit attributed to Bank's shareholders	**2,556**	**2,244**	**13.9**
Return on shareholders' equity, in %[(1)(2)]	15.0	14.9	
Efficiency ratio in %	56.5	63.3	
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**2,232**	**2,342**	**(4.7)**
Return on shareholders' equity, in %[(1)(2)]- excluding certain components (see below)	13.1	15.6	
Efficiency ratio in % (see below)	59.2	61.4	

Footnotes:
(1) On an annual basis.
(2) The method of computing the quarterly rate of ROE in annual terms has been changed as from January 1, 2022, according to the accepted practice at US banks. The comparative data was restated accordingly.

Profitability - excluding certain components

	For the nine months ended September 30		
	2022	2021	
	in NIS millions		Change in %
Net Profit Attributed to the Bank's Shareholders - as reported	2,556	2,244	13.9
Excluding[1]:			
Profit from the sale of rights in Visa Europe	(20)	-	
Realization of assets	(315)	-	
Effect of settlement	11	85	
Expenses of vacating the Management Building of IDB New York	-	13	
Net Profit Attributed to the Bank's Shareholders - excluding the above components	**2,232**	**2,342**	**(4.7)**

Footnote:
(1) See below "Details regarding eliminated components".

Developments in certain income statement items in the third quarter of 2022, compared with the second quarter of 2022 and compared with the third quarter of 2021

	2022		2021	Change Q3 2022 compared to	
	Q3	Q2	Q3	Q2 2022	Q3 2021
	In NIS millions			in %	
Interest income	3,113	2,573	1,912	21.0	62.8
Interest expenses	833	500	255	66.6	226.7
Net interest income	**2,280**	**2,073**	**1,657**	**10.0**	**37.6**
Credit loss expenses (expenses release)	106	131	(126)	(19.1)	
Net interest income after credit loss expenses	**2,174**	**1,942**	**1,783**	**11.9**	**21.9**
Non-interest Income					
Non-interest financing income (expenses)	151	(27)	198		(23.7)
Fees and commissions	871	851	807	2.4	7.9
Other income	5	-	10	100.0	(50.0)
Total non-interest income	**1,027**	**824**	**1,015**	**24.6**	**1.2**
Operating and other Expenses					
Salaries and related expenses	881	844	867	4.4	1.6
Maintenance and depreciation of buildings and equipment	309	307	292	0.7	5.8
Other expenses	637	565	497	12.7	28.2
Total operating and other expenses	**1,827**	**1,716**	**1,656**	**6.5**	**10.3**
Profit before taxes	1,374	1,050	1,142	30.9	20.3
Provision for taxes on profit	472	371	401	27.2	17.7
Profit after taxes	**902**	**679**	**741**	**32.8**	**21.7**
Bank's share in profit of associates, net of tax effect	11	14	-	(21.4)	100.0
Net profit attributed to the non-controlling interests in consolidated companies	(20)	(13)	(19)	53.8	5.3
Net Profit attributed to Bank's shareholders	**893**	**680**	**722**	**31.3**	**23.7**
Return on shareholders' equity, in %[1][2]	15.0	11.8	13.8		
Efficiency ratio in %	55.2	59.2	62.0		
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**884**	**680**	**726**	**30.0**	**21.8**
Return on shareholders' equity, in %[1][2] - excluding certain components (see below)	14.9	11.8	13.9		
Efficiency ratio in % (see below)	55.5	59.2	61.7		

Footnotes:
(1) On an annual basis.
(2) The method of computing the quarterly rate of ROE in annual terms has been changed as from January 1, 2022, according to the accepted practice at US banks. The comparative data was restated accordingly.

Profitability - excluding certain components

	2022		2021	Q3 2022 compared to	
	Q3	Q2	Q3	Q2 2022	Q3 2021
	in NIS millions			Change in %	
Net income attributed to the Bank's shareholders - as reported	893	680	722	31.3	23.7
Excluding[(1)]:					
Profit from the sale of rights in Visa Europe	(20)	-	-		
Effect of settlement	11	-	4		
Net income attributed to the Bank's shareholders - excluding the above components	**884**	**680**	**726**	**30.0**	**21.8**

Footnote:
(1) See below "Details regarding eliminated components".

Details regarding Eliminated Components

Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus. For details, see Note 21 to the condensed financial statements.
Gain on sale of the VISA Inc. shares. Gain on a part of the shares received by ICC and the Bank in 2016, with respect to the merger transaction between VISA Europe and VISA Inc. (see Note 5 K to the condensed financial statements).
Effect of settlement. Acceleration of the amortization of "actuarial profits and losses" (a charge to profit and loss) following the expected payment of severance pay to retirees within the framework of the retirement plans and by natural retirement (see the 2021 Annual Report, pp. 222-223 and Note 8 to the condensed financial statements).
Expenses of vacating the Management Building of IDB Bank. Principally the balance of lease improvements in the old Management building, the balance of which, it was decided to write off in the second quarter of 2021, due to the vacating of parts of the old building during that quarter as well as expenses relating to the vacating of the building and its return to the owners.

For details regarding gains on the ZIM shares recorded in 2021, see Note 5 J to the condensed financial statements.

Details regarding material changes in statement of profit and loss items

Net interest income. In the first nine months of 2022, net interest income amounted to NIS 6,153 million compared with NIS 4,846 million in the corresponding period last year, an increase of 27.0%. The rise in the net interest income in the amount of NIS 1,307 million, is explained by a positive price impact of NIS 510 million, and a positive quantitative effect in the amount of NIS 797 million (see "Rates of interest income and expenses and analysis of the changes in interest income and expenses" in Appendix No.1).
The interest spread, excluding derivatives, reached a rate of 2.34% in the first nine months of 2022, compared with 2.21% in the corresponding period last year.
The average balance of interest bearing assets has increased by a rate of approx. 15.7%, from an amount of NIS 274,588 million to NIS 317,611 million, and the average balance of interest bearing liabilities increased by a rate of approx. 19.6%, from an amount of NIS 196,617 million to NIS 235,216 million.

Net interest income according to linkage segments

Distribution of volume of operations according to interest bearing assets, net interest income and interest margin by linkage segments

	For the nine months ended September 30					
	2022			2021		
	Volume of activity[1] in %	Net interest income in NIS millions	Interest spread in %	Volume of activity[1] in %	Net interest income in NIS millions	Interest spread in %[2]
Unlinked shekels	72.9	4,424	2.42	72.5	3,574	2.33
CPI-linked shekels	7.8	869	1.69	7.9	471	0.28
Foreign Currency	19.3	860	1.79	19.6	801	1.90
Net interest income and the interest spread	**100.0**	**6,153**	**2.34**	**100.0**	**4,846**	**2.21**

Footnotes:
(1) According to the average balance of the interest bearing assets.
(2) The interest rate was recalculated according to the new reporting directives.

The growth in net interest income, stemmed mostly from an increase in credit to the public in the non-linked segment from an increase in the Bank of Israel interest rate and from the effect of the difference between the rise in the CPI in the first nine months of 2022, by a rate of 4.4%, and the rise of 2.2% in the corresponding period last year.

Non-interest financing income amounted in the first nine months of 2022 to NIS 169 million, compared to NIS 585 million in the corresponding period last year, a decrease of 71.1%.

The decline in non-interest financing income stems, mostly, from the decline in income from derivatives operations and from a reduction in gains on investment in shares (see below "Analysis of the total net financing income").

Non-interest financing income includes the effect of activity in derivative financial instruments, which constitute an integral part of the management of the Bank's interest exposure and base exposure. Accordingly, for the purpose of analyzing the financing income from current activity, the net interest income and the non-interest financing income need to be aggregated.

Composition of the net financing income

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Interest income	3,113	2,573	2,084	1,871	1,912	1,997	1,711
Interest expenses	833	500	284	188	255	312	207
Net interest income	2,280	2,073	1,800	1,683	1,657	1,685	1,504
Non-interest financing income (expense)	151	(27)	45	180	198	89	298
Total net financing income	**2,431**	**2,046**	**1,845**	**1,863**	**1,855**	**1,774**	**1,802**

Analysis of the total net financing income

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Financing Income from current operations	2,265	1,965	1,730	1,682	1,594	1,587	1,544
Effect of CPI on net interest income	151	230	134	28	96	152	12
Effect of CPI on derivative instruments	(39)	(65)	(37)	(8)	(21)	(31)	(2)
Net profit from realization and adjustment to fair value of bonds[1]	(11)	16	60	2	20	27	76
Profit (losses) from investments in shares[2]	41	(15)	56	118 [3]	85 [3]	95 [3]	100 [3]
Adjustment to fair value of derivative instruments	(50)	(186)	(144)	30	37	(72)	2
Exchange rate differences, options and other derivatives[1]	71	100	46	11	44	16	70
Net profit on the sale of loans	3	1	-	-	-	-	-
Total net financing income	**2,431**	**2,046**	**1,845**	**1,863**	**1,855**	**1,774**	**1,802**
Footnotes:							
(1) Exchange rate differences for trading bonds are included in the exchange rate differences line	(3)	19	4	(11)	(5)	(1)	1
(2) Of which: income from realizations in Discount Capital in deduction of provision for impairment	5	15	39	84	73	26	11

(3) See note 5 J to the condensed financial statements. .

Net financing income, amounted to NIS 6,322 million in the first nine months of 2022, compared to NIS 5,431 million in the corresponding period last year, an increase of 16.4%. The increase in financing income stemmed mostly from an increase in financing income from current operations as well as from the effect of the rise in the CPI, which were offset by adjustments to fair value of derivative instruments and a reduction in gains on investment in shares.

Rates of income and expenses. In the appendices to the quarterly report – Appendix 1 are presented net interest income, with respect to the balance sheet activity. In order to explain the Bank's overall interest margin, the effects of activity in derivatives not for trading (excluding adjustments to fair value and exchange rate differences) needs to also be added.

Interest margin, including derivatives not for trading reached a rate of 2.01% in the first nine months of 2022, compared with 1.97% the corresponding period last year.

Net financing income amounted in the third quarter of 2022 to NIS 2,431 million, compared to NIS 1,855 million in the corresponding quarter last year, an increase at the rate of 31.1%, and compared to NIS 2,046 million in the second quarter of 2022, an increase at the rate of 18.8%.

The interest spread including non-trading derivatives reached in the third quarter of 2022 a rate of 2.09%, compared to 1.93% in the corresponding quarter last year and compared to 2.10% in the second quarter of 2022.

Development of the net interest income by regulatory operating segments

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021		2022	2021	
	In NIS millions		Change in %	In NIS millions		Change in %
Domestic operations:						
Households	832	497	67.4	2,032	1,443	40.8
Private banking	63	11	472.7	113	35	222.9
Small and minute businesses	529	351	50.7	1,329	1,042	27.5
Medium businesses	135	99	36.4	348	282	23.4
Large businesses	287	218	31.7	757	650	16.5
Institutional bodies	19	6	216.7	41	23	78.3
Financial management	99	263	(62.4)	709	749	(5.3)
Total Domestic operations	**1,964**	**1,445**	**35.9**	**5,329**	**4,224**	**26.2**
Total International operations	**316**	**212**	**49.1**	**824**	**622**	**32.5**
Total	**2,280**	**1,657**	**37.6**	**6,153**	**4,846**	**27.0**

Credit loss expenses. The accounting policy regarding current expected credit losses (CECL) was initially applied from January 1, 2022, as detailed in Note 1 (e) to the condensed financial statements. At date of initial implementation, the allowance was adjusted to the new accounting policy, and the cumulative effect thereof was recognized in the balance of retained earnings as of January 1, 2022. In the first nine months of 2022 credit loss expenses were recorded in an amount of 177 million were recorded, compared with expenses release of NIS 683 million in the corresponding period last year.

The credit loss expenses increase in the first nine months has been mostly affected by the following factors:

- Expenses increase on a group basis in the amount of NIS 191 million, compared to expenses release of NIS 566 million, in the first nine months of 2021. Expenses in the current year was affected mostly by intensified adjustments due to the macro-economic situation;
- Expenses release on a specific basis in the amount of NIS 57 million, compared to expenses release in the amount of NIS 114 million in the first nine months of 2021. The reduction in expenses this year was affected mostly by the change in the allowance following repayments and mitigation regarding classification;
- Expenses for housing loans in the amount of NIS 43 million, compared to expenses release amounting to NIS 3 million, in the first nine months of 2021, affected, mostly, from the growth in credit and from the effect of macro-economic components, as stated.

For additional details, see below "Credit to the public" and "Credit risks" in Chapter "C" hereunder. For details as to the components of the credit loss expenses, see Note 14 to the condensed financial statements.

Details of the quarterly development in the credit loss expenses

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
On a specific basis							
Change in allowance	30	(36)	(71)	(14)	10	(88)	(9)
Gross Accounting Write-offs	53	50	58	88	75	65	91
Collection	(70)	(49)	(22)	(59)	(65)	(140)	(53)
Total on a specific basis	**13**	**(35)**	**(35)**	**15**	**20**	**(163)**	**29**
On a group basis							
Change in allowance	55	126	(46)	(45)	(166)	(249)	(188)
Gross Accounting Write-offs	124	138	112	88	73	70	77
Collection	(86)	(98)	(91)	(68)	(53)	(68)	(65)
Total on a group basis	**93**	**166**	**(25)**	**(25)**	**(146)**	**(247)**	**(176)**
Total	**106**	**131**	**(60)**	**(10)**	**(126)**	**(410)**	**(147)**
Rate of credit loss expenses (expenses release) to the average balance of credit to the public(1):							
The rate in the quarter:	0.18% (2)	0.23% (2)	(0.11%)(2)	(0.02%)	(0.25%)(2)	(0.82%)	(0.30%)(2)
Cumulative rate since the beginning of the year:	0.10% (2)	0.06% (2)	(0.11%)(2)	(0.34%)(2)	(0.46%)(2)	(0.56%)(2)	(0.30%)(2)

Footnotes:
(1) On an annual basis.
(2) Including an expense in an immaterial amount for credit to banks and governments.

Development in the credit loss expenses (expenses release)

	For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2021
	In NIS millions		
On a specific basis			
Change in allowance	(77)	(87)	(101)
Gross accounting write-offs	161	231	319
Collection	(141)	(258)	(317)
Total on a specific basis	**(57)**	**(114)**	**(99)**
On a group basis			
Change in allowance	135	(603)	(648)
Gross accounting write-offs	374	220	308
Collection	(275)	(186)	(254)
Total on a group basis	**234**	**(569)**	**(594)**
Total	**177**	**(683)**	**(693)**
Rate of credit loss expenses (expenses release) to the average balance of credit to the public(1)	0.10% (2)	(0.46%)(2)	(0.34%)(2)

Footnotes:

(1) On an annual basis.

(2) Including an expense in an immaterial amount for credit to banks and governments.

For additional details, see below "Credit to the public" and "Credit risk" in chapter C hereunder.

Fees and commissions in the first nine months of 2022 amounted to NIS 2,547 million, compared to NIS 2,316 million in the corresponding period last year, an increase of 10.0%. The increase was mainly affected by credit card fees and commissions.

Distribution of the fees and commissions

	For the three months ended September 30,			For the nine months ended September 30,		
	2022	2021	Change in	2022	2021	Change in
	in NIS millions		%	in NIS millions		%
Account Management fees	120	110	9.1	350	323	8.4
Credit cards	447	398	12.3	1,268	1,102	15.1
Operations in securities and in certain derivative instruments	88	100	(12.0)	283	311	(9.0)
Fees and commissions from the distribution of financial products	39	41	(4.9)	120	116	3.4
Handling credit	52	43	20.9	169	142	19.0
Conversion differences	42	33	27.3	119	98	21.4
Foreign trade services	15	14	7.1	46	40	15.0
Fees and commissions on financing activities	48	50	(4.0)	133	127	4.7
Other fees and commissions	20	18	11.1	59	57	3.5
Total fees and commissions	**871**	**807**	**7.9**	**2,547**	**2,316**	**10.0**

Salaries and related expenses amounted to NIS 2,580 million in the first nine months of 2022, compared with NIS 2,498 million in the corresponding period last year, an increase of 3.3%. Eliminating the effect of certain components as detailed below, a decrease of 1.3% would have been recorded.

Quarterly developments in salaries and related expenses, detailing the effect of certain components

	2022			2021			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and Related Expenses - as reported	881	844	855	970	867	830	801
Awards	(106)	(95)	(85)	(222)	(147)	(118)	(55)
Salaries and Related Expenses - excluding certain components	**775**	**749**	**770**	**748**	**720**	**712**	**746**

Developments in the comprehensive income

Changes in 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 loss attributed to the Bank's shareholders
	Net adjustments, for presentation of available-for- sale bonds at fair value	Adjustments from translation of financial statements[(1)]	Net income (loss) on cash flows hedge	Adjustments for employee benefits	Total		
	in NIS millions						
For the nine months ended September 30, 2022 and 2021 (unaudited)							
Balance at December 31, 2021	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	(1,611)[(2)]	512	(19)	380	(738)	6	(744)
Balance at September 30, 2022	**(1,368)**	**(199)**	**(20)**	**(435)**	**(2,022)**	**(4)**	**(2,018)**
Balance at December 31, 2020	486	(598)	1	(799)	(910)	(13)	(897)
Net change during the period	(283)	16	(1)	138	(130)	(1)	(129)
Balance at September 30, 2021	**203**	**(582)**	**-**	**(661)**	**(1,040)**	**(14)**	**(1,026)**

Footnotes:

(1) Including adjustments from translation of financial statements of a consolidated subsidiary - Discount Bancorp Inc., the functional currency of which is different from that of the Bank.

(2) See Note 5 L to the condensed financial statements.

The comprehensive income amounted in the first nine months of 2022 to NIS 1,812 million, as compared with NIS 2,115 million in the first nine months of 2021. The difference between the comprehensive income for the first nine months of 2022 and the net profit, stemmed mostly from unrealized losses in the amount of NIS 1,621 million on available-for-sale bonds, profits in the amount of NIS 512 million on translation adjustments and from profits of NIS 380 million on adjustments relating to employee benefits.

Structure and developments of assets, liabilities, capital and capital adequacy

Development of Assets and Liabilities

Total assets as at September 30, 2022, amounted to NIS 379,074 million, compared with NIS 335,088 million at the end of 2021, an increase of 13.1%.

Developments in the principal balance sheet items

	September 30, 2022	December 31, 2021	Rate of change in %
	in NIS millions		
Assets			
Cash and deposits with banks	71,510	59,638	19.9
Securities	42,633	43,869	(2.8)
Net credit to the public	236,881	213,156	11.1
Liabilities			
Deposits from the public	290,646	260,907	11.4
Deposits from banks	16,719	12,534	33.4
Subordinated debt notes	13,491	15,071	(10.5)
Shareholders' equity	24,112	21,483	12.2
Total equity	24,718	22,148	11.6

Following are details regarding credit to the public, securities and deposits from the public.

Credit to the public

General. Net credit to the public (after allowance for credit losses) as of September 30, 2022 totaled NIS 236,881 million, compared with NIS 213,156 million at the end of 2021, an increase of 11.1%.
For details regarding the credit portfolio, see the 2021 Annual Report (pp. 41-45). For details regarding credit risk management including the Credit risk in housing loans, Credit risk of private individuals and Credit risk in relation to the construction and real estate sector, see "Credit risk" in Chapter C hereunder and in the 2021 Annual Report (pp. 71-94). For details regarding the quality of credit, see Note 14 B 3 to the condensed financial statements and in the 2021 Annual Report (pp. 284-285).

Composition of credit to the public by linkage segments

Data on the composition of net credit to the public by linkage segments

	September 30, 2022		December 31, 2021		
	In NIS millions	% of total credit to the public	In NIS millions	% of total credit to the public	Rate of change in %
Non-linked shekels	174,483	73.7	156,869	73.5	11.2
CPI-linked shekels	23,713	10.0	21,435	10.1	10.6
Foreign currency and foreign currency-linked shekels	38,685	16.3	34,852	16.4	11.0
Total	**236,881**	**100.0**	**213,156**	**100.0**	**11.1**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto increased by 11.0% compared with December 31, 2021. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels decreased by US$288 million, a decrease of 2.6% as compared to December 31, 2021. The total credit to the public, which includes credit in foreign currency and Israeli currency linked to foreign currency, computed in U.S. dollar terms, increased by a rate of 8.9% as compared to December 31, 2021.

Composition of credit to the public by regulatory operating segments

Review of developments in the balance of net credit to the public, by regulatory operating segments

	September 30, 2022	December 31, 2021	change
	In NIS millions		in %
Domestic operations:			
Households*	95,185	83,635	13.8
Private banking*	492	440	11.8
Small and minute businesses	42,060	39,031 (1)	7.8
Medium businesses	16,986	14,770	15.0
Large businesses	54,195	50,393	7.5
Institutional bodies	752	1,337 (1)	(43.8)
Total Domestic operations	**209,670**	**189,606**	**10.6**
Total International operations*	**30,362**	**26,590**	**14.2**
Total credit to the public	**240,032**	**216,196**	**11.0**
Credit loss expenses	(3,151)	(3,040)	3.7
Total net credit to the public	**236,881**	**213,156**	**11.1**
*Of which - Mortgages	63,441	53,944	17.6

Footnote:
(1) Reclassified - see Note 12 B to the condensed financial statements.

The increase in credit to the public in the first nine months of 2022 reflects growth in the focus points determined in the updated strategic plan. Credit to households excluding housing loans grew by NIS 2,192 million (7.2%). Credit to medium businesses grew by NIS 2,216 million (15.0%). Credit to large businesses increased by 3,802 million (7.5%) and housing credit grew by NIS 9,497 million (17.6%).
As seen from the above table, IDB Bank recorded during the reporting period growth regarding the credit balances.

Composition of the overall credit to the public risk by economic sectors

Developments of total credit to the public risk, by main economic sectors

	September 30, 2022		December 31, 2021		
Economic Sectors	Total credit to the public risk	Rate from total credit risk	Total credit to the public risk	Rate from total credit risk	Rate of change
	in NIS millions	%	in NIS millions	%	in %
Industry	22,326	6.2	20,641	6.1	8.2
Construction and real estate - construction	47,148	12.8	43,297	12.9	8.9
Construction and real estate - real estate activity	30,379	8.2	26,048	7.7	16.6
Commerce	35,977	9.8	32,295	9.6	11.4
Financial services	33,992	9.2	33,081	9.8	2.8
Private individuals - housing loans	72,581	19.7	63,954	19.1	13.5
Private individuals - other	75,296	20.4	69,496	20.6	8.3
Other sectors	50,579	13.7	47,605	14.2	6.2
Total overall credit to the public risk	**368,278**	**100.0**	**336,417**	**100.0**	**9.5**

The data presented above indicates that in the first nine months of 2022, the overall risk regarding credit to the public increased by 9.5% compared with the end of 2021. This growth applied to credit granted for all sectors.

Development of problematic credit risk

For details regarding the identification and classification of non-accruing debts, a term replacing the term "impaired debts", see Note 1 (e) to the condensed financial statements.
Following are details on credit to the public, as specified in Note 14 to the condensed financial statements:
Problematic credit to the public. The balance-sheet problematic credit to the public (both accruing and non-accruing) amounted at September 30, 2022, to NIS 5,556 million, as compared to NIS 6,213 million at January 1, 2022, a decrease of 10.6%.
Problematic credit not accruing interest. The problematic credit to the public that does not accrue interest income amounted at September 30, 2022, to NIS 1,489 million, as compared to NIS 1,327 million at January 1, 2022, an increase of 12.2%.

Overall credit risk and the rate of problematic credit risk in principal economic sectors

	September 30, 2022			December 31, 2021		
Economic Sectors	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk
	in NIS millions		%	in NIS millions		%
Industry	22,326	682	3.1	20,641	598	2.9
Construction and real estate - construction	47,148	562	1.2	43,297	639	1.5
Construction and real estate - real estate activity	30,379	908	3.0	26,048	1,146	4.4
Commerce	35,977	848	2.4	32,295	967	3.0
Financial services	33,992	48	0.1	33,081	95	0.3
Private individuals - housing loans	72,581	306	0.4	63,954	280	0.4
Private individuals - other	75,296	497	0.7	69,496	562	0.8
Hotels, Hotel Services and Food	4,151	652	15.7	4,058	1,272	31.3
Transportation and Storage	7,885	298	3.8	7,334	382	5.2
Other Sectors	38,543	1,110	2.9	36,213	918	2.5
Total Public	**368,278**	**5,911**	**1.6**	**336,417**	**6,859**	**2.0**
Banks	9,391	-	-	6,991	-	-
Governments	33,990	-	-	35,313	-	-
Total	**411,659**	**5,911**	**1.4**	**378,721**	**6,859**	**1.8**

In the first nine months of 2022, the ratio of problematic credit risk to the total credit risk decreased. The total problematic debts decreased mostly in the sectors of hotels, hotel services and food, construction and real estate - real estate activity, commerce and transportation and storage. On the other hand, the total problematic debts increased mostly in other sectors.

The balances of the allowance for credit losses

The balance of the allowance for credit losses. The balance of the allowance for credit loss, including the allowance on a specific basis and the allowance on a group basis, but not including allowance for off-balance sheet credit risk, totalled NIS 3,151 million as of September 30, 2022. The balance of this allowance constituted 1.31% of the credit to the public, compared with a balance of the allowance in the amount of NIS 3,040 million, constituting 1.41% of the credit to the public as of December 31, 2021, and compared to the balance of the allowance of NIS 2,996 million at January 1, 2022, constituting 1.39% of the credit to the public, following the initial implementation of the new accounting policy.

The balance of allowances for credit losses for non-accruing credit amounted on September 30, 2022 to NIS 281 million.
The balance of allowances for credit losses for accruing credit amounted on September 30, 2022 to NIS 2,870 million (of which: for accruing problematic debts – NIS 325 million).

The risk characterization of the credit to the public portfolio

The distribution of expenses and the rate of credit loss expenses in the different economic sectors in relation to the outstanding balance of credit to the public in those sectors

	For the Nine months ended September 30			
	2022		2021	
	Credit loss expense (expense release)	Rate of expense (expense release)	Credit loss expense (expense release)	Rate of expense (expense release)
sectors	In NIS millions	%	In NIS millions	%
Industry	(8)	(0.1)	(33)	(0.3)
Construction and real estate - construction	112	1.0	(44)	(0.3)
Construction and real estate - real estate activity	7	0.1	(54)	(0.3)
Commerce	(43)	(0.3)	(198)	(1.1)
Hotels, hotel services and food	(52)	(2.8)	(60)	(2.1)
Transportation and storage	(30)	(1.0)	(11)	(0.2)
Financial services	(15)	(0.2)	(23)	(0.3)
Other Business Services	(26)	(0.8)	(60)	(1.4)
Public and Community Services	30	0.4	(22)	(0.2)
Other Sectors	25	(0.3)	(58)	(0.6)
Total Commercial	**-**	**-**	**(563)**	**(0.6)**
Private Individuals - Housing Loans	46	0.1	(2)	(0.0)
Private Individuals - Other	129	0.8	(125)	(0.6)
Total credit loss expenses (expense release) to the public.	**175**	**0.1**	**(690)**	**(0.4)**
Total Banks and Governments	2	0.2	7	0.3
Total credit loss expenses (expense release)	**177**	**0.1**	**(683)**	**(0.5)**

Securities

General. Securities in the Nosrto portfolio totaled NIS 42,633 million as of September 30, 2022, compared with NIS 43,869 million at the end of 2021, a decrease of 2.8%. Securities included in the nostro portfolio of the Discount Group, the investment in which as of September 30, 2022, amounted to 5% or over of the total amount of the portfolio: "government variable 1130" and the "shekel government 219" security types, which amounted to approx. 10.1% and approx. 5.4%, of the total portfolio, respectively.
As of September 30, 2022, approx. 68.6% of the portfolio is invested in Government bonds, and approx. 17.3% of the portfolio is invested in bonds backed by mortgages of different federal agencies (Freddie Mac, Fannie Mae, Ginnie Mae) with an "AAA" rating, (of which - approx. 0.6% of the portfolio is invested in bonds of U.S. Government Supported Enterprises (GSE)). For details regarding the Bank's investments in bonds, according to economic sectors, see "Appendices to the quarterly report", appendix 2, sections 1-3. For details regarding the segmentation of the investment in government bonds according to principal governments, see "Appendices to the quarterly report" – appendix 3, section 2.
For details regarding the Nostro portfolios management policy, see 2021 Annual Report (p. 45).

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	September 30, 2022	December 31, 2021	Rate of change in %
	In NIS millions		
Non-linked shekels	21,676	24,254	(10.6)
CPI-linked shekels	1,350	1,043	29.4
Foreign currency and foreign currency-linked shekels	17,723	16,953	4.5
Shares - non-monetary items	1,884	1,619	16.4
Total	**42,633**	**43,869**	**(2.8)**

Securities in foreign currency and in Israeli currency linked to foreign currency increased by 4.5%, compared with December 31, 2021. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency decreased by US$449 million, a decrease of 8.2% as compared with December 31, 2021. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms, decreased by 7.8% as compared with December 31, 2021.

Composition of the securities portfolio according to portfolio classification

According to directives of the Supervisor of Banks, securities have been classified as follows: held-to-maturity bonds, available-for-sale bonds, investment in share not for trading and trading securities.

Composition of investments in securities according to portfolio classification according to directives of the Supervisor of Banks

	September 30,2022			December 31 ,2021		
	Amortized Cost (in shares-cost)	Fair value	Book value	Amortized Cost (in shares-cost)	Fair value	Book value
	in NIS millions					
Bonds						
Held to maturity	14,662	13,508	14,662	10,197	10,377	10,197
Available for sale	26,191	24,679	24,679	30,733	31,027	31,027
Trading	1,419	1,408	1,408	1,026	1,026	1,026
Shares						
Available for sale	1,805	1,865	1,865	1,513	1,613	1,613
Trading	5	19	19	3	6	6
Total Securities	**44,082**	**41,479**	**42,633**	**43,472**	**44,049**	**43,869**

Corporate bonds (excluding mortgages and assets backed bonds). Discount Group's available-for-sale bonds portfolio as of September 30, 2022, includes investments in corporate bonds in the amount of NIS 2,602 million (of which an amount of NIS 358 million is held by IDB Bank), compared with NIS 3,166 million as of December 31, 2021, a decrease of 17.8%. For details as to the balance of unrealized profit (losses) included in the balance of the said bonds, see Note 5 to the condensed financial statements.

Transfer of bonds to the held-to-maturity portfolio. On May 17, 2022, the Bank, IDB Bank and MDB transferred bonds from the available-for-sale portfolio to the held-to-maturity portfolio, in a total amount of approx. NIS 4.5 billion. As required by the reporting instructions, the unrealized loss on adjustment to fair value of the said bonds at the transfer date, in a total amount of approx. NIS 450 million, is continued to be presented in other comprehensive income and amortized to profit and loss over the remaining lives of the bonds as an adjustment of yield.

The rise in yields recorded since the beginning of the year was very steep and exceptional from an historical point of view. Differently from prior events of rising yields, in which the central banks around the world had immediately adopted an expansionary monetary policy, in the present event central banks around the world adopted a sharp change in policy, to a narrowing monetary policy. Moreover, the war between Russia and the Ukraine has led to a global increase in commodity prices and to impairment in the chain of supply, which had started even before the

outbreak of the war, gaining acceleration in its wake, and thus causing a significant rise in inflation and in uncertainty. In consequence of these exceptional developments, the markets expect that in order to curb inflation, the rate of increase in interest would be exceptional in comparison to the past.
In the opinion of the Bank, the above described circumstances agree with the term "rare event", as defined in the public reporting instructions, and as such, justify the transfer between the portfolios.
The Bank estimates that implementation of this step would significantly reduce the level of exposure of the Bank's equity capital and of the capital adequacy ratio to fluctuations in prices of bonds, caused by exogenous factors, as discussed above.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of September 30, 2022 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 8,782 million, compared to an amount of NIS 8,190 million as at December 31, 2021, an increase of 7.2%. The amount includes investment in mortgage backed securities in the amount of NIS 8,017 million, which are held by IDB Bank, compared to an amount of NIS 7,607 million as at December 31, 2021, an increase at a rate of 5.4%. Approx. 84.2% of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac) with an AAA rating in the U.S.. The investment in the said bonds does not include exposure to the subprime market.
As of September 30, 2022, the portfolio of mortgage and assets backed securities included unrealized net losses of NIS 1,029 million, compared with NIS 58 million as of December 31, 2021.
For details regarding the agencies operating under the auspices of the U.S. Governance, see the 2021 Annual Report (p. 47).
CLO. IDB Bank holds secured bonds of the CLO class in a total amount of approx. NIS 627 million. The said securities are rated AA-AAA. The Bank holds secured bonds of the CLO class in a total amount of NIS 764 million. The said securities are rated AA-AAA. For details, see Note 5 to the condensed financial statements.

Details regarding impairment in value of available-for-sale bonds

In light of the increase trend in yields to maturity recorded in the bond market in the first nine months of 2022, an increase in unrealized losses, included in the portfolio of available-for-sale bonds, was recorded during the reporting period, which as of September 30, 2022 amounted to a total of NIS 1,613 million, representing approx. 6.5% of the portfolio balance (December 31, 2021 - losses in the amount of NIS 166 million, approx. 0.54% of the portfolio balance). As assessed by the Management, these losses are due to an increase in yields in the capital market in the first nine months of the year, which is explained by the expectation of an increase in interest rates and a change in inflation expectations. It should also be noted that most of the losses in the portfolio are attributed to bonds issued by governments (mainly the Israeli government) and bonds backed by assets or mortgages. Based on the above, the Bank's Management estimates that these losses stem from changes in the market and not from credit losses. The classification of losses inherent in the portfolio of available-for-sale bonds is reviewed by the Bank on a quarterly basis. Based on these tests, no losses were credited to the profit and loss statement for this component during the reporting period (except for an allowance in a negligible amount of NIS 5 million).
For details regarding the review of impairment of available-for-sale bonds, see below "Critical accounting policies and critical accounting estimates". For additional details, see Note 5 to the condensed financial statements.

Subordinated bonds and debt notes

Subordinated bonds and debt notes as of September 30, 2022, totaled NIS 13,491 million, compared with NIS 15,071 million at the end of 2021, a decrease of 10.5%. The decline stemmed mostly, from the early redemption in full, in an amount of approx. NIS 2.7 billion, of Series "A" capital notes, Series "B" capital notes and debt notes Series "L", effected by the Bank in January 2022. The said decline was offset by the issue of debt instruments in June 2022, in an amount of approx. NIS 1.7 billion.

Customer assets

Deposits from the public as of September 30, 2022, totalled NIS 290,646 million, compared with NIS 260,907 million at the end of 2021, an increase of 11.4%.

Data on the composition of deposits from the public by linkage segments

	September 30, 2022		December 31, 2021		
	In NIS millions	% of total Deposits from the public	In NIS millions	% of total Deposits from the public	Rate of change in %
Non-linked shekels	197,762	68.0	179,371	68.7	10.3
CPI-linked shekels	4,405	1.5	4,110	1.6	7.2
Foreign currency and foreign currency-linked shekels	88,479	30.5	77,426	29.7	14.3
Total	**290,646**	**100.0**	**260,907**	**100.0**	**11.4**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased at the rate of 14.3%, compared with December 31, 2021. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased by US$77 million, an increase of 0.3% compared with December 31, 2021. The total deposits from the public, including deposits in foreign currency and in Israeli currency linked to foreign currency, expressed in U.S. dollar terms, increased at a rate of 7.3%, compared with December 2021.

Developments in the balance of deposits from the public, by regulatory operating segments

	September 30, 2022	December 31, 2021	
	In NIS millions		Change in %
Domestic operations:			
Households	94,702	89,965	5.3
Private banking	20,893	18,999	10.0
Small and minute businesses	48,359	47,703 (1)	1.4
Medium businesses	14,571	12,780 (1)	14.0
Large businesses	43,029	35,267 (1)	22.0
Institutional bodies	33,525	22,383 (1)	49.8
Total Domestic operations	**255,079**	**227,097**	**12.3**
Total International operations	**35,567**	**33,810**	**5.2**
Total deposits from the public	**290,646**	**260,907**	**11.4**

Footnote:
(1) Reclassified - see Note 12 B to the condensed financial statements.

The ratio of total net credit to the public to deposits from the public was 81.5% as at September 30, 2022, compared with 81.7% at the end of 2021.

Deposits from the public of the three largest depositor groups amounted as of September 30, 2022, to NIS 8,290 million.

Securities held for customers. On September 30, 2022, the balance of the securities held for customers at the Bank amounted to approx. NIS 212.15 billion, including approx. NIS 0.92 billion of non-marketable securities, compared to approx. NIS 235.02 billion as at December 31, 2021, including approx. NIS 1.9 billion of non-marketable securities, a decrease of approx. 9.5%. For details as to income from security activities, see "Distribution of the fees and commissions" above. In addition, the balance of securities held on behalf of customers at the MDB as of September 30, 2022, amounted to NIS 11.59 billion, compared with NIS 12.69 million in December 31, 2021, a decrease of 8.67%. The decline in the amount of the portfolios at the Bank and at MDB stems mostly from the decline in the domestic and the global capital markets.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at September 30, 2022, amounting to approx. NIS 21.5 billion, compared with NIS 23.8 billion as of December 31, 2021, a decrease of 9.7%, which stemmed from the decreases in the markets in the first nine months of 2022.

Capital and capital adequacy

The instructions. Instructions regarding "Basel III guidelines", which apply as from January 1, 2014, include a requirement for maintaining a minimal ratio of common equity tier 1 of 9%, and a total capital ratio of 12.5%, as well as detailed reference with respect to transitional instructions. For details regarding the requirement concerning housing loans and for details regarding a temporary relief granted with regard to this, see Note 9 to the condensed financial statements, section 1 (b).

Issues of capital instruments. The capital instruments that are permitted to be issued under the Basel III rules, include "loss absorption" mechanisms, whether by conversion into shares or by elimination (in full or in part) of the capital instrument.

Relief regarding the efficiency plan. The Supervisor of Banks granted the Bank relief regarding its 2018 and 2020 retirement plans. The Supervisor of Banks also granted MDB relief regarding its 2020 retirement plan. For further details, see the 2021 Annual Report (pp. 225-226) and Note 9 to the condensed financial statements, section 1 (c).

Preparations made by the Bank. The Bank prepared a detailed plan for attaining the capital targets, being at least the level of capital prescribed by the instructions of the Supervisor of Banks and according to the time schedules published by him, and it is acting towards its implementation.

Provisional Instruction mitigating the capital requirements in order to face the Corona crisis. For details, see Note 9 to the condensed financial statements, section 1 (d).

Effect of the rise in the interest rate. The Bank estimates that a rise of 1% in the interest rate, would reduce the Common Equity Tier 1 ratio by 0.10%, in terms of September 30, 2022 (the calculation is based on the impact of a parallel increase in interest of 1% on the Group's securities portfolio and actuarial liabilities as of September 30, 2022, net of the tax effect).

The effect of falling prices. The decrease in Common Equity Tier 1 as a result of the decline in prices during the first nine months, due to an increase in unrealized losses in the available-for-sale portfolio, less a decrease in actuarial liabilities, reached approx. 0.53%.

Effect of the implementation of the Directive regarding the standardized approach for measuring counterparty credit risk exposures. The applicable date is from July 1, 2022. The implementation of the new directive reduced the Common Equity Tier 1 ratio by a rate of 0.06% in terms of September 30, 2022.

Effect of the credit rating of Israel. The credit rating of Israel has an effect on the capital requirements, in view of the fact that the capital requirement for exposure to governments, to public sector entities (local authorities, for instance) and to banks, derives from the credit rating of the State. According to estimates of the Bank, if and to the extent that the credit rating of the State of Israel would decline, this would have a decrease of 0.181% in the Tier 1 capital ratio, in September 30, 2022 terms.

Effect of the amendment to Proper Conduct of Banking Business Directive No. 203. The implementation of the amendment to the directive, with reference to the financing of the purchase of certain lands, will amount to a decrease of 0.05% in the Common Equity Tier 1 ratio following the full implementation of the said amendment. According to the relief established in the directive, this effect is spread as from the current quarter of 2022 to the second quarter of 2023. It should be noted that in a number of issues there is ambiguity as to manner of implementing the directive. If and to the extent that the Supervisor of Banks issues clarifications on these issues, they may have a material effect on the aforementioned calculation.

Common Equity Tier 1 goal and total capital goal

At least once a year, the Board of Directors approves the Bank's capital goals, which comprise a Common Equity Tier 1 goal and a total capital goal. These goals are based on the policy that has been approved by the Board of Directors, which expresses the Bank's appetite for risk, pursuant to which the Bank is required to maintain a higher capital adequacy level than the rate required by the ICAAP result and according to a system stress test.

On December 22, 2019, the Board of Directors adopted a minimum Common Equity Tier 1 goal at a level of 9.9% and a minimum total capital goal at a level of 12.8%, for 2020. It should be noted that these goals take into account, inter alia, the results from the Bank's internal processes for determining the capital goals (the ICAAP results) and the results of the last SREP that was carried out, which includes a dialogue between the Bank and the Banking Supervision Department in relation to the specific risks of the Bank at the time when this process was carried out and the uniform stress tests were conducted[3].

On the background of the spreading of the Corona virus and with the aim of supporting the credit needs of customers during this period, the Bank's Board of Directors decided on April 7, 2020, to adjust the goal of the Common Equity Tier 1 ratio to 8.9% (instead of the previous 9.9%), as permitted under the Provisional Instruction published by the Supervisor of Banks (see above). The total capital goal was adjusted accordingly.

On November 22, 2021, the Bank's Board of Directors decided to reestablish the goal of the Tier I capital ratio at the targeted range that had been in effect prior to the entry into effect of the Provisional Instruction. On the basis of the ICAAP and the SREP procedures as stated, including the latest uniform stress tests performed, the Board decided to reduce the said goal by 0.15%, fixing it at the rate of 9.75% as well as reduce the minimal total capital goal fixing it at the rate of 12.6%[4].

For additional details, see the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which had been published within the framework of the 2021 Annual Report.

Capital Planning

As part of the capital planning process, the capital targets of the work plan have been set in the outline, which enables attainment of the Board of Directors' goals while maintaining a capital buffer in the event of unexpected fluctuations affecting the capital ratio, and from these the risk assets budget is derived. The allocation of the risk assets between the business units and the subsidiaries is in line with the strategic plan, while optimizing the Group's return on equity.

The capital outline takes into consideration various parameters that have an effect on the capital ratios, such as: assumption of profitability consistent with the risk assets budget, dividend distribution, changes in the various capital reserves, regulatory adjustments and amortizations according to transitional instructions. The Bank examines a number of scenarios in arriving at the prescribed capital ratios.

As part of the capital management process, the Bank routinely examines its ability to attain the internal capital targets set by the Board of Directors and included in the work plan. Should the forecasted capital ratio differ considerably from that planned (by a predetermined rate), a Management discussion takes place to consider the measures that need to be taken in order to attain the prescribed outline – measures such as reducing risk assets, utilizing the capital buffer, and so forth.

For additional details, see "Capital adequacy" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks" which had been published within the framework of the 2021 Annual Report. The document is available for perusal on the Bank's website together with the Bank's 2021 Annual Report, on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

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3 For the meaning of the term "uniform stress testing" and for further details, see "Stress testing" in Chapter C in the 2021 Annual Report (p. 70), as well as "Assessing the capital adequacy" in the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which had been published within the framework of the 2021 Annual Report.

4 On June 2, 2021, the Supervisor of Banks affirmed that the requirement raising the capital goal by a rate expressing 1% of the balance of housing loans, relates only to the Common Equity Tier 1 goal, and that there is no duty to apply it also to the total capital goal. Accordingly, the minimum ratio has been reduced by 0.20%.

Exposure regarding the investment in Discount Bancorp Inc.

A US dollar exposure (structural position) in the amount of US$1,081 million exists as of September 30, 2022, stemming from the investment in the banking subsidiary in New York (Discount Bancorp Inc.). This exposure prevents material fluctuations in the ratio of capital to risk components caused by the effect of exchange rate of the US dollar on the credit risk. On the other hand, changes in the exchange rate of the dollar affect the shekel value of the investment in the said subsidiary and lead to fluctuations in other comprehensive profit and in the equity capital of the Bank.

Components of capital

Total capital as at September 30, 2022, totalled NIS 24,718 million, compared with NIS 22,148 million at the end of 2021, an increase of 11.6%.
Shareholders' equity as at September 30, 2022, totalled NIS 24,112 million, compared with NIS 21,483 million at the end of 2021, an increase of 12.2%. The change in Shareholders' equity in the first nine months of 2022 was affected, among other things, from the issue of capital to the net tune (net of issue expenses) of approx. NIS 1,398 million, by the net earnings during the period, by a decrease of NIS 1,611 million in the component of net adjustment of available-for-sale bonds presented at fair value, net of the tax effect, and from an increase of NIS 512 million in financial statements transactions adjustments and from the net actuarial gain in the amount of NIS 380 million.
The ratio of total capital, to total assets as at September 30, 2022, stood at 6.5%, compared with 6.6% on December 31, 2021.

Components of the regulatory capital as of September 30, 2022

Ratio of common equity tier 1 as of September 30, 2022, amounted to 10.17%, compared with 10.14% on December 31, 2021.
Total capital ratio as of September 30, 2022, amounted to 12.79%, compared with 13.46% on December 31, 2021.

Components of the regulatory capital as of September 30, 2022

	September 30,		December 31,
	2022	2021	2021
	in NIS millions		
1. Capital for Calculating ratio of capital			
Common equity tier 1 after deductions	24,653	21,719	21,839
Additional tier 1 capital after deductions	-	178	178
Tier 1 capital	**24,653**	**21,897**	**22,017**
Tier 2 capital	6,360	6,374	6,971
Total capital	**31,013**	**28,271**	**28,988**
2. Weighted risk assets balance			
Credit risk(2)	220,019	190,636	194,544
Market risk	4,294	3,759	3,738
CVA risk	2,154	1,542	1,656
Operational risk	15,979	15,211	15,383
Total weighted risk assets balance	**242,446**	**211,148**	**215,321**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	10.17	10.29	10.14
Ratio of total capital to risk assets	12.79	13.39	13.46
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1(1)	9.19	8.16	8.16
Total capital ratio	12.50	11.50	11.50

Footnotes:
(1) With an addition of 0.19% (September 30, 2021 and December 31, 2021: 0.16%), in accordance with the additional capital requirements with respect to housing loans - see Note 9 section 1(b) to the condensed financial statements.
(2) The total weighted balances of the risk assets have been reduced by NIS 276 million (September 30, 2021: NIS 367 million, December 31,2021: NIS 343 million) due to adjustments in respect to the efficiency plan. As well as an amount of NIS 963 million, due to adjustments in respect of increased capital requirements regarding increased risk loans intended for the purchase of land.

Raising of resources

Subtraction of regulatory capital instruments in 2022. On January 1, 2022, regulatory capital instruments in the amount of NIS 328 million were deducted from capital, following termination of the effect of the transitional instructions. There is no subtraction of regulatory capital instruments expected in the rest of 2022.

The Bank may raise additional regulatory capital instruments according to the Bank's work plan for 2022 and market conditions, in order to maintain the total capital targets for 2022.

Additional disclosure according to the third pillar of Basel

Within the framework of the "Additional regulatory disclosures" document, a description is given of the principal characteristics of the issued regulatory capital instruments. Within the framework of the document "Disclosure according to the third pillar of Basel and additional information regarding risks" a disclosure is given of The Regulatory capital and management thereof, including the composition of the regulatory capital. The documents are available for perusal on the Magna website of the Israel Securities Authority, on the Maya website of the Tel Aviv Stock Exchange Ltd. and on the Bank's website.

Dividends distribution

For details regarding the dividend policy approved by the Board of Directors, see the 2021 Annual Report (p. 53)

On April 7, 2020, on the background of Corona virus crisis and with the aim of supporting the credit needs of its customers, the Bank's Board of Directors decided to discontinue at this stage the distribution of dividends until the expiry date of the Provisional Instruction issued by the Supervisor of Banks on March 31, 2020 (see "Capital and capital adequacy" above), and the clarification of the circumstances. The validity of the provisional instruction has been extended to December 31, 2021 (see "Capital and capital adequacy" above).

A circular amending Proper Conduct of Banking Business Directive No. 250 was published on September 30, 2021, in the framework of which it is stated, inter alia, that despite the increasing processes of exiting the Corona crisis, the level of uncertainty still remains high impacting the ability of banking corporations to predict their middle-term capital requirements, and that, the said uncertainty and risk require the continuation of careful and conservative capital planning. The circular clarifies, inter alia, that the standpoint of the Supervisor of Banks is that a distribution of an amount higher than 30% of the profits of a banking corporation (in the years 2020 and 2021) would not be considered a careful and conservative capital planning.

According to and further to the Bank's dividend policy and to the stated above, the Bank has resumed the distribution of dividends, starting with the profits of the third quarter of 2021, at the rate of 20%. On November 22, 2022 the Bank's Board of Directors decided to make a dividend distribution at the rate of 20% of the profits of the third quarter of 2022, in an amount of approx. NIS 178.6 million, representing approx. 0.14438 Agorot per ordinary A share of NIS 0.1 par value. Further details regarding the Board of Directors' decision, including the dates set as the record date and the payment date, are included in the immediate report that the Bank is issuing concurrently with the publication of this report.

For details of the dividends paid as from the fourth quarter of 2018 and regarding the limitations set in the Supervisor of Banks' directives, see the 2021 Annual Report (pp. 223-224).

Activity of the Group according to principal Segments of Operation - principal quantitative data and main developments

General

The regulatory operating segments have been defined by the Bank of Israel in the new directives, based on the characteristics of their customers, such as: the nature of their activity (in relation to private customers), or their business turnover (in case of commercial customers), in a format that connects, on a uniform and single value basis, between the different customers of the banking industry as a whole, and the regulatory operating segments.
According to the instructions, a banking corporation, the operating segments of which, according to the approach of its Management, are materially different from the regulatory operating segments, shall provide in addition, disclosure regarding operating segments according to the Management's approach ("managerial operating segments"), according to the accounting principles accepted by U.S. banks in the matter of operating segments – (ASC 280). However, according to new directives and clarifications of the Banking Supervision Department, the disclosure in the directors' and management report shall relate to regulatory operating segments only. Note 13 to the condensed financial statements present a quantitative disclosure of the managerial operating segments that the Bank has identified. For details regarding the administrative structure, see the 2021 Annual Report (p. 54). For details regarding changes in the organizational structure, see the "Human Capital" below.
Concise data regarding operations in the various segments is presented in Notes 12 and 13 to the condensed financial statements.
For details regarding the relevant public reporting instructions and the definition of the segments, and details regarding the principal guidelines, estimates and principles used in the preparation of segment information, see Note 29 to the financial statements as of December 31, 2021 (pp. 253-255).

Household Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2022 amounted to NIS 489 million, compared to an amount of 264 million in the corresponding period last year, an increase of 85.2%. The growth in profits was mostly affected by growth in income, which was partly offset by an increase in credit loss expenses.
The credit loss expenses in the first nine months of 2022 expenses amounted to NIS 173 million, compared to expenses release of NIS 128 million in the corresponding period last year. The increase in expenses is due, primarily, from the group allowance.

Principal data regarding the household segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	1,319	942	3,432	2,693	3,672
Credit loss expenses (expenses release)	61	-	173	(128)	(162)
Total Operating and other expenses	847	775	2,475	2,341	3,268
Net Profit Attributed to the bank's shareholders	254	88	489	264	325

For additional details regarding the household segment (Domestic operations), including details regarding mortgage activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Private Banking Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2022 amounted to NIS 64 million, compared to NIS 25 million in the corresponding period last year, an increase of 156.0%.

Principal data regarding the Private Banking segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	83	30	175	97	133
Credit loss expenses (expenses release)	-	(1)	1	(1)	(1)
Total Operating and other expenses	31	17	79	60	85
Net Profit Attributed to the bank's shareholders	35	9	64	25	33

For additional details regarding the Private Banking segment, see in the Chapter ”Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management”.

Small and minute businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2022 amounted to 529 million, compared to an amount of NIS 470 million in the corresponding period last year, an increase at a rate of 12.6%. The increase in profits was mostly affected by the increase in income, which was partly offset by the credit loss expenses release.
The credit loss expenses release in the first nine months of 2022 an expenses release of NIS 8 million was recorded, compared to expenses release of NIS 232 million in the corresponding period last year. The decrease in expenses release is due, primarily, to the increase in the group allowance.

Principal data regarding the Small and minute businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	683	488	1,782	1,454	1,991
Credit loss expenses release	(22)	(57)	(8)	(232)	(211)
Total Operating and other expenses	339	315	992	961	1,372
Net Profit Attributed to the bank's shareholders	240	149	529	470	550

For additional details regarding the Small and minute businesses segment (Domestic operations), see in the Chapter ”Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management”.

Medium businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2022 amounted to NIS 157 million, compared to an amount of 100 million in the corresponding period last year, an increase at a rate of 57%.

Principal data regarding the Medium businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	172	131	454	378	499
Credit loss expenses	17	27	12	26	50
Total Operating and other expenses	70	68	205	199	278
Net Profit Attributed to the bank's shareholders	55	23	157	100	114

For additional details regarding the Medium businesses segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Large businesses Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2022 amounted to NIS 383 million, compared to an amount of NIS 525 million in the corresponding period last year, a decrease at a rate of 27%. The decrease in the profit was effected, mostly, from a decrease in credit loss expenses release.
The credit loss expenses in the first nine months of 2022 expenses of NIS 7 million were recorded, compared to expenses release of NIS 328 million in the corresponding period last year, an increase at a rate of 102.1%. The increase in expenses is due, mostly, to the increase in the group allowance.

Principal data regarding the Large businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	403	329	1,092	950	1,266
Credit loss expenses (expenses release)	26	(69)	7	(328)	(339)
Total Operating and other expenses	178	175	506	479	682
Net Profit Attributed to the bank's shareholders	129	148	383	525	610

For additional details regarding the Large businesses segment (Domestic operations), including details regarding construction and real estate activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Institutional bodies Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit of the segment in the first nine months of 2022 amounted to NIS 4 million, compared to an amount of NIS 10 million in the corresponding period last year, a decrease at a rate of 60%.
The credit loss expenses in the first nine months of 2022 amounted to expenses of NIS 2 million, compared to expenses release of NIS 27 million in the corresponding period last year, an increase at a rate of 107.4%.

Principal data regarding the Institutional bodies segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	22	9	50	30	39
Credit loss expenses (expenses release)	5	(1)	2	(27)	(23)
Total Operating and other expenses	15	13	43	43	64
Net Profit Attributed to the bank's shareholders	1	(1)	4	10	-

For additional details regarding the Institutional bodies segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Financial management Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

Total income of the segment in the first nine months of 2022 amounted to NIS 1,312 million, compared to NIS 1,362 million in the corresponding period last year, a decrease at a rate of 3.7%.
The net profit in the first nine months of 2022 amounted to NIS 670 million, compared to an amount of NIS 668 million in the corresponding period last year, an increase at a rate of 0.3%.

Principal data regarding the Financial management segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	259	473	1,312	1,362	1,812
Credit loss expenses	2	5	2	7	7
Total Operating and other expenses	113	114	333	306	415
Net Profit Attributed to the bank's shareholders	103	226	670	668	880

For additional details regarding the financial management segment (Domestic operations), including details regarding non-financial companies activity, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

International operations Segment

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2022 amounted to NIS 260 million, compared to NIS 182 million in the corresponding period last year, an increase at a rate of 42.9%. The increase in profit was affected by a growth in income and a decrease in credit loss expenses.
The credit loss expenses release in the first nine months of 2022 amounted to an expenses release of NIS 12 million, compared to expenses in a negligible amount in the corresponding period last year.

Principal data regarding the International operations segment

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Total income	366	270	993	805	1,079
Credit loss expenses (expenses release)	17	(30)	(12)	-	(14)
Total Operating and other expenses	234	179	617	530	694
Net Profit Attributed to the bank's shareholders	76	80	260	182	261

For additional details regarding the International operations segment, see in the Chapter "Corporate governance, audit and additional details regarding the business of the banking corporation and the manner of their management".

Main Investee Companies

Distribution of Net profit by the Group's structure

	Contribution to the Group's profit				
	For the nine months ended September 30				
	2022		2021		
	In NIS millions	% of Net profit	In NIS millions	% of Net profit	Change in %
Banking Activity:					
Commercial banks:					
In Israel - the Bank	1,605	62.8	1,338	59.7	20.0
Mercantile Discount Bank	450	17.6	471	21.0	(4.5)
Overseas - Discount Bancorp	258	10.1	178	7.9	44.9
Other Activities:					
Israel Credit Cards	166	6.5	142	6.3	16.9
Discount Capital	90	3.5	108	4.8	(16.7)
Other financial services	(13)	(0.5)	7	0.3	(285.7)
Net profit	**2,556**	**100.0**	**2,244**	**100.0**	**13.9**

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 951 million in the first nine months of 2022, compared to NIS 906 million in the corresponding period last year, and an income of NIS 1,158 million in all of 2021.
Following are the major developments in the Bank's main investee companies.

Discount Bancorp, Inc.

Discount Bancorp, Inc. ("Bancorp") is a wholly owned subsidiary of the Bank, which is a bank holding company, incorporated according to the law of the State of Delaware. Bancorp has full ownership and control of Israel Discount Bank of New York (IDB Bank). IDB Bank is the largest Israeli bank operating overseas. The data presented hereunder in this section have been taken from Bancorp's financial statements.

Discount Bancorp, Inc. – principal data

	Third Quarter		Nine Months		Year
	2022	2021	2022	2021	2021
	In US$ millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	25	27	82	62	92
Net interest income	92	64	243	186	257
Credit loss expenses (expenses release)	5	(9)	(4)	-	(5)
Non-financing income	17	21	55	65	87
Non-financing expenses	71	57	191	168	222
Principal balance sheet data for the end of the reporting period:					
Total assets	12,369	11,725	12,369	11,725	12,952
Credit to the public, net	8,455	7,840	8,455	7,840	8,421
Securities	2,571	2,716	2,571	2,716	2,829
Deposits from the public	10,462	10,225	10,462	10,225	11,245
Total equity	1,081	1,145	1,081	1,145	1,158
	In %				
Main performance indicators:					
Return on equity	8.9	9.3	9.8	7.1	7.9
Efficiency ratio	65.1	67.1	64.1	66.9	64.5
Ratio of total capital to risk assets	14.4	14.2	14.4	14.2	13.6
Ratio of credit loss expenses to the average balance of credit to the public	0.23	(0.47)	(0.06)	-	(0.07)
Total net return on interest bearing assets	3.10	2.41	2.68	2.35	2.33

The main factors affecting the results in the first nine months, compared to the corresponding period last year, are: an increase in net interest income (US$56.5 million; 30.4%) effected from the additional growth in the credit portfolio and from improvement in return on assets, which was partly offset due to the rise in interest expense on deposits, credit loss expenses release (expenses release of US$3.9 million in the reporting period, as compared with expenses of US$0.3 million in the corresponding period last year), and the increase in total operating and other expenses (US$23 million; 13.7%), which stemmed, inter alia, from the continuing investment in technological infrastructure and from expenses for manpower recruitment and preservation.

The contribution of Bancorp to the Bank's net results reached a profit of NIS 258 million in the first nine months of 2022 (after deducting a provision for taxes of NIS 34 million), compared with NIS 178 million in the first nine months of 2021 (after deducting a provision for taxes of NIS 23 million).

Material weakness[5]. During the third quarter of 2022, a material weakness was identified, relating to controls designed to verify that orders for the transfer of funds from an account of a customer have indeed been given by that customer. This material weakness has not resulted in a misstatement of the consolidated financial statements of IDB Bank for any of the periods presented in its interim financial statements as at September 30, 2022. Management of IDB Bank has concluded an investigation of the event and has taken measures to avoid repetition of such a case in the future. The findings are immaterial in relation to the consolidated financial statements, and that therefore, no material weakness exists at the Group level.

The annual financial statements of Bancorp and of IDB Bank are available for review on the Internet website of IDB Bank (IDB Bank). Annual and quarterly financial data is available for review on the Internet website of FDIC.

5 A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's financial statement will not be prevented, or detected and corrected in a timely basis.

Mercantile Discount Bank Ltd.

Mercantile Discount Bank Ltd. ("Mercantile Discount") is a wholly-owned and controlled subsidiary of the Bank.

Mercantile Discount Bank – principal data

	Third Quarter		Nine Months		Year
	2022	2021	2022	2021	2021
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	185	120	450	471	562
Net interest income	452	341	1,225	982	1,324
Credit loss expenses	16	7	77	(75)	(81)
Non-financing income	101	79	279	375	469
Non-financing expenses	253	228	741	712	1,021
Principal balance sheet data for the end of the reporting period:					
Total assets	65,485	54,058	65,485	54,058	59,894
Credit to the public, net	42,325	36,035	42,325	36,035	37,636
Securities	6,911	6,431	6,911	6,431	6,883
Deposits from the public	51,507	42,924	51,507	42,924	48,070
Total equity	3,928	3,650	3,928	3,650	3,771
	In %				
Main performance indicators:					
Return on equity	19.3	13.4	15.9	18.5	16.2
Efficiency ratio	45.8	54.3	49.3	52.5	56.9
Ratio of total capital to risk assets	13.68	14.18	13.68	14.18	14.01
Ratio of credit loss expenses to the average balance of credit to the public	0.25	(0.29)	0.25	(0.29)	(0.23)
Total net return on interest bearing assets	2.90	2.67	2.76	2.65	2.63

The principal factors affecting the business results. The profit in the first nine months of 2022, compared to the corresponding period last year, was mainly affected by the following factors: an increase of NIS 243 million in net interest income, increase of 24.7%; an increase of NIS 152 million in credit loss expenses and the shifting from release to recognition of expenses; the growth stemmed from the recording of expenses on a specific basis, in the amount of NIS 41 million and from the rise in expenses on a group basis of NIS 36 million, explained, principally, by macro-economic adjustments for expectations for the rise in interest rates in the economy and from the growth in the credit portfolio; a decrease of NIS 96 million in non-interest income, a decrease of 25.6% (a gain on realization of ZIM shares, of NIS 90 million, was recorded in the first nine months of 2021 - see Note 5 J to the condensed financial statements).

Strategic plan. For details, see the 2021 Annual Report (p. 63).

For details regarding lawsuits and motions for approval of the lawsuits as class action suits and for details regarding additional proceedings, see Note 26 C to the financial statements as of December 31, 2021, sections 10.8 and 10.9 (p. 242) and Note 10, section 3.6 to the condensed financial statements.

The annual and quarterly financial statements of Mercantile Discount Bank are available on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. appearing under "Mercantile Issuance", and on the website of Mercantile Discount Bank.

Israel Credit Cards Ltd.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of September 30, 2022, the Bank owned 71.8% of the equity and 79.0% of the voting rights in ICC, the remainder of the shares held by FIBI.

Israel Credit Cards – principal data

	Third Quarter		Nine Months		Year
	2021	2020	2021	2020	
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	109	92	270	231	271
The contribution to the Bank's business results(1)	67	56	166	142	166
Income from credit card transactions	434	381	1,223	1,044	1,432
Net interest income	170	140	502	402	548
Non-financing income	61	4	109	4	5
Non-financing expenses	510	395	1,451	1,123	1,594
Of which: Credit loss expenses	28	1	54	(18)	(9)
Principal balance sheet data for the end of the reporting period:					
Total assets	18,564	15,165	18,564	15,165	16,076
Interest bearing credit to the public	7,832	6,245	7,832	6,245	6,717
Total equity	2,091	2,159	2,091	2,159	2,216
	In %				
Main performance indicators:					
Return on equity	20.9	18.7	16.5	15.6	13.2
Efficiency ratio	72.5	75.0	76.2	78.7	80.8
Ratio of total capital to risk assets	13.6	16.4	13.6	16.4	16.3
Turnover of credit card transactions – in NIS millions	39,406	33,902	111,081	94,045	128,864
Number of active cards – in thousands	3,300	3,099	3,300	3,099	3,143

Footnotes:

(1) Differences between net income and the contribution to the Bank's business results is derived from recognition of current tax liability for the investment in the company.

The principal factors affecting the business results. The financial results of ICC for the period have been affected by a one-time income from a sale transaction of VISA Inc. shares in the amount of NIS 23 million, after the tax effect. The financial results of ICC in the corresponding period last year had been affected by a one-time reduction of NIS 25 million, after the tax effect, in the allowance for certain customer benefit plans, which expired during the third quarter of 2021. The business results of ICC for the reported period, compared to the corresponding period last year, were mostly affected by an increase in income (NIS 384 million, 26.5%; NIS 354 million, 24.4% eliminating one-time income), stemming from the increase in income from credit card transactions (NIS 179 million, 17.2%), from an increase in net interest income (NIS 100 million, 24.9%) and from the growth in noninterest financing income (NIS 105 million). On the other hand, expenses of the company increased (NIS 328 million, 29.2%). The growth in expenses stemmed, mostly, from growth in turnover of the company.

Strategic plan. For details, see the 2021 Annual Report (p. 65).

Distribution of dividend. In May 2022, ICC distributed to its shareholders a dividend of NIS 340 million (the share of the Bank is approx. NIS 244 million). In September 2022, ICC distributed to its shareholders an additional dividend in the amount of NIS 80 million (the share of the Bank is approx. NIS 57 million).

For details regarding activity in the credit card field in Israel, see in the 2021 Annual Report (pp. 317-322, 387-394) in the chapter "Corporate governance, audit and additional details regarding the business of the Banking Corporation and management thereof", and Note 17 to the condensed financial statements.

For details regarding lawsuits and motions to approve them as class action suits filed against ICC, see Note 26 C to the financial statements as of December 31, 2021, sections 10.1, 10.3, 10.5 and 11.2 (pp. 239-243) and Note 10 sections 3.1, 3.3, 3.4 and 4.2 to the condensed financial statements.

The annual and quarterly financial statements of ICC are available for review on the Internet website of the company.

Discount Capital Ltd.

Discount Capital Ltd., a wholly owned and controlled subsidiary of the Bank, is engaged in investment in companies, in private investment funds and venture capital funds and mezzanine, investment banking in the field of securities distribution and in the underwriting and management of public offerings of securities (through a subsidiary).

Discount Capital – principal data

	In NIS millions		
Principal statements of profit and loss data for the first nine months:	2022	2021	Change in %
Net profit attributed to the shareholders	85.2	135.6	(37.2)
The contribution to the Bank's business results[1]	90.1	108.4	(16.9)
Principal balance sheet data for the end of the reporting period:	September 30, 2022	December 31, 2021	Change in %
Total assets	2,557.7	2,329.5	9.8
Total equity	1,281.5	1,193.4	7.4

Footnote:

(1) Differences between net income and the contribution to the Bank's business results is derived from differences in the implementation of generally accepted accounting principles and from current tax liability for the investment on the company.

For details regarding realization of investments, see "Non-financial companies" below under "Activity of the Group by regulatory operating segments – additional details".

In the first nine months of 2022, Discount Capital participated, via its subsidiary, in 30 public offerings, of which 2 public offerings for the Discount Group, and in 11 private transactions, amounting to approx. NIS 21.9 billion. This, compared with 54 public offerings, of which 1 public offering for the Discount Group and 12 private transactions, of which 1 private placement for the Discount Group, amounting to approx. NIS 19 billion, in the corresponding period last year.

Chapter "C" - Risks review

General description of the risks and manner of management thereof

Risk Profile of the Discount Group - Risk Environment

For details regarding the risk profile of the Discount Group, see the 2021 Annual Report (pp. 66-68). For details regarding Risk Management Principles, see the 2021 Annual Report (pp. 68-71).

Disclosures according to the third Pillar of Basel

The Basel guidelines broaden the qualitative and quantitative disclosure requirements in the matter of credit risk, market risk and operating risk exposure management, as well as in other fields. Qualitative and quantitative disclosure regarding the various risks above and below in this Chapter, is presented in the 2021 Annual Report (pp. 71-117) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks". The document is available for perusal on the Bank's website together with the Bank's 2021 annual report together with the Report for the third quarter of 2022 (this report), on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Credit Risks

For details regarding Credit risks, see the 2021 annual report (pp. 71-94).

Adoption of updates to the generally accepted accounting principles at banks in the U. S. – Allowances for credit losses

Starting with January 1, 2022, the Bank applies the directives of the Supervisor of Banks requiring adoption in full of the accounting principles accepted by US banks with respect to allowances for expected credit losses (CECL). (See also Note 1 e to the condensed financial statements).

For details regarding preparations made by the Bank for the implementation of the new rules, the First Quarter of 2022 Report (p. 47).

The new rules were initially implemented in the first quarter of 2022, for the data as of January 1, 2022 (transition date) and the data as of March 31, 2022.

In the first nine months of 2022, the Bank continued to improve and develop the process for measuring the allowance for credit losses. The said improvement and development are expected to continue also in the coming quarters.

It is noted that application of the new rules requires the formation of a methodology and complex models as well as a new technological application. Naturally, also after the beginning of initial application, improvement and development of the process for the measurement of the credit loss allowances would be continued, and respectively, such activity may require certain changes in the measurement procedure.

It is further noted, that the new rules do not require the application of a uniform methodology, and therefore, banking corporations had determined their own methodology and models used in the implementation of the rules, while using discretion. Care is therefore required in comparing the effects of the initial implementation as reported by the banks.

The data of the problematic debts and allowances in this chapter below and in Notes 6 and 14 to the condensed financial statements are presented according to the new rules. The comparative data is indeed, starting with the financial statements as of September 30, 2022, presented according to the new format, but this is according to the identification and classification rules, which had been in effect until December 31, 2021, prior to the new directive taking effect. Therefore, caution should be exercised in examining changes between the data as of September 30, 2022 and the data as of September 30, 2021 and December 31, 2021.

Debts whose terms have been changed within the framework of coping with the Corona virus

On April 21, 2020, the Supervisor of Banks issued a letter regarding the main supervisory emphasis with regard to the handling of debts, within the framework of the supervision policy for encouraging banking corporations to operate cautiously in order to support borrowers that are unable or that are likely to be unable to meet their contractual payment obligations due to the impact of the Corona virus outbreak. The letter specifies the terms which, when met, a change in terms for borrowers not in arrears, due to the Corona crisis, will not be considered a troubled debt restructuring. For further details, see Note 1 C 5 (2) in the 2021 Annual Report (p. 149). In addition, and further to the publication of the additional outlines for deferring payments, the Banking Supervision Department issued two more letters to the banking corporations in December 2020, within the framework of which, it was specified that a banking corporation is entitled not to classify, as a troubled debt restructuring, housing loans, other loans to private individuals and loans to small businesses under the terms stated in these letters.

Up to and including the Report for the second quarter of 2022, the Bank had presented data regarding debts, the terms of which had been changed as part of the confrontation with the Corona crisis. In view of the fact that the balance of housing loans and the total amount of loans which are still under deferral at the reporting date, constitute a negligible part of the housing loan portfolio and of the whole credit portfolio of the Bank, respectively, the said data is no longer presented by the Bank.

Credit quality and problematic credit risk

Analysis of credit quality, problematic credit risk and non-performing assets of the public

	September 30, 2022			
	Commercial	Housing	Private	Total
	In NIS millions			
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	148,073	61,792	31,689	241,554
Off-balance sheet credit risk[3]	61,675	6,605	40,924	109,204
Total credit risk in Credit Granting Rating	**209,748**	**68,397**	**72,613**	**350,758**
Credit risk not in Credit Granting Rating:				
1. Not problematic	4,394	1,343	1,534	7,271
2. Accruing problematic	3,576	72	419	4,067
3. Problematic non-accruing	1,181 [4]	233	76	1,490 [4]
Total balance sheet credit risk	**9,151**	**1,648**	**2,029**	**12,828**
Off-balance sheet credit risk[3]	**1,502**	**2,536**	**654**	**4,692**
Total credit risk not in Credit Granting Rating[2]	**10,653**	**4,184**	**2,683**	**17,520**
Of which: Accruing debts in arrears of 90 days or more	69	-	40	109
Total overall credit risk of the public	**220,401**	**72,581**	**75,296**	**368,278**
Additional information concerning nonperforming assets:				
Non-accruing debts	1,227[4]	233	76	1,536[4]

Footnotes:

(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit according to the Bank's policy.

(2) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts, bonds, securities borrowed or purchased under agreements to resell.

(3) Credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation

(4) Including non-accruing corporate bonds in the amount of NIS 1 million.

Analysis of credit quality, problematic credit risk and non-performing assets of the public (continued)

	December 31, 2021			
	Commercial	Housing	Private	Total
	In NIS millions			
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	136,398	53,014	29,493	218,905
Off-balance sheet credit risk	56,904	7,233	37,864	102,001
Total credit risk in Credit Granting Rating	**193,302**	**60,247**	**67,357**	**320,906**
Credit risk not in Credit Granting Rating:				
1. Not problematic	2,838	650	1,493	4,981
2. Problematic[2]				
Special Mention[3]	3,055	117	212	3,384
Substandard	868	163	111	1,142
Impaired	1,569 [4]	-	230	1,799 [4]
Total balance sheet credit risk	**8,330**	**930**	**2,046**	**11,306**
Off-balance sheet credit risk	1,335	2,777	93	4,205
Total credit risk not in Credit Granting Rating	**9,665**	**3,707**	**2,139**	**15,511**
Of which: non-impaired debts in arrears of 90 days or more[3]	43	276	43	362
Total overall credit risk of the public	**202,967**	**63,954**	**69,496**	**336,417**
Additional information concerning nonperforming assets:				
Impaired debts - not accruing interest income	1,210[4]	-	72	1,282[4]

Footnotes:

(1) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit according to the Bank's policy.

(2) Impaired, Substandard or Special Mention credit risk.

(3) Including for housing loans, for which an allowance is made according to the extent of arrears, and housing loans for which no allowance is made according to the extent of arrears and are in arrears of 90 days or more.

(4) Including non-accruing corporate bonds in the amount of NIS 1 million.

Changes in non-accruing debts (for credit to the public only)

	Three months ended September 30			
	2022			
	Commercial	Housing Loans	Private	Total
	In NIS millions			
Changes in non-accruing debts (for credit to the public only)				
Balance of non-accruing credit to the public at beginning of period	1,483	243	85	1,811
Credit classified as non-accruing during the period	131	24	49	204
Credit resuming accruing interest income	(261)	(21)	-	(282)
Credit written off accounting wise	(26)	(1)	(47)	(74)
Repaid credit	(149)	(12)	(11)	(172)
Other	2	-	-	2
Balance of non-accruing debts at end of the period	**1,180**	**233**	**76**	**1,489**
Of which: changes in restructured non-accruing credit				
Balance of restructured non-accruing credit at beginning of period	618	10	50	678
Restructure of debts made during the period	74	1	7	82
Debts reclassified as non-impaired due to following restructure	(148)	-	-	(148)
Restructured debts written off	(9)	(1)	(7)	(17)
Restructured debts repaid	(26)	-	(8)	(34)
Other	-	-	-	-
Balance of restructured non-accruing credit at end of the period	**509**	**10**	**42**	**561**
Changes in allowances for credit losses for non-accruing debts				
Balance of allowance for credit losses as of the beginning of the period	216	8	28	252
Increase in allowances	68	2	29	99
Collections and write-offs	(38)	(1)	(31)	(70)
Balance of allowance for credit losses as of end of the period	**246**	**9**	**26**	**281**

Changes in non-accruing debts (for credit to the public only) (continued)

	Nine months ended September 30			
	2022			
	Commercial	Housing Loans	Private	Total
	In NIS millions			
Movement in non-accruing/impaired debts (for credit to the public only)				
Balance of impaired debts at December 31, 2021	1,567	-	230	1,797
Adjustment to non-accruing credit at January 1, 2022[1]	(383)	275	(158)	(266)
Balance of non-accruing credit to the public at January 1, 2022	**1,184**	**275**	**72**	**1,531**
Credit classified as non-accruing during the period	866	91	166	1,123
Credit resuming accruing interest income	(399)	(79)	(15)	(493)
Credit written off accounting wise	(120)	(10)	(118)	(248)
Repaid credit	(363)	(44)	(29)	(436)
Other	12	-	-	12
Balance of non-accruing debts at end of the period	**1,180**	**233**	**76**	**1,489**
Of which: changes in restructured non-accruing credit				
Balance of restructured troubled debt as of December 31, 2021	911	-	204	1,115
Adjustment to restructured non-accruing credit as of January 1, 2022[1]	(359)	7	(158)	(510)
Balance of restructured non-accruing credit as of January 1, 2022	**552**	**7**	**46**	**605**
Restructure of debts made during the period	361	4	39	404
Debts reclassified as non-impaired due to following restructure	(233)	-	(15)	(248)
Restructured debts written off	(17)	(1)	(11)	(29)
Restructured debts repaid	(154)	-	(17)	(171)
Other	-	-	-	-
Balance of restructured non-accruing credit at end of the period	**509**	**10**	**42**	**561**
Changes in allowances for credit losses on impaired debts:				
Balance of allowance for credit losses as of the beginning of the year	277	9	23	309
Increase in allowances	201	12	82	295
Collections and write-offs	(232)	(12)	(79)	(323)
Balance of allowance for credit losses as of end of the period	**246**	**9**	**26**	**281**

Footnote:
(1) For details regarding the identification and classification of non-accruing debts, a term replacing the term "impaired debts", see Note 1(e) to the condensed financial statements.

Changes in non-accruing debts (for credit to the public only) (continued)

	Three months ended			Nine months ended		
	September 30, 2021					
	Commercial	Private	Total	Commercial	Private	Total
	In NIS millions					
Change in impaired debts (for credit to the public only):						
Balance of impaired debts as of the beginning of the period	1,765	252	2,017	1,946	261	2,207
Debts classified as impaired during the period	154	39	193	769	159	928
Debts no longer classified as impaired	-	-	-	(16)	-	(16)
Impaired debts written off	(63)	(35)	(98)	(182)	(96)	(278)
Impaired debts settled	(90)	(22)	(112)	(747)	(90)	(837)
Other	(4)	-	(4)	(8)	-	(8)
Balance of impaired debts as of end of the period	**1,762**	**234**	**1,996**	**1,762**	**234**	**1,996**
Of which: movement in restructured troubled debts						
Balance of restructured troubled debts at beginning of the period	1,080	229	1,309	1,154	245	1,399
Debt restructurings performed during the period	44	11	55	469	80	549
Debts that have again been classified to unimpaired due to a following restructuring	-	-	-	(14)	-	(14)
Restructured troubled debt written off	(6)	(9)	(15)	(24)	(30)	(54)
Restructured troubled debt settled	(71)	(20)	(91)	(532)	(84)	(616)
Other	(11)	-	(11)	(17)	-	(17)
Balance of restructured troubled debts at the end of the period	**1,036**	**211**	**1,247**	**1,036**	**211**	**1,247**
Changes in allowances for credit losses on impaired debts:						
Balance of allowance for credit losses as of the beginning of the period	310	111	421	373	132	505
Increase in allowances	109	24	133	299	105	404
Collections and write-offs	(86)	(37)	(123)	(339)	(139)	(478)
Balance of allowance for credit losses as of end of the period	**333**	**98**	**431**	**333**	**98**	**431**

Indices of analysis of quality of credit to the public, expenses and allowance for credit losses

	September 30, 2022				September 30, 2021	December 31, 2021
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Total	Total
Quality analysis of credit to the public						
Ratio of non-accruing credit to balance of credit to the public	0.83%	0.37%	0.23%	0.62%	0.69%	0.59%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	0.87%	0.37%	0.34%	0.67%	0.87%	0.76%
Ratio of problematic credit to balance of credit to the public	3.33%	0.48%	1.47%	2.31%	3.33%	2.91%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	7.46%	6.60%	7.96%	7.30%	7.34%	7.17%
Expense analysis for credit losses for the reported period						
Ratio of credit loss expenses (expense release) to the average balance of credit to the public (in annualized terms)	-	0.10%	0.53%	0.10%	(0.46%)	(0.34%)
Ratio of net accounting write-off (collections) to the average balance of credit to the public (in annualized terms)	(0.04%)	(0.02%)	(0.28%)	(0.07%)	-	0.03%
Analysis of credit loss allowance for credit to the public						
Ratio of credit loss allowance to balance of credit to the public[1]	1.51%	0.39%	2.19%	1.31%	1.51%	1.41%
Ratio of credit loss allowance to balance of non-accruing credit to the public	183.39%	106.01%	973.68%	211.62%	217.06%	237.50%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	173.26%	106.01%	637.93%	197.18%	173.17%	185.14%
Ratio of credit loss allowance to net accounting write-offs (collections) (in annualized terms)	(37.74)	(26.46)	(8.04)	(19.86)	(333.96)	(58.73)

Footnote:

(1) The ratio of credit loss allowance to balance of credit to the public as at January 1, 2022, according to the CECL rules, is 1.39%.

Credit risk by economic sectors

Credit risk by economic sectors – consolidated

	September 30, 2022							
						Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which: Credit Performance Rating[4]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	16,461	15,685	472	304	184	(7)	14	265
Construction and Real Estate - Construction[6]	46,950	45,942	562	446	289	112	10	466 [10]
Construction and Real Estate - Real Estate Activity	16,296	15,737	348	211	213	56	2	320 [10]
Commerce	25,137	24,004	444	689	130	(49)	21	298
Financial Services[7]	22,793	22,425	48	320	26	(13)	-	107
Other Business Services	39,999	37,811	1,028	1,160	235	(4)	25	635
Total Commercial	**167,636**	**161,604**	**2,902**	**3,130**	**1,077**	**95**	**72**	**2,091**
Private Individuals - Housing Loans	72,174	67,997	306	3,871	233	45	7	254
Private Individuals - Other	73,195	70,638	449	2,108	76	129	69	828
Total Public	**313,005**	**300,239**	**3,657**	**9,109**	**1,386**	**269**	**148**	**3,173**
Banks in Israel and Government of Israel	28,808	28,808	-	-	-	-	-	1
Total Lending Activity in Israel	**341,813**	**329,047**	**3,657**	**9,109**	**1,386**	**269**	**148**	**3,174**
Total Public - Lending Activity Outside of Israel	**55,273**	**50,519**	**2,254**	**2,500**	**150**	**(94)**	**(29)**	**360**
Banks and Governments Outside of Israel	14,573	14,573	-	-	-	2	-	32
Total Lending Activity Outside of Israel	**69,846**	**65,092**	**2,254**	**2,500**	**150**	**(92)**	**(29)**	**392**
Total	**411,659**	**394,139**	**5,911**	**11,609**	**1,536**	**177**	**119**	**3,566**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, credit risk of assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 248,411 million, NIS 40,749 million, NIS 1,271 million, NIS 4,806 million, NIS 116,422 million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets for Maof Market operations.

(3) Including for off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit according to the Bank's policy.

(5) Balance sheet and off-balance sheet, credit risk, which is non-accruing, substandard or under special mention.

(6) Including acquisition groups in an amount of NIS 441 million.

(7) Including mortgage backed securities in the amount of NIS 7,141 million, issued by GNMA and in the amount of NIS 250 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 9,101 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 202 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

(10) According to the directives regarding allowances for expected credit losses (CECL), in the financial statements as of March 31 and June 30, 2022, the qualitative adjustments made, were attributed to the whole commercial segment, including those recorded for the construction and real estate sector. Starting with the financial statements as of September 30, 2022, the qualitative adjustments in respect of the construction and real estate sector are being related to that sector.

Credit risk by economic sectors – consolidated (continued)

	September 30, 2021							
						Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which: Credit Performance Rating[4]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	16,665	15,762	697	206	228	-	21	318
Construction and Real Estate - Construction'[6]	42,757	41,682	477	598	141	(14)	23	307
Construction and Real Estate - Real Estate Activity	13,794	13,337	265	192	93	(32)	(1)	194
Commerce	22,957	21,970	561	426	98	(187)	(54)	427
Hotels, Hotel Services and Food	2,342	1,899	328	115	86	(48)	(1)	57
Transportation and Storage	6,574	6,061	407	106	184	(10)	8	158
Financial Services[7]	19,555	19,433	56	66	1	(25)	(7)	78
Other Business Services	7,803	7,095	266	442	102	(59)	5	170
Public and Community Services	10,726	10,557	61	108	13	(21)	(2)	35
Other Business Services	9,275	9,063	118	94	84	(59)	(21)	122
Total Commercial	**152,448**	**146,859**	**3,236**	**2,353**	**1,027**	**(455)**	**(29)**	**1,866**
Private Individuals - Housing Loans	56,876	54,823	275	1,778	70	(2)	4	250
Private Individuals - Other	66,020	63,917	537	1,566	1	(127)	22	824
Total Public	**275,344**	**265,599**	**4,048**	**5,697**	**1,098**	**(584)**	**(3)**	**2,940**
Banks in Israel and Government of Israel	34,729	34,729	-	-	-	-	-	-
Total Lending Activity in Israel	**310,073**	**300,328**	**4,048**	**5,697**	**1,098**	**(584)**	**(3)**	**2,940**
Total Public - Lending Activity Outside of Israel	**49,637**	**44,200**	**3,349**	**2,088**	**384**	**(106)**	**10**	**423**
Banks and Governments Outside of Israel	9,262	9,262	-	-	-	7	-	22
Total Lending Activity Outside of Israel	**58,899**	**53,462**	**3,349**	**2,088**	**384**	**(99)**	**10**	**445**
Total	**368,972**	**353,790**	**7,397**	**7,785**	**1,482**	**(683)**	**7**	**3,385**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, credit risk of assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 213,069 million, NIS 44,453 million, NIS 1,142 million, NIS 4,367 million, NIS 105,941 million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets for Maof Market operations.

(3) Including for off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit according to the Bank's policy.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including for housing loans, for which an allowance is made according to the extent of arrears, and housing loans for which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Including acquisition groups in an amount of NIS 265 million.

(7) Including mortgage backed securities in the amount of NIS 6,252 million, issued by GNMA and in the amount of NIS 408 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 7,852 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 248 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Credit risk by economic sectors – consolidated (continued)

	December 31, 2021							
						Credit Losses[3]		
	Total Credit Risk[1][8][9]	Of Which: Credit Performance Rating[4]	Of which: Problematic credit risk[5]	Non-problematic credit risk, not in credit granting rating	Of which: Non-accruing credit risk	Periodic Credit Loss Expenses (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	15,204	14,313	526	365	184	(18)	36	282
Construction and Real Estate - Construction[6]	43,155	42,411	639	105	208	43	35	351
Construction and Real Estate - Real Estate Activity	14,237	13,853	356	28	92	(15)	(5)	213
Commerce	22,892	21,938	532	422	131	(190)	(50)	419
Hotels, Hotel Services and Food	2,306	1,946	291	69	57	(51)	(2)	53
Transportation and Storage	6,358	5,889	382	87	163	(19)	18	139
Financial Services[7]	22,375	22,294	54	27		(12)	(6)	91
Other Business Services	8,228	7,563	255	410	91	(67)	6	163
Public and Community Services	11,004	10,842	62	100	7	(21)	(2)	35
Other Business Services	9,555	9,307	116	132	82	(57)	(23)	124
Total Commercial	**155,314**	**150,356**	**3,213**	**1,745**	**1,015**	**(407)**	**7**	**1,870**
Private Individuals - Housing Loans	63,655	59,955	275	3,425	72	6	6	255
Private Individuals - Other	67,437	65,339	524	1,574	-	(169)	38	765
Total Public	**286,406**	**275,650**	**4,012**	**6,744**	**1,087**	**(570)**	**51**	**2,890**
Banks in Israel and Government of Israel	31,442	31,442	-	-	-	-	-	-
Total Lending Activity in Israel	**317,848**	**307,092**	**4,012**	**6,744**	**1,087**	**(570)**	**51**	**2,890**
Total Public - Lending Activity Outside of Israel	**50,011**	**45,256**	**2,847**	**1,908**	**297**	**(130)**	**5**	**399**
Banks and Governments Outside of Israel	10,862	10,862	-	-	-	7	-	22
Total Lending Activity Outside of Israel	**60,873**	**56,118**	**2,847**	**1,908**	**297**	**(123)**	**5**	**421**
Total	**378,721**	**363,210**	**6,859**	**8,652**	**1,384**	**(693)**	**56**	**3,311**

Footnotes:

(1) Balance Sheet and Off-Balance Sheet Credit Risk, including for derivative instruments. Including: Debts[2], bonds, securities borrowed or purchased under agreements to resell, credit risk of assets for derivative instruments, and credit risk for off-balance sheet financial instruments, as calculated for single borrower liability limitation, guarantees and liabilities on account of clients in an amount of NIS 222,572 million, NIS 42,251 million, NIS 1,207 million, NIS 5,524 million, NIS 107,167 million, respectively.

(2) Credit to the Public, Credit to Governments, deposits with banks and other debts, excluding investments in bonds and securities borrowed or purchased under resale and assets for Maof Market operations.

(3) Including for off-balance sheet credit instruments (stated in the balance sheet under "Other liabilities").

(4) Credit risk, the credit rating thereof at date of reporting matches the credit rating for the granting of new credit according to the Bank's policy.

(5) Balance sheet and off-balance sheet credit risk, which is impaired, substandard or under special mention, including for housing loans, for which an allowance is made according to the extent of arrears, and housing loans for which no allowance is made according to the extent of arrears, and are in arrears of 90 days or more.

(6) Includes housing loans in the amount of NIS 313 million, which were granted to acquisition groups, the projects being built by them are in the course of construction.

(7) Including mortgage backed securities in the amount of NIS 6,673 million, issued by GNMA and in the amount of NIS 358 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 7,633 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 252 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

Exposure to Foreign Countries - consolidated

	As of September 30						As of December 31		
	2022			2021			2021		
	exposure			exposure			exposure		
The Country	balance sheet(2)(7)	Off-balance sheet(2)(3)(7)	Total	balance sheet(2)	Off-balance sheet(2)(3)	Total	balance sheet(2)	Off-balance sheet(2)(3)	Total
	In NIS millions								
United States	16,345	8,527	24,872	16,546	8,231	24,777	17,450	7,805	25,255
Other	7,262	8,163 (5)	15,425	6,759	6,486 (5)	13,245	7,791	7,065 (5)	14,856
Total exposure to foreign countries(1)	**23,607**	**16,690**	**40,297**	**23,305**	**14,717**	**38,022**	**25,241**	**14,870**	**40,111**
Of which - Total exposure to the PIGS countries(4)	24	123	147	20	209	229	19	155	174
Of which - Total exposure to LDC countries(6)	479	156	635	416	136	552	491	129	620
Of which - Total exposure to countries having liquidity problems	32	23	55	47	18	65	44	15	59

Notes:
(1) Exposure to countries where the total amount of exposure to each of them exceeds 1% of the total consolidated assets or more than 20% of the equity, whichever is the lower. Based on the final risk, net of the effect of guarantees, liquid collateral and credit derivatives. Based on the final risk, net of the effect of guarantees, liquid collateral and credit derivatives.
(2) Balance sheet and off-balance sheet credit risk, are presented before the impact of the allowance for credit losses and before the impact of collateral that are deductible for the purpose of a borrower or a group of borrowers liability.
(3) Credit risk of off-balance sheet financial instruments as computed for the purpose of borrower indebtedness limitations.
(4) Portugal, Italy, Greece and Spain.
(5) Including the transfer of credit risk to a consortium of international insurers, as of September 30 2022 in the following countries: Switzerland – an amount of NIS 2,638 million and Germany – an amount of NIS 2,259 million, as of September 30 2021 in the following countries: Switzerland – an amount of NIS 2,516 million and Germany – an amount of NIS 2,324 million, and as of December 31 2021 in the following countries: Switzerland – an amount of NIS 2,471 million and Germany – an amount of NIS 2,539 million.
(6) The item "Total exposure to LDC countries" includes the total exposure to countries defined as less developed countries (LDC) which are countries classified by the world bank as having low or medium income.
(7) Balance sheet and off-balance sheet credit risk for derivative instruments is presented after credit risk mitigation (see Note 1 E 2 to the condensed financial statements).

Exposure to Russia and the Ukraine

The macro-environment risk/risk environment. The continuing conflict between Russia and the Ukraine increases uncertainty in the markets, however its effect has been significantly moderated and is being focused now on the commodities market.

Exposure to foreign countries. Balance sheet and off-balance sheet credit risk. As of September 30, 2022, exposure to Russia and to the Ukraine is at a negligible scope (a mere few millions of NIS).

Exposure to sanctions. The war between Russia and the Ukraine has led to the imposition of economic sanctions on the part of the United States, the European Union, Britain and additional countries, on entities, individuals and separatist regions and on sectors, such as aviation, energy and diamonds, and to different restrictions on export and import to and from Russia, and all this in addition to the sanctions that had been imposed in earlier years on Russia and the Crimean Peninsula. The sanctions that had been imposed are relevant to activities and services, which banks may conduct with any of their customers to whom or to whose operations the sanctions are relevant.

As an entity that conducts business with international customers and other factors, such as correspondent banks and custodians, the Bank acts towards the implementation of the sanctions that might be relevant to customers and to such international factors or to their fields of operation.

In continuation of the above stated, the Bank has adopted a number of measures, including, inter alia, delays and even blocking of funds transfer operations or the deposit of funds by bodies and entities included in lists compiled under power of the international sanctions; the regulation of its operation according to the sectorial sanctions, including sanctions pertaining to the diamond sector. In addition, the Bank applies measures regarding the monitoring and control required for maintaining completeness and propriety of the lists of entities and individuals recognized in its systems, including by way of modifying them to the updated lists of the US Treasury Department (OFAC), of the European Union and of the United Nations Sanctions Committee, mapping of operations involving risk and implementation of additional controls, where required.

The transaction of business not in agreement with the sanctions may expose the Bank and any of its relevant customers to enforcement measures and loss of reputation. Frequent changes in sanctions and their complexity increase the sanction compliance risk and the inputs required for the implementation thereof.

Letter of the Supervisor of Banks. On June 8, 2022, the Supervisor of Banks issued a letter with respect to "risks involved in engagement with factors declared in international sanctions lists and in national sanctions lists of foreign countries". The letter states that banking corporations are required to determine a policy and procedures regarding the manner in which use should be made of international lists and national sanctions lists of foreign countries, and the manner of engagement or conduct of business with factors declared in the said lists. The letter further states that refusal to approve a transaction, refusal to engage in a contract or the termination of an engagement due to the implementation of the said policy, would be considered reasonable refusal to provide service regarding the Banking Law (Customer service). The Bank is acting for the implementation of the above stated.

For details regarding a letter of the Supervisor of Banks in the matter of opening bank accounts for new immigrants from Russia and their transfer of funds, see "Legislation and Supervision" below.

Credit Exposure to Foreign Financial Institutions

General. Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.

As opposed to the definition of the "financial services" economic sector for the purpose of disclosure in the Management Review concerning the "Overall credit risk according to economic sectors", the exposure to foreign financial institutions presented in the table hereunder includes exposure to foreign banks and to foreign investment banks, which, on the one hand, are not included in credit to the public, and on the other hand, does not include exposure to investment in asset backed securities and to potential off-balance sheet exposure.

The Bank maintains a careful credit policy and is monitoring developments and volume of exposure to key markets and to markets of the countries at risk. This is performed on an ongoing basis and at the Group level, within the framework of an inter-division forum. The Bank's dealing room monitors these markets in order to obtain a comprehensive picture and to react in real time to currency risks according to the risk profile of each customer and the approved credit facilities.

As seen from the data presented above regarding "Exposure to foreign countries", The Bank's direct exposure to countries at risk is not material.

For details regarding the manner of managing credit risk applying to foreign financial institutions, see the 2021 Annual Report (pp. 81-83).

Credit exposure to foreign financial institutions. The Bank's credit exposure to foreign financial institutions comprises mostly of exposure to banks and investment banks. As seen from the data presented hereunder, about 97% of the exposure as of September 30, 2022, is to financial institutions rated "A-"rating or higher, compared with about 94% as of December 31, 2021.

The states for which the Bank has exposure as stated above as of September 30, 2022, include, inter-alia, the United States and Britain.

In the first nine months of 2022, no loss on impairment of securities was recorded for exposure to financial institutions (except for an allowance in the negligible amount of approx. NIS 5 million).

Details of present credit exposure to foreign financial institutions on a consolidated basis

	Balance sheet credit risk[(2)(4)(5)]	Present off balance sheet credit risk[(3)(4)]	Present credit exposure[(4)]
	In NIS millions		
	As of September 30, 2022		
Present credit exposure to foreign financial institutions[(1)(6)]			
External credit rating[(7)]			
AAA to AA-	850	20	870
A+ to A-	4,940	604	5,544
BBB+ to BBB-	101	6	107
BB+ to B-	2	38	40
Not rated	-	32	32
Total present credit exposure to foreign financial institutions	**5,893**	**700**	**6,593**
	As of December 31, 2021		
Present credit exposure to foreign financial institutions[(1)(6)]			
External credit rating[(7)]			
AAA to AA-	1,190	63	1,253
A+ to A-	4,511	672	5,183
BBB+ to BBB-	43	159	202
BB+ to B-	4	35	39
Not rated	110	25	135
Total present credit exposure to foreign financial institutions	**5,858**	**954**	**6,812**

Notes:
(1) Foreign financial institutions include: banks, investment banks, brokers/dealers, insurance companies, institutional entities and entities controlled by the said entities.
(2) Deposits with banks, credit to the public, investment in bonds, securities borrowed or purchased under agreements to resell and other Balance sheet credit risk for derivative instruments (see Note 1 E 2 to the condensed financial statements).
(3) Mainly guarantees, including guarantees securing third party indebtedness.
(4) Credit exposures and problematic credit risk are presented before the effect of allowance for credit losses and before deductions as defined in Section 5 of Proper Conduct of Banking Business Directive No. 313.
(5) For further information regarding the composition of the credit exposure reflected in the table showing derivative instruments in relation to banks/dealers/brokers, see Note 11 to the condensed financial statements.
(6) Credit exposure does not include exposure to financial institutions that have explicit and full government guarantees, and does not include investment in assets backed securities (for additional details regarding assets backed securities, see Note 5 to the condensed financial statements).
(7) According to Moody's rating, and in its absence, the Fitch rating or S&P.

In addition to the exposure presented in the above table, as of September 30, 2022 and December 31, 2021 a potential off-balance sheet exposure exists for derivative instruments of foreign banks (as defined in Section (4)(a) to the definition of indebtedness in Proper Conduct of Banking Business Directive No. 313 regarding ”Restrictions on indebtedness of a single borrower and of a group of borrowers”), namely, variable percentage of the outstanding balance of a future transaction, in the amount of NIS 1,662 million and NIS 262 million, respectively.

Credit risk in housing loans

General. The data presented hereunder relate to all the activity of the Group in this field: the Bank, MDB and IDB Bank (hereinafter will be named together as ”the Group”). It is noted though, that the data relating to IDB Bank are negligible (housing credit in the amount of NIS 311 million as of September 30, 2022 and NIS 228 million as of December 31, 2021).

Developments in the field of housing loans. A growth was recorded in recent years in the demand and in the volume housing loans granted. The growth in performance has been caused by both the increased demand in the residential market and the rise in prices, resulting from the shortage in the supply in residential units in relation to the said demand.

The growth recorded in the volume of housing loans granted by the banking industry, which exceeds the economic growth rates and the growth rates in the standard of living and in household income, together with a scenario of a rise in unemployment and in interest rates, may lead to impairment in the quality of the housing credit portfolio and may increase exposure to credit risk in the banking industry. In contrast to earlier quarters, the second quarter of 2022 recorded a slight decline, all across the system, in the volume of housing loans extended. In the third quarter of 2022, concurrently with the rising interest rates in the economy, a sharp decline was recorded in the volume of housing loans granted, compared with the second quarter of 2022. Despite the slowdown in the housing market, no decrease in prices has yet been recorded.

The volume of the Group's housing loan portfolio as of September 30, 2022, amounted to NIS 63,643 million (December 31, 2021 – NIS 54,196 million).

Certain risk characteristics of the Group's housing loans portfolio

	September 30, 2022	December 31, 2021
	In %	
Rate of housing loans financing over 75% of the value of the property	0.8	1.1
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	11.6	9.3
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio(1)	56.4	58.5

Footnote:
(1) Loans in which the interest rate change frequency exceeds five years were also included in computing the ratio.

Amount of loans and average financing ratios

	September 30,2022	December 31,2021
Average amount of loan (in NIS thousands)	1,002	937
Average financing ratio for housing loans (in %)	56.6	56.0
Average financing ratio for general purpose loans (in %)	26.9	17.5

Division of housing credit balances according to size of credit to borrowers

	September 30, 2022		December 31, 2021	
Credit limit net(1)(2) (in NIS thousands)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 1,200	41,410	65.3	38,162	70.8
Between 1,200 and 4,000	20,645	32.6	14,786	27.4
Over 4,000	1,339	2.1	990	1.8
Total	**63,394**	**100.0**	**53,938**	**100.0**
Of which:				
Housing loans that were granted abroad	299		227	

Footnotes:
(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 249 million (31.12.2021: NIS 258 million).
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 202 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31, 2021: NIS 252 million).

Volume of problematic debts in housing credit

As at	Balance of credit to the public(1)(5)	Balance of problematic credit: Accruing	Non-accruing	Total	Balance of allowances for credit losses(2)(3)	Ratio of problematic debt
		In NIS millions				Change in %
September 30, 2022	63,643	73	233 (4)	306	249 (2)	0.5
December 31, 2021	54,196	-	281(4)	281	257 (2)	0.5

Footnotes:
(1) Recorded amount.
(2) As of September 30, 2022, the balance of the allowance includes a group allowance computed according to the instructions regarding allowance for current expected credit losses (CECL).
(3) As of December 31, 2021, the balance of the allowance includes a minimum allowance of NIS 61 million, computed according to the extent of arrears, a specific allowance in access of the minimum allowance in the amount of NIS 1 million, and a group allowance of NIS 195 million, comprising 0.36% of the balance of credit, for which no minimum allowance according to the extent of arrears was recognized.
(4) As at September 30, 2022 the balance of the problematic credit in arrears of 90 Days or More. As at December 31, 2021, total problematic credit
(5) The outstanding balance of credit to the public includes housing loans in the amount of NIS 202 million, which are integrate in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2021: NIS 252 million).

Distribution of housing credit granted, according to financing ratios and as a ratio of credit granted

	For the nine months ended September 30,				For the year ended December 31,	
	2022		2021		2021	
Loan to value (LTV) ratio(1)	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 45%	3,602	24.8	3,071	26.0	4,351	25.7
Between 45% and 60%	4,900	33.7	4,095	34.8	5,885	34.7
Over 60%	6,020	41.5	4,614	39.2	6,719	39.6
Total	**14,522**	**100.0**	**11,780**	**100.0**	**16,955**	**100.0**

Footnote:
(1) The loan to value (LTV) ratio is computed for the purchased asset and does not include additional collateral, if granted.

The average loan period of housing loans at the Bank (standalone) in the first nine months of 2022, was 23.5 years, compared with 23.8 years in the industry. The amount of credit for a period of over twenty years amounted to 54.5% of the whole credit portfolio of housing loans at the Bank.
The data regarding the distribution of extended credit as of September 30, 2022, by period of loan shows that the granting of loans for periods of over twenty years reached a rate of 68.8% of the portfolio.

Data regarding developments in housing credit balances according to linkage segments

	Non-linked credit			CPI linked credit			Foreign currency linked credit			
	Fixed interest	Variable interest		Fixed interest	Variable interest		Fixed interest	Variable interest		
	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	In NIS millions		% of total Housing Credit	Total Housing Credit (1)(2)
As at September 30, 2022	20,333	26,096	73.2	5,568	11,288	26.6	22	87	0.2	63,394
As at December 31, 2021	16,732	22,068	72.0	5,157	9,857	27.8	23	101	0.2	53,938

Footnotes:
(1) The outstanding balance of credit to the public includes housing loans in the amount of NIS 202 million, which are integrated in the transactions and security layout of the business of commercial borrowers, or which have been granted to acquisition groups, the projects being constructed by them are in stage of construction (December 31,2021: NIS 252 million).
(2) The balance of credit is after deduction of allowance for credit losses of NIS 249 million (December 31,2021: NIS 258 million).

Most of the loans are granted for an initial period of up to 30 years. The average period of the loan at the Bank is slightly lower than that of the industry.

The outstanding balance as of September 30, 2022 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 9,527 million, comprising 15.0% of the total housing loans portfolio (as of December 31, 2021, the balance amounted to NIS 6,446 million, comprising 12.0% of the total housing loans portfolio).

Composition of loans granted for housing purposes, divided by the ratio of repayments to earnings

	For the nine months ended September 30,				For the year ended December 31,	
	2022		2021		2021	
Ratio of payment to income (PTI)[1]	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit	In NIS millions	% of total Housing Credit
Up to 40%	13,718	99.4	10,996	99.8	15,833	99.7
Over 40%	79	0.6	20	0.2	41	0.3
Total	**13,797**	**100.0**	**11,016**	**100.0**	**15,874**	**100.0**

Footnote:

(1) The amount of loans granted do not include loans secured by a mortgage on a residential unit, balloon loans and bullet loans.

According to the directives, the repayment ratio is restricted to 50%. The capital allocation required for loans with a repayment ratio in excess of 40% stands at 100%, with this not being connected to the requested financing rate. Against the background of these requirements, the granting of housing loans at a rate in excess of 40% is negligible.

Credit risk of private individuals (excluding housing credit risk)

General. The data presented in his section comprise data of operation in Israel, excluding housing loans, and they include the Bank and MDB. Certain data relating to credit to private individuals at ICC is presented separately hereunder, according to available data of ICC.

Definitions. Following are the definitions used in the preparation of this report:

Amount of income per account – average income of a recurring pattern from salaries, annuities, transfers and deposits, after elimination of exceptional amounts.

Balance-Sheet credit upper limit – according to the reporting to the Supervisor of Banks under Reporting to the Supervisor of Banks Directive No. 836 – current account balances, credit cards and loans. Excluding non-utilized facilities of current account and credit cards.

"Financial assets portfolio" – the financial assets portfolio related to the account of the customer: financial deposits (including current account balance), securities portfolio and other financial assets.

Development in balances

Distribution by customer's fixed income and by financial assets portfolio related to the account

	Balance Sheet Credit Risk				
	Financial assets portfolio				
	Less than NIS 50 thousand	Greater than NIS 50 thousand	Total balance credit risk	Total off-balance credit risk	Total credit risk
	Balance in NIS million				
	September 30, 2022				
Level of income to the account					
Excluding permanent income to the account	1,007	102	1,109	590	1,699
Less than NIS 10 thousand	3,905	854	4,759	3,344	8,103
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,189	1,668	5,857	3,783	9,640
Greater than NIS 20 thousand	3,881	3,181	7,062	5,725	12,787
Total	**12,982**	**5,805**	**18,787**	**13,443**	**32,230**
	December 31, 2021				
Level of income to the account					
Excluding permanent income to the account	1,116	112	1,228	551	1,779
Less than NIS 10 thousand	4,081	940	5,021	3,258	8,279
Greater than NIS 10 thousand, but less than NIS 20 thousand	3,986	1,700	5,686	3,480	9,166
Greater than NIS 20 thousand	3,397	2,989	6,386	4,787	11,173
Total	**12,580**	**5,741**	**18,321**	**12,076**	**30,397**

Additional quantitative characteristics

Distribution by the average remaining period to maturity

	September 30, 2022	December 31, 2021
	Balance of loans in NIS millions	
Fixed maturity date		
Up to 1 year	1,295	1,344
Over 1 year and up to 3 years	4,830	4,833
Over 3 years and up to 5 years	4,041	4,040
Over 5 years	2,916	2,546
Total	**13,082**	**12,763**

It is noted that the above Table presents the distribution relating only to loans, while the remaining Tables present distribution relating to the maximum balance-sheet credit, which includes also current account balances and credit cards.

Distribution by size of credit to the borrower

	September 30, 2022	December 31, 2021
Balance sheet credit upper limit (NIS thousands)	in NIS million	
Up to 40	5,079	4,826
Between 40 and 150	9,496	9,390
Over 150	4,212	4,105
Total	**18,787**	**18,321**

Distribution by exposure to changes in interest rates

	September 30, 2022	December 31, 2021
	in NIS million	
Fixed interest credit	5,630	5,434
Variable interest credit	13,157	12,887
Total	**18,787**	**18,321**

Distribution of collateral securing the credit

	September 30, 2022	December 31, 2021
	Total collateral	
Type of collateral	in NIS millions	
Liquid financial assets	1,112	1,224
Other collateral	1,221	980
Total	**2,333**	**2,204**

Development of problematic credit risk for private individuals

	September 30, 2022	December 31, 2021	Change in	Rate from total balance-sheet to credit to the public: September 30, 2022	Rate from total balance-sheet to credit to the public: December 31, 2021
	in NIS million		%	%	
Problematic credit risk	180	241	(25.2)	1.0	1.3
Of which: Non-accruing credit risk[(1)]	40	124	(67.4)	0.2	0.7
Debts in arrears of 90 days or more	40	43	(7.0)	0.2	0.2
Net accounting write-offs (collections)	(3)	3	(212.0)[(2)]	(0.0)	0.0
Balance of allowance for credit losses	475	399	19.1	2.5	2.2

Footnotes:

(1) The data as of December 31,2021, relates to impaired credit risk. In the absence of possibility of comparison between the data, there is no significance to the rate of change.

(2) On an annual basis.

Credit risk regarding the purchase of motor vehicles. The balance of credit granted for the purchase of motor vehicles, pledged (in the Bank, in MDB and in ICC), amounted to NIS 1,582 million at September 30, 2022, compared to NIS 1,677 million as of December 31, 2021.

Additional details

Background

Credit products. The credit activity in this field is conducted in three principal channels: current account credit facilities, credit card facilities and loans.

The loans comprise the major part of consumer credit balances, and are usually granted in amounts of less than NIS 50 thousand and for short periods (mostly up to five years). The market share of loan operations conducted outside the branch premises rises gradually year by year and constitutes a central layer of the total consumer credit activity.

Credit underwriting. Over the years, the Bank has developed advanced models for the assessment of risk relating to a customer seeking credit. The underwriting processes for consumer credit at the Bank are accompanied by wide use of the model products and are conducted according to the Bank's credit policy, carefully modifying the product to the needs of the customer.

Credit underwriting at the branches is comprised of two layers: the one – underwriting under authority, performed at the discretion of an authorized factor using indications and products of models as to the risk rating of the customer, his repayment ability, as well as additional indications required according to the customer's risk and the amount of the loan. The other – automatic underwriting, being performed generally in the case of loans in relatively small amounts and according to the recommendation of the model, which takes into consideration the risk level of the customer, his repayment ability and the past experience of the Bank with the borrower.

Development of the risk

Starting with the previous decade, the credit granted to households doubled its ratio in the credit portfolios of the five large banking groups. Most of the growth in credit to households in Israel stems from housing loans (about two thirds of credit granted to households). At the same time, the credit to households granted by off-banking entities continued to grow, though its share is still low in relation to banking credit.
The Corona crisis, which broke out in the first quarter of 2020, caused a decline in the GDP, a rise in unemployment, as well as to assistance, mostly governmental, provided to private customers and to small businesses. Such assistance that was provided by way of grants, funds guaranteed by the Government and the deferral of loan repayments, which together with additional aspects, led to a decline in the number of problematic customers and to a decline in credit risk.
At the end of the third quarter of 2022, a moderate increase in the assessment of credit risk began, compared to the first period following the exit from the Corona crisis. Part of the indices are found in an upward trend, as observed in earlier quarters, following the rising interest rates (globally and in Israel), the moderate increase in unemployment rates and the slowdown in the pace of economic growth.

Risk mitigating measures

Determining underwriting thresholds. Within the framework of determining the risk appetite, underwriting thresholds have been set, which reflect the maximum level of risk in which new consumer credit may be provided. Deviation from these rules is possible only in exceptional cases and in limited amounts, while ascending the authorization scale.
Models and analytical tools. The process of determining the consumer credit risk at the Bank is accompanied by statistical models, which calculate the credit risk assessments (LGD and PD) that forecast the customer's risk level and the marginal transaction. The models are based upon variables referring to the characteristics of the customer, his repayment ability, financial stability and his banking past. The models are being updated from time to time according to with market changes, state of the borrowers and additional factors.
Effective measurement. All business units at the Bank are being measured on a current basis by the quality of the consumer credit portfolio under their responsibility, and by their adherence to the underwriting rules. All functions related to credit underwriting have defined indices, the aim of which is maintaining the quality of the portfolio and the wide distribution of credit to the extent possible.
Use of information obtained from the credit data base. Credit underwriting if performed using information obtained from the data base, subject to minimum levels of materiality, as defined by the Bank and to limitations set by law.

The fairness principle

According to guidelines of the Supervisor of Banks, criteria for the initiation and marketing of credit to the private individual customer population were defined, in respect thereof the Bank is permitted to initiate offers for the granting of credit. The rules are based upon the risk level of the customer as well as on the advisability of accepting the loan on the part of the customer.

The approach to the customer is made according to conversation scenarios that include proper disclosure of the loan terms, needs of the customer and his characteristics as well as mention of the assets and liabilities stated in the customer's account.
It is noted that the fairness principle as regards the customer, has been defined both as part of the risk appetite of the Discount Group and as part of the credit underwriting policy regarding private customers.
The principle of fairness and decency as regards debtors is being applied both while they are being handled under the responsibility of the managing branch as well as after passing them on for legal proceedings by the law offices engaged by the Bank. The guideline is to try and reach an arrangement with each debtor in default, which meets his capabilities and his repayment ability.
The Bank implements the requirements of the Fair Credit Law, 5753-1993.

Monitoring and control

The Bank performs on a current basis, control over the quality of underwriting, adherence to policy rules and proper disclosure rules. Control is performed by means of compliance officers in the business units, credit controllers and the internal audit.
Current monitoring is also performed with respect to the quality of the consumer credit portfolio at the Bank.

For details regarding loans to private individuals portfolio (excluding housing loans), see the risks report.

Quantitative data regarding credit granted to private individuals in ICC

A rise at the rate of 16.2% was recorded in the first nine months of 2022 in the balance of interest bearing credit granted to private individuals, in continuation of a rise of 11.9% in 2021. This credit amounted as of September 30, 2022, to NIS 6,708 million, compared with NIS 5,772 million as of December 31, 2021, and comprises 58.4% of total credit to private individuals at the responsibility of ICC, most of which is credit carrying variable interest rates regarding credit transactions, revolving credit card transactions, loans, designated credit for the purchase of vehicles and other transactions. The remaining credit to private individuals amounted to NIS 4,788 million, as compared to NIS 4,147 million as of December 31, 2021 (an increase of approx. 15.5%), reflecting balances of regular transactions, installment transaction on account of the trading house and other transactions. The major part of credit losses stems from interest bearing credit.
Credit losses for private individuals amounted in the first nine months of 2022 to NIS 58 million, compared to an expense release in the amount of NIS 9 million in the corresponding period last year. The growth in credit loss expenses stems mostly from a decrease in the group allowance for credit losses in prior periods, as well as from the growth in volume of accounting write-offs.

Credit risk in relation to the Construction and Real Estate Sector

The construction and real estate sectors are a central component in the Bank's credit portfolio, and most of the credit to these sectors is managed by the Real Estate wing in the Corporate Division, which possesses a high level of expertise and considerable experience in this field. In this area, the Bank operates subject to the regulatory limitation and according to mitigating instructions determined by the Supervisor of Banks, within the framework of the Provisional Instruction, in order to enable confronting the Corona crisis, according to which banks may increase the volume of credit extended to the construction and real estate sector, so that the rate of credit in this sector shall not exceed 26% of total credit, and after deduction of indebtedness of national infrastructure projects, shall not exceed 22%. The banks would be required to revert to a rate of 20% during a period of twenty-four months as from December 31, 2025, on condition that the rate of indebtedness during the said two years would not exceed the rate at December 31, 2025. The Bank conforms to the said limits and also to internal limits serving as alert levels.
The credit policy for the sector focuses on financing activities in Israel, while giving priority to long-established borrowers having a high level of financial strength, with whom the Bank has positive business experience. The financing of entrepreneur residential construction projects and income generating real-estate projects is conducted

by the closed loan method, under minimum requirements, including equity capital, minimal estimated profitability, compliance with stress tests (inter alia, price reduction scenarios), price reduction absorption ability, early sales and more – for a fuller explanation, see the "Construction and Real Estate Activity" under "Additional Details Regarding the Business of the Banking Corporation and Management Thereof" chapter.
During the first nine months of 2022, the scope of exposure of the Bank to the construction and real estate sector grew at a slower pace than that of the corresponding period last year. It is noted, that in 2021 a significant growth regarding this sector was recorded in the banking system as a whole, accompanied by increased competition.
The Bank operates with a focus on financing residential building projects and the purchase of land. The Bank monitors and closely follows the growth in exposure, inter alia, for new transactions having increased risk (see below), and where required, the Bank has made adjustments to the group allowance. It is noted that the Bank has increased the insurance coverage in 2021. The rate of exposure to credit in the construction and real estate sector at the Bank dropped from 17.12% at the end of 2021 to 16.54 % in the end of the third quarter of 2022.

Reinforcement of monitoring and control procedures and expansion of disclosure regarding credit to the construction and real estate sector

The Supervisor of Banks issued on August 19, 2021, a letter in the matter of "Growth in credit risk pertaining to the construction and real estate sector", on the background of the significant growth that had taken place at the banking system during the first half of the year with respect to business credit balances in general and in credit balances to the construction and real estate sector in particular, and in view of the increase in competition and the growing risk appetite, and in consequence thereof, an increase in credit risk. The letter requires banking corporations to reinforce their monitoring and control procedures as regards the development of risks, especially with respect to new credit transactions. Within the framework of monitoring and control, as stated, banking corporations are required to determine criteria for credit underwriting defined by them as "increased risk" credit (on the basis of parameters stated in an Annex to the letter). Moreover, banking corporations are required to adjust the computation of the group allowance for credit losses following the fast growth of the credit portfolio and the relaxation in underwriting conditions.
In continuation to that stated above, and on the background of the growth in risks pertaining to the construction and real estate sector, banks were required by the Supervisor of Banks, on October 11, 2021, to expand, as from the report for the third quarter of 2021, the quantitative and qualitative disclosure regarding the construction and real estate sector presented in their Boards of Directors and Managements' reports, and accordingly, a Table was added detailing credit exposure and data regarding credit rated for granting and credit not rated for granting. In a further letter from the Banking Supervision Department, dated December 30, 2021, the banking corporations were required to make an adjustment to the group allowance in the 2021 financial statements in view of the rise in the risk and the level of exposure to the construction and real estate sector, as well as expanding the disclosure on this topic.
On March 20, 2022, the Supervisor of Banks published a letter headed "The rise in credit risk relating to the construction and real estate sector", in which the Supervisor informed of his intention to apply regulatory measures that include a demand for an additional capital allocation regarding the finance of highly leveraged land purchases, delivery of samples representing the underwriting and classification of credit and expansion of reports to the Supervisor regarding the construction and real estate sector.
In continuation thereof, an Amendment to Proper Conduct of Banking Business Directive No. 203, was published on May 22, 2022, in the matter of the standardised approach to the measurement of credit risk and capital adequacy, according to which the list of debts averaged at the rate of 150% risk would include loans intended to finance the purchase of land for development or building purposes at a rate exceeding 80% of the value of the purchased property, excluding loans financing the purchase of agricultural land having no planning horizon or intention to file a request for a change in zoning, and loans financing the purchase of land for the personal use of a borrower who is not classified to the construction and real estate sector. The Amendment takes effect on June 30, 2022, though the effect of the existing amount of loans on the capital adequacy ratio may be spread at fixed quarterly installments until June 30, 2023 (beginning with the third quarter of 2022).
A detailed analysis of transactions effected at Discount Bank, indicates a decline in the volume of new credit matching the criteria of increased risk, in the third quarter of 2022 as compared to the corresponding period last year. During the reported period, MDB extended an insignificant amount of credit to the construction and real estate sectors, which matches the definition of increased risk credit, according to parameters defined by this bank.

As of September 30, 2022, MDB has an outstanding balance of credit extended to the construction and real estate sectors of NIS 333 million, answering to the definition of "intensified credit risk" according to parameters defined by this bank.
The data presented hereunder relate to operations conducted in Israel (operations by Discount Bank and by MDB).

Development of credit risk relating to the construction and real estate by principal characteristics

Distribution of credit risk and problematic debts in the construction and real estate sector

	September 30, 2022					December 31, 2021					
Sector	Credit for the public	Guarantees	Unutilized facilities	Total Credit Risk	Of which: problematic credit	Credit for the public	Guarantees	Unutilized facilities	Total Credit Risk	Of which: problematic credit	Change in total credit risk
	in NIS million										%
Income generating real estate	13,515	242	1,385	15,142	329	11,487	197	1,774	13,458	336	12.5
Construction – general building contracting	725	498	294	1,517	37	1,019	565	335	1,919	56	(20.9)
Residential projects financing	5,144	6,652	11,688	23,484	51	4,899	5,551	10,766	21,216	171	10.7
Acquisition of building land	11,667	406	297	12,370	251	10,424	347	425	11,196	145	10.5
Subcontracting	1,534	1,075	582	3,191	101	1,519	1,071	622	3,212	108	(0.7)
Civil engineering work	1,615	1,831	1,355	4,801	49	1,625	1,766	857	4,248	100	13.0
Other	1,634	504	604	2,742	92	1,346	382	408	2,136	79	28.4
Total	**35,834**	**11,208**	**16,205**	**63,247**	**910**	**32,319**	**9,879**	**15,187**	**57,385**	**995**	**10.2**

The credit risk relating to the construction and real estate sector grew in the first nine months of 2022 at a rate of 10.2%, in continuation to an increase at a rate of 24.4% in 2021.

Breakdown by quality of credit portfolio

	September 30, 2022	December 31, 2021	
	in NIS million		Change in %
Non-accruing debts	499	239	108.8
Impaired debts in Arrears of 90 Days or More	15	7	114.3
Other problematic debts	396	749	(47.1)
Total problematic debts	**910**	**995**	**(8.5)**
Non-problematic debts ranked as "performing"	60,901	55,453 (2)	9.8
Non-problematic debts not ranked as "performing"	1,436	937 (2)	53.3
Total Credit	**63,247**	**57,385**	**10.2**
Debts whose settlement date has been deferred, at the customer's request(1)	-	9	(100.0)

Footnotes:
(1) Requests for deferment of loan settlement dates due to the economic crisis that developed as a result of the "Corona virus" event.
(2) Reclassified – following improvement of data.

As shown by the Table, the credit risk for non-accruing debts for the construction and real estate sector increased in the first nine months of 2022 by approx. 108.8%. Other problematic debts decreased by 47.1% and performing credit which is not at credit rated for granting increased by approx. 53.3%.

For details regarding the purchase of a policy to insure against credit risk related to Sale Law guarantees and performance guarantees and with respect to the purchase of credit risk insurance in the real estate field, see the risks report.

Breakdown by type of financing

	September 30, 2022	December 31, 2021	
	in NIS million		Change in %
Housing construction	33,715	28,914	16.6
Industrial and commercial construction	14,645	12,926	13.3
Without real estate collateral	14,887	15,545	(4.2)
Total	**63,247**	**57,385**	**10.2**

Breakdown by type of collateral

	September 30, 2022 2022	December 31, 2021	
	in NIS million		Change in %
"Gross" land	13,579	11,357	19.6
Real estate under construction	21,917	19,266	13.8
Constructed real estate	12,864	11,217	14.7
Without real estate collateral	14,887	15,545	(4.2)
Total	**63,247**	**57,385**	**10.2**

Credit risk for leveraged finance

Definition of leveraged finance. Defined as credit for the finance of capital transactions by corporations, granted at a high financing ratio and credit granted to borrowers typified by a high leverage finance level which significantly exceeds accepted norms in this sector of operations. According to Proper Conduct of Banking Business Directive No. 327 the definition of leveraged loans has been set, and it includes, among other things, transactions for the acquisition of another corporation, purchase of own shares and the distribution of capital.

Credit risk for leveraged finance. The Bank's credit policy determines strict guidelines regarding underwriting and restrictions on the scope of exposure to leveraged finance. In addition, developments in leveraged finance and compliance with the determined limitations are reported once in each quarter to the Bank's Management and the Board of Directors, this, in order to monitor the risks inherent in such financing.

Proper Conduct of Banking Business Directives determined restrictions regarding the finance of capital transactions, which the Bank abides by.

Following are data regarding credit risk pertaining to leveraged finance as of September 30, 2022. The disclosure is focused on exposure leverage transactions, each of which exceeds the threshold set in the Bank's policy and subject to Proper Conduct of Banking Business Directives.

The Bank's exposure to leveraged finance according to economic sector of the acquired corporation

	September 30, 2022				December 31, 2021			
	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses	Balance sheet exposure	Off-Balance sheet exposure	Total exposure	Specific allowance for credit losses
Sector				In NIS millions				
Construction and real estate	185	-	185	-	118	-	118	-
Commerce	191	-	191	-	-	-	-	-
Other Business Services	-	-	-	-	262	4	266	-
Public and Community Services	262	5	267	-	-	-	-	-
Total	**638**	**5**	**1,286**	**-**	**380**	**4**	**384**	**-**

Exposure to leveraged finance as of September 30, 2022 amounted to NIS 638 million, compared with NIS 380 million as of December 31, 2021. The balance of exposure presented in the table above, is after accounting write-offs.
The off-balance sheet exposure for leveraged finance transactions as of September 30, 2022, amounted to NIS 5 million, compared with NIS 4 million as of December 31, 2021.
For additional details, see "Credit risk" in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange as well as on the Bank's website.

Additional disclosure regarding credit risk for significant exposure to borrower groups

With a view of assessing credit risks at the Group's level, the Bank holds an ongoing monitoring and follow-up of the Discount Group's exposure to large borrowers/groups of borrowers with indebtedness exceeding 6% of the Bank's equity and compliance with the limitations set by the Bank of Israel, as well as with heavier internal limitations determined by the Bank for each of the groups. In addition, the Bank conducts in-depth examinations and periodic discussions regarding the large borrower groups.
The Bank complies with the Bank of Israel limitations for a single borrower and for the large borrower groups.
One borrower group has an indebtedness of 15.79%, as against a restriction at a rate of 25% determined in Proper Conduct of Banking Business Directives. Indebtedness of the group complies also with the internal limitation determined by the Bank's Board of Directors, within the framework of credit risk management regarding groups of borrowers.

Significant exposure to borrower groups

	As of September 30, 2022						
Borrower group	Balance sheet credit risk[1]	Off-balance sheet credit risk [1]	Of which: off-balance sheet credit risk for derivative instruments[2]	Gross indebtedness	Deductions	Net indebtedness[3]	Ratio of regulatory capital
	In NIS millions						In %
A	2,369	1,468	270	3,855	75	3,780	15.79%

Footnotes:
(1) After deduction of the balance of accounting write-offs and the balance of allowances for credit losses computed on a specific basis.
(2) Off-balance sheet credit risk for derivative instruments, as computed for the purpose of restrictions on indebtedness of a single borrower and borrower groups.
(3) The data presented above reflects exposure to borrower groups and is stated net of deductions permitted under Directive 313, and net of the allowance for credit losses computed on a specific basis. Accordingly, such data is not comparable with the data regarding borrower indebtedness presented in other disclosures in this report.

Group "A" includes a large Government corporation engaged in infrastructure, constituting a monopoly in its field, as well as many borrowers, the main source of credit repayment of whom, relies upon their business with this corporation. The major part of the credit of this group is granted as project financing, which is considered by the Bank as having a low risk level. The Bank may continue and increase its exposure to this group, all subject to the internal limitations set by the Bank's Board of Directors, which, as stated, are stricter than the regulatory limitations.

Market Risks

Market risks are presented in this review on a Group basis that includes the Bank, Mercantile Discount Bank, IDB Bank, ICC and the severance pay fund for the Bank's employees (hereafter in this section: "the Group"). Other Group companies do not have any material market risk.
For general details regarding market risks, see the 2021 Annual Report (pp. 94-104).

Quantitative information regarding interest risk – sensitivity analysis

Net adjusted fair value of financial instruments

	September 30 2022			September 30 2021			December 31 2021		
	Israeli currency	Foreign currency[(2)]	Total	Israeli currency	Foreign currency[(2)]	Total	Israeli currency	Foreign currency[(2)]	Total
	In NIS millions								
Net adjusted fair value[(1)(3)]	18,419	5,029	23,448	13,130	5,067	18,197	13,578	5,224	18,802
Of which: the banking book	18,747	3,274	22,021	12,252	5,332	17,584	13,332	5,071	18,403

Footnotes:
(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits.
(2) Including Israeli currency linked to foreign currency.
(3) Not including liabilities for leasing.

The impact of scenarios of changes in interest rates on the net adjusted fair value

	September 30 2022			September 30 2021			December 31 2021		
	Israeli currency	Foreign currency[(4)]	[(5)]Total	Israeli currency	Foreign currency[(4)]	[(5)]Total	Israeli currency	Foreign currency[(4)]	[(5)]Total
	In NIS millions								
Parallel changes									
A parallel increase of 1%	(136)	87	(49)	(407)	140	(267)	(466)	102	(364)
Of which: the banking book	(124)	136	12	(419)	130	(289)	(449)	106	(343)
A parallel decrease of 1%	105	(123)	(18)	431	(376)	55	468	(349)	119
Of which: the banking book	91	(172)	(81)	443	(361)	82	450	(354)	96
Non-parallel changes									
Curving[(2)]	(601)	63	(538)	(529)	47	(482)	(490)	23	(467)
Flattening[(3)]	558	(59)	499	424	(34)	390	369	(32)	337
Interest rise in the short-term	470	(27)	443	250	27	277	174	15	189
Interest decline in the short-term	(504)	47	(457)	(262)	(175)	(437)	(202)	(167)	(369)

Footnotes:
(1) Net fair value of financial instruments, excluding nonfinancial items and net of the effect of liability for employee rights and allocation to periods of on-call deposits.
(2) Curving – decline in interest in the short-term and increase in interest in the long-term.
(3) Flattening – increase in interest in the short-term and decline in interest in the long-term.
(4) Including Israeli currency linked to foreign currency.
(5) After offsetting effects.

Foreign currency - The change in interest rate exposure in the interest scenarios stemmed mainly from the effect of the increase in yields on the exposure of interest rates.
It is noted, that the absence of symmetry between the results of a rising interest scenario and a declining interest scenario at the end of 2021, stemmed, mostly, from the fact that a "minimum interest rate" applies to a part of the deposits with IDB New York, a minimum rate of interest payable on a certain class of deposits irrespective of the prevailing market interest rate. The assumption is that under a scenario of declining interest rates, the interest payable on the said deposits is not reduced and does not reduce the interest expense and thus reducing the effect of declining interest rates on the side of assets. In view of rising yields, in a scenario of declining interest rates, that minimum is not effective.

Israeli currency – Most of the decrease in exposure in the scenario stems from the effect of rising yields on behavioral models – the rise in interest rates extended the average period to maturity of deposits, thus, reducing exposure to rising interest. In addition, the Bank reduced interest exposure inherent in the available-for-sale securities portfolio.

The impact of scenarios of changes in interest rates on net interest income and on non-interest financing income

	September 30 2022			September 30 2021			December 31 2021		
	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total	Interest income	Non-interest financing income	Total
	In NIS millions								
Parallel changes									
A parallel increase of 1%	648	(190)	458	1,115	(3)	1,112	1,216	(72)	1,144
Of which: the banking book	633	(181)	452	1,102	6	1,108	1,202	(64)	1,138
A parallel decrease of 1%	(1,167)	184	(983)	(1,308)	4	(1,304)	(1,404)	76	(1,328)
Of which: the banking book	(1,152)	176	(976)	(1,295)	(5)	(1,300)	(1,390)	67	(1,323)

Sensitivity of the income is calculated on the basis of various assumptions regarding the effect of a change in interest on the return on assets and the cost of the deposits (Beta) and application of minimum interest levels for pricing.
In light of the steep rise in interest rates in Israel and in the US, the Bank has updated the model assumptions relating to the cost of deposits (Beta), as well as the assumption relating to changes in balances bearing no interest. The decline in the sensitivity of income to the rise in interest in the third quarter stems mostly from this update.
For additional quantitative and qualitative details about the interest risks, see the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd.

Sensitivity analysis to the effect of changes in interest rate based on the fair value of financial instruments

Fair value of financial instruments. Most of the Bank's balance sheet financial instruments do not have a quoted "market price" as they are not traded on an active market. Accordingly, according to the directive, the fair value is estimated using accepted pricing models, and in particular through the calculation of the present value of the discounted cash flows using a discount interest rate appropriate to the level of risk embodied in the instrument.
The determination of the discount interest rate is subjective. Thus, for most of the financial instruments, the fair value estimate presented below does not necessarily constitute an indication of the realizable value of the financial instruments on the reporting date.
The assessment of the present value of future cash flows was done according to the interest rates in effect on the reporting date, without taking into consideration fluctuations in interest rates. Using different discount rates assumptions, may result in significantly different fair value amounts. This relates particularly to financial instruments bearing a fixed interest rate or non-interest bearing.
It should be further noted, that the differential between the book value of the financial instrument and its fair value, may never be realized, as the Bank usually holds the financial instrument to maturity.
In consequence of the above, it should be stressed that the data included in this Note, is no indication of the Bank's value.
Furthermore, due to the broad spectrum of possible assessment techniques and estimates in implementing the reporting directives with regard to the fair value, care should be taken when examining the fair value data itself as well as when comparing it with the fair value data presented by other banks.

Hybrid financial instruments are debt instruments, in which are embedded derivative components that have not been separated there from. In providing information regarding fair value, the Bank is not required to classify financial instruments as hybrid financial instruments, because, according to the Bank of Israel's guidelines, the interest rate exposure of these instruments included the division of such transactions according to maturity dates, while separating the option component from these instruments. Following are details of the hybrid financial instruments, where in the disclosure regarding exposure to changes in interest rates, the separated option and the host instrument have been treated as standalone instruments (the effect on the financial statements is not material): deposits with the option of a fixed rate of interest or of a variable rate of interest, savings deposits linked to the CPI or linked to foreign currency with an option for changing the linkage base and an option securing the Shekel principal sum deposited, deposits and loans linked to the CPI or linked to foreign currency with an option for securing the Shekel principal sum.

For further details regarding the main methods and assumptions used in assessing the fair value of financial instruments, see Note 34 to the financial statements as of December 31, 2021 (pp. 299-301).

Following are certain updates as of September 30, 2022:

- The fair value of problematic debts - increasing the discount interest rate by 1 basis point would have reduced the fair value of the problematic debts by NIS 2.2 million. Increasing the discount interest rate by 0.1 basis point would have reduced the fair value of the problematic debts by NIS 1.4 million (compared to no effect and a reduction of NIS 1 million, respectively, as of December 31, 2021);
- Cash flows for mortgages have been evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows according to expected redemption dates instead of the contractual redemption dates, increased the fair value of the mortgages, particularly in the CPI linked segment, by NIS 63 million (compared to a reduction of NIS 125 million as at December 31, 2021);
- The average period to maturity of assets in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 3.88 years on September 30, 2022, compared to 3.46 years, taking into consideration the forecast for early redemptions (compared to 4.14 years and 3.63 years, respectively, as of December 31, 2021);
- Cash flows for deposits were evaluated on the basis of an early redemption forecast based on a statistical model. Discounting the said cash flows according to expected redemption dates instead of the contractual redemption dates, decreased the fair value of the deposits by NIS 346 million (compared to a reduction of NIS 90 million at December 31, 2021);
- The average period to maturity of liabilities in the CPI-linked segment, based on the original cash flow, which does not take into consideration early redemptions, reached 2.79 years on September 30, 2022, compared to 2.67 years, taking into consideration the forecast for early redemption (compared to 3.07 years and 2.95 years, respectively, as of December 31, 2021).

For details regarding the effect of changes in interest rates on the fair value of problematic debts, see Note 34 C to the financial statements as of December 31, 2021 (p. 390).

The net changes in fair value, in the different linkage segments, stem from the active management of the active capital and the decision to move it according to returns expected in the different linkage segments.

No weekly cumulative change occurred in the past ten years, which had it occurred in the reported period would have adversely affected the "going concern" assumption used at the basis of preparation of the financial statements.

Sensitivity analysis according to data used for interest exposure management (hereinafter: "economic exposure")

The data presented above, was computed on the basis of fair value, as required by the public reporting directives of the Supervisor of Banks and according to the calculation of the table “Exposure to interest rate changes”, which is presented within the framework of the document “Disclosure according to the third pillar of Basel and additional information regarding risks”.
The current management of exposure to interest rates applies to all of the Bank’s operations, and takes into consideration additional data that represent the economic approach to the management of exposure of the economic value of the Bank’s equity to changes in interest rates.
The principal differences between the computation of exposure according to accounting fair value and the managed economic exposure are as follows:

(a) The computation of the accounting fair value made use of graphs that take into consideration credit margins. Computation of the economic exposure made use of graphs representing the transfer prices;
(b) Items relating to liabilities for employee rights are included in the economic measurement in the CPI-linked segment, while in the accounting measurement they are presented in the unlinked segment;
(c) Economic exposure takes into consideration expected future cash flows, such as deposits in savings schemes, in contrast to the calculation on the fair value basis, which does not take into account such future deposits;
(d) A non-accruing debt is related in economic exposure to the non-linked segment, as it does not carry interest, while in fair value calculations, it is presented in its original segment;
(e) Optional savings schemes are presented at fair value in their principal linkage segment, while in economic exposure each component is presented in its related linkage segment.

Effect of hypothetical changes in interest rates of 100 base points on the Group's economic value

The change in interest rates	Non-linked	CPI linked	US dollar	Other foreign currency	Total
			In NIS millions		
			As of September 30, 2022		
An increase of 100BP in interest rates	(158)	(432)	27	21	(541)
A decrease of 100BP in interest rates	191	219	(60)	(23)	327
			As of December 31, 2021		
An increase of 100BP in interest rates	(654)	(78)	21	44	(667)
A decrease of 100BP in interest rates	633	114	(259)	(53)	436

The changes between the effect of the changes in interest in this table and the changes presented in the table “the impact of scenarios of changes in interest rates on the net adjusted fair value” shown above are due mainly to the use of different discounting curves in the two measurements, as set forth above. This effect is expressed primarily in the non-linked segment, as there is a significant gap in the results in this segment when use is made of the cost of credit rather than using the transfer price, this is because most of the interest exposure derives from the credit portfolio. In the dollar segment (including foreign currency) there is no material gap between the two tables, since most of the interest exposure in this segment derives from the deposits, which are not affected by the gap between the transfer price and the cost of credit.
In addition to a scenario of a parallel move in the interest graphs, the exposure to non-parallel changes in the various interest graphs is also being studied.

Replacement of foreign interest benchmarks (base rates) and its repercussions

General. On March 20, 2019, the Supervisor of Banks addressed a letter to the banking corporations, in which they are requested to prepare for the anticipated discontinuation of the publication of interest benchmarks existing around the world and their replacement with other benchmarks. On February 13, 2020, the Supervisor of Banks published a letter regarding disclosure of the preparations made with respect to the discontinuation of the use of the LIBOR rate, on the background of disclosure guidelines published by the SEC in the matter.

Discontinuation of the use of LIBOR interests. According to the pronouncement made by the UK's Financial Conduct Authority (FCA) in July 2017, it has been decided to gradually terminate the use of the LIBOR interests in stages through the end of 2021. Further to this decision, various work teams have been set up around the world in order to determine interest indices, as an alternative to the LIBOR interest rates. In May 2020, the Bank informed the relevant customers with respect to the anticipated change and the preparations made by the Bank in the matter.

ICE Benchmark Administration Company, the administrator for the dollar LIBOR interest, announced on November 30, 2020, its intention to defer to June 2023, the termination of publishing the US dollar LIBOR interest for the most material tenors (one month and three months).

Furthermore, the International Swaps and Derivatives Association (ISDA), published on October 23, 2020, the ISDA 2020 IBOR Fallbacks protocol, which includes swap mechanisms for LIBOR interest. The Bank adopted the said protocol on February 1, 2021.

The main risks and the Bank's preparations therefor. The discontinuation of the use of LIBOR interests and the transition to alternative interest indices create various risks - operational, IT systems, the Bank-customer relations, financial and legal, that arise from the Bank's operations with its customers. The Bank is making preparations to identify the risks, inter alia, by means of mapping all the relevant forms, contracts and exposures.

The Bank has examined the expected effect of discontinuing to publish the LIBOR interest and has implemented the transition to new interest indices in relation to each of the relevant currencies.

In December 2021, the Bank completed its operational and legal preparations for the transition to the new interest indices for the credit products and derivatives. In addition, the loan forms and contracts to be used with the new interests have been updated. The Bank has held training sessions for employees to be able to support customers using foreign currency credit products and has sent notices and announcements to the relevant customers according to the requirements of Proper Conduct of Banking Business No. 250A.

Material exposures. The Bank has various contracts that continue beyond 2021 which relate to LIBOR interests.

Discount's exposure to the LIBOR interest rate in respect to exposures that will continue beyond June 30, 2023 – in US$ currency

	September 30, 2022		December 31, 2021	
	Number of transactions	Book value in NIS million	Number of transactions	Book value in NIS million
Loans	1,295	8,627	1,338	8,924
Securities	21	624	21	575
Total	**1,316**	**9,251**	**1,359**	**9,499**
Derivatives (volume transactions)	1,229	63,702	1,239	46,958

The Discount Group is no longer exposed to the LIBOR interest with respect to other currencies.
The Table includes data of Discount Bank, MDB and of IDB Bank.

For additional details, see the 2021 Annual Report (pp. 100-101).

Inflation and exchange rate risk

Exposure to base risk is measured in the CPI linked segment and in the foreign currency segment (including Israeli currency linked to foreign currency). For details regarding assets and liabilities according to linkage terms, see Note 15 to the condensed financial statements.

Capital sensitivity to changes in exchange rate. The capital's sensitivity to changes in exchange rate is presented in the following table, which provides details regarding the impact of changes in exchange rates of the major currencies on the capital as of September 30, 2022.

Effect of hedging relations and transactions in derivative instruments on the exposure. The exposure in the CPI-linked segment is created due to an excess of applications in relation to sources in this segment. In order to hedge the exposure in the CPI-linked segment, the Bank makes use of contracts on the consumer price index. As a general rule, the Bank's policy is not to create an exposure to foreign currency exchange rates in its ongoing activity. Coverage of the built-in foreign currency position, which arises from the investment in IDBNY, was canceled several years ago, in order to reduce the sensitivity of the capital ratio to changes in exchange rates (see above "Exposure regarding the investment in Discount Bancorp Inc." in section "Capital and capital adequacy").

The Bank's capital sensitivity of changes in exchange rates

	September 30, 2022			
	in NIS millions			
Segment	10%	5%	-5%	-10%
USD	266	131	(122)	(240)
EUR	11	6	(5)	(10)
Other Foreign Currencies	17	7	(5)	(8)

This effect has been computed on the basis of the expected change in the fair value of the Group in the various currencies, given the scenario determined by the Supervisor of Banks.

Sensitivity of the capital to changes in the CPI. The sensitivity of the capital to changes in the CPI is presented in the following Table, which details the effect of a 3% change on the capital as of September 30, 2022.

Sensitivity of the capital to changes in the CPI

September 30, 2022	
in NIS millions	
3% increase	3% decrease
303	(303)

This effect has been computed as the difference between the net fair value based on the "known" CPI, including off-balance sheet items, and the net fair value after raising/reducing the CPI by 3%.

For quantitative and qualitative details about share price risk, see the 2021 Annual Report (p. 103) and in the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Liquidity and financing risks

Liquidity risk is a risk to the stability of the Group, stemming from the inability to provide for its liquidity needs and the difficulty to honor its obligations, due to unexpected developments, as a result of which, the Group would be forced to raise funds and/or dispose of assets in a manner that would cause it a material loss. The Bank has determined the limitation of maximum exposure to liquidity risk. In addition, the regulatory coverage ratio is being examined and managed on a current basis, as required by Proper Conduct of Banking Business Directive No. 221.
No deviation from the said restrictions was recorded in the third quarter of 2022.
For further details regarding the management of the Liquidity and financing risks, see the 2021 Annual Report (pp. 104-107).

Liquidity coverage ratio

As of the third quarter of 2022, the liquidity coverage ratio of the Discount Group, on the basis of 76 observations average, stood as of September 30, 2022, at 125.3%, compared with 123.05% as of December 31, 2021, higher than the minimum requirements according to the instructions.
For additional details, see Note 9 to the condensed financial statements.

Liquidity and the raising of resources in the Bank

The year 2022 was opened with a liquidity surplus following the raising of debt capital at the end of 2021. During the first nine months, the Bank utilized the liquidity surplus by financing the growth in credit activity by means of raising deposits and raising debt capital. The Bank maintains high level liquidity in relation to the regulatory requirements.
Transferability of liquidity within the Group. The transfer of liquidity between the Group companies and the Bank is based on the money price mechanism established at the Bank. As stated, the subsidiary companies may not rely upon the transfer of liquidity where no liquidity framework had been defined which is taken into account in the liquidity model at the counterparty.
During the first nine months of 2022, the Bank maintained liquid assets in a volume larger than that of its liquid liabilities and its internal liquidity model indicated a significant liquidity surplus.
An analysis of the changes during the period in deposits from the public according to linkage bases reveals that most of the growth is due to a rise in the scope of the non-linked shekel deposits and in foreign currency deposits. A growth in retail and wholesale deposits was recorded by the Bank during the first nine months of the year.

Deposits from the public

	September 30, 2022	September 30, 2021	December 31, 2021	Change compared to September 30, 2021		Change compared to December 31, 2021	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	156,025	132,389	139,403	23,636	17.9	16,622	11.9
CPI-linked shekels	10,069	5,662	9,415	4,407	77.8	654	6.9
Foreign currency and foreign currency linked shekels	50,296	39,862	41,182	10,434	26.2	9,114	22.1
Total	**216,390**	**177,913**	**190,000**	**38,477**	**21.6**	**26,390**	**13.9**
Foreign currency and foreign currency linked shekels - In US$ millions	14,196	12,345	13,242	1,851	15.0	954	7.2

Deposits from Banks

	September 30, 2022	September 30, 2021	December 31, 2021	Change compared to September 30, 2021		Change compared to December 31, 2021	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	9,874	7,595	7,840	2,279	30.0	2,034	25.9
CPI-linked shekels	21	25	25	(4)	(16.0)	(4)	(16.0)
Foreign currency and foreign currency linked shekels	852	744	1,106	108	14.5	(254)	(23.0)
Total	**10,747**	**8,364**	**8,971**	**2,383**	**28.5**	**1,776**	**19.8**

For additional details regarding liquidity risks and the management thereof, see the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal as stated, and also Note 15 regarding assets and liabilities according to linkage terms.
For additional details regarding financial risk, see the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Operational Risks

For details regarding Operational risks and the manner of management thereof, including in the matter of business continuity, see the 2021 Annual Report (pp. 107-108) and the document "Disclosure according to the third pillar of Basel and additional information regarding risks" available for perusal as stated.

Environmental Risks

Environmental and climate risks

Environmental risk is the risk stemming from exposure (direct or indirect) of financial corporations to activities having a potential for environmental damage, or which would be affected by it, such as, for instance, air and water pollution, soil contamination, and more.
Climate risks – physical risks and transition risks related to climate changes, to which financial corporations and/or the financial sector are exposed. Thus, for instance – exposure to flood damage or to decline in the value of assets relating to carbon abundant sectors.
Recently the topic of environmental and climate risk has received a high degree of focus from the regulatory authorities, who understand that the materialization of environmental and climate risks could affect the banking system and, in extreme circumstances, could even have global and systemic effects. Accordingly, various regulators around the world, including the Banking Supervision Department, are preparing to map the activities relating to this topic in the banking systems towards future regulation in this field.
In 2009, following a regulatory expectation letter concerning this topic sent to the banking system, the Bank's activities in this field were put in order, including as part of the credit policy and as part of the specific credit approval processes.
On December 1, 2020, a letter regarding environmental risk management was sent to banking corporations and credit card companies by the Supervisor of Banks. The Banking Supervision Department views with great importance the promotion of the environmental risk issue, and sees in the banking corporations important partners in the transition to sustainable environmental economy, inter alia, by way of formation of appetite for environmental risk, credit policy, investments, allocating capital to "green" financing and investments, etc.
Within the framework of a Bank of Israel circular dated December 2, 2021 regarding the public disclosure of environmental, social and governance (ESG) aspects, it is necessary – inter alia – to examine the need to expand the disclosure concerning the risks in this field to which the Bank is exposed, including due to developments associated

with climate change and transition risks, and in order to reflect material changes in the way that such risks are managed and to include, inter alia, quantitative indices for measuring the exposure to these risks.
In view of the above stated, the Group applies a policy, according to which, consideration of the environmental risk will comprise a layer of the total risks considered by the corporation when granting credit being part of the underwriting process, in the current management of credit and within the framework of the periodic discussion of the borrower.
The Bank has an organized credit methodology regarding environmental risks that is intended to monitor the risk of credit losses that might be caused as a result of provisions pertaining to environmental quality hazards and the enforcement of such provisions (such as a deterioration in a customer's business position due to penalties resulting from non-compliance with the provisions of the law). Within the framework of the methodology, the Bank has defined an evaluation process for the environmental risk level of customers in economic sectors that might be exposed to environmental risks and for the quality of risk management conducted by these customers. This process is conducted upon the granting the credit and at the time of the periodic assessment of the quality of customers and the quality of the collateral and according to the level of materiality.
The Bank is studying the subject and follows regulatory developments in order to prepare for the rise in level of managing environmental risks, climate risks and transition risks, while examining international management and reporting frameworks.

Compliance risks

Prohibition of money laundering and terror financing

Discount Group's activities with banks acting in the Palestinian Authority. In 2018, the Bank received immunity letter and indemnity letter signed by the State of Israel. The letter of indemnity and the letter of immunity are extended from time to time.
Validity of the letters of indemnification and immunity were extended at the beginning of July, 2022 until March 31, 2023. In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority.
For details regarding the requirement by the Supervisor of Banks to pay the wages of Palestinian workers by bank transfers, see below "Legislation and supervision". The said requirement is expected to increase the volume of correspondent activity of the Group vis-à-vis the banks operating in areas of the Palestinian Authority.

For further details regarding compliance risks including Discount Group's activities with banks acting in the Palestinian Authority, see the 2021 Annual Report (pp. 112-113).

Legal risks

Within the framework of updating the Group's legal risk management policy, it was, inter alia, decided in November 2022, that management of the regulatory risk shall be conducted by the Legal Consul Division, though managed separately from the legal risk. For additional details, see the 2021 Annual Report (p. 112).

Other risks

For additional details regarding other risks, see 2021 Annual Report (including: Cross-border risks – pp. 109-110; Information technology risks – p. 110; Strategic risk - p. 110; Reputation risk – pp. 110-111; Data and cyber protection risks - p. 111; Conduct risks – p. 113).

Risk Factors Table

The assessment of Model risk impact was reduced from “Medium-High” to “Medium”, in light of improvements made to the models, the range of steps taken by the Group to address the effects of the corona crisis on Model risks, as well as models’ development and validation.
The assessment of the effect of the liquidity risk was increased from ”low” to ”low-medium” in view of the rise across the whole system in the cost of raising liquidity in Israel and the world over.
For additional details, see the 2021 Annual Report (pp. 113-117).

Chapter "D" - Accounting policy and critical accounting estimates, controls and procedures

Critical Accounting Policies and Critical Accounting Estimates

The Bank’s financial statements are prepared according to generally accepted accounting principles (summarized in Note 1 to the financial statements as of December 31, 2021, pp. 148-166) and according to instructions and guidelines of the Supervisor of Banks.
The level of regulation regarding the financial reporting of banking corporations is among the highest in the financial reporting fields in Israel. The instructions and guidelines of the Supervisor of Banks are comprehensive, detailed and at times even dictate the wording to be used by banking corporations. Nonetheless, there are areas where implementation of the accounting policy involves a high level of evaluation and assessment performed by management of the banking corporation in the course of the preparation of the financial statements.
Implementation by management of the accounting principles and the instructions and guidelines of the Supervisor of Banks, sometimes requires various assumptions, evaluations and assessments that affect the reported amounts of assets and liabilities, including contingent liabilities, as well as the financial results reported by the Bank. It is possible that when the evaluations and assessments materialize in the future, their results may be different than those anticipated at the time the financial statements were prepared.
Certain of the evaluations and assessments applied involve uncertainty or sensitivity to various variables to a large extent. Such evaluations and assessments, changes in which might have a considerable effect on the reported financial results, are considered evaluations and assessments of ”critical” matters.
The Bank’s Management believes that the evaluations and assessments used in the preparation of the financial statements are fair and were made according to the best of its knowledge and professional judgment.
A summary review of evaluations and assessments made regarding ”critical” matters is included in the 2021 Annual Report (pp. 117-124).

Allowances for current expected credit losses (CECL)

Starting with January 1, 2022, the Bank implements the directives of the Supervisor of Banks, which require adoption in full of the accounting principles accepted by US banks with respect to current expected credit losses (CECL), as described in Note 1 E regarding the accounting policy.
According to the new rules, the allowance for credit losses is computed according to the loss expected all along the life of the credit. In assessing the allowance for credit losses, significant use is being made of forward looking information reflecting reasonable and supportable forecasts regarding future economic events. Assessment of the expected loss, as stated, is based on the methodology and models developed by the Bank.

As stated, the process is based upon significant assessments involving uncertainty and on subjective estimates. Changes in assessments or estimates may have a significant impact on the allowance for credit losses presented in the Bank's financial statements.
The Bank examines the overall adequacy of the allowance for credit losses. The said adequacy evaluation is based on discretion of Management, which, inter alia, takes into consideration the assessment methods applied in determining the allowance.

Impairment of Available for Sale Bonds

As from January 1, 2022, the Bank is implementing the Directives of the Supervisor of Banks requiring the adoption in full of accounting principles accepted by US banks in the matter of "financial instruments – credit losses", as described in Note 1 E regarding accounting policy.
According to the new rules, impairment of bonds attributed to credit losses, is recognized by way of an allowance for credit loss, while impairment attributed to other factors, not recognized by way of a credit loss allowance, is to be recognized, net of tax, in other comprehensive income.
Management of the Bank is therefore required to test and assess whether impairment should be attributed to a credit loss, as well as its amount.
In order to test whether a credit loss exists, Managements of the Bank and of the relevant subsidiaries base themselves on different characteristics of the bonds and the issuing companies thereof, such as: the ratio of loss to the amortized cost, the credit rating of the bonds and changes that had taken place in the rating and the attribution of the impairment to an adverse change in the condition of the issuer or to a change in market condition in general, and more.
Furthermore, in assessing the allowance for credit losses, the Bank takes into consideration available relevant information regarding ability of redemption of the bonds, including data relating to past events, present conditions and supportable reasonable forecasts.
The said assessments and characteristics are largely subject to subjective considerations, and accordingly, to changes in assessments and assumptions, in the characteristics supporting them, which in essence may have a significant effect on the allowance for impairment and its classification.

Measurement of financial instruments according to their fair value

The credit risk. In the first nine months of 2022, the Group recorded income in a negligible amount with respect to the credit risk coefficient (CVA/DVA).

Adjustments made to assets and liabilities regarding derivative instruments

	September 30, 2022	December 31, 2021
	in NIS millions	
Assets regarding derivative instruments	13,606	5,529
Adjustment for credit risk of assets regarding derivative instruments	(43)	(40)
Liabilities regarding derivative instruments	11,728	6,328
Adjustment credit risk of liabilities regarding derivative instruments	(10)	(8)

For additional details regarding the measurement of financial instruments according to their fair value, see the 2021 Annual Report (pp. 121-123).

Employee Rights

Updated actuarial opinion. The Bank has ordered an updated actuarial assessment as of September 30, 2022. For details regarding the computation of the actuarial provision amount that would have been required were the cap rate to be determined according to the Israeli Securities Authority's "deep market" guideline, see the actuarial assessment appended to the annual report for 2021.
Presenting the actuary's opinion for perusal. The opinion of the Actuary[6] is available for perusal on the MAGNA website of the Israeli Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. together with the 2022 Third Quarter Report (this Report).
The actuarial estimate as of September 30, 2022, as compared with the estimate of December 31, 2021, has been mostly affected by the increase in the discounting rate. The principal change stemmed from an increase in the international margin and from an increase in the rates of yields to redemption of CPI-linked governments bonds.

Controls and Procedures

Disclosure controls and procedures

The Bank's President & CEO and its Chief Accounting Officer have evaluated in conjunction with the Bank's Management, the efficiency of the controls and procedures relating to disclosure at the Bank as of the end of the reporting period. Based on this evaluation, the President & CEO and Chief Accounting Officer have reached the conclusion that as of the end this period, the controls and procedures relating to disclosure at the Bank operate efficiently in order to record, process, summarize and report the information that the Bank is required to disclose in its quarterly report, according to the directives of the Supervisor of Banks in the matter of reporting to the public and at such date indicated therein.

Changes in Internal Control

During the third quarter, no change has occurred in the Bank's internal control over financial reporting, which materially affected, or is reasonably expected to materially affect, the Bank's internal control over financial reporting.

Shaul Kobrinsky	Uri Levin	
Chairman of the Board of Directors	President & Chief Executive Officer	November 22, 2022

6 The English translation of the Opinion is available for perusal at the Bank's website.

Internal Control over Financial Reporting

Certification

I, Uri Levin, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of September 30, 2022 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
   b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes according to accepted accounting principles and directives and guidelines of the Supervisor of Banks;
   c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
   d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in that stated above derogates my responsibility or the responsibility of any other person under any law.

Uri Levin
President & Chief Executive Officer

November 22, 2022

Certification

I, Joseph Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of September 30, 2022 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the interim financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations (including the comprehensive income), changes in equity and cash flows of the Bank as of, and for, the periods presented in this report.
4. Other officers of the Bank providing this certification and I are responsible for establishing and maintaining disclosure controls and procedures and to the internal control of the Bank over financial reporting (as defined in the public reporting instructions regarding "Directors' Report"), and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiaries, is made known to us by others within the Bank and those entities, particularly during the period of preparing this report;
    (b) We established such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes according to accepted accounting principles and directives and guidelines of the Supervisor of Banks;
    (c) Evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation;
    (d) Disclosed in the Report any change in the Bank's internal control over financial reporting that occurred during this quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and
5. The other officers of the Bank providing this certification and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors:
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in that stated above derogates my responsibility or the responsibility of any other person under any law.

Joseph Beressi
Senior Executive Vice President
Chief Accountant

November 22, 2022

Condensed Financial Statements

KPMG Somekh Chaikin

BDO

Review Report of the independent auditors to the shareholders of Israel Discount Bank Ltd.

Introduction

We have reviewed the accompanying financial information of Israel Discount Bank Ltd. and its subsidiaries (hereinafter: "the Bank") comprising of the condensed consolidated interim balance sheet as at September 30, 2022 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and nine months periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial data for these interim periods in accordance with Israeli GAAP regarding financial reporting for this interim period and in accordance with the guidelines and directives of the Supervisor of Banks. Our responsibility is to express a conclusion on the financial information for these interim periods based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information was not prepared, in all material respects, in accordance with Israeli GAAP regarding financial reporting for interim periods and in accordance with the instructions and directives of the Supervisor of Banks.

Emphasis of a matter

Without qualifying our above conclusion, we call attention to the Note 10 section 4 regarding class actions and other legal actions that cannot be estimated.

Somekh Chaikin
Certified Public Accountants (Isr.)

Ziv Haft
Certified Public Accountants (Isr.)

November 22, 2022

Condensed Consolidated statement of profit and loss

		Unaudited				Audited
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Notes	2022	2021	2022	2021	2021
		in NIS millions				
Interest income		3,113	1,912	7,770	5,620	7,491
Interest expenses		833	255	1,617	774	962
Net interest income	**2**	**2,280**	**1,657**	**6,153**	**4,846**	**6,529**
Credit loss expenses (expenses release)	6,14	106	(126)	177	(683)	(693)
Net interest income after credit loss expenses		**2,174**	**1,783**	**5,976**	**5,529**	**7,222**
Non-interest Income						
Non-interest financing income	3	151	198	169	585	765
Fees and commissions		871	807	2,547	2,316	3,125
Other income	21	5	10	421	22	72
Total non-interest income		**1,027**	**1,015**	**3,137**	**2,923**	**3,962**
Operating and other Expenses						
Salaries and related expenses		881	867	2,580	2,498	3,468
Maintenance and depreciation of buildings and equipment		309	292	919	894	1,187
Other expenses		637	497	1,751	1,527	2,203
Total operating and other expenses		**1,827**	**1,656**	**5,250**	**4,919**	**6,858**
Profit before taxes		1,374	1,142	3,863	3,533	4,326
Provision for taxes on profit		472	401	1,290	1,247	1,516
Profit after taxes		**902**	**741**	**2,573**	**2,286**	**2,810**
Bank's share in profit of associates, net of tax effect		11	-	30	16	20
Net profit:						
Before attribution to non-controlling interests		913	741	2,603	2,302	2,830
Attributed to the non-controlling interests		(20)	(19)	(47)	(58)	(57)
Net Profit Attributed to the Bank's Shareholders		**893**	**722**	**2,556**	**2,244**	**2,773**
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	**3A**	**0.72**	**0.62**	**2.11**	**1.93**	**2.38**

The notes to the condensed financial statements are an integral part thereof.

Shaul Kobrinsky
Chairman of the Board of Directors

Uri Levin
President & Chief Executive Officer

Joseph Beressi
Senior Executive Vice President,
Chief Accountant

November 22, 2022

Condensed Consolidated statement of comprehensive Income

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Net profit before attribution to non-controlling interests	913	741	2,603	2,302	2,830
Net profit attributed to non-controlling interests	(20)	(19)	(47)	(58)	(57)
Net profit attributed to the Bank's shareholders	**893**	**722**	**2,556**	**2,244**	**2,773**
Other comprehensive loss, before taxes:					
Net adjustments, for presentation of available-for-sale bonds at fair value[3]	(366)	(43)	(2,384)	(420)	(352)
Adjustments from translation of financial statements	51	(34)	512	16	(113)
Adjustments of liabilities for employee benefits[2]	103	(25)	572	209	(28)
Net loss on cash flows hedge	(8)	-	(27)	(1)	(3)
Other comprehensive loss, before taxes	**(220)**	**(102)**	**(1,327)**	**(196)**	**(496)**
Related tax effect	83	21	589	66	122
Other comprehensive loss, before attribution to non-controlling interests, after taxes	(137)	(81)	(738)	(130)	(374)
Other comprehensive income (loss), attributed to non-controlling interests	1	(1)	6	(1)	3
Other comprehensive loss, attributed to the Bank's shareholders, after taxes	**(138)**	**(80)**	**(744)**	**(129)**	**(377)**
Comprehensive income, before attribution to non-controlling interests	776	660	1,865	2,172	2,456
Comprehensive income, attributed to non-controlling interests	(21)	(18)	(53)	(57)	(60)
Comprehensive income, attributed to the Bank's shareholders[1]	**755**	**642**	**1,812**	**2,115**	**2,396**

Footnotes:

(1) See Note 4.

(2) Reflects mostly adjustments for actuarial assessments as of the end of the period of defined benefits pension plans and amortization of amounts recorded in the past in other comprehensive income.

(3) See Note 5 L.

The notes to the condensed financial statements are an integral part thereof.

Condensed Consolidated Balance Sheet

		Unaudited		Audited
	Note	September 30, 2022	September 30, 2021	December 31, 2021
		in NIS millions		
Assets				
Cash and deposits with banks		71,510	46,334	59,638
Securities				
Held-to-maturity bonds		14,662	9,043	10,197
Available- for- sale bonds		24,679	33,722	31,027
Not for trading shares		1,865	1,505	1,613
Trading securities		1,427	1,692	1,032
Total Securities (of which: 15,694, 12,721, 12,204 respectively, pledged to lenders)	**5**	**42,633**	**45,962**	**43,869**
Securities borrowed or purchased under agreements to resell		1,271	1,142	1,207
Credit to the public	6,14	240,032	206,944	216,196
Allowance for credit losses	6,14	(3,151)	(3,117)	(3,040)
Net credit to the public		**236,881**	**203,827**	**213,156**
Credit to Governments		2,574	3,127	2,664
Investments in associates		502	392	462
Buildings and equipment		3,724	3,203	3,401
Intangible assets and goodwill		163	163	163
Assets regarding derivative instruments	11	13,601	4,367	5,522
Other assets		6,215	4,894	5,006
Total assets		**379,074**	**313,411**	**335,088**
Liabilities and Equity				
Deposits from the public	7	290,646	245,393	260,907
Deposits from banks		16,719	13,635	12,534
Deposits from the Government		120	285	346
Securities lent or sold under agreements to repurchase		3,038	-	-
Bonds and Subordinated debt notes		13,491	11,170	15,071
Liabilities regarding derivative instruments	11	11,718	4,570	6,323
Other liabilities[1]		18,624	16,352	17,759
Total liabilities		**354,356**	**291,405**	**312,940**
Equity attributed to the Bank's shareholders		24,112	21,346	21,483
Non-controlling rights		606	660	665
Total equity		**24,718**	**22,006**	**22,148**
Total Liabilities and Equity		**379,074**	**313,411**	**335,088**

Footnote:

(1) Of which NIS 384 million, NIS 246 million and NIS 249 million, as of September 30, 2022, September 30, 2021 and December 31, 2021, respectively, allowance for credit losses for off-balance sheet credit instruments.

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

Condensed Statement of Changes in Equity

		Capital reserves								
	Paid up Share capital	Share premium	Benefit for share based payment transactions	Other	Total paid up share capital and reserves	Accumulated other comprehensive loss	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	in NIS millions									
A. For the three months ended September 30, 2022 and 2021 (unaudited)										
Balance at June 30, 2022	683	5,565	–	251	6,499	(1,880)	18,871	23,490	603	24,093
Net Profit for the period	–	–	–	–	–	–	893	893	20	913
Dividend paid	–	–	–	–	–	–	(136)	(136)	–	(136)
Transactions with minority	–	–	–	1	1	–	–	1	2	3
Receipts on account of option warrants[1]	–	–	2	–	2	–	–	2	2	4
Dividend to non-controlling interests in consolidated companies	–	–	–	–	–	–	–	–	(22)	(22)
Other comprehensive loss, net after tax effect	–	–	–	–	–	(138)	–	(138)	1	(137)
Balance at September 30, 2022	**683**	**5,565**	**2**	**252**	**6,502**	**(2,018)**	**19,628**	**24,112**	**606**	**24,718**
Balance at June 30, 2021	676	4,174	–	258	5,108	(946)	16,542	20,704	642	21,346
Net Profit for the period	–	–	–	–	–	–	722	722	19	741
Other comprehensive loss, net after tax effect	–	–	–	–	–	(80)	–	(80)	(1)	(81)
Balance at September 30, 2021	**676**	**4,174**	**-**	**258**	**5,108**	**(1,026)**	**17,264**	**21,346**	**660**	**22,006**

For footnotes see next page.

Condensed Statement of Changes in Equity (continued)

	Paid up Share capital	Capital reserves: Share premium	Capital reserves: Benefit for share based payment transactions	Capital reserves: Other	Total paid up share capital and reserves	Accumulated other comprehensive loss	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	in NIS millions									
B. For the nine months ended September 30, 2022 and 2021(unaudited)										
Balance at December 31, 2021 (audited)	676	4,174	-	258	5,108	(1,274)	17,649	21,483	665	22,148
The effect of adoption of new accounting standards[1]	-	-	-	-	-	-	(139)	(139)	-	(139)
Net Profit for the period	-	-	-	-	-	-	2,556	2,556	47	2,603
Dividend paid	-	-	-	-	-	-	(438)	(438)	-	(438)
Transactions with minority	-	-	-	(6)	(6)	-	-	(6)	4	(2)
Issue of Shares[2]	7	1,391	-	-	1,398	-	-	1,398	-	1,398
Receipts on account of option warrants[3]	-	-	2	-	2	-	-	2	2	4
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(118)	(118)
Other comprehensive loss, net after tax effect	-	-	-	-	-	(744)	-	(744)	6	(738)
Balance at September 30, 2022	**683**	**5,565**	**2**	**252**	**6,502**	**(2,018)**	**19,628**	**24,112**	**606**	**24,718**
Balance at December 31, 2020 (audited)	676	4,174	-	209	5,059	(897)	15,020	19,182	545	19,727
Net Profit for the period	-	-	-	-	-	-	2,244	2,244	58	2,302
A decrease in the rate of holding in a subsidiary company, with no loss of control	-	-	-	49	49	-	-	49	58	107
Other comprehensive loss, net after tax effect	-	-	-	-	-	(129)	-	(129)	(1)	(130)
Balance at September 30, 2021	**676**	**4,174**	**-**	**258**	**5,108**	**(1,026)**	**17,264**	**21,346**	**660**	**22,006**
C. For the year of 2021 (audited)										
Balance at December 31, 2020	676	4,174	-	209	5,059	(897)	15,020	19,182	545	19,727
Net Profit for the year	-	-	-	-	-	-	2,773	2,773	57	2,830
Dividend paid	-	-	-	-	-	-	(144)	(144)	-	(144)
A decrease in the rate of holding in a subsidiary company, with no loss of control	-	-	-	49	49	-	-	49	58	107
Transactions with minority	-	-	-	-	-	-	-	-	2	2
Other comprehensive loss, net after tax effect	-	-	-	-	-	(377)	-	(377)	3	(374)
Balance at December 31, 2021	**676**	**4,174**	**-**	**258**	**5,108**	**(1,274)**	**17,649**	**21,483**	**665**	**22,148**

Footnotes:

(1) Cumulative effect of the initial implementation of US GAAP regarding current expected credit losses, See Note 1 E 1.

(2) See note 20.

The notes to the condensed financial statements are an integral part thereof.

Condensed Consolidated Statement of Cash Flows

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	in NIS millions				
Cash Flows from Operating (to Operating) Activities					
Net profit before attribution to non-controlling interests in consolidated companies	913	741	2,603	2,302	2,830
Adjustments necessary to present cash flows from current operations:					
Bank's share in undistributed (profits) loss of affiliated companies	(11)	2	(30)	(23)	(28)
Depreciation of buildings and equipment (including impairment in value)	144	134	425	400	538
Provision for impairment in value of securities	10	17	13	73	102
Credit expenses (reducing expenses) release	106	(126)	177	(683)	(693)
Gain on sale of credit portfolio, net	(3)	-	(4)	-	-
Profit on sale of available-for-sale bonds and shares not for trading	(41)	(106)	(114)	(416)	(548)
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	(12)	17	(80)	16	28
Non realized loss (gain) on adjustment to fair value of shares no for trading	22	(13)	40	(52)	(66)
Gain from realization at an investment in investee companies	-	(12)	(15)	(12)	(12)
Gain on realization of buildings and equipment	(1)	(6)	(415)	(4)	(52)
Benefit regarding share based payment transactions	2	-	2	-	-
Net deferred taxes	(73)	56	(418)	399	366
Severance pay – increase (decrease) in excess of provision over the deposits	(32)	38	(323)	(204)	(20)
Net change in current assets:					
Assets regarding derivative instruments	(2,580)	304	(8,081)	2,032	878
Trading securities	102	(255)	(254)	(558)	28
Other assets	(664)	(318)	(66)	70	99
Effect of changes in exchange rate on cash and cash equivalent balances	(39)	44	(274)	18	114
Accrual differences included in investment and financing activities	52	344	(1,175)	668	1,270
Net change in current liabilities:					
Liabilities regarding derivative instruments	2,412	(307)	5,394	(2,796)	(1,042)
Other liabilities	1,839	(752)	1,416	(248)	665
Adjustments for exchange rate differences on current assets and liabilities	58	(19)	880	33	(27)
Dividends received from affiliated companies	4	6	18	13	27
Net Cash Flows from Operating (to Operating) Activities	**2,208**	**(211)**	**(281)**	**1,028**	**4,457**

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

Condensed Consolidated Statement of Cash Flows (continued)

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	in NIS millions				
Cash Flows to Investing Activities					
Net change in Deposits with banks	(218)	(188)	(291)	(160)	310
Net change in net credit to the public	(2,398)	(341)	(17,101)	(5,690)	(11,604)
Net change in Credit to the Governments	800	465	1,890	1,282	2,060
Net change in Securities borrowed or purchased under agreements to resell	59	236	(64)	(68)	(133)
Acquisition of held-to-maturity bonds	(255)	-	(696)	(1,592)	(2,921)
Proceeds from redemption of held-to-maturity bonds	403	27	849	315	391
Purchase of available-for-sale bonds and shares not for trading	(2,623)	(2,514)	(11,051)	(12,866)	(17,485)
Proceeds of sale of available-for-sale bonds and shares not for trading	2,155	2,071	10,060	8,040	12,999
Purchased credit portfolios	(3,189)	(4,036)	(9,605)	(9,306)	(12,504)
Gain on sale of credit portfolio	84	-	1,545	93	996
Proceeds of redemption of available-for-sale bonds	1,706	664	2,621	2,322	3,404
Purchase of shares in affiliated companies	-	(43)	(24)	(43)	(123)
Proceeds of the sale of investments in associates	-	-	26	23	23
Acquisition of buildings and equipment	(274)	(228)	(768)	(650)	(977)
Proceeds from sale of buildings and equipment	1	10	508	10	61
Net Cash Flows to Investing Activities	**(3,749)**	**(3,877)**	**(22,101)**	**(18,290)**	**(25,503)**
Cash Flows from Financing Activities					
Net change in Deposits from banks	1,959	(1,656)	4,185	528	(573)
Net change in Deposits from the public	6,954	4,640	28,248	19,531	34,388
Net change in Deposits from the Government	(4)	(2)	(226)	(58)	3
Net change in Securities borrowed or purchased under agreements to resell	1,092	-	3,038	(161)	(161)
Issuance of subordinated debt notes	-	23	1,690	1,205	5,785
Redemption of subordinated debt notes	(486)	(116)	(3,704)	(505)	(1,032)
Issue of Shares	-	-	1,398	-	-
Dividend paid to the shareholders	(136)	-	(438)	-	(144)
Dividend to non-controlling interests	(22)	-	(118)	-	-
Net cash flows from Financing Activities	**9,357**	**2,889**	**34,073**	**20,540**	**38,266**
Increase (decrease) in cash	7,816	(1,199)	11,691	3,278	17,220
Cash balance at beginning of period	63,015	46,762	59,277	42,265	42,265
Effect of changes in exchange rate on cash and cash equivalent balances	27	(59)	(109)	(39)	(208)
Cash balance at end of period	**70,858**	**45,504**	**70,858**	**45,504**	**59,277**
Interest and taxes paid and/or received					
Interest received	2,723	2,141	6,811	5,435	7,258
Interest paid	(425)	(245)	(1,160)	(622)	(766)
Dividends received	11	10	30	21	37
Taxes on income paid	(408)	(443)	(853)	(700)	(1,033)
Taxes on income received	23	35	280	116	127

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

Appendix A - Non-cash asset and liability activity during the reported period

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	in NIS millions				
Recognition of a right-of-use asset in consideration for a leasing liability	2	5	96	52	107
Purchase of fixed assets	17	(2)	46	11	20
Lending of securities	(217)	713	537	459	1,883

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

Notes to the Condensed Financial Statements

1. Accounting Policies

A. **General.** Israel Discount Bank Ltd. (hereinafter: "the Bank") is a banking corporation incorporated in Israel. The Bank's condensed consolidated interim financial statements (hereinafter: "the interim financial statements") as of September 30, 2022, include the financial statements of the Bank and of its subsidiaries (hereinafter: "the Group") as well as the rights of the Group in associates. The interim financial statements do not include all the information required to be presented in full annual financial statements. These financial statements should be read in conjunction with the annual financial statements as of December 31, 2021 and the accompanying notes. The interim financial statements have been prepared on the basis of the same accounting principles used for the preparation of the audited financial statements as of December 31, 2021 except as detailed in section E hereunder.

B. The interim financial statements were approved for publication by the Bank's Board of Directors on November 22, 2022.

C. **Principles of financial reporting.** The interim financial statements are prepared according to accounting principles determined in directives of the Supervisor of Banks applying to the preparation of an annual financial report of a banking corporation, with required changes in the circumstances of the matter, and according to U.S. GAAP applying to financial reporting for interim periods, and the reporting principles determined in directives and guidelines of the Supervisor of Banks. In most of the subjects, the Supervisor's instructions are based on accounting principles accepted by U.S. banks.

D. **Use of assessments and discretion.** In preparing the interim financial statements according to the rules, instructions and guidelines, as stated, the Management of the Bank and of the investee companies are required to use discretion and apply assessments, evaluations and assumptions that affect the implementation of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from such assessments. Discretion of Management in applying the accounting policy and the principal assumptions used in assessments involving uncertainty, are consistent with those applied in the preparation of the annual financial statements.

E. **Initial implementation of accounting standards, updates of accounting standards and Directives of the Supervisor of Banks**

1. Starting with the period beginning January 1, 2022, the Bank implements accounting standards and instructions as detailed hereunder: allowances for current expected credit losses (CECL) (see sections 1-2 below).
2. As from July 1, 2022, the Bank applies the directive regarding the "Standardised approach to the calculation of exposure to counterparty credit risk". The format of the disclosure had been updated to conform to the updated methods of calculation according to the said instruction.

Following is a description of the nature of changes made to the accounting policy applied in these condensed interim financial statements, as well as a description of the manner and effect of the initial implementation, if at all:

(1) Adoption of updates to accounting principles accepted by US banks – allowances for credit loss and additional instructions

On March 28, 2018, the Supervisor of Banks issued a letter in the matter of "adoption of updates to accounting principles accepted by US banks – allowances for credit loss and additional instructions", in which, inter alia, it is required to implement the accounting principles accepted by US banks with respect to allowances for credit losses. The initial implementation is to be made according to transitional instructions stated in the US rules.

The aim of the new rules is to improve the quality of reporting the financial condition of a banking corporation, by means of the early recognition of allowances for credit losses, in a manner that strengthens the anti-cyclicality in the conduct of the allowances for credit losses, which supports a more rapid response by banks to a deterioration in borrowers' credit quality, , and strengthens the connection between the manner in which credit risks are managed and the manner in which these risks are reflected in the financial statements , while basing it on existing methods and processes.

The principal changes in the accounting treatment in the financial statements of banking corporations, following the implementation of these principles, are, inter alia:

- The credit loss allowance is computed based on the loss expected over the life of the credit, instead of estimating the loss incurred but not yet identified;
- In assessing the credit loss allowance significant use is made of forward looking information, which reflects reasonable and supportable forecasts regarding future economic events;
- disclosure was expanded regarding the effect of the date of granting the credit over the credit quality of the credit portfolio;
- The manner of recording the decline in value of bonds in the available-for-sale portfolio was changed;
- The new rules for the computation of the credit loss allowance shall apply to credit (including housing loans), bonds held for redemption, and certain off-balance sheet credit exposure.

A Q&A file was published in the matter on January 31, 2021, which contained, inter alia, clarifications regarding the manner of classification and reverting restructured debts to the accruing track.

1. Accounting Policies (continued)

On December 1, 2020, a circular was published in the matter of "regulatory capital – effect of implementation of accounting principles regarding current expected credit losses". The circular states transitional instructions that would apply to the effect of the initial implementation of the new rules, this in order to reduces unexpected effects of the implementation of the rules on the regulatory capital, according to guidelines of the Basel Committee for Supervision of Banks and of the bank supervisory authorities in the US and in other countries.

On February 2, 2021, a circular was published in the matter of " current expected credit losses on financial instruments", within the framework of which, inter alia, requirements were abolished for recognition of a group allowance, at a minimum rate of 0.35%, for housing loans, and for the recognition of a minimum allowance based on the extent of arrears method. In addition, an update was made to Proper Conduct of Banking Business Directive No. 202 regarding "regulatory capital", according to which, banking corporations are required to deduct from the Common Equity Tier 1 amounts for housing loans classified over a time as non-accruing loans, according to the manner of computation determined in Appendix "H" to Proper Conduct of Banking Business Directive No. 202.

The Bank and its banking subsidiaries are implementing the new rules as from January 1, 2022. ICC will implement the new rules as from January 1, 2023.

Following the implementation of the Standard, certain processes have been changed that relate to the classification and examination of problematic credit, the definition of credit as not accruing interest income, write-off rules and methods for the measurement of the allowance. Furthermore, the disclosure requirements have been modified to the requirements of the US accounting standards, as adopted by the Supervisor of Banks within the framework of the public reporting instructions, all as detailed below.

The initial implementation of the new rules as from January 1, 2022, was made with the recognition of the cumulative effect of the change in the balance of retained earnings at date of initial implementation. Furthermore, certain mitigations were adopted at date of initial implementation, as provided in the transitional instructions, including distribution of the effect of initial implementation in everything related to its effect on the Common Equity Tier 1 ratio, over a period of three years: 75% in the first year of implementation, 50% in the second, and 25% in the third year.

The major part of the effect, as presented below, stemmed from the updating of the measurement methods of the credit loss allowance, from the treatment of housing loans in a non-accruing status, and from accounting write-offs of interest or principal, updating the related deferred tax balances as well as from the effect on the regulatory capital resulting from deduction from capital of housing loans in the status of non-accruing for a prolonged period, and the recognition of the increase in the credit loss allowance over a period of time according to the transitional instructions, determined as described above.

The cumulative effect recognized in the balance of retained earnings at date of initial implementation on January 1, 2022, amounts to NIS 139 million (a total of NIS 179 million, before tax), net of the related tax effect, stemming from the increase in the balance of the allowance for credit losses, in the amount of NIS 160 million, as detailed below, as well as from the increase of NIS 19 million in the balance of accounting write-offs for debts, which until the implementation of the new Standard had been treated by the specific examination method, and following the implementation of the new Standard were moved to the group examination method.

It is noted that application of the new rules requires the formation of a methodology and complex models as well as a new technological application. Naturally, also after the beginning of initial application, improvement and development of the process for the measurement of the credit loss allowances would be continued, and respectively, such activity may require certain changes in the measurement procedure.

1. Accounting Policies (continued)

Details regarding the effect of the initial implementation are presented hereunder

	Audited	Unaudited	
	December 31, 2021	Effect of implementation of CECL	January 1, 2022
	In NIS millions		
Balance			
Credit to the Public	216,196	(19)	216,177
Allowance for Credit Losses:	(3,040)	45	(2,995)
Of which: credit loss allowance – commercial portfolio	(2,078)	(38)	(2,116)
Of which: credit loss allowance – housing loans	(258)	49	(209)
Of which: credit loss allowance – private individuals, other	(704)	34	(670)
Net credit to the public	**213,156**	**26**	**213,182**
Credit loss allowance for banks and governments	(22)	(9)	(31)
Allowance for credit losses on off-balance sheet credit exposures[1]	(249)	(195)	(444)
Common equity			
Retained earnings balance, before the tax effect	17,649	(179)	17,470
Tax effect	-	40	40
Retained earnings balance, net of the tax effect	**17,649**	**(139)**	**17,510**
Capital adequacy and Leverage			
Ratio of common equity tier 1 to risk assets	10.14%	(0.01%)	10.13%
Ratio of total capital	13.46%	(0.01%)	13.45%
Leverage ratio	5.98%	(0.01%)	5.97%

Footnote:
(1) Included in the item "Other liabilities".

(2) **Updating of the accounting policy implemented following the initial implementation of the new accounting principles in the matter of current expected credit losses**

Identification and classification of non-accruing debts (replacing impaired debt). The Bank has introduced procedures for the identification of problematic credit and for the classification of debts distinguishing between debts classified as problematic, including non-accruing debts and performing debts. According to such procedures, the Bank classifies all of its problematic debts and off-balance sheet items under the following classifications: special mention, substandard or non-accruing. A debt is classified as non-accruing when, based upon information and up to date events it is expected that the Bank would not be able to collect all amounts due according to the contractual terms of the debt.

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

A. **Commercial credit for a debt the contractual balance of which amounts to NIS 1 million or over** – the decision regarding classification of the debt and the required allowance is based, inter alia, on the arrears situation of the debt, evaluation of the debtor's financial condition and repayment ability, evaluation of the primary source for the repayment of the debt, existence and condition of the collateral, financial condition of the guarantors, if at all, and their commitment to support the debt, and the ability of the borrower to obtain third party finance. In any event, a commercial debt as above, is classified as non-accruing when repayment of principal or interest is in arrears for 90 days or more, except where the debt is well secured and is in the process of collection, or if the debt has undergone troubled debt restructurings but does not comply with the terms for accrual of interest income.

Starting with the date of classification as a non-accruing debt, the debt is treated as a debt not accruing interest income (such debt designated as "non-accruing debt"), unless the debt had undergone troubled debt restructurings and complies with the terms for accrual of interest income.

For details regarding the accounting write-off rules with respect to such debts, see "Accounting write-offs" below.

1. Accounting Policies (continued)

B. **Credit to private individuals, housing loans and commercial credit for a debt the contractual balance of which is lower than NIS 1 million** – the decision regarding the classification of the debt is based upon the arrears situation of the debt. For this purpose, the Bank monitors the number of days in arrears determined in relation to the contractual repayment terms of the debt. Such debts, which are in arrears for 90 days or over, are classified as substandard, though accrual of interest income is not interrupted. This, with the exception of housing loans, which are classified as debts not accruing interest income when the repayment of principal or interest is in arrears of 90 days or over.

Debts included in the group track, which had undergone restructure of a troubled debt restructurings and do not accrue interest income, are classified as non-accruing substandard debts.

As part of the implementation of the new rules, all debts included in the private individuals segment had been transferred to the group examination and allowance track.

For details regarding the accounting write-off rules with respect to such debts, see "Accounting write-offs" below.

Debt arrangement policy and treatment of restructured troubled debts. With a view of improving the management of credit and the collection thereof, and with the aim of avoiding failure situations or seizure of pledges assets, the Bank had determined and is applying a policy for arrangement of problematic debts and for a change in terms of debts not identified as problematic. Methods for changes in terms of debts may include, inter alia, deferment of repayment dates, reduction in the rate of interest or in the amounts of periodic repayments, changing the terms of the debt in order to modify them to the financing structure of the borrower, consolidation of the borrower's debts, transfer of the debt to other borrowers in case of a group of borrowers under joint control, reexamination of the financial yardsticks applying to the borrower, and more.

The Bank's policy is based upon criteria, which allows Management of the Bank to apply judgment as to whether repayment of the debt is expected, and the policy is applied only if the borrower proves his ability and wish to repay the debt and if he is expected to abide by the terms of the new arrangement.

In order to determine whether a debt arrangement made by the Bank constitutes troubled debt restructurings, the Bank performs a qualitative test of all terms and conditions of the arrangement and of the circumstances under which it had been made, with a view of determining as to whether:

(1) The borrower is under financial difficulties; and

(2) Has the Bank granted a waiver to the borrower as part of the debt arrangement.

In order to determine as to whether the borrower is under financial difficulties, the Bank examines whether there are signs indicating financial difficulties of the borrower at date of the arrangement, or existence of a reasonable possibility of the borrower experiencing financial difficulties were it not for the arrangement.

In addition, the Bank considers that a waiver is being granted to the borrower, as part of the arrangement, even if the contractual interest is raised under the arrangement, if one or more of the following conditions exists:

- As a result of the restructure, the Bank is not expected to collect the full amount of the debt (including the interest accrued under the contractual terms);
- The present fair value of the collateral, in case of debts that are collateral-dependent, does not cover the contractual balance of the debt, indicating inability to collect the full amount of the debt;
- The borrower has no possibility of obtaining finance at accepted market rates, for a debt having characteristics similar to the debt being the subject matter of the arrangement;
- Where the banking corporation does not conduct an additional underwriting process upon renewal of a substandard debt, or where there is no change in the pricing of the debt, or if the pricing had not been adjusted so as to match the risk prior to renewal, or where the borrower does not provide additional means compensating the growth in risk stemming from his financial difficulties, then the renewal is strongly considered to be troubled debt restructuring.

The Bank does not classify a debt as a restructured troubled debt, where the restructure leads to an insignificant delay in repayment, taking into consideration the frequency of repayments during the contractual repayment period and during the expected original lifespan of the debt. In this respect, where several arrangements had been made involving changes in the loan terms, the Bank takes into account the cumulative effect of prior arrangements, when determining whether the delay in repayment, stemming from the restructure of the debt, is insignificant.

As a general rule, restructure leading to a delay in repayment of 90 days or more, as compared with the contractual terms, would be considered restructure leading to a delay in repayment that is not insignificant.

1. Accounting Policies (continued)

Treatment of restructured debts and consecutive restructure. Debts, the terms of which had been changed under the restructure of a troubled debt, are classified as non-accruing debts. Under special circumstances, when a debt had been restructured as a troubled debt, and at a later date, the banking corporation and the debtor enter into an additional restructure agreement, the banking corporation is no longer required to treat the debt as one that had undergone restructure of a troubled debt if the following two conditions exist: (1) the debtor is no longer under financial difficulties at date of the consecutive restructure; and (2) according to the terms of the consecutive restructure, no waiver had been granted to the borrower by the banking corporation (including no waiver of principal on a cumulative basis since date of extending the original loan).

Reversal of a non-accruing debt to the status of an accruing debt. As a general rule, a non-accruing debt reverts to be classified as an accruing debt if one of the two following conditions exists:

- There are no principal or interest components of the debt that are due and had not been repaid, and the Bank expects the repayment in full of the remaining balance of principal and interest according to the terms of the agreement (including amounts which had been written-off accounting wise or an allowance was made in their respect);
- Where the debt is now well secured and is in the process of collection.

Moreover, with respect to a debt which had formally been restructured as a troubled debt, and classified as non-accruing at date of change in terms, the Bank may reinstate the debt as an accruing debt, on condition that an updated and well documented credit analysis is performed supporting reversal to accruing status, based on the financial condition of the borrower and prospects of repayment according to the updated terms. The evaluation should be based upon the historical consecutive repayment performance of the borrower, in cash or cash equivalents, over a reasonable period of at least six months, where the Bank may take into account repayments made during a reasonable period prior to the restructure, if the payments comply with the updated terms. Otherwise, a debt that had undergone restructure of a troubled debt must continue to be classified as non-accruing debt.

Furthermore, with respect to a debt that had formally undergone restructure of a troubled debt, and which had been classified as accruing debt prior to the restructure, the Bank may continue to accrue interest on condition that following the restructure, collection of principal and interest according to the updated terms is reasonably secured, based on an updated and well documented credit analysis, on condition that the borrower has a history of continuous repayment performance over a reasonable period prior to the changes, and that the restructure has improved the prospects of collection of the loan according to a reasonable repayment schedule.

Starting with January 1, 2022, the above instructions pertaining to the treatment of a restructured troubled debt, apply also to housing loans, and they are being applied to housing loans as from January 1, 2022, onwards.

Allowance for credit loss – measurement. The Bank has determined procedures for the classification of credit and for measurement of the allowance for credit losses in order to maintain an appropriate level of allowance to cover current expected credit losses in relation to its credit portfolio. In addition, the Bank has determined procedures required to maintain an allowance at an appropriate level in order to cover current expected credit losses related to bonds held-to-maturity, bonds held in the available-for-sale portfolio as well as certain off-balance sheet exposure (see below).

Assessment of the allowance for current expected credit losses is computed over the contractual period of the financial asset. The contractual period is not adjusted for extensions, renewals and expected changes, unless one or more of the following applies: (a) at date of reporting, the Bank has reasonable expectations for an agreement with the borrower for a restructure of a troubled debt; or (b) the original loan agreement or the updated agreement at date of reporting include the option for extension or renewal of the loan, which may not be unconditionally revoked by the Bank.

In general, computation of the allowance for current expected credit losses is assessed on a group basis (by means of statistical models) where the assets have similar risk characteristics. Such characteristics comprise, inter alia: (1) the business activity of the borrower; (2) the borrower's conduct of his banking operations; (3) classification of the borrower; (4) type of the financial asset; (5) type of collateral; (6) size; (7) age of the loan.

The Bank has divided the credit portfolio into segments according to its business viewpoint, while distinguishing between commercial credit, SME, housing loans, private individuals - other, and credit not to the public. The Bank has determined models and methodologies to be used in measuring the required allowance in each segment. The determined models are risk rated based (PD and LGD) that assess the amount of the expected loss in case of materialization of failure.

Where the reasonable and supportable period as determined by the Bank, is shorter than the lifespan of the financial asset, the Bank reverts to the use of historical information that is not modified to the risk of the specific borrower and is not modified for existing economic conditions or for anticipated future economic conditions, such as: changes in rate of unemployment, GDP, interest, etc.

1. Accounting Policies (continued)

Credit loss allowance – SME credit. For the SME credit portfolio, the Bank measures the expected credit loss allowance on the basis of the PD LGD method while dividing the credit portfolio into segments having similar risk characteristics, such as the rating models, type of financial asset and type of collateral.

For the purpose of modifying the historical data to present economic conditions and to expectations regarding future economic conditions, the Bank determined that the reasonable and supportable period is one year. In case of assets having a contractual lifespan exceeding this period, the Bank reverts to the use of historical information that is not modified, by means of a method divided into two layers. The first layer refers to a macro-economic modification; the reversal in respect thereof is immediate at the end of the first year. The second layer refers to reversal to historical data regarding losses and/or defaults. This reversal is performed during a period of two additional years by means of half-yearly modification formulas for the PD data, which in fact would reflect, on the basis of historical data, a modification of the PD rate for one year for the two coming years also.

Credit loss allowance – credit to private individuals (excluding housing loans). For the private individuals credit portfolio, excluding housing loans, the Bank measures the allowance for current expected credit losses using the PD LGD method, while dividing the credit portfolio into segments having similar risk characteristics, such as the rating models, type of financial asset and type of collateral.

For the purpose of modifying the historical data to present economic conditions and to expectations regarding future economic conditions, the Bank decided that the reasonable and supportable period is one year. In case of assets having a contractual lifespan exceeding this period, the Bank reverts to the use of historical information that is not modified, by means of a method divided into two layers. The first layer refers to a macro-economic modification; the reversal in respect thereof is immediate at the end of the first year. The second layer refers to reversal to historical data regarding losses and/or defaults. This reversal is performed during a period of two additional years by means of half-yearly modification formulas for the PD data, which in fact would reflect, on the basis of historical data, a modification of the PD rate for one year for the two coming years also.

Credit loss allowance – housing loans. For the housing loan portfolio, the Bank measures the allowance for current expected credit losses using the PD LGD method, while dividing the credit portfolio into segments having similar risk characteristics, such as the rating group and the age of the loan.

For the purpose of modifying the historical data to present economic conditions and to expectations regarding future economic conditions, the Bank decided that the reasonable and supportable period is one year. As distinguished from other credit portfolios of the Bank (consumer and commercial), the defaults curve is based entirely on historical data, while the rating models are used solely for segmentation purposes. In view of this, where assets having a contractual lifespan longer than the reasonable and supportable period are involved, then reversal is made only for the macro-economic adjustment component. This reversal is made immediately at the end of the first year.

Credit loss allowance – commercial credit. For the commercial credit portfolio, the Bank measures the allowance for current expected credit losses using the PD LGD method, while dividing the credit portfolio into segments having similar risk characteristics, such as the rating models, type of financial asset and type of collateral.

For the purpose of modifying the historical data to present economic conditions and to expectations regarding future economic conditions, the Bank decided that the reasonable and supportable period is one year. In case of assets having a contractual lifespan exceeding this period, the Bank reverts to the use of historical information that is not modified, by means of a method divided into two layers. The first layer refers to a macro-economic modification; the reversal in respect thereof is immediate at the end of the first year. The second layer refers to reversal to historical data regarding losses and/or defaults. This reversal is performed during a period of four additional years by means of transfers matrix.

In addition to that, the Bank has determined criteria and factors that are taken into account in determining that for certain exposure to governments, the current expected credit losses reflect a zero loss.

Credit loss allowance – off-balance sheet credit exposure. Off-balance sheet credit exposure includes credit exposure for commitments to extend credit, documentary credit, financial guarantee not treated as insurance, and other similar instruments. The credit loss allowance for off-balance sheet exposure is assessed in the same way that the allowance for balance sheet credit is assessed, while taking into account the expected materialization of the credit. For the purpose of assessing the expected rate of materialization, a methodology has been determined, assessing the conversion coefficients of off-balance sheet credit into balance sheet credit, which are based on the rate of utilization respecting each type of off-balance sheet exposure, based on past experience.

The Bank does not assess an expected credit loss allowance for off-balance sheet commitments to extend credit, which may be unconditionally revoked by the Bank.

1. Accounting Policies (continued)

Credit loss allowance – bonds in the held-to-maturity portfolio. The Bank does not measure current expected credit losses for government bonds of the Government of Israel or the US Government, because the information regarding historical credit losses, following modification to existing conditions and to reasonable and supportable forecasts, leads to expectations that the non-payment of the basic amortized cost equals zero.

The remaining balance of the bonds, non-government as stated, is of a negligible amount.

Credit loss allowance – Available-for-sale bonds. The Bank assesses current expected credit losses for available-for-sale bonds at each reporting date, where the fair value of the bonds is lower than the amortized cost. The Bank tests whether the decline in fair value stems from credit losses or from other factors. Impairment related to credit loss is recognized by means of an allowance for credit losses, while impairment not recognized by means of a credit loss allowance, is taken to other comprehensive income, net of tax.

According to guidelines stated in Topic 326 of the Codification, the Bank computes on a specific basis, the allowance for current expected credit losses regarding available-for-sale securities, using the discounted cash flow method, through which the Bank compares the present value of expected future cash flows, determined on basis of past events, present conditions and reasonable and supportable forecasts (such as: sectorial, geographic, economic and political factors, relevant to the collection ability respecting the bond), to the basic amortized cost of the security and to its fair value. The allowance, as stated, is recognized against a credit loss expense, in order to reflect the credit loss component of the decline in fair value to below the amortized cost. The allowance for credit loss for an available-for-sale bond is limited so as not to exceed the amount of the difference between the amortized cost and the lower fair value (the fair value floor).

If over a period of time, the fair value of the security rises, then all the allowance for credit losses that had not been written-off accounting wise, is reversed by credit loss expenses release.

Credit loss allowance – credit assessed on a specific basis. According to guidelines stated in Topic 326 of the Codification, when the Bank identifies that a financial asset does not have joint risk characteristics similar to those of other financial assets, the Bank assesses the allowance for credit losses for such assets on a specific basis, using the discounted cash flow method and/or on the basis of the value of the collateral, for loans that are collateral dependent.

In addition, with respect to commercial credit, the contractual balance of which amounts to NIS 1 million or over, and which is classified as non-accruing, the Bank applies the discounted cash flow method or on the basis of the value of the collateral.

Qualitative modifications. The Bank performs qualitative modifications intended to reflect, in computing the allowance for credit losses, assessments regarding characteristics that are not adequately reflected in the models used.

Expected collections. The allowance for credit losses includes also an assessment of expected collections for accounting write-offs.

Testing the overall adequacy of the allowance. In addition to the above stated, the Bank tests the overall adequacy of the allowance for credit loss. The adequacy test, as stated, is based on Management's judgment, which takes into account the risks inherent in the credit portfolio and the deficiencies and limitations of the assessment methods applied by the Bank in determining the allowance.

Accounting write-offs. The Bank writes-off accounting wise, any debt or a part thereof considered as uncollectible and having a low value, the stating of which as an asset is not justified, or a debt regarding which the Bank conducts collection efforts over a long period (defined generally as a period exceeding two years).

For debts the collection of which is collateral dependent, the Bank immediately writes-off against the balance of allowance for credit losses, that part of the recorded amount of the debt exceeding the fair value of the collateral.

With respect to commercial credit, the contractual balance thereof is lower than NIS 1 million, and credit to private individuals that is not for housing purposes, the Bank records an accounting write-off when the arrears period of the debt reaches 150 days or more. It is noted that, where the debt is secured by collateral that is not a residential property, and seizure of the pledged asset had begun and is secured, the Bank writes-off accounting wise only that part of the recorded amount of the debt exceeding the value of the collateral (net of selling expenses).

With respect to housing loans secured by residential property, the Bank performs a up-to-date assessment of the value of the collateral, no later than the debt becoming in arrears of 180 days or over, and writes-off accounting wise that part of the recorded amount of the loan exceeding the value of the collateral (net of selling expenses).

It is clarified that accounting write-offs do not involve a legal waiver, and they reduce the reported balance of the debt for accounting purposes only, while creating a new cost basis for the debt in the books of the Bank.

Disclosure requirements. The Bank has modified disclosure to the new disclosure format and to disclosure regarding non-accruing debts instead of impaired debts. The comparative data are presented according to the format that was in place until December 31, 2021.

2. Interest Income and Expenses

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	in NIS millions			
A. Interest Income[2]				
Credit to the public	2,690	1,755	6,954	5,143
Credit to the Governments	22	16	58	49
Deposits with the Bank of Israel and cash	209	9	277	27
Deposits with Banks	10	2	18	7
Securities borrowed or purchased under resale agreements	4	-	5	-
Bonds[1]	173	126	443	379
Other assets	5	4	15	15
Total interest income	**3,113**	**1,912**	**7,770**	**5,620**
B. Interest Expenses[2]				
Deposits from the public	(648)	(125)	(1,099)	(403)
Deposits from the Government	-	(1)	(1)	(2)
Deposits from the Bank of Israel	(1)	(1)	(5)	(4)
Deposits from banks	(27)	(7)	(45)	(22)
Securities lent or sold under agreements to repurchase	(21)	-	(24)	-
Bonds and subordinated debt notes	(136)	(121)	(443)	(342)
Other liabilities	-	-	-	(1)
Total interest expenses	**(833)**	**(255)**	**(1,617)**	**(774)**
Net interest income	**2,280**	**1,657**	**6,153**	**4,846**
C. Details of the net effect of hedge derivative instruments on interest income and expenses[3]:				
Interest Income	(5)	(9)	(16)	(24)
Interest expenses	(1)	4	4	15
D. Accrual basis, interest income from bonds:				
Held-to-maturity	48	31	126	85
Available-for-sale	112	92	290	283
Trading	13	3	27	11
Total included in interest income	173	126	443	379

Footnotes:

(1) Interest Income generated by mortgage backed securities (MBS) - in US $ millions	10	8	28	26
Interest Income generated by mortgage backed securities (MBS) - in NIS millions	32	26	93	84

(2) Including the impact of hedge relations.

(3) Details of the effect of hedge derivative instruments on subsection A+B.

3. Non-interest Financing Income

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	in NIS millions			
A. Non-interest financing income (expenses) from operations not for trading purposes				
From operations in derivative instruments, net				
Net income (expenses) on derivative instruments[(4)]	210	(296)	2,723	(181)
Total from operations in derivative instruments	**210**	**(296)**	**2,723**	**(181)**
From investments in bonds:				
Gains on sale of available-for-sale bonds[(3)]	5	44	53	194
Losses on sale of available-for-sale bonds[(3)]	(14)	-	(31)	(11)
Provision for impairment of available-for-sale bonds[(3)]	(5)	(13)	(5)	(48)
Total from investments in bonds	**(14)**	**31**	**17**	**135**
Net exchange rate differences	**(206)**	**288**	**(2,911)**	**133**
Net profit (loss) from investments in shares:				
Gains on sale from non trading shares	50	66	93	233
Losses on sale from non trading shares	-	(4)	(1)	-
Provision for impairment of non trading shares	(5)	(4)	(8)	(25)
Dividends from non trading shares	6	3	11	7
Unrealized profits (losses) [(7)]	(22)	13	(40)	52
Profit on sale of shares and activities of associates	-	12	15	12
Total from investment in shares	**29**	**86**	**70**	**279**
Net profit on loans sold	3	-	4	-
Total non-interest financing income (expenses) from operations not for trading purposes	**22**	**109**	**(97)**	**366**
B. Non-interest financing income from operations for trading purposes[(5)]:				
Net income on non trading derivative instruments	117	106	186	235
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value[(1)]	-	(16)	68	(17)
Net realized and non-realized profit (losses) on adjustment of trading shares to fair value[(2)]	12	(1)	12	1
Total from trading operations[(6)]	**129**	**89**	**266**	**219**
Details of non-interest financing income from operations for trading purposes, according to risk exposure:				
Interest rate exposure	68	95	189	145
Foreign currency exposure	49	(6)	65	72
Share exposure	12	-	12	2
Total according to risk exposure	**129**	**89**	**266**	**219**
Total non-interest financing income	**151**	**198**	**169**	**585**

Footnotes:

(1) Of which, a part of the loss relating to trading bonds that are still on hand at balance sheet date	(11)	(4)	(11)	(7)
(2) Of which, a part of the income (loss) relating to trading shares that are still on hand at balance sheet date	13	(1)	14	-
(3) Reclassified from accumulated other comprehensive income (loss), see Note 4: Of which, profit from investments in bonds, net	(14)	31	17	135

(4) Excluding the impact of hedge relations.
(5) Including exchange rate differences from trading operations.
(6) For interest income on investments in trading bonds, see Note 2, above.
(7) Including profits and losses on measurement at fair value of shares with readily determinable fair value, as well as upward or downward adjustments of shares without readily determinable fair value.

3A. Earnings Per Share

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Earnings per share					
Total net income attributed to bank's shareholders	893	722	2,556	2,244	2,773
	In Thousand				
Earnings per share:					
Weighted average of shares of NIS 0.1 par value:					
Balance at the beginning of the period	1,237,011	1,164,017	1,164,017	1,164,017	1,164,017
Shares issued during the period[1]	-	-	49,465	-	-
Weighted average of shares of NIS 0.1 par value, used for earnings per share	**1,237,011**	**1,164,017**	**1,213,482**	**1,164,017**	**1,164,017**
Earnings per share of NIS 0.1 (in NIS)	**0.72**	**0.62**	**2.11**	**1.93**	**2.38**

Footnote:
(1) See Note 20.

According to the rules, stock options issued to Officers and senior employees (see Note 23 below) have not been taken into account in the reported period in computing the diluted per share earnings.

In the reported period, the Bank did not have securities having a dilutive effect.

4. Accumulated other comprehensive income (loss)

A. Changes in 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 loss attributed to the Bank's shareholders
	Net adjustments, for presentation of available-for- sale bonds at fair value	Adjustments from translation of financial statements[(1)]	Net income (loss) for cash flows hedge	Adjustments for employee benefits	Total		
	in NIS millions						
A. For the three months ended September 30, 2022 and 2021 (unaudited)							
Balance at June 30, 2022	(1,117)	(250)	(15)	(503)	(1,885)	(5)	(1,880)
Net change during the period	(251)	51	(5)	68	(137)	1	(138)
Balance at September 30, 2022	**(1,368)**	**(199)**	**(20)**	**(435)**	**(2,022)**	**(4)**	**(2,018)**
Balance at June 30, 2021	233	(548)	-	(644)	(959)	(13)	(946)
Net change during the period	(30)	(34)	-	(17)	(81)	(1)	(80)
Balance at September 30, 2021	**203**	**(582)**	**-**	**(661)**	**(1,040)**	**(14)**	**(1,026)**
B. For the nine months ended September 30, 2022 and 2021 (unaudited)							
Balance at December 31, 2021 (audited)	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	(1,611)[(2)]	512	(19)	380	(738)	6	(744)
Balance at September 30, 2022	**(1,368)**	**(199)**	**(20)**	**(435)**	**(2,022)**	**(4)**	**(2,018)**
Balance at December 31, 2020 (audited)	486	(598)	1	(799)	(910)	(13)	(897)
Net change during the period	(283)	16	(1)	138	(130)	(1)	(129)
Balance at September 30, 2021	**203**	**(582)**	**-**	**(661)**	**(1,040)**	**(14)**	**(1,026)**
B. For the year of 2021 (audited)							
Balance at December 31, 2020	486	(598)	1	(799)	(910)	(13)	(897)
Net change during the year	(243)	(113)	(2)	(16)	(374)	3	(377)
Balance at December 31, 2021	**243**	**(711)**	**(1)**	**(815)**	**(1,284)**	**(10)**	**(1,274)**

Footnotes:

(1) Including adjustments from translation of financial statements of a consolidated subsidiary - Discount Bancorp Inc., the functional currency of which is different from that of the Bank.

(2) See Note 5 L.

4. Accumulated other comprehensive income (loss) (continued)

B. Changes in other comprehensive income (loss) component before tax effect and after tax effect

	Unaudited					
	For the three months ended September 30					
	2022			2021		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions					
Changes in components of accumulated other comprehensive loss, before attribution to non-controlling interests:						
Adjustments for presentation of available-for- sale bonds at fair value						
Net unrealized loss from adjustments to fair value	(403)	127	(276)	(12)	9	(3)
loss (income) on available-for-sale bonds reclassified to the statement of income[2]	37	(12)	25	(31)	4	(27)
Net change during the period	**(366)**	**115**	**(251)**	**(43)**	**13**	**(30)**
Translation adjustments						
Adjustments from translation of financial statement [1]	51	-	51	(34)	-	(34)
Net change during the period	**51**	**-**	**51**	**(34)**	**-**	**(34)**
Cash flow hedging						
Net losses on cash flow hedging	(10)	3	(7)	-	-	-
Net income on cash flow hedging reclassified to the statement of income	2	-	2	-	-	-
Net change during the period	**(8)**	**3**	**(5)**	**-**	**-**	**-**
Employee benefits						
Net actuarial income (loss)	74	(24)	50	(47)	15	(32)
loss reclassified to the statement of income[3]	29	(11)	18	22	(7)	15
Net change during the period	**103**	**(35)**	**68**	**(25)**	**8**	**(17)**
Total net changes during the period	**(220)**	**83**	**(137)**	**(102)**	**21**	**(81)**
Changes in components of accumulated other comprehensive income (loss) attributed to non-controlling interests:						
Total net changes during the period	**1**	**-**	**1**	**(1)**	**-**	**(1)**
Changes in components of accumulated other comprehensive loss attributed to the Bank's shareholders:						
Total net changes during the period	**(221)**	**83**	**(138)**	**(101)**	**21**	**(80)**

For footnotes see next page.

4. Accumulated other comprehensive income (loss) (continued)

B. Changes in other comprehensive income (loss) component before tax effect and after tax effect (continued)

	Unaudited						Audited		
	For the nine months ended September 30						For the year ended December 31		
	2022			2021			2021		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions								
Changes in components of accumulated other comprehensive loss, before attribution to non-controlling interests:									
Adjustments for presentation of available-for- sale bonds at fair value									
Net unrealized loss from adjustments to fair value	(2,399)	778	(1,621)	(285)	98	(187)	(212)	62	(150)
loss (Income) on available-for-sale bonds reclassified to the statement of income(2)	15	(5)	10	(135)	39	(96)	(140)	47	(93)
Net change during the period(4)	**(2,384)**	**773**	**(1,611)**	**(420)**	**137**	**(283)**	**(352)**	**109**	**(243)**
Translation adjustments									
Adjustments from translation of financial statement (1)	512	-	512	16	-	16	(113)	-	(113)
Net change during the period	**512**	**-**	**512**	**16**	**-**	**16**	**(113)**	**-**	**(113)**
Cash flow hedging									
Net loss on cash flow hedging	(28)	8	(20)	-	-	-	(2)	1	(1)
Net loss (income) on cash flow hedging reclassified to the statement of income	1	-	1	(1)	-	(1)	(1)	-	(1)
Net change during the period	**(27)**	**8**	**(19)**	**(1)**	**-**	**(1)**	**(3)**	**1**	**(2)**
Employee benefits									
Net actuarial (loss) income	504	(168)	336	27	(9)	18	(241)	84	(157)
loss reclassified to the statement of income(3)	68	(24)	44	182	(62)	120	213	(72)	141
Net change during the period	**572**	**(192)**	**380**	**209**	**(71)**	**138**	**(28)**	**12**	**(16)**
Total net change during the period	**(1,327)**	**589**	**(738)**	**(196)**	**66**	**(130)**	**(496)**	**122**	**(374)**
Changes in components of accumulated other comprehensive income (loss) attributed to non-controlling interests:									
Total net change during the period	**8**	**(2)**	**6**	**(1)**	**-**	**(1)**	**4**	**(1)**	**3**
Changes in components of accumulated other comprehensive loss attributed to the Bank's shareholders:									
Total net change during the period	**(1,335)**	**591**	**(744)**	**(195)**	**66**	**(129)**	**(500)**	**123**	**(377)**

Footnotes:

(1) Including adjustments from translation of financial statement of a consolidated subsidiary - Discount Bancorp Inc., the functional currency of which is different from that of the Bank.

(2) The pre-tax amount is reported in the of statement of profit and loss in the item "non-interest financing income". For further details see the note on non-interest financing income.

(3) The pre-tax amount has been classified to other expenses.

(4) See Note 5 L.

5. Securities

A. Composition

	Unaudited				
	September 30,2022				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value(1)
	In NIS millions				
(1) Held-to-maturity bonds(6)					
Bonds and loans:					
Of the Israeli Government(9)	11,323	11,323	1	769	10,555
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,245	3,245	-	378	2,867
Of others abroad(5)	94	94	-	8	86
Total held-to-maturity bonds	**14,662**	**14,662 (8)**	**1**	**1,155**	**13,508**

	Unaudited				
	September 30,2022				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value(1)
	In NIS millions				
(2) Available- for- sale bonds(7)					
Of the Israeli Government(9)	12,114	12,716	92	694	12,114
Of foreign governments	4,426	4,584	-	158	4,426
Of Israeli financial institutions	88	92	-	4	88
Of foreign financial institutions	473	491	1	19	473
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,537	6,188	-	651	5,537
Of others in Israel	398	424	1	27	398
Of others abroad(5)	1,643	1,696	7	60	1,643
Total Available- for- sale bonds	**24,679 (8)**	**26,191**	**101 (2)**	**1,613 (2)**	**24,679**

	Unaudited				
	September 30,2022				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value(1)(3)
	In NIS millions				
(3) Investment in not for trading shares	1,865	1,805	98 (4)	38 (4)	1,865
Of which: shares, the fair value of which is not readily available	1,664	1,630	34	-	1,664
Total not for trading securities	**41,206**	**42,658**			**40,052**

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Unaudited				
	September 30,2022				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	1,322	1,332	-	10	1,322
Of foreign governments	77	77	-	-	77
Of others in Israel	9	10	-	1	9
Total bonds	**1,408** [8]	**1,419**	**-**	**11**	**1,408**
Shares	19	5	16	2	19
Total trading securities	**1,427**	**1,424**	**16** [4]	**13** [4]	**1,427**
Total securities	**42,633**	**44,082**			**41,479**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Included in "Accumulated other comprehensive income".

(3) Shares included in this column, for which no fair value is available, are stated at cost net of impairment, with the addition or deduction of changes in observable prices of ordinary transactions in similar or identical investments of the same issuer

(4) Recorded in the statement of profit and loss.

(5) Municipal bonds and bonds of states in the U.S.

(6) No data is included for the balance of allowance for credit loss, because the allowance at September 30, 2022 is in a negligible amount.

(7) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of September 30, 2022.

(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 605 million, from the available for sale portfolio with a market value of NIS 1,892 million and from trading portfolio with a market value of NIS 768 million.

(9) See Note L

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	September 30, 2021				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	8,518	8,518	197	57	8,658
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	404	404	4	2	406
Of others abroad[(5)]	121	121	5	-	126
Total held-to-maturity bonds	**9,043**	**9,043**	**206**	**59**	**9,190**

	Unaudited				
	September 30, 2021				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[(1)]
	In NIS millions				
(2) Available- for- sale bonds					
Bonds and loans:					
Of the Israeli Government	20,539	20,386	254	101	20,539
Of foreign governments	2,587	2,603	11	27	2,587
Of Israeli financial institutions	129	125	4	-	129
Of foreign financial institutions	420	410	10	-	420
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	7,527	7,497	80	50	7,527
Of others in Israel	532	510	22	-	532
Of others abroad[(5)]	1,988	1,920	70	2	1,988
Total Available- for- sale bonds	**33,722**	**33,451**	**451** [(2)]	**180** [(2)]	**33,722**

	Unaudited				
	September 30, 2021				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)(3)]
	In NIS millions				
(3) Investment in not for trading shares	1,505	1,414	95 [(4)]	4 [(4)]	1,505
Of which: shares, the fair value of which is not readily available	1,233	1,233	-	-	1,233
Total not for trading securities	**44,270**	**43,908**			**44,417**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	September 30, 2021				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	1,595	1,599	1	5	1,595
Of foreign governments	44	44	-	-	44
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	26	25	1	-	26
Of others in Israel	23	27	1	5	23
Total bonds	**1,688**	**1,695**	**3**	**10**	**1,688**
Shares	4	4	1	1	4
Total trading securities	**1,692**	**1,699**	**4** [(4)]	**11** [(4)]	**1,692**
Total securities	**45,962**	**45,607**			**46,109**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Included in "Accumulated other comprehensive income".

(3) Shares included in this column, for which no fair value is available, are stated at cost net of impairment, with the addition or deduction of changes in observable prices of ordinary transactions in similar or identical investments of the same issuer.

(4) Recorded in the statement of profit and loss.

(5) Municipal bonds and bonds of states in the U.S.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2021				
	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[1]
	In NIS millions				
(1) Held-to-maturity bonds					
Bonds and loans:					
Of the Israeli Government	8,520	8,520	209	25	8,704
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,587	1,587	3	11	1,579
Of others abroad[5]	90	90	4	-	94
Total held-to-maturity bonds	**10,197**	**10,197**	**216**	**36**	**10,377**

	Audited				
	December 31, 2021				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[1]
	In NIS millions				
(2) Available- for- sale securities					
Bonds and loans:					
Of the Israeli Government	17,747	17,501	307	61	17,747
Of foreign governments	3,532	3,531	11	10	3,532
Of Israeli financial institutions	122	118	4	-	122
Of foreign financial institutions	517	510	8	1	517
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,582	6,632	41	91	6,582
Of others in Israel	533	500	33	-	533
Of others abroad[5]	1,994	1,941	56	3	1,994
Total Available- for- sale bonds	**31,027**	**30,733**	**460** [2]	**166** [2]	**31,027**

	Audited				
	December 31, 2021				
	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1][3]
	In NIS millions				
(3) Investment in not for trading shares	1,613	1,513	109 [4]	9 [4]	1,613
Shares	1,330	1,330	-	-	1,330
Total shares	**42,837**	**42,443**			**43,017**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 2021				
	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[(1)]
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	937	938	2	3	937
Of foreign governments	48	48	-	-	48
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	21	21	-	-	21
Of others in Israel	20	19	1	-	20
Total bonds	**1,026**	**1,026**	**3**	**3**	**1,026**
Shares	6	3	4	1	6
Total trading securities	**1,032**	**1,029**	**7 (4)**	**4 (4)**	**1,032**
Total securities	**43,869**	**43,472**			**44,049**

Footnotes:

(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

(2) Included in "Accumulated other comprehensive income".

(3) Shares included in this column, for which no fair value is available, are stated at cost net of impairment, with the addition or deduction of changes in observable prices of ordinary transactions in similar or identical investments of the same issuer.

(4) Recorded in the statement of profit and loss.

(5) Municipal bonds and bonds of states in the U.S.

5. Securities (continued)

B. Amortized cost and unrealized losses, according to the length of the period and rate of impairment of held-to-maturity bonds which are in an unrealized loss position - consolidated

	Unaudited							
	September 30, 2022							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	8,794	393	14	407	1,862	341	21	362
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	2,415	275	27	302	824	66	10	76
Of others abroad	65	8	-	8	-	-	-	-
Total held-to-maturity bonds	**11,274**	**676**	**41**	**717**	**2,686**	**407**	**31**	**438**

	Unaudited							
	September 30, 2021							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	1,881	57	-	57	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	192	2	-	2	17	- (1)	-	-
Total held-to-maturity bonds	**2,073**	**59**	**-**	**59**	**17**	**-**	**-**	**-**

	Audited							
	December 31, 2021							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	1,918	25	-	25	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,222	11	-	11	11	- (1)	-	-
Total held-to-maturity bonds	**3,140**	**36**	**-**	**36**	**11**	**-**	**-**	**-**

Footnote:

(1) An amount lower than NIS 1 million.

5. Securities (continued)

C. Fair value and unrealized losses, according to the length of the period and rate of impairment of available-for-sale bonds which are in an unrealized loss position- consolidated

	Unaudited							
	September 30, 2022							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	5,451	403	85	488	1,474	199	7	206
Of foreign governments	4,427	158	-	158	-	-	-	-
Of Israeli financial institutions	86	4	-	4	-	-	-	-
Of foreign financial institutions	327	19	-	19	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	4,209	359	18	377	1,283	175	99	274
Of others in Israel	311	27	-	27	4	- (1)	-	-
Of others abroad	1,234	53	7	60	-	-	-	-
Total available-for-sale bonds	**16,045**	**1,023**	**110**	**1,133**	**2,761**	**374**	**106**	**480**

	Unaudited							
	September 30, 2021							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	3,753	78	-	78	244	23	-	23
Of foreign governments	751	27	-	27	-	-	-	-
Of foreign financial institutions	75	- (1)	-	-	35	- (1)	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,216	50	-	50	26	- (1)	-	-
Of others abroad	195	2	-	2	-	-	-	-
Total available-for-sale bonds	**7,990**	**157**	**-**	**157**	**305**	**23**	**-**	**23**

5. Securities (continued)

C. Fair value and unrealized losses, according to the length of the period and rate of impairment of available-for-sale bonds which are in an unrealized loss position- consolidated (continued)

	Audited							
	December 31, 2021							
	Less than 12 months				More than 12 months			
		Unrealized losses				Unrealized losses		
	Fair value	0-20%	20-40%	Total	Fair value	0-20%	20-40%	Total
	In NIS millions							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	1,744	27	-	27	578	34	-	34
Of foreign governments	2,899	10	-	10	-	-	-	-
Of foreign financial institutions	149	1	-	1	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,592	79	-	79	315	12	-	12
Of others abroad	452	3	-	3	-	-	-	-
Total available-for-sale bonds	**8,836**	**120**	**-**	**120**	**893**	**46**	**-**	**46**

Footnote:
(1) An amount lower than NIS 1 million.

D. The securities portfolio, as of September 30, 2022, includes investments in asset backed securities, primarily investment in mortgage-backed-securities (MBS), which are held mainly by a consolidated subsidiary abroad. Details regarding the terms "Mortgage-backed-securities - MBS", A real estate mortgage investment conduit (REMIC), a stripped MBS, "Mortgage Pass - Through" and "Collateralized Mortgage Obligation - CMO" were brought in Note 12 to the financial statements as of December 31, 2021.

E. Unrealized losses

Available-for-sale bonds. As from January 1, 2022, the Bank is applying the directives of the Supervisor of Banks requiring the adoption in full of accounting principles accepted by US banks in the matter of "financial instruments – credit losses", as discussed in Note 1(e), by which the Bank is required to recognize an allowance for credit losses for impairment related to credit loss.

Whereas the Bank and the relevant subsidiaries have no intention of selling available-for-sale bonds that are in an unrealized loss position, no impairment in value has been recognized in their respect in the profit and loss statement (except for an allowance in the negligible amount of approx. NIS 5 million). Furthermore, based on a performed assessment, the Bank and the relevant subsidiaries have not recognized an allowance for credit loss for the said bonds.

Held-to-maturity bonds. As from January 1, 2022, the Bank is applying the directives of the Supervisor of Banks requiring the adoption in full of accounting principles accepted by US banks in the matter of allowance for current expected credit losses (CECL), as discussed in Note 1 (e). The Bank and the relevant subsidiaries have not recognized an allowance for credit loss for most of the bonds held in the held-to-maturity portfolio, principally Israeli government bonds and US government bonds. As of September 30, 2022, the allowance for credit loss exists for other bonds is a negligible amount.

F. **Fair value presentation.** The balances of securities as of September 30, 2022, September 30, 2021, and December 31, 2021, include securities amounting to NIS 26,307 million, NIS 35,686 million and NIS 32,342 million, respectively, that are presented at fair value.

5. Securities (continued)

G. Additional details (consolidated) regarding mortgage and asset backed bonds

	Unaudited			
	September 30, 2022			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds(3)				
Mortgage pass-through bonds:	270	-	21	249
of which:				
Bonds guaranteed by GNMA	210	-	12	198
Bonds issued by FHLMC and FNMA	60	-	9	51
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,461	-	566	3,895
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,461	-	566	3,895
Total available-for-sale MBS bonds	**4,731**	**-**	**587**	**4,144**
Held-to-maturity bonds(2)				
Mortgage pass-through bonds:	41	-	3	38
of which:				
Bonds guaranteed by GNMA	8	-	-	8
Bonds issued by FHLMC and FNMA	33	-	3	30
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,204	-	375	2,829
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,204	-	375	2,829
Total held-to-maturity MBS bonds	**3,245**	**-**	**378**	**2,867**
Total mortgage-backed bonds (MBS)	**7,976**	**-**	**965**	**7,011**
2.Total Asset-backed available-for-sale bonds (ABS)(3)	1,457	-	64	1,393
Of which collateralized bonds CLO	1,455	-	64	1,391
Of which Asset-backed bond (ABS)	2	-	-	2
Total mortgage and asset-backed bonds	**9,433**	**-**	**1,029**	**8,404**

Footnotes:
(1) For available for sale bonds-accumulated other comprehensive income.
(2) No data is included for the balance of allowance for credit loss, because the allowance at September 30, 2022 is in a negligible amount.
(3) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of September 30, 2022.

5. Securities (continued)

G. Additional details (consolidated) regarding mortgage and asset backed bonds (continued)

	Unaudited			
	September 30, 2021			
	Amortized cost	Unrealized gains from adjustment to fair value(1)	Unrealized losses from adjustment to fair value(1)	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
Mortgage pass-through bonds:	506	17	1	522
of which:				
Bonds guaranteed by GNMA	292	11	-	303
Bonds issued by FHLMC and FNMA	214	6	1	219
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	5,698	59	48	5,709
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	5,698	59	48	5,709
Total available-for-sale MBS bonds	**6,204**	**76**	**49**	**6,231**
Held-to-maturity bonds				
Mortgage pass-through bonds:	12	1	-	13
of which:				
Bonds guaranteed by GNMA	9	1	-	10
Bonds issued by FHLMC and FNMA	3	-	-	3
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	392	3	2	393
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	392	3	2	393
Total held-to-maturity MBS bonds	**404**	**4**	**2**	**406**
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	25	1	-	26
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	25	1	-	26
Total mortgage-backed trading bonds (MBS)	**25**	**1**	**-**	**26**
Total mortgage-backed bonds (MBS)	**6,633**	**81**	**51**	**6,663**
2.Total Asset-backed available-for-sale bonds (ABS)	1,293	4	1	1,296
Of which collateralized bonds CLO	1,291	4	1	1,294
Of which Asset-backed bond (ABS)	2	-	-	2
Total mortgage and asset-backed bonds	**7,926**	**85**	**52**	**7,959**

Footnote:

(1) For available for sale bonds-accumulated other comprehensive income.

5. Securities (continued)

G. Additional details (consolidated) regarding mortgage and asset backed bonds (continued)

	Audited			
	December 31 ,2021			
	Amortized cost	Unrealized gains from adjustment to fair value[1]	Unrealized losses from adjustment to fair value[1]	Fair value
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
Mortgage pass-through bonds:	442	11	1	452
of which:				
Bonds guaranteed by GNMA	249	7	-	256
Bonds issued by FHLMC and FNMA	193	4	1	196
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	5,030	29	88	4,971
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	5,030	29	88	4,971
Total available-for-sale MBS bonds	**5,472**	**40**	**89**	**5,423**
Held-to-maturity bonds				
Mortgage pass-through bonds:	11	1	-	12
of which:				
Bonds guaranteed by GNMA	9	1	-	10
Bonds issued by FHLMC and FNMA	2	-	-	2
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	1,576	2	11	1,567
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,576	2	11	1,567
Total held-to-maturity MBS bonds	**1,587**	**3**	**11**	**1,579**
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	21	-	-	21
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	21	-	-	21
Total mortgage-backed trading bonds (MBS)	**21**	**-**	**-**	**21**
Total mortgage-backed bonds (MBS)	**7,080**	**43**	**100**	**7,023**
2.Total Asset-backed available-for-sale bonds (ABS)	1,160	1	2	1,159
Of which collateralized bonds CLO	1,158	1	2	1,157
Of which Asset-backed bond (ABS)	2	-	-	2
Total mortgage and asset-backed bonds	**8,240**	**44**	**102**	**8,182**

Footnote:

(1) For available for sale bonds-accumulated other comprehensive income.

5. Securities (continued)

H. Additional details (consolidated) regarding mortgage and asset backed securities

Additional details regarding mortgage and asset backed securities in unrealized loss position

	Unaudited			
	September 30, 2022			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A. Mortgage pass-through bonds				
Bonds guaranteed by GNMA	191	12	-	-
Bonds issued by FHLMC and FNMA	51	9	-	-
Total mortgage-backed pass-through bonds	**242**	**21**	**-**	**-**
B. Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	2,754	301	1,106	265
Total other mortgage-backed bonds	**2,754**	**301**	**1,106**	**265**
Total available-for-sale MBS	**2,996**	**322**	**1,106**	**265**
Held-to-maturity bonds				
A. Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	3	- (1)	-	-
Bonds issued by FHLMC and FNMA	1	- (1)	28	3
Total mortgage-backed pass-through bonds	**4**	**-**	**28**	**3**
B. Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	2,109	302	720	73
Total other mortgage-backed bonds	**2,109**	**302**	**720**	**73**
Total held-to-maturity MBS bonds	**2,113**	**302**	**748**	**76**
Total mortgage-backed bonds (MBS)	**5,109**	**624**	**1,854**	**341**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	1,213	55	177	9
Total asset-backed available-for-sale bonds (ABS)	**1,213**	**55**	**177**	**9**
Total mortgage and asset-backed bonds	**6,322**	**679**	**2,031**	**350**

Footnote:

(1) Amount lower than NIS 1 million

5. Securities (continued)

H. Additional details (Consolidated) regarding mortgage and asset backed securities (continued)

Additional details regarding mortgage and asset backed securities in unrealized loss position (continued)

	Unaudited			
	September 30, 2021			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A. Mortgage pass through bonds:				
Bonds issued by FHLMC and FNMA	33	1	-	-
Total mortgage backed pass through bonds	**33**	**1**	**-**	**-**
B. Other mortgage backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	2,833	48	26	-
Total other mortgage backed bonds	**2,833**	**48**	**26**	**-**
Total available-for-sale MBS bonds	**2,866**	**49**	**26**	**-**
Held-to-maturity securities				
Other mortgage backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	190	2	17	- (1)
Total other mortgage backed bonds	**190**	**2**	**17**	**-**
Total held-to-maturity MBS bonds	**190**	**2**	**17**	**-**
Total mortgage-backed bonds (MBS)	**3,056**	**51**	**43**	**-**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	350	1	-	-
Total asset backed available-for-sale bonds (ABS)	**350**	**1**	**-**	**-**
Total mortgage and asset backed bond	**3,406**	**52**	**43**	**-**

Footnote:
(1) Amount lower than NIS 1 million

5. Securities (continued)

H. Additional details (Consolidated) regarding mortgage and asset backed securities (continued)

Additional details regarding mortgage and asset backed securities in unrealized loss position (continued)

	Audited			
	December 31 ,2021			
	Less than 12 months		12 months and over	
	Fair value	Unrealized losses	Fair value	Unrealized losses
	In NIS millions			
1.Mortgage-backed bonds (MBS):				
Available-for-sale bonds				
A. Mortgage pass through bonds:				
Bonds guaranteed by GNMA	5	- (1)	-	-
Bonds issued by FHLMC and FNMA	60	1	-	-
Total mortgage backed pass through bonds	**65**	**1**	**-**	**-**
B. Other Mortgage-Backed Securities (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	2,856	76	315	12
Total other mortgage-backed bonds	**2,856**	**76**	**315**	**12**
Total available-for-sale MBS bonds	**2,921**	**77**	**315**	**12**
Held-to-maturity bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,211	11	11	- (1)
Total other mortgage-backed bonds	**1,211**	**11**	**11**	**-**
Total held-to-maturity MBS bonds	**1,211**	**11**	**11**	**-**
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	2	- (1)	-	-
Total other mortgage-backed bonds	2	-	-	-
Total mortgage-backed trading bonds (MBS)	**2**	**-**	**-**	**-**
Total mortgage-backed bonds (MBS)	**4,134**	**88**	**326**	**12**
2.Asset-backed available-for-sale bonds (ABS)				
Of which Asset-backed bond (ABS)	671	2	-	-
Total asset-backed available-for-sale bonds (ABS)	**671**	**2**	**-**	**-**
Total mortgage and asset backed bonds	**4,805**	**90**	**326**	**12**

Footnote:
(1) Amount lower than NIS 1 million

I. Information regarding problematic bonds and bonds in arrears

	September 30, 2022	September 30, 2021	December 31, 2021
	In NIS millions		
Recorded amount of non accruing interest income problematic bonds	1	7	1

5. Securities (continued)

J. Zim shares

The Bank and MDB had received in the past shares in ZIM Combined Shipping Services Ltd. (hereinafter: "ZIM"), as part of a debt arrangement, which were recorded at zero value. According to a report by ZIM, the issue of ZIM shares on the New York Stock Exchange (NYSE) was concluded on February 1, 2021. Blocking arrangements applied to the said shares, which terminated on July 26, 2021, and the process of realization of these shares began. MDB and Discount Bank have realized their shareholdings in full. For these realizations, a pre-tax gain of NIS 124 million was recorded in 2021, of which an amount of NIS 110 million before tax in the first nine months of 2021 (in the interim financial statements as of September 30, 2021, the shares are presented at their fair value, in an amount of NIS 15 million).

K. VISA Inc. shares

Note 12 K to the financial statements as of December 31, 2021, described the holding of VISA Inc. shares by ICC and the Bank. After being released from blockage, additional shares held by ICC and by the Bank were realized in the third quarter of 2022, in a total amount of approx. NIS 57 million. Net profit of NIS 24 million were recorded in the third quarter for the said realization (net of the tax effect and FIBI's share). Following the aforementioned release, ICC retained non-listed preferred shares, the total value of which (including the share of the ICC owner banks) at the reporting date is assessed at approx. NIS 59 million ("naïve value"). The equity value of these shares, which are stated at the cost method, is NIS 14 million. It is clarified that the conversion ratio of the preferred shares may decrease in the future, depending on pending claims existing against VISA, relating to the operations of VISA Europe.
The division was made and would be made in the future according to an agreed division mechanism established by the parties.

L. Moving bonds to the held-to-maturity portfolio

On May 17, 2022, the Bank, IDB Bank and MDB moved bonds from the available-for-sale portfolio to the held-to-maturity portfolio, in a total amount of approx. NIS 4.5 billion. As required by the reporting instructions, the unrealized loss on adjustment to fair value of the said bonds at the transfer date, in a total amount of NIS 450 million, is continued to be presented in other comprehensive income and is amortized to profit and loss over the remaining lives of the bonds as an adjustment of yield. Until September 30, 2022, a total of NIS 32 million was amortized to profit and loss.

6. Credit risk, credit to the public and allowance for credit losses

General. As from January 1, 2022, the Bank is applying the directives of the Supervisor of Banks requiring the adoption in full of accounting principles accepted by US banks in the matter of allowance for current expected credit losses (CECL). For details regarding the updated accounting policy and regarding the identification and classification of non-accruing debts, a term that has replaced the term impaired debts, see Note 1 (e) above. The comparative data is indeed, starting with the financial statements as of September 30, 2022, presented according to the new format, but this is according to the identification and classification rules, which had been in effect until December 31, 2021, prior to the new directive taking effect (the data for December 31, 2021, as originally published, were audited. However, after presenting the data according to the new format, the referenced data is not audited).

Debts – in this Note: Credit to the public, credit to Governments, deposits with banks and other debts, excluding bonds, securities borrowed or purchased under agreements to resell and assets for the " Maof" market activity.

It is noted, that Note 14 presents the details included in this Note, as well as an extended discussion thereof.

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

	Unaudited					
	September 30, 2022					
	Credit to the public					
	Commercial[1]	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	104,294	-	590	104,884	37,310	142,194
Examined on a group basis	38,584 [1]	63,441	33,123	135,148	10,410	145,558
Total debts*	**142,878**	**63,441**	**33,713**	**240,032**	**47,720**	**287,752**
*** Of which:**						
Non-accruing debts	1,180	233	76	1,489	-	1,489
Debts in arrears of 90 days or more	69	-	40	109	-	109
Other problematic debts	3,507	73	378	3,958	-	3,958
Total Problematic debts	**4,756**	**306**	**494**	**5,556**	**-**	**5,556**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,589	-	20	1,609	1	1,610
Examined on a group basis	575	247	720	1,542	30	1,572
Total allowance for Credit Losses	**2,164**	**247**	**740**	**3,151**	**31**	**3,182**
Of which: For non-accruing debts	246	9	26	281	-	281
Of which: For other problematic debts	208	1	116	325	-	325

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 202 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

6. Credit risk, credit to the public and allowance for credit losses (continued)

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated

	Unaudited					
	September 30, 2021					
	Credit to the public					
	Commercial(1)	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	95,628	1	976	96,605	4,680	101,285
Examined on a group basis	30,780 (1)	50,343	29,216	110,339	1,445	111,784
Total debts*	**126,408**	**50,344**	**30,192**	**206,944**	**6,125**	**213,069**
*** Of which:**						
Non-accruing debts	1,366	1	69	1,436	-	1,436
Debts in arrears of 90 days or more	44	276	44	364	-	364
Other problematic debts	4,632	4	457	5,093	-	5,093
Total Problematic debts	**6,042**	**281**	**570**	**6,893**	**-**	**6,893**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,742	-	128	1,870	-	1,870
Examined on a group basis	367	252	628	1,247	22	1,269
Total allowance for Credit Losses	**2,109**	**252**	**756**	**3,117**	**22**	**3,139**
Of which: For non-accruing debts	287	-	38	325	-	325
Of which: For other problematic debts	442	63	204	709	-	709

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 248 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

6. Credit risk, credit to the public and allowance for credit losses (continued)

1. Debts, credit to the public and the balance of allowance for credit losses - consolidated (continued)

	Audited					
	December 31, 2021					
	Credit to the public					
	Commercial[(1)]	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks and Governments	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	98,900	-	765	99,665	5,102	104,767
Examined on a group basis	31,819 [(1)]	53,944	30,768	116,531	1,274	117,805
Total debts	**130,719**	**53,944**	**31,533**	**216,196**	**6,376**	**222,572**
Of which:						
Non-accruing debts	1,208	-	72	1,280	-	1,280
Debts in arrears of 90 days or more	43	276	43	362	-	362
Other problematic debts	4,206	4	438	4,648	-	4,648
Total Problematic debts	**5,457**	**280**	**553**	**6,290**	**-**	**6,290**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,710	-	108	1,818	-	1,818
Examined on a group basis	368	258	596	1,222	22	1,244
Total allowance for Credit Losses	**2,078**	**258**	**704**	**3,040**	**22**	**3,062**
Of which: For non-accruing debts	280	-	31	311	-	311
Of which: For other problematic debts	372	61	195	628	-	628

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 252 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction.

6. Credit risk, credit to the public and allowance for credit losses (continued)

2. Movement in the balance of allowance for credit losses – consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks, governments, held-to-maturity and available-for-sale bonds[2]	Total
	In NIS millions					
	Three months ended September 30, 2022					
Balance of allowance for credit losses, as at June 30, 2022	2,390	254	803	3,447	30	3,477
Expenses for credit loss	41	12	50	103	3	106
Accounting write-offs	(96)	-	(81)	(177)	-	(177)
Collection of debts written-off in previous years	94	-	62	156	-	156
Net accounting write-offs	(2)	-	(19)	(21)	-	(21)
Adjustments from translation of financial statements	4	-	-	4	-	4
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384
	Three months ended September 30, 2021					
Balance of allowance for credit losses, as at June 30, 2021	2,421	254	852	3,527	17	3,544
Expenses (expense release) for credit loss	(132)	(1)	2	(131)	5	(126)
Accounting write-offs	(77)	(1)	(70)	(148)	-	(148)
Collection of debts written-off in previous years	65	-	53	118	-	118
Net accounting write-offs	(12)	(1)	(17)	(30)	-	(30)
Adjustments from translation of financial statements	3	-	(6)	(3)	-	(3)
Balance of allowance for credit losses, as at September 30, 2021	**2,280**	**252**	**831**	**3,363**	**22**	**3,385**
Of which: For off-balance sheet credit instruments	171	-	75	246	-	246
	Nine months ended September 30, 2022					
Balance of allowance for credit losses, as at December 31, 2021 (audited)	2,258	258	773	3,289	22	3,311
Restatement of opening balance – initial implementation of CECL[1]	183	(32)	-	151	9	160
Expenses for credit loss	-	46	129	175	2	177
Accounting write-offs	(266)	(7)	(262)	(535)	-	(535)
Collection of debts written-off in previous years	223	-	193	416	-	416
Net accounting write-offs	(43)	(7)	(69)	(119)	-	(119)
Adjustments from translation of financial statements	35	1	1	37	-	37
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384
	Nine months ended September 30, 2021					
Balance of allowance for credit losses, as at December 31, 2020 (audited)	2,817	258	984	4,059	15	4,074
Expenses (expenses release) for credit loss	(563)	(2)	(125)	(690)	7	(683)
Accounting write-offs	(243)	(6)	(202)	(451)	-	(451)
Collection of debts written-off in previous years	262	2	180	444	-	444
Net accounting write-offs	19	(4)	(22)	(7)	-	(7)
Adjustments from translation of financial statements	7	-	(6)	1	-	1
Balance of allowance for credit losses, as at September 30, 2021	**2,280**	**252**	**831**	**3,363**	**22**	**3,385**
Of which: For off-balance sheet credit instruments	171	-	75	246	-	246

Footnotes:

(5) Effect of initial implementation of US GAAP regarding allowance for current expected credit losses (CECL). See also Note 1 (e) to the condensed financial statements.

(6) In the periods of three and nine months ended on September 30, 2021, the column includes only governments and banks.

7. Deposits from the public

A. Type of deposits according to location of raising the deposit and type of depositor

	Unaudited		Audited
	September 30		December 31
	2022	2021	2021
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	51,742	63,297	67,694
Interest bearing	74,414	55,934	56,182
Total demand deposits	**126,156**	**119,231**	**123,876**
Time deposits	128,923	94,270	103,221
Total deposits in Israel*	**255,079**	**213,501**	**227,097**
* Of which:			
Private individuals deposits	115,595	108,897	108,965
Institutional bodies deposits	33,525	19,437 (1)	22,383 (1)
Corporations and others deposits	105,959	85,167(1)	95,749 (1)
Outside Israel			
Demand deposits:			
Non-interest bearing	8,313	7,088	6,991
Interest bearing	20,318	21,675	22,504
Total demand deposits	**28,631**	**28,763**	**29,495**
Time deposits	6,936	3,129	4,315
Total deposits outside Israel	**35,567**	**31,892**	**33,810**
Total deposits from the public	**290,646**	**245,393**	**260,907**

Footnote:

(1) Reclassified – improvement in the attribution of the balance of several customers' deposits.

B. Deposits from the public according to size, on a consolidated basis

	Unaudited		Audited
	September 30		December 31
	2022	2021	2021
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	95,666	87,363	87,599
Over 1 up to 10	69,360	65,107	65,077
Over 10 up to 100	43,953	37,687	39,273
Over 100 up to 500	32,228	26,495	30,116
Over 500	49,439	28,741	38,842
Total	**290,646**	**245,393**	**260,907**

8. Employee Benefits

A. Details regarding the benefits

	Unaudited		Audited
	September 30		December 31
	2022	2021	2021
	in NIS millions		
Severance pay, retirement and pension :			
The liability amount	2,703	2,893	3,180
Fair value of the plan's assets	1,231	1,282	1,384
Excess liabilities over the plan's assets included in the item "other liabilities"	**1,472**	**1,611**	**1,796**
Amounts included in the other liabilities item:			
Long-service ("jubilee") awards	-	273	-
Post retirement benefits to retirees	526	619	677
Vacation	153	159	153
Illness	7	8	8
Total Excess liabilities of the program included in the item "other liabilities"	**2,158**	**2,670**	**2,634**
Of which – for benefits to employees abroad	35	34	29

B. Defined benefit plan

1. Commitment and financing status

1.1 Change in commitment for anticipated benefits

	Unaudited								Audited	
	For the three months ended September 30,				For the nine months ended September 30,				For the year ended December 31,	
	2022	2021	2022	2021	2022	2021	2022	2021	2021	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions									
Commitment for anticipated benefits at the beginning of the period	2,756	2,845	554	610	3,180	3,133	677	613	3,133	613
Cost of service	29	27	2	2	88	79	6	5	105	6
Cost of interest	23	13	4	4	57	42	12	12	54	15
Actuarial loss (profit)	(84)	34	(26)	10	(544)	14	(148)	12	320	74
Changes in foreign currency exchange rates	-	-	-	-	-	-	3	-	-	(1)
Benefits paid	(21)	(26)	(8)	(7)	(58)	(375)	(24)	(23)	(432)	(30)
Other	-	-	-	-	(20)	-	-	-	-	-
Commitment at the end of the period for anticipated benefits	**2,703**	**2,893**	**526**	**619**	**2,703**	**2,893**	**526**	**619**	**3,180**	**677**
Commitment at the end of the period for accumulated benefits[(1)]	**2,307**	**2,472**	**526**	**619**	**2,307**	**2,472**	**526**	**619**	**2,786**	**677**

Footnote:
(1) The commitment for a cumulative benefit differs from the commitment for a contractual benefit in that it does not include any assumptions with regard to the future compensation levels.

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

1.2 Change in fair value of the plan's assets and financing status of the plan

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	Severance pay, retirement and pension payments				
	in NIS millions				
Fair value of the plan's assets at the beginning of the period	1,253	1,272	1,384	1,318	1,318
Actual return on the plan's assets	(18)	10	(128)	99	169
Deposits by the Bank to the plan	6	5	19	16	22
Benefits paid	(10)	(5)	(41)	(151)	(168)
An addition stemming from the merger of Municipal Bank	-	-	(3)	-	43
Fair value of the plan's assets at the end of the period	**1,231**	**1,282**	**1,231**	**1,282**	**1,384**
Financing status – net liability recognized at the end of the period	**(1,472)**	**(1,611)**	**(1,472)**	**(1,611)**	**(1,796)**

1.3 Amounts recognized in the consolidated balance sheet

	Unaudited				Audited	
	September 30				December 31	
	2022	2021	2022	2021	2021	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Amounts recognized in the item "other liabilities"	(1,472)	(1,611)	(526)	(619)	(1,796)	(677)
Net liability at the end of the period	**(1,472)**	**(1,611)**	**(526)**	**(619)**	**(1,796)**	**(677)**

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

	Unaudited				Audited	
	September 30				December 31	
	2022	2021	2022	2021	2021	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions					
Net actuarial profit (loss)	(682)	(928)	21	(66)	(1,109)	(127)
Net cost for prior service	-	-	(1)	1	-	-
Closing balances of accumulated other comprehensive income (loss)	**(682)**	**(928)**	**20**	**(65)**	**(1,109)**	**(127)**

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

1. Commitment and financing status (continued)

1.5 Plans in which the commitment for cumulative benefits exceeds the plan's assets

	Unaudited		Audited
	September 30		December 31
	2022	2021	2021
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for cumulative benefits	2,189	2,331	2,786
Fair value of the plan's assets	1,067	1,141	1,384

1.6 Plans in which the commitment for anticipated benefits exceeds the plan's assets

	Unaudited		Audited
	September 30		December 31
	2022	2021	2021
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for anticipated benefits	2,703	2,893	3,180
Fair value of the plan's assets	1,231	1,282	1,384

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period

2.1 Components of net benefit costs recognized in the statement of profit and loss for defined benefits pension and defined deposit plans

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2021	2022	2021	2021
	in NIS millions				
Severance pay, retirement and pension payments					
Cost of service	29	27	88	79	105
Cost of interest	23	13	57	42	54
Anticipated return on assets of the plan	(18)	(15)	(55)	(45)	(64)
Cost of prior service	-	-	(20)	-	-
Amortization of unrecognized amounts:					
Net actuarial loss	15	16	53	55	72
Total amortization of unrecognized amounts	**15**	**16**	**53**	**55**	**72**
Other, including loss from reduction or settlement	16	7	16	129	143
Total net cost of benefits	**65**	**48**	**139**	**260**	**310**
Total expense regarding defined deposits pension plans	**47**	**50**	**143**	**143**	**191**
Total expenses included in respect Severance pay, retirement and pension payments	**112**	**98**	**282**	**403**	**501**
Of which: expenses included in salaries and related expenses	76	77	231	222	296
Of which: expenses included in other expenses	36	21	51	181	205
Post retirement retiree benefits					
Cost of service	2	2	6	5	6
Cost of interest	4	4	12	12	15
Amortization of unrecognized amounts:					
Net actuarial income	(1)	(1)	-	(1)	-
Cost of prior service	(1)	-	(1)	(1)	(2)
Total amortization of unrecognized amounts	**(2)**	**(1)**	**(1)**	**(2)**	**(2)**
Total net cost of benefits	**4**	**5**	**17**	**15**	**19**
Of which: expenses included in salaries and related expenses	2	2	6	5	6
Of which: expenses included in other expenses	2	3	11	10	13

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

2. Expense for the period (continued)

2.2 Changes in assets of the plan and in the commitment for benefits recognized in other comprehensive income (loss), before tax effect

	Unaudited								Audited	
	For the three months ended September 30,				For the nine months ended September 30,				For the year ended December 31,	
	2022	2021	2022	2021	2022	2021	2022	2021	2021	
	Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments		Post retirement retiree benefits		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions									
Net actuarial loss (income) for the period	(48)	39	(26)	10	(358)	(40)	(148)	12	172	74
Amortization of actuarial income (loss)	(15)	(16)	1	1	(53)	(55)	-	1	(72)	-
Amortization of credit for prior service	-	-	1	-	-	-	1	1	-	2
Other, including profit from reduction or settlement	(16)	(7)	-	-	(16)	(129)	-	-	(143)	-
Total recognized in other comprehensive (income) loss	**(79)**	**16**	**(24)**	**11**	**(427)**	**(224)**	**(147)**	**14**	**(43)**	**76**
Total net cost of benefits[1]	**65**	**48**	**4**	**5**	**139**	**260**	**17**	**15**	**310**	**19**
Total amount recognized in net cost of benefits and in other comprehensive income (loss)	**(14)**	**64**	**(20)**	**16**	**(288)**	**36**	**(130)**	**29**	**267**	**95**

Footnote:
(1) See item 2.1 above.

3. Assumptions

3.1 Assumptions on the basis of a weighted average used in determining the commitment for the benefit and in measuring the net cost of the benefit

3.1.1 Principal assumptions used in determining the commitment for the benefit

	Unaudited		Audited	Unaudited		Audited
	September 30		December 31	September 30		December 31
	2022	2021	2021	2022	2021	2021
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.57%-1.91%	-0.46%-0.75%	-0.75%-0.53%	1.42%-2.00%	-1.02%-1.03%	-1.18%-0.80%

3.1.2 Principal assumptions used in measuring the net cost of benefit for the period

	Unaudited		Audited	Unaudited		Audited
	September 30		December 31	September 30		December 31
	2022	2021	2021	2022	2021	2021
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	0.09%-1.09%	-0.03%-0.85%	-0.14%-0.82%	-0.42%-1.31%	-0.36%-1.08%	-0.53%- 1.07%

8. Employee Benefits (continued)

B. Defined benefit plan (continued)

3. Assumptions (continued)

3.2 Effect of a one percentage point change on the commitment for anticipated benefits, before the tax effect

	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
	Increase of one percentage point						Decrease of one percentage point					
	Severance pay, retirement and pension payments			Post retirement retiree benefits			Severance pay, retirement and pension payments			Post retirement retiree benefits		
	September 30		December 31	September 30		December 31	September 30		December 31	September 30		December 31
	2022	2021	2021	2022	2021	2021	2022	2021	2021	2022	2021	2021
	in NIS millions											
Discount rate	(220)	(254)	(305)	(105)	(43)	(62)	228	265	322	105	43	64

The said sensitivity analysis relates to the Bank, and to MDB, which comprise more than 90% of the liability for an anticipated benefit.

4. Cash flow

4.1 Deposits

	Unaudited					Audited
	Forecast(1)	Actual deposits				
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2022	2022	2021	2022	2021	2021
	Severance pay, retirement and pension payments					
	in NIS millions					
Deposits	8	6	5	19	16	22

Footnote:

(1) Assessment of expected deposits with defined benefit pension plans the remainder of 2022.

C. **The 2020 retirement plan.** Note 23 I to the financial statements as of December 31, 2020, contains a description of the 2020 retirement plan applying to the Bank, MDB and ICC.

75 retirees of the Bank completed the retirement process until the end of the first quarter of 2021, within the framework of the retirement plans. Accordingly, the amount of the settlement charged to profit and loss in the first quarter of 2021, amounted to NIS 115 million (before tax effect). The balance will be spread over the average duration of the liability, which currently stands at approx. 13 years, according to the accounting principles applicable to the Bank.

D. **The 2022 retirement plan.** On August 29, 2022, the Bank's Board of Directors approved a retirement plan for permanent employees having the defined characteristics, would be entitled to early retirement under preferential terms.

The liability existing in the books of the Bank covers in full the cost of the plan, accordingly, no increase in the liability reflected in the books of the Bank is expected, and no effect is expected on the Bank's equity capital and on its capital adequacy.

Until November 21, 2022, some 33 permanent employees had signed an early retirement request from the Bank.

9. Capital Adequacy, leverage and liquidity according to Directives of the Supervisor of Banks

1. Capital adequacy according to Directives of the Supervisor of Banks

(a) **Adoption of Basel III instructions.** Details in this matter were brought in Note 25, section 1 a, in the 2021 Annual Report.

(b) **Additional capital requirements for housing loans.** On September 28, 2014 the Supervisor of Banks issued an amendment to Proper Conduct of Banking Business Directive No. 329, in the framework of which, a banking corporation is required to increase their Common equity tier 1 target and the total capital target by a rate which expresses 1% of the outstanding housing loans. The said requirement increased the total minimum equity capital requirement by approx. 0.19%. It is noted that according to the Provisional Instruction from April 27, 2020, the said requirement shall not apply to housing loans approved as from March 19, 2020 and until date of expiry of the Provisional Instruction. Housing loans approved as from the effective date of the provisional instruction, and for which, the additional capital requirement does not apply, as stated, amounted at September 30, 2022 to NIS 18,276 million. In reply to an approach by the Bank, the Supervisor of Banks clarified on June 2, 2021, that the said requirement relates only to the Common Equity Tier 1 goal, and that it is not required to apply it also with respect to the total capital goal.

On December 27, 2021, within the framework of updating Proper Conduct of Banking Business Directive No. 329, "Limitations on Issuing Housing Loans", it was prescribed that the aforesaid additional capital requirement would apply solely to loans for the purpose of housing and would not apply to a housing loan not for the purpose of acquiring a land right and a housing pledge ("an 'any purpose' loan").

(c) **Relief regarding the retirement plan**

(1) **Relief regarding the retirement plan 2018.** The Supervisor of Banks granted the Bank a relief regarding its 2018 efficiency plan. Costs in a total amount of approx. NIS 145 million (before taxes; an amount of NIS 95 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2018, and are gradually amortized, as from the third quarter of 2018, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 81 million have been amortized to September 30, 2022. Additional details regarding this matter are given in Note 25 section 1 c (1) to the 2021 annual report.

(2) **Relief regarding the retirement plan 2020.** The Supervisor of Banks granted the Bank a relief regarding its 2020 retirement plan. Costs in a total amount of approx. NIS 257 million (before taxes; an amount of NIS 169 million net of tax) have been eliminated in computing capital adequacy in the report for the second quarter of 2020, and are gradually amortized, as from the third quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 76 million have been amortized to September 30, 2022.

(3) **Relief regarding the expanding of the retirement plan 2020.** The Supervisor of Banks granted the Bank a relief regarding the expanding of its 2020 retirement plan. Costs in a total amount of approx. NIS 238 million (before taxes; an amount of NIS 157 million net of tax) have been eliminated in computing capital adequacy in the report for the third quarter of 2020, and are gradually amortized, as from the fourth quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 63 million have been amortized to September 30, 2022.

(4) **Relief regarding the retirement plan 2020 - MDB.** The Supervisor of Banks granted MDB a relief regarding its 2020 retirement plan. Costs in a total amount of approx. NIS 60 million (before taxes; an amount of NIS 40 million net of tax) have been eliminated in computing capital adequacy in the 2020 annual report, and are gradually amortized, as from the fourth quarter of 2020, on a quarterly straight-line basis (5% per quarter) over a period of five years. Costs in the amount of NIS 16 million have been amortized to September 30, 2022.

9. Capital Adequacy, leverage and liquidity according to Directives of the Supervisor of Banks (continued)

1. Capital adequacy according to Directives of the Supervisor of Banks (continued)

(d) **Provisional Instruction mitigating the capital requirements in order to face the Corona crisis.** The Supervisor of Banks published on March 31, 2020 a Provisional Instruction, according to which, on the background of the spreading of the Corona virus and in order to secure the ability of banks to continue the granting of credit, the regulatory capital requirements applying to banks, have been reduced so that the minimum Common Equity Tier 1 ratio (excluding the additional capital buffer for residential credit) would be 8% (compared to 9% prior to the change), and the minimum total capital ratio would be 11.5% (compared to 12.5% prior to the change). The Provisional Instruction has been extended from time to time, and recently until December 31, 2021. On December 27, 2021, the Banking Supervision Department published a circular, according to which, with effect from January 1, 2022, the temporary directive will cease to be valid. The mitigated capital requirements will apply for a period of twenty-four months following the end of the temporary directive period (namely, until December 31, 2023), on condition that the Bank's capital ratios shall not be lower than the capital ratios existing at the end of the temporary directive period, or the capital ratios applying to the Bank prior to the temporary directive, whichever is lower. Within the framework of the circular dated March 22, 2021, it was prescribed that a reduction in the capital ratios of up to 0.3 percentage points in the six-month period from the end of the temporary directive's validity (namely, until June 30, 2022) would not be considered a deviation from the regulatory capital requirements. As from January 1, 2022, with the expiry of the period of the Provisional Instruction, the minimum level of the Common Equity Tier 1 ratio and the minimum level of the total capital ratio reverted to the level of 9% and 12.5%, respectively, subject to that stated above.

E. Capital for calculating ratio of capital

	Unaudited		Audited
	September 30,		December 31,
	2022	2021	2021
	in NIS millions		
Common equity tier 1 after deductions	24,653 [(1)]	21,719 [(1)]	21,839 [(1)]
Additional tier 1 capital after deductions	-	178	178
Tier 1 capital	24,653	21,897	22,017
Tier 2 capital after deductions	6,360	6,374	6,971
Total capital	**31,013**	**28,271**	**28,988**

Footnote:

(1) See item "C" above.

F. Weighted risk assets balance

	Unaudited		Audited
	September 30,		December 31,
	2022	2021	2021
	in NIS millions		
Credit risk[(1)]	220,019	190,636	194,544
Market Risk	4,294	3,759	3,738
CVA risk	2,154	1,542	1,656
Operational risk	15,979	15,211	15,383
Total weighted risk assets balance	**242,446**	**211,148**	**215,321**

Footnote:

(1) The total weighted balances of the risk assets have been reduced by NIS 276 million (September 30, 2021: NIS 367 million, December 31,2021: NIS 343 million) due to adjustments in respect to the efficiency plan. As well as an amount of NIS 963 million, due to adjustments for increased capital requirements regarding increased risk loans intended for the purchase of land.

9. Capital Adequacy, leverage and liquidity according to Directives of the Supervisor of Banks (continued)

1. Capital adequacy according to Directives of the Supervisor of Banks (continued)

G. Ratio of capital risk assets

	Unaudited		Audited
	September 30,		December 31,
	2022	2021	2021
	In %		
A. Consolidated			
Ratio of common equity tier 1 to risk assets	10.17	10.29	10.14
Ratio of total capital to risk assets	12.79	13.39	13.46
Ratio of minimum common equity tier 1 required by the Supervisor of Banks[(3)(5)]	9.19	8.16	8.16
Minimum total capital adequacy ratio required by the Supervisor of Banks[(5)]	12.50	11.50	11.50
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	10.86	12.10	11.90
Ratio of total capital to risk assets	13.68	14.20	14.01
Ratio of minimum common equity tier 1 required by the Supervisor of Banks[(4)(5)]	9.21	8.18	8.18
Minimum total capital adequacy ratio required by the Supervisor of Banks[(5)]	12.50	11.50	11.50
2. Discount Bancorp Inc. [(1)]			
Ratio of common equity tier 1 to risk assets	13.49	13.00	12.57
Ratio of total capital to risk assets	14.41	14.20	13.62
Ratio of minimum common equity tier 1 required according to local regulation[(2)]	4.50	4.50	4.50
Minimum total capital adequacy ratio required according to local regulation[(2)]	8.00	8.00	8.00
3. Israel Credit Cards LTD.			
Ratio of common equity tier 1 to risk assets	12.50	15.40	15.30
Ratio of total capital to risk assets	13.60	16.40	16.30
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.00	8.00	8.00
Minimum total capital adequacy ratio required by the Supervisor of Banks	11.5	11.5	11.5

Footnotes:

(1) The data in this item was computed according to the rules mandatory in the U.S.

(2) IDB New York is subject to the new Basel III capital rules based on the final rules published by the FRB. Capital ratios are as follows: 4.5% CET1 to risk-weighted assets; 6% Tier 1 capital to risk-weighted assets; and 8% Total capital to risk-weighted assets.

(3) With an addition of 0.19% (September 30, 2021 and December 31, 2021: 0.16%), according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

(4) With an addition of 0.21% (September 30, 2021: 0.17% and December 31, 2021: 0.18%), according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

(5) For details regarding provision instruction mitigating the capital requirements in order to face the Corona crisis, see sections B and D above.

9. Capital Adequacy, leverage and liquidity according to Directives of the Supervisor of Banks (continued)

1. Capital adequacy according to Directives of the Supervisor of Banks (continued)

H. Capital components for calculating ratio of capital

	Unaudited		Audited
	September 30,		December 31,
	2022	2021	2021
	in NIS millions		
A. Common Equity Tier 1			
Common equity	24,718	22,006	22,148
Difference between common equity and common equity tier 1	(233)	(399)	(395)
Total common equity tier 1 before supervisory adjustments and deductions	**24,485**	**21,607**	**21,753**
Supervisory adjustments and deductions			
Goodwill and other intangible assets	163	196	195
Supervisory adjustments and other deductions	29	4	8
Total supervisory adjustments and deductions before effect of adjustments for the efficiency plan and before effect of adjustment for expected credit losses	**192**	**200**	**203**
Total adjustments in respect to the efficiency plan	225	312	289
Total adjustments for expected credit losses	135	-	-
Total common equity tier 1 after supervisory adjustments and deductions	**24,653**	**21,719**	**21,839**
B. Additional tier 1 capital			
Additional tier 1 capital before supervisory adjustments and deductions	-	178	178
Total additional tier 1 capital after deductions	**-**	**178**	**178**
C. Tier 2 capital			
Instruments before deductions	3,483	3,886	4,431
Allowance for credit losses before deductions	2,777	2,402	2,452
Minority interests in a subsidiary	100	86	88
Total tier 2 capital before deductions	6,360	6,374	6,971
Deductions	-	-	-
Total tier 2 capital	**6,360**	**6,374**	**6,971**

I. The effect of the adjustments in respect to the efficiency plan, increased risk loans for the purchase of land and for current expected credit losses on the ratio of common equity tier 1

	Unaudited		Audited
	September 30,		December 31,
	2022	2021	2021
	In %		
Ratio of Common Equity Tier 1 to risk items before effect of adjustments	9.97	10.12	9.99
Effect of the adjustments in respect to the efficiency plan[(1)]	0.10	0.17	0.15
Effect of adjustments for expected credit losses[(2)]	0.06	-	-
Effect of adjustments for increased risk loans for the purchase of land[(3)]	0.04	-	-
Ratio of common equity tier 1 to risk assets after the effect of the adjustments in respect to the efficiency plan	10.17	10.29	10.14

Footnote:

(1) See item "C" above.

(2) Adjustments in respect of the effect of initial application of accounting principles regarding expected credit losses, which are gradually being decreased until December 31, 2024. See also item "H" above.

(3) Adjustments in respect of the effect of initial application of the directives of the Supervisor of Banks regarding higher capital requirements for increased risk loans intended to finance the purchase of land, which are gradually being decreased until June 30, 2023.

9. Capital Adequacy, leverage and liquidity according to Directives of the Supervisor of Banks (continued)

2. Leverage ratio according to Directives of the Supervisor of Banks

Computed according to Proper Conduct of Banking Business Directive No. 218 in the matter of leverage ratio.

Temporary directive for a relaxation in relation to leverage in light of the Corona crisis. On November 15, 2020, the Banking Supervision Department issued an update to Proper Conduct of Banking Business Directive No. 250. The update deals with the relaxation in the leverage ratio for a banking corporation, so that it will amount to 4.5% for a banking corporation whose market share is smaller than 24%. This was done in order to prevent a situation where the leverage ratio would constitute an obstacle to extending bank credit. The temporary directive has been extended from time to time. In a circular dated May 15, 2022, the relief stipulated in this matter was extended so that it will be valid until June 30, 2024, provided that the leverage ratio is not less than the rate on December 31, 2023 or from the minimum leverage ratio required from a banking corporation prior to the temporary directive, the lower of the two.

	Unaudited		Audited
	September 30,		December 31,
	2022	2021	2021
	in NIS millions		
A. Consolidated			
Tier 1 capital[1]	24,653	21,897	22,017
Total exposures	410,083	346,679	368,120
	In %		
Leverage ratio	6.0	6.3	6.0
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Leverage ratio	5.7	6.4	6.0
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
2. Discount Bakcorp Inc.			
Leverage ratio	10.0	9.9	9.4
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	9.1	11.3	11.1
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5

Footnote:

(1) For the effect of the adjustments in respect to the efficiency plans and adjustments for expected credit losses, see items 1 H ,I.

9. Capital Adequacy, leverage and liquidity according to Directives of the Supervisor of Banks (continued)

3. Liquidity coverage ratio according to Directives of the Supervisor of Banks

Computed according to Proper Conduct of Banking Business Directive No. 221 in the matter of liquidity coverage ratio.

General. The computation is based on the average of daily observations in the period of ninety days prior to the date of the report (with the exception of ICC, where the computation was based on the average of monthly observations).

	Unaudited		Audited
	For the three months ended		
	September 30,		December 31,
	2022	2021	2021
	In %		
A. Consolidated			
Liquidity coverage ratio	125.3	130.1	123.1
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	136.7	141.5	131.9
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
C. Significant subsidiaries(1)			
Mercantile Discount Bank LTD. and its consolidated companies			
Liquidity coverage ratio	135.1	130.8	128.6
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnotes:

(1) The new directive does not apply to credit card companies and thus data relating to ICC are not presented. Likewise, the directive does not apply to IDB Bank.

4. Net Stable Funding Ratio according to the Supervisor of Banks's directive

General. With effect from December 31, 2021, the Bank applies Proper Conduct of Banking Business Directive No. 222, "Net Stable Funding Ratio – NSFR", which adopts the recommendations of the Basel Committee with regard to a Net Stable Funding Ratio in the Israeli banking system. According to the directive, the objective of a Net Stable Funding Ratio is to improve the resilience of the liquidity risk profile of banking corporations in the long term by means of requiring from the banking corporations to maintain a stable funding profile according to the composition of their balance sheet assets and their off-balance sheet activities. The Net Stable Funding Ratio consists of two components: available stable funding items (the numerator) and required stable funding items (the denominator). "Available stable funding" is defined as that part of the capital and liabilities that can be relied upon over the time horizon taken into account in the Net Stable Funding Ratio, which lasts for one year. The Required amount of stable funding of a particular corporation is a function of the liquidity characteristics and the residual maturities of the various assets held by that corporation, as well as of its off-balance sheet exposures.

According to the directive, the required minimum Net Stable Funding Ratio stands at 100%.

	Unaudited	Audited
	September 30,	December 31,
	2022	2021
	In %	
A. Consolidated		
Net stable funding ratio (NFSR)	121.4	126.7
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0
B. Significant subsidiaries		
1. Mercantile Discount Bank LTD. and its consolidated companies		
Net stable funding ratio (NFSR)	122.6	127.0
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0

Footnote:

(1) The Directive regarding Net Stable Funding Ratio is being implemented as from December 31, 2021.

10. Contingent liabilities and special commitments

Contingent liabilities and other special commitments

	Unaudited		Audited
	September 30		December 31
	2022	2021	2021
	in NIS millions		
1. Commitment to acquire buildings and equipment[(1)]	614	885	849
2. Commitment to invest in private investment funds and in venture capital funds	783	668	730

Footnote:
(1) Mainly due to the Discount campus establishment, see item 5.

Contingent liabilities and other special commitments - continued

3. Various actions against the Bank and its consolidated subsidiaries:

As detailed in Note 26 C 10 to the financial statements as at December 31, 2021, various actions are pending against the Bank and its consolidated subsidiaries, including class action suits and requests to approve actions as class action suits. In the opinion of the Bank's Management, which is based, inter alia, on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based upon the opinion of their legal counsels, respectively, as the - case may be, adequate provisions have been included in the financial statements, where required.

The total exposure with respect to claims filed against the Bank and its consolidated subsidiaries, whose prospects of materializing, in whole or in part, have been assessed as reasonably possible, amounted to approx. NIS 629 million as of September 30, 2022.

A description of material legal proceedings being conducted against the Bank and Group companies was brought in Note 26 C sections 10-11 to the financial statements as at December 31, 2021. The criteria under which a legal proceeding will usually be defined by the Bank as material is brought in Note 1 D 16 to the financial statements as at December 31, 2021.

Following is a summary of significant updates regarding material legal actions against the Bank and its subsidiaries:

3.1 Note 26 C 10.1 to the financial statements as of December 31, 2021, described a lawsuit filed on April 28, 2014, together with a motion for its approval as a class action suit, filed with the District Court Central Region against ICC and other credit card companies. The above motion raises the allegation for two binding arrangements in the field of immediate debit cards ("debit") and pre-paid cards ("pre-paid"). A new motion was filed on June 8, 2016, which assessed the damage for all defendants at approx. NIS 7 billion. The last mediation meeting was held on September 7, 2022, in which the Mediator informed that she does not see any point in continuing the mediation proceedings, referring the parties to the Court. A pretrial hearing was conducted on November 20, 2022 and evidence hearing sessions were set for July 2023.

3.2 Note 26 C 10.2 to the financial statements as of December 31, 2021, described a lawsuit filed on February 21, 2017, with the Tel Aviv-Jaffa District Court against the Bank and addition banks. The motion claims that the Bank charges customers entitled to be defined as a "small business", with fees and commissions that are not in agreement with the small business pricelist. It is further claimed that the Bank did not disclose to its business customers the option of being classified as a small business and the practical significance of such classification, a conduct that led to the charging of excess fees and commissions. The Claimants stated the amount of the claim at approx. NIS 261 million.

On February 13, 2022, the District Court addressed questions for consideration of the regulator. On August 22, 2022, the Regulator submitted his response. On August 30, 2022, the Bank informed of its consent to take part in mediation proceedings. A pretrial hearing was set for November 27, 2022.

3.3 Note 26 C 10.3 to the financial statements as of December 31, 2021, described a lawsuit filed on May 6, 2018, together with a motion for its approval as a class action suit with the Tel Aviv-Jaffa District Court against ICC and two additional Respondents. The subject of the motion is the claim that the Respondents had not provided proper disclosure regarding the charging of interest by them. The Claimants stated the amount of their claim for all class members, and against all respondents, at NIS 181 million.

A motion for withdrawal was filed by the Appellant on June 15, 2021. On January 26, 2022, the Court admitted the withdrawal motion and the proceedings came to an end.

10. Contingent liabilities and special commitments (continued)

3.4 Note 26 C 10.5 to the financial statements as of December 31, 2021, described a lawsuit filed on July 22, 2018, in the Tel Aviv District Court, together with a motion for its approval as a class action against ICC and two other credit card companies. The subject of the petition is paperless transactions (mainly telephone transactions) with companies engaged in direct marketing. It is alleged in the petition that the credit card companies have not prevented the companies engaged in direct marketing from exploiting the elderly and stealing their money in respect to illegal transactions, with this being done by charging their credit cards. It is also alleged in the petition that the credit card companies should have prevented this phenomenon at the outset and, prior to entering into an engagement with the direct marketing companies, they should have checked the nature of these companies and their activity and should have verified that they were in full compliance with the law. The petitioners have assessed the amount of their claim in the sum of NIS 900 million for all the members of the group. On August 21, 2022, the District Court handed a verdict dismissing the motion for approval. On November 13, 2022, the Appellants filed an appeal against the verdict with the Supreme Court.

3.5 Note 26 C 10.6 to the financial statements as of December 31, 2021, described a lawsuit filed on August 12, 2021 together with a motion for its approval as a class action. The lawsuit refers to a failure in the installation of a server regarding the PayBox payment application, a failure, which, as argued by the plaintiffs, caused them damage. On April 3, 2022, the Bank filed its response to the motion. On October 19, 2022, the Appellants submitted their response to the response of the Bank. The case is scheduled to be heard on January 19, 2023.

3.6 Note 26 C 10.8 to the financial statements as of December 31, 2021, described a lawsuit together with a motion for its approval as a class action against MDB, filed on September 16, 2020, at the Jerusalem District Court. The Claimant alleges that as a condition for the grant of a state-guaranteed loan MDB requires to open a deposit from the loan funds, with id pledged to secure the repayment of the loan, namely that the amount of the loan actually received is the amount of the loan, net of the amount of the deposit. The Claimant also alleges that the loan documents do not mention the level of the effective interest, including all fees, interest and other payments that have to be made.

The Claimant has assessed the amount of the action for the whole group in the sum of approx. NIS 817 million, but it was noted that the exact amount will be determined once the material in MDB's possession is received. At the hearing held on May 12, 2022, the parties notified the Court that they were intending to turn to mediation.

4. Class action suits and requests to approve certain actions as class action suits as well as other actions are pending against the Bank and its consolidated subsidiaries, which, in the opinion of the Bank's Management, based on legal opinions and/or on the opinion of managements of its consolidated subsidiaries, which are based on the opinions of their legal counsels, respectively, as the case may be, it is not possible at this stage to evaluate their prospects of success, and therefore no provision have been included in respect therewith.

4.1 Note 26 C 11.1 to the financial statements as of December 31, 2021, described a claim brief together with a plea for deferment of the payment of Court fees, filed on December 19, 2019, with the Tel Aviv-Yaffo District Court against the Bank and against five additional defendants.

The claim had been filed by a commercial bank in the Ukraine, the Joint Stock Company Commercial Bank, Private Bank, and the cause of action being fraud, embezzlement and deceit p14.erpetrated by former controlling stockholders of the Plaintiff who are being sued in the claim brief.

As argued in the claim brief, the controlling stockholders of the Plaintiff had acted for the granting of loans by the Plaintiff to entities under their control, such loan monies being later transferred through bank accounts in order to hide their source, and finally usurped for the personal benefit of the controlling stockholders. It is further argued that as part of the fraud and embezzlement perpetrated according to the instructions of the controlling stockholders, an amount of US$1.2 billion was smuggled to Israel by way of monetary transfers from a bank account in Cyprus belonging to a company owned by the controlling stockholders to its account with the Bank. As described in the claim brief, the said monetary transfers were made in the years from 2007 to 2011. According to the arguments of the Plaintiff by allowing these monetary transfers to and from the Bank, the Bank has caused damage to the Plaintiff, and this, as argued by the Plaintiff, is in contradiction to the duties applying to him under the Prohibition of Money Laundering Law in Israel.

The amount of the claim against all defendants is stated at NIS 2.1 billion.

The Court fee was paid on January 30, 2020. On March 18, 2020, the Court accepted the plaintiff's motion and granted an order permitting the service of the statement of claim outside its jurisdiction.

On February 17, 2020, the Bank filed a motion for the dismissal in limine of the claim or, alternately, for a stay of proceedings therein due to the parallel proceedings being conducted overseas. On May 17, 2020, the Court ruled to accept the Bank's motion for an extension to the date for filing a statement of defense.

10. Contingent liabilities and special commitments (continued)

On December 7, 2020, the Court ruled for the rejection of the motion of the Bank for the in limine dismissal of the action. On December 31, 2020, the Bank applied to the Supreme Court for permission to appeal the said decision. On January 26, 2021, the Court granted the Bank an extension for the submission of a defense brief within sixty days from date of the decision of the Supreme Court in the request for permission to appeal. The Supreme Court dismissed on March 25, 2021, the motion for permission to appeal.

At the request of the Claimant, the Court permitted the delivery of the claim brief to a part of the Defendants, whose alleged place of residence is in the Ukraine; and this decision was appealed (not yet decided). Furthermore, at the request of the Bank dated May 26, 2021, the Court has extended the date for submission of the defense brief until after a decision is given in the motion for an Order under the money laundering prohibition laws, submitted by the Bank. In between, the Attorney General for the Government informed on October 28, 2021, of his intention to appear in the proceedings, and also stated his position, whereby, inter alia, he is opposed to the granting of an Order under the Prohibition of Money Laundering statutes. On October 17, 2021, the Bank filed a motion for the stay of proceedings in Israel, inter alia, on the background of the existence of parallel proceedings in the Ukraine. The Claimant filed on December 9, 2021, a response to the motion for the stay of proceedings. The Bank filed on January 9, 2022, its response to the response of the Claimant to the motion for the stay of proceedings. A hearing of the preliminary motions was held on May 18, 2022. In continuation of the hearing, a legal process arrangement had been reached, which obviates, at this stage, a decision regarding the preliminary motions. The Bank submitted a defense brief on August 3, 2022.

On January 27, 2022, two of the Respondents filed motions in which they deny the authority of the Court in Israel to try the case.

On February 3, 2022, another Defendant, a foreign resident, submitted a defense brief, and on February 16, 2022, the Claimant informed that he had delivered the claim brief to an additional Defendant (a foreign corporation).

4.2 Note 26 C 11.2 to the financial statements as of December 31, 2021, described a lawsuit together with a motion for its approval as a class action suit on April 12, 2021 against ICC and fifteen financial bodies, including banks, credit card companies, insurance companies and investment houses.

The subject of the action is the argument made by the Claimants that the Respondents provide to third parties, and to Google and to its advertising services in particular, private, personal and confidential data regarding their customers who are making use of the digital services of the Respondents, or who had done so during the seven years prior to the date of filing the action, without obtaining the consent of the said customers, thus damaging their rights to privacy while violating the duties imposed on the Respondents according to the law.

The damage caused to the group, which the Claimants wish to represent, is estimated by the Claimants at amounts reaching millions of NIS. The Claimants state the amount of the personal damage for each Claimant at NIS 1,000 for non-monetary damage, and NIS 1,000 for the monetary damage.

On June 20, 2022, ICC filed its response to the motion for approval. A pretrial was conducted on November 6, 2022.

Details regarding a motion for approval of an action as a class action in a similar matter, filed against the Bank and additional banks, were brought in Note 26, section 10.7 in the financial statements as of December 31, 2021.

5. **Discount Campus.** Details regarding the project are presented in Note 26 C 13 to the annual financial statements as of December 31, 2021. The investment in the project amounted at September 30, 2022, to NIS 1,115 million. The balance of the commitment for this project amounted at that date to NIS 395 million (all amounts do not include VAT).

6. **Directors and officers liability insurance.** On March 31, 2022, pursuant to the approval of the Remuneration Committee and the Board of Directors, the Bank took out a collective policy for the insurance of directors and officers, who are currently serving with the Bank or who will serve with it from time to time, including with respect to their service on behalf of the Bank as officers with any other company which is held by the Bank (hereinafter: "the Insurance Policy"), with this being according to Regulation 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000, and according to the Israel Securities Authority's position paper 101-21, Remuneration policy (as last updated in August 2020) and with the provisions of the Bank's compensation policy, as approved by the general meeting of the Bank's shareholders on March 18, 2020 subject to that stated below.

The Insurance Policy will be in effect from April 1, 2022 through March 31, 2023 (hereinafter: "the Insurance Period"). The liability limit insured within the framework of the Insurance Policy is US$145 million per claim and in aggregate for the Insurance Period. In the event of a claim against any of the officers, no deductible shall be applicable to the officers themselves. The Bank bears deductibles in amounts and under terms stated in the insurance policy.

11. Derivative Instruments Activity - volume, credit risk and due dates

A. Volume of activity on a consolidated basis

1. Par value of derivative instruments

	Unaudited						Audited		
	September 30, 2022			September 30, 2021			December 31, 2021		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions								
Interest rate contracts									
Forward and Futures contracts	6,121	34,981	41,102	7,633	8,927	16,560	7,639	15,336	22,975
Options written	12	1,009	1,021	18	637	655	16	606	622
Options purchased	12	1,009	1,021	19	805	824	17	638	655
Swaps(1)	33,685	153,986	187,671	7,352	113,488	120,840	11,124	101,794	112,918
Total(2)	**39,830**	**190,985**	**230,815**	**15,022**	**123,857**	**138,879**	**18,796**	**118,374**	**137,170**
Of which: Hedging derivatives(5)	9,317	-	9,317	3,931	-	3,931	4,876	-	4,876
Foreign currency contracts									
Forward and Futures contracts(3)	2,355	48,444	50,799	1,378	40,890	42,268	1,122	40,208	41,330
Options written	-	15,288	15,288	6	12,037	12,043	-	11,521	11,521
Options purchased	-	14,793	14,793	6	11,106	11,112	-	11,417	11,417
Swaps	36,158	99,527	135,685	20,931	89,832	110,763	32,609	94,588	127,197
Total	**38,513**	**178,052**	**216,565**	**22,321**	**153,865**	**176,186**	**33,731**	**157,734**	**191,465**
Contracts on shares									
Options written	75	8,025	8,100	92	12,261	12,353	89	8,862	8,951
Options purchased(4)	77	8,025	8,102	96	12,261	12,357	92	8,862	8,954
Swaps	-	791	791	-	876	876	-	902	902
Total	**152**	**16,841**	**16,993**	**188**	**25,398**	**25,586**	**181**	**18,626**	**18,807**
Commodities and other contracts									
Forward and Futures contracts	-	1,864	1,864	-	240	240	-	132	132
Options written	-	4	4	-	3	3	-	3	3
Options purchased	-	4	4	-	3	3	-	3	3
Total	**-**	**1,872**	**1,872**	**-**	**246**	**246**	**-**	**138**	**138**
Total stated amount	**78,495**	**387,750**	**466,245**	**37,531**	**303,366**	**340,897**	**52,708**	**294,872**	**347,580**

Footnotes:

	September 30, 2022	September 30, 2021	December 31, 2021
(1) Of which: swaps on which the Bank pays a fixed interest	103,176	(6)61,589	(6)58,413
(2) Of which: shekel/CPI swaps	17,975	16,238	15,805
(3) Of which: spot foreign currency swap contracts	3,496	4,010	936
(4) Of which: traded on the Stock Exchange	8,681	13,782	10,011

(5) The Bank conducts accounting hedge by way of IRS transactions.

(6) Reclassified.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

A. Volume of activity on a consolidated basis (continued)

2. Gross fair value of derivative instruments

	Gross amount of assets for derivative instruments			Gross amount of liabilities for derivative instruments		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions					
	Unaudited					
	September 30, 2022					
Interest rate contracts	958	5,172	6,130	751	5,165	5,916
Of which: Hedging	588	-	588	156	-	156
Foreign currency contracts	1,736	5,297	7,033	572	4,797	5,369
Contracts on shares	2	441	443	2	441	443
Total assets/liabilities for derivatives gross(1)	**2,696**	**10,910**	**13,606**	**1,325**	**10,403**	**11,728**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	2,696	10,910	13,606	1,325	10,403	11,728
Of which: not subject to net settlement arrangement or similar arrangements	95	550	645	19	713	732
	Unaudited					
	September 30, 2021					
Interest rate contracts	182	2,004	2,186	288	1,918	2,206
Of which: Hedging	104	-	104	64	-	64
Foreign currency contracts	436	1,455	1,891	555	1,520	2,075
Contracts on shares	4	292	296	4	292	296
Total assets/liabilities for derivatives gross(1)	**622**	**3,751**	**4,373**	**847**	**3,730**	**4,577**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	622	3,751	4,373	847	3,730	4,577
Of which: not subject to net settlement arrangement or similar arrangements	-	269	269	4	286	290
	Audited					
	December 31, 2021					
Interest rate contracts	166	1,697	1,863	277	1,600	1,877
Of which: Hedging	77	-	77	65	-	65
Foreign currency contracts	625	2,483	3,108	1,025	2,868	3,893
Contracts on shares	3	555	558	3	555	558
Total assets/liabilities for derivatives gross(1)	**794**	**4,735**	**5,529**	**1,305**	**5,023**	**6,328**
Amounts offset in the balance sheet	-	-	-	-	-	-
Balance sheet balance	794	4,735	5,529	1,305	5,023	6,328
Of which: not subject to net settlement arrangement or similar arrangements	-	525	525	5	542	547

Footnote:

(1) Of which: NIS 5 million (September 30, 2021: NIS 6 million, December 31, 2021: NIS 7 million) positive gross fair value of assets stemming from embedded derivative instruments.
Of which: NIS 10 million (September 30, 2021: NIS 7 million, December 31, 2021: NIS 5 million) negative gross fair value of liabilities stemming from embedded derivative instruments.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

B. Accounting hedge

1. Effect of fair value hedge

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Interest income (expenses)				
	In NIS millions				
Profit (loss) on fair value hedge					
Interest rate contracts					
Hedged items	(215)	(31)	(442)	(123)	(105)
Hedging derivatives	210	24	427	102	78

2. Items hedged by fair value hedge

	Unaudited						Audited		
	September 30, 2022			September 30, 2021			December 31, 2021		
	Book value	Cumulative fair value adjustments increasing the book value		Book value	Cumulative fair value adjustments increasing the book value		Book value	Cumulative fair value adjustments increasing the book value	
		Existing hedge relations	Discontinued hedge relations		Existing hedge relations	Discontinued hedge relations		Existing hedge relations	Discontinued hedge relations
	In NIS millions								
Securities	6,170	(401)	-	2,882	(3)	18	2,989	(4)	18
Deposits from the public	2,312	(120)	-	1,386	7	-	1,919	(6)	-

3. Effect of activity in derivative instruments regarding cash flow hedging

A. Amounts recognized in other comprehensive income for cash flow hedging

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Profit (loss) recognized in accumulated other comprehensive income for the derivative				
	In NIS millions				
Hedge contract					
Interest rate	(8)	-	(27)	(1)	(3)

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

B. Accounting hedge

3. Effect of activity in derivative instruments regarding cash flow hedging (continued)

B. Amounts reclassified from other comprehensive income to profit and loss

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Profit (loss) recognized in accumulated other comprehensive income for the derivative				
	In NIS millions				
Hedge contract					
Interest rate	2	-	1	(1)	(1)

4. Effect of Derivatives not designated as hedging instruments on statement of profit and loss

	Unaudited			
	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
	Profit (loss) recognized in income (expenses) from activity in derivative instruments[(1)]			
	In NIS millions			
Interest rate contracts	(63)	2	(325)	30
Foreign currency contracts	390	(193)	3,233	23
Contracts on shares	-	1	1	1
Total	**327**	**(190)**	**2,909**	**54**

Footnote:
(1) Included in the item Non-interest financing income (expenses)

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

C. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis

	Unaudited					
	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	In NIS millions					
	September 30, 2022[7]					
Balance sheet balance of assets regarding derivative instruments[3]	118	4,564	63	-	8,861	13,606
Gross amounts not offset in the balance sheet:						
Credit risk mitigation for financial instruments[6]	-	(2,923)	-	-	(4,672)	(7,595)
Credit risk mitigation for cash collateral received	-	(1,026)	(38)	-	(134)	(1,198)
Adjusting net balance sheet with balance sheet credit risk	-	(7)	-	-	(949)	(956)
Balance sheet credit risk for derivative instruments	**118**	**608**	**25**	**-**	**3,106**	**3,857**
Off-balance sheet credit risk for financial instruments[2]	197	1,545	226	33	2,352	4,353
Total credit risk for derivative instruments	**315**	**2,153**	**251**	**33**	**5,458**	**8,210**
Balance sheet balance of liabilities for financial instruments[4]	281	4,709	2	137	6,599	11,728
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(2,923)	-	-	(4,672)	(7,595)
Pledged cash collateral	-	(1,094)	-	(113)	-	(1,207)
Net amount of liabilities regarding derivative instruments	**281**	**692**	**2**	**24**	**1,927**	**2,926**

	Unaudited					
	September 30, 2021					
Balance sheet balance of assets regarding derivative instruments[3]	68	1,791	7	53	2,454	4,373
Gross amounts not offset in the balance sheet:						
Credit risk mitigation for financial instruments[6]	-	(1,375)	(1)	(5)	(1,183)	(2,564)
Credit risk mitigation for cash collateral received	-	(357)	(2)	-	(85)	(444)
Net amount of assets regarding derivative instruments	**68**	**59**	**4**	**48**	**1,186**	**1,365**
Off-balance sheet credit risk for financial instruments[1]	376	290	41	24	971	1,702
Total credit risk regarding derivative instruments[5]	**444**	**2,081**	**48**	**77**	**3,425**	**6,075**
Balance sheet balance of liabilities for financial instruments[4]	216	2,110	28	5	2,218	4,577
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,375)	(1)	(5)	(1,183)	(2,564)
Pledged cash collateral	-	(699)	-	-	(539)	(1,238)
Net amount of liabilities regarding derivative instruments	**216**	**36**	**27**	**-**	**496**	**775**

For footnotes see next page.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

C. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis (continued)

	Audited					
	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Others	Total
	In NIS millions					
	December 31, 2021					
Balance sheet balance of assets regarding derivative instruments(2)	62	2,436	4	99	2,928	5,529
Gross amounts not offset in the balance sheet:						
Credit risk mitigation for financial instruments(5)	-	(1,677)	(1)	-	(1,109)	(2,787)
Credit risk mitigation for cash collateral received	-	(706)	(1)	(98)	(193)	(998)
Net amount of assets for derivative instruments	**62**	**53**	**2**	**1**	**1,626**	**1,744**
Off-balance sheet credit risk for derivative instruments(1)	267	271	18	30	1,016	1,602
Total credit risk for derivative instruments(4)	**329**	**2,707**	**22**	**129**	**3,944**	**7,131**
Balance sheet balance of liabilities regarding derivative instruments(3)	491	2,547	21	-	3,269	6,328
Gross amounts not offset in the balance sheet:						
Financial instruments	-	(1,677)	(1)	-	(1,109)	(2,787)
Pledged cash collateral	-	(806)	-	-	(1,365)	(2,171)
Net amount of liabilities for derivative instruments	**491**	**64**	**20**	**-**	**795**	**1,370**

Footnotes:

(1) The difference, if positive, between the total amount for derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, before credit risk mitigation, and between the balance sheet amount of assets regarding derivative instruments of the borrower.

(2) The difference, if positive, between the total amount regarding derivative instruments (including derivative instruments with a negative fair value) included in the borrower's indebtedness, as computed for the purpose of limitation on the indebtedness of a borrower, after credit risk mitigation, and between the balance sheet credit risk regarding derivative instruments of the borrower.

(3) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 13,601 million included in the item assets regarding derivative instruments (September 30, 2021: NIS 4,367 million, December 31, 2021: NIS 5,522 million).

(4) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 11,718 million included in the item liabilities regarding derivative instruments (September 30, 2021: NIS 4,570 million, December 31, 2021: NIS 6,323 million).

(5) The amount does not include the above deductions. The comparative data has been restated accordingly.

(6) The fair value of derivative instruments subject to netting agreements is in the amount of NIS 7,595 million (September 30, 2021: NIS 2,552 million, December 31, 2021: NIS 2,773 million).

(7) See Note 1 E 2 above.

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

D. Due dates - Par value: consolidated period end balances

	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
			In NIS millions		
			Unaudited		
			September 30, 2022		
Interest rate contracts					
Shekel/CPI	943	4,843	9,723	2,466	17,975
Other	23,401	59,164	82,200	48,075	212,840
Foreign currency contracts	117,343	74,180	18,583	6,459	216,565
Contracts on shares	15,671	1,224	98	–	16,993
Commodities and other contracts	7	1,865	–	–	1,872
Total	**157,365**	**141,276**	**110,604**	**57,000**	**466,245**
			Unaudited		
			September 30, 2021		
Total	**124,280**	**83,821**	**77,721**	**55,075**	**340,897**
			Audited		
			December 31, 2021		
Total	**115,336**	**98,105**	**82,515**	**51,624**	**347,580**

12. Regulatory Operating Segments

A. Details regarding the regulatory segments were brought in Note 29 A to the financial statements as of December 31, 2021. The principal assumptions, assessments and reporting principles used in the preparation of the data were detailed in Note 29 D in the financial statements as of December 31, 2021.

For details regarding administrative segments recognized by the Bank were brought in Note 30 A to the financial statements as of December 31, 2021.

Whereas, with respect to a part of the customers, the Bank did not have the complete information required for the classification to regulatory operating segment, according to the new instructions, in particular information regarding their business turnover, various actions were taken to obtain such information, and in certain cases, in the absence of information, decisions had been made on the basis of evaluations and estimates. The Bank is acting to complete the improvement of the information, and accordingly, such improvements may in future reporting periods require the reclassification of customers to the operating segments.

B. Reclassification - improvement in the allocation of customers to segments of operation – the transfer of customers from the large businesses segment, medium businesses segment and small and minute businesses segment to the institutional bodies segment.

12. Regulatory Operating Segments (continued)

C. Information regarding regulatory operating segments, consolidated

	Unaudited				
	For the three months ended September 30, 2022				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	1,072	647	184	4	568
Interest expenses To external sources	98	-	-	48	66
Net interest income from external sources	974	647	184	(44)	502
Net interest income Intersegmental	(142)	(456)	(5)	107	27
Total net Interest income	832	191	179	63	529
Non-interest financing income from external sources	556	2	358	(8)	127
Non-interest financing income Intersegmental	(69)	-	-	28	27
Total Non-interest financing income	487	2	358	20	154
Total income	**1,319**	**193**	**537**	**83**	**683**
Credit loss expenses (expenses release)	61	12	28	-	(22)
Operating and other expenses	847	60	370	31	339
Profit before taxes	**411**	**121**	**139**	**52**	**366**
Provision for taxes on profit	138	41	50	17	125
Profit after taxes	**273**	**80**	**89**	**35**	**241**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	273	80	89	35	241
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(19)	-	(18)	-	(1)
Net profit Attributed to the bank's shareholders	**254**	**80**	**71**	**35**	**240**
Average Assets	91,621	61,530	14,723	576	42,970
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public[3]	90,672	61,505	14,183	485	42,355
Balance of credit to the public at the period end [3]	95,185	62,721 [4]	17,319	492 [4]	42,060
Balance of impaired non-accruing	309	233	36	-	452
Balance of debts in arrear for over ninety days	40	-	-	-	64
Average Liabilities	98,921	145	3,050	18,981	55,861
Of which - Average Deposits from the public	94,880	-	12	18,839	50,434
Balance of deposits from the public at the period end	94,702	-	11	20,893	48,359
Average Risk-assets[1]	67,123	34,738	16,520	698	40,287
Balance of Risk-assets at the period end [1]	68,439	35,607	16,840	726	40,718
Average assets under management[2]	35,835	370	-	22,311	35,989
Net interest income:					
Margin from credit activity to the public	541	191	179	2	380
Margin from deposits activity from the public	291	-	-	61	149
Other	-	-	-	-	-
Total net interest income	**832**	**191**	**179**	**63**	**529**

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,838 million.

					International operations	
Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
193	501	3	352	2,693	420	3,113
42	165	129	181	729	104	833
151	336	(126)	171	1,964	316	2,280
(16)	(49)	145	(72)	-	-	-
135	287	19	99	1,964	316	2,280
2	(17)	(28)	345	977	50	1,027
35	133	31	(185)	-	-	-
37	116	3	160	977	50	1,027
172	**403**	**22**	**259**	**2,941**	**366**	**3,307**
17	26	5	2	89	17	106
70	178	15	113	1,593	234	1,827
85	**199**	**2**	**144**	**1,259**	**115**	**1,374**
30	68	1	54	433	39	472
55	**131**	**1**	**90**	**826**	**76**	**902**
-	-	-	11	11	-	11
55	131	1	101	837	76	913
-	(2)	-	2	(20)	-	(20)
55	**129**	**1**	**103**	**817**	**76**	**893**
16,713	53,406	611	123,194	329,091	41,392	370,483
-	-	-	477	477	-	477
16,628	52,572	583	-	203,295	28,912	232,207
16,986	54,195	752	-	209,670	30,362	240,032
234	412	-	-	1,407	82	1,489
1	1	-	372	478	3	481
16,045	46,220	30,033	41,914	307,975	37,014	344,989
14,868	42,254	30,020	-	251,295	35,354	286,649
14,571	43,029	33,525	-	255,079	35,567	290,646
16,714	58,783	861	19,045	203,511	34,438	237,949
16,862	60,269	924	19,388	207,326	35,120	242,446
9,232	51,905	86,483	560	242,315	14,857	257,172
105	248	-	-	1,276	195	1,471
30	39	19	-	589	115	704
-	-	-	99	99	6	105
135	**287**	**19**	**99**	**1,964**	**316**	**2,280**

12. Regulatory Operating Segments (continued)

C. Information regarding regulatory operating segments, consolidated (continued)

	Unaudited				
	For the three months ended September 30, 2021				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	721	395	142	3	385
Interest expenses To external sources	39	-	-	9	13
Net interest income from external sources	682	395	142	(6)	372
Net interest income Intersegmental	(185)	(249)	(4)	17	(21)
Total net Interest income	497	146	138	11	351
Non-interest financing income from external sources	596	3	320	139	231
Non-interest financing income Intersegmental	(151)	-	-	(120)	(94)
Total Non-interest financing income	445	3	320	19	137
Total income	**942**	**149**	**458**	**30**	**488**
Credit loss expenses (expenses release)	-	(1)	-	(1)	(57)
Operating and other expenses	775	54	291	17	315
Profit before taxes	**167**	**96**	**167**	**14**	**230**
Provision for taxes on profit	55 (4)	33 (4)	57 (4)	5 (4)	80 (4)
Profit (Loss) after taxes	**112**	**63**	**110**	**9**	**150**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit (Loss) from ordinary operations before Attributed to the non-controlling interests	112	63	110	9	150
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(24)	-	(24)	-	(1)
Net profit Attributed to the bank's shareholders	**88**	**63**	**86**	**9**	**149**
Average Assets	77,239	48,167	14,478	454	37,498
Of which - Investment in Investee companies	-	-	-	-	-
Of which- Average credit to the public(3)	76,687	48,317	14,187	414	36,733
Balance of credit to the public at the period end(3)	78,835	49,846 (4)	14,434	407 (4)	37,865
Balance of impaired non-accruing	234	1	107	-	710
Balance of debts in arrear for over ninety days	320	276	-	-	44
Average Liabilities	94,821	120	2,824	17,709	47,880
Of which - Average Deposits from the public	90,643	-	16	17,615	42,418
Balance of deposits from the public at the period end	89,677	-	15	19,220	45,508
Average Risk-assets(1)	57,077	27,529	14,385	529	35,758
Balance of Risk-assets at the period end (1)	58,057	28,299	14,555	535	36,080
Average assets under management(2)	35,794	363	-	24,637	29,902
Net interest income:					
Margin from credit activity to the public	448	146	138	1	331
Margin from deposits activity from the public	49	-	-	10	20
Other	-	-	-	-	-
Total net interest income	**497**	**146**	**138**	**11**	**351**

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,336 million.

						International operations	
	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	130	302	2	135	1,678	234	1,912
	6	14	12	140	233	22	255
	124	288	(10)	(5)	1,445	212	1,657
	(25)	(70)	16	268	–	–	–
	99	218	6	263	1,445	212	1,657
	57	128	16	(210)	957	58	1,015
	(25)	(17)	(13)	420	–	–	–
	32	111	3	210	957	58	1,015
	131	**329**	**9**	**473**	**2,402**	**270**	**2,672**
	27	(69)	(1)	5	(96)	(30)	(126)
	68	175	13	114	1,477	179	1,656
	36	**223**	**(3)**	**354**	**1,021**	**121**	**1,142**
	13	74	(2)	135	360	41	401
	23	**149**	**(1)**	**219**	**661**	**80**	**741**
	–	–	–	–	–	–	–
	23	149	(1)	219	661	80	741
	–	(1)	–	7	(19)	–	(19)
	23	**148**	**(1)**	**226**	**642**	**80**	**722**
	14,452	46,731	577	98,556	275,507	35,521	311,028
	–	–	–	359	359	–	359
	14,522	46,340	539	–	175,235	24,909	200,144
	14,381	49,226	487	–	181,201	25,743	206,944
	374	378	–	–	1,696	300	1,996
	–	–	–	1,398	1,762	–	1,762
	12,150	33,540	20,472	31,437	258,009	31,833	289,842
	11,089	29,629	20,436	–	211,830	30,386	242,216
	10,924	28,736	19,436	–	213,501	31,892	245,393
	14,309	53,622	1,014	16,188	178,497	29,684	208,181
	14,553	54,871	948	16,061	181,105	30,043	211,148
	9,018	45,112	90,310	412	235,185	13,437	248,622
	96	209	3	–	1,088	160	1,248
	3	9	3	–	94	31	125
	–	–	–	263	263	21	284
	99	**218**	**6**	**263**	**1,445**	**212**	**1,657**

12. Regulatory Operating Segments (continued)

C. Information regarding regulatory operating segments, consolidated (continued)

	Unaudited				
	For the nine months ended September 30, 2022				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	2,981	1,842	524	10	1,422
Interest expenses To external sources	224	-	-	76	116
Net interest income from external sources	2,757	1,842	524	(66)	1,306
Net interest income Intersegmental	(725)	(1,305)	(14)	179	23
Total net Interest income	2,032	537	510	113	1,329
Non-interest financing income from external sources	784	8	1,015	(829)	(353)
Non-interest financing income Intersegmental	616	-	-	891	806
Total Non-interest financing income	1,400	8	1,015	62	453
Total income	**3,432**	**545**	**1,525**	**175**	**1,782**
Credit loss expenses (expenses release)	173	45	61	1	(8)
Operating and other expenses	2,475	192	1,088	79	992
Profit before taxes	**784**	**308**	**376**	**95**	**798**
Provision for taxes on profit	245	103	136	31	265
Profit after taxes	**539**	**205**	**240**	**64**	**533**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	539	205	240	64	533
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(50)	-	(49)	-	(4)
Net Profit Attributed to the bank's shareholders	**489**	**205**	**191**	**64**	**529**
Average Assets	87,729	58,042	14,079	540	41,004
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public(3)	86,628	58,085	13,589	479	40,421
Balance of credit to the public at the period end(3)	95,185	62,721 (4)	17,319	492 (4)	42,060
Balance of impaired non-accruing	309	233	36	-	452
Balance of debts in arrear for over ninety days	40	-	-	-	64
Average Liabilities	97,255	131	2,918	19,063	54,395
Of which - Average Deposits from the public	93,064	-	12	18,945	49,280
Balance of deposits from the public at the period end	94,702	-	11	20,893	48,359
Average Risk-assets(1)	64,487	33,004	15,886	638	39,417
Balance of Risk-assets at the period end(1)	68,439	35,607	16,840	726	40,718
Average assets under management(2)	36,377	366	-	24,107	34,533
Net interest income:					
Margin from credit activity to the public	1,539	537	510	4	1,080
Margin from deposits activity from the public	493	-	-	109	249
Other	-	-	-	-	-
Total net interest income	**2,032**	**537**	**510**	**113**	**1,329**

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,838 million.

						International operations	
	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	482	1,233	6	643	6,777	993	7,770
	68	249	201	514	1,448	169	1,617
	414	984	(195)	129	5,329	824	6,153
	(66)	(227)	236	580	–	–	–
	348	757	41	709	5,329	824	6,153
	(435)	(351)	(643)	4,795	2,968	169	3,137
	541	686	652	(4,192)	–	–	–
	106	335	9	603	2,968	169	3,137
	454	**1,092**	**50**	**1,312**	**8,297**	**993**	**9,290**
	12	7	2	2	189	(12)	177
	205	506	43	333	4,633	617	5,250
	237	**579**	**5**	**977**	**3,475**	**388**	**3,863**
	79	191	1	350	1,162	128	1,290
	158	**388**	**4**	**627**	**2,313**	**260**	**2,573**
	–	–	–	30	30	–	30
	158	388	4	657	2,343	260	2,603
	(1)	(5)	–	13	(47)	–	(47)
	157	**383**	**4**	**670**	**2,296**	**260**	**2,556**
	16,327	52,166	649	114,352	312,767	40,164	352,931
	–	–	–	463	463	–	463
	16,338	51,448	615	–	195,929	27,610	223,539
	16,986	54,195	752	–	209,670	30,362	240,032
	234	412	–	–	1,407	82	1,489
	1	1	–	372	478	3	481
	15,507	43,594	24,823	38,052	292,689	36,096	328,785
	14,432	39,808	24,788	–	240,317	35,022	275,339
	14,571	43,029	33,525	–	255,079	35,567	290,646
	16,416	55,811	737	18,359	195,865	33,090	228,955
	16,862	60,269	924	19,388	207,326	35,120	242,446
	9,470	55,155	88,833	414	248,889	13,809	262,698
	299	687	3	–	3,612	546	4,158
	49	70	38	–	1,008	229	1,237
	–	–	–	709	709	49	758
	348	**757**	**41**	**709**	**5,329**	**824**	**6,153**

12. Regulatory Operating Segments (continued)

C. Information regarding regulatory operating segments, consolidated (continued)

	Unaudited				
	For the nine months ended September 30, 2021				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	2,092	1,131	412	6	1,147
Interest expenses To external sources	121	-	-	30	43
Net interest income from external sources	1,971	1,131	412	(24)	1,104
Net interest income Intersegmental	(528)	(723)	(14)	59	(62)
Total net Interest income	1,443	408	398	35	1,042
Non-interest financing income from external sources	1,362	9	881	114	462
Non-interest financing income Intersegmental	(112)	-	-	(52)	(50)
Total Non-interest financing income	1,250	9	881	62	412
Total income	**2,693**	**417**	**1,279**	**97**	**1,454**
Credit loss expenses (expenses release)	(128)	(2)	(15)	(1)	(232)
Operating and other expenses	2,341	165	865	60	961
Profit before taxes	**480**	**254**	**429**	**38**	**725**
Provision for taxes on profit	157	87	145	13	251
Profit after taxes	**323**	**167**	**284**	**25**	**474**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	323	167	284	25	474
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(59)	-	(59)	-	(4)
Net Profit Attributed to the bank's shareholders	**264**	**167**	**225**	**25**	**470**
Average Assets	75,627	45,249	15,658	426	36,480
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public(3)	74,939	45,413	15,389	380	35,963
Balance of credit to the public at the period end(3)	78,835	49,846 (4)	14,434	407 (4)	37,865
Balance of impaired non-accruing	234	1	107	-	710
Balance of debts in arrear for over ninety days	320	276	-	-	44
Average Liabilities	94,249	112	2,698	18,067	49,324 (5)
Of which - Average Deposits from the public	90,191	-	16	17,971	43,508 (5)
Balance of deposits from the public at the period end	89,677	-	15	19,220	45,508 (5)
Average Risk-assets(1)	55,115	25,991	14,041	519	35,120
Balance of Risk-assets at the period end (1)	58,057	28,299	14,555	535	36,080
Average assets under management(2)	34,038	361	-	23,887	28,220
Net interest income:					
Margin from credit activity to the public	1,292	408	398	2	978
Margin from deposits activity from the public	151	-	-	33	64
Other	-	-	-	-	-
Total net interest income	**1,443**	**408**	**398**	**35**	**1,042**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,336 million.
(5) Reclassified - see 12 B above.

					International operations	
Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
356	907	12	402	4,922	698	5,620
14	51	40	399	698	76	774
342	856	(28)	3	4,224	622	4,846
(60)	(206)	51	746	-	-	-
282	650	23	749	4,224	622	4,846
99	283	22	398	2,740	183	2,923
(3)	17	(15)	215	-	-	-
96	300	7	613	2,740	183	2,923
378	**950**	**30**	**1,362**	**6,964**	**805**	**7,769**
26	(328)	(27)	7	(683)	-	(683)
199	479	43	306	4,389	530	4,919
153	**799**	**14**	**1,049**	**3,258**	**275**	**3,533**
52	270	4	407	1,154	93	1,247
101	**529**	**10**	**642**	**2,104**	**182**	**2,286**
-	-	-	16	16	-	16
101	529	10	658	2,120	182	2,302
(1)	(4)	-	10	(58)	-	(58)
100	**525**	**10**	**668**	**2,062**	**182**	**2,244**
13,864	46,023	757	96,184	269,361	35,231	304,592
-	-	-	353	353	-	353
13,904	45,858	735	-	171,779	24,415	196,194
14,381	49,226	487	-	181,201	25,743	206,944
374	378	-	-	1,696	300	1,996
-	-	-	1,398	1,762	-	1,762
11,438 (5)	31,200 (5)	19,074 (5)	29,403	252,755	31,589	284,344
10,315 (5)	26,931 (5)	19,040 (5)	-	207,956	29,962	237,918
10,924 (5)	28,736 (5)	19,436 (5)	-	213,501	31,892	245,393
13,817	51,118	1,144	16,436	173,269	28,972	202,241
14,553	54,871	948	16,061	181,105	30,043	211,148
8,100	41,966 (5)	85,690 (5)	322	222,223	13,567	235,790
271	630	11	-	3,184	458	3,642
11	20	12	-	291	96	387
-	-	-	749	749	68	817
282	**650**	**23**	**749**	**4,224**	**622**	**4,846**

12. Regulatory Operating Segments (continued)

C. Information regarding regulatory operating segments, consolidated (continued)

	Audited				
	For the year ended December 31, 2021				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	2,797	1,494	561	8	1,557
Interest expenses To external sources	152	-	-	37	58
Net interest income from external sources	2,645	1,494	561	(29)	1,499
Net interest income Intersegmental	(673)	(933)	(20)	78	(77)
Total net Interest income	1,972	561	541	49	1,422
Non-interest financing income from external sources	2,160	13	1,197	456	938
Non-interest financing income Intersegmental	(460)	-	-	(372)	(369)
Total Non-interest financing income	1,700	13	1,197	84	569
Total income	**3,672**	**574**	**1,738**	**133**	**1,991**
Credit loss expenses (expenses release)	(162)	6	(12)	(1)	(211)
Operating and other expenses	3,268	241	1,223	85	1,372
Profit (loss) before taxes	**566**	**327**	**527**	**49**	**830**
Provision for taxes (tax savings) on profit	171	110	185	16	276
Profit after taxes	**395**	**217**	**342**	**33**	**554**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	395	217	342	33	554
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(70)	-	(70)	-	(4)
Net Profit Attributed to the bank's shareholders	**325**	**217**	**272**	**33**	**550**
Average Assets	76,734	46,807	15,013	441	37,297
Of which - Investment in Investee companies	-	-	-	-	-
Of which - Average credit to the public[3]	75,984	46,940	14,729	394	36,769
Balance of credit to the public at the period end[3]	83,635	53,363 [4]	15,453	440 [4]	39,031 [5]
Balance of impaired non-accruing	230	-	106	-	663
Balance of debts in arrear for over ninety days	319	276	-	-	41
Average Liabilities	94,492	119	2,734	17,786	50,710 [5]
Of which - Average Deposits from the public	90,413	-	16	17,690	45,074 [5]
Balance of deposits from the public at the period end	89,965	-	13	18,999	47,703 [5]
Average Risk-assets[1]	56,272	26,858	14,266	529	35,643
Balance of Risk-assets at the period end [1]	60,900	30,326	15,165	569	37,729
Average assets under management[2]	34,434	362	-	24,478	29,574
Net interest income:					
Margin from credit activity to the public	1,758	561	541	4	1,332
Margin from deposits activity from the public	214	-	-	45	90
Other	-	-	-	-	-
Total net interest income	**1,972**	**561**	**541**	**49**	**1,422**

Footnotes:

(1) Risk weighted assets – as computed for capital adequacy purposes.

(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.

(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.

(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,315 million.

(5) Reclassified - see 12 B above.

					International operations	
Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
454	1,207	13	511	6,547	944	7,491
17	70	48	484	866	96	962
437	1,137	(35)	27	5,681	848	6,529
(63)	(265)	64	936	-	-	-
374	872	29	963	5,681	848	6,529
236	538	130	(727)	3,731	231	3,962
(111)	(144)	(120)	1,576	-	-	-
125	394	10	849	3,731	231	3,962
499	**1,266**	**39**	**1,812**	**9,412**	**1,079**	**10,491**
50	(339)	(23)	7	(679)	(14)	(693)
278	682	64	415	6,164	694	6,858
171	**923**	**(2)**	**1,390**	**3,927**	**399**	**4,326**
56	309	(2)	552	1,378	138	1,516
115	**614**	**-**	**838**	**2,549**	**261**	**2,810**
-	-	-	20	20	-	20
115	614	-	858	2,569	261	2,830
(1)	(4)	-	22	(57)	-	(57)
114	**610**	**-**	**880**	**2,512**	**261**	**2,773**
13,854	47,026	878	97,398	273,628	35,596	309,224
-	-	-	362	362	-	362
13,881	46,768	853	-	174,649	24,842	199,491
14,770	50,393	1,337 [5]	-	189,606	26,590	216,196
354	352	-	-	1,599	198	1,797
1	-	-	990	1,351	1	1,352
11,246 [5]	32,807 [5]	18,849 [5]	30,692	256,582	31,961	288,543
10,125 [5]	28,753 [5]	18,817 [5]	-	210,872	30,434	241,306
12,780 [5]	35,267 [5]	22,383 [5]	-	227,097	33,810	260,907
14,044	51,558	1,078	16,427	175,551	29,306	204,857
14,953	53,314	817	16,400	184,682	30,639	215,321
7,710	47,071	84,472	345	228,084	13,464	241,548
358	848	11	-	4,311	633	4,944
16	24	18	-	407	127	534
-	-	-	963	963	88	1,051
374	**872**	**29**	**963**	**5,681**	**848**	**6,529**

13. Managerial Operating Segments

	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	Unaudited									
	In NIS millions									
	For the three months ended September 30, 2022									
Net interest income	1,122	213	337	113	5	318	169	1	2	2,280
Non-interest income	302	39	117	48	17	53	495	18	(62)	1,027
Total income	**1,424**	**252**	**454**	**161**	**22**	**371**	**664**	**19**	**(60)**	**3,307**
Credit loss expenses	9	38	13	-	-	17	29	-	-	106
Operating and other expenses	798	90	155	81	13	235	481	32	(58)	1,827
Income (loss) before taxes	617	124	286	80	9	119	154	(13)	(2)	1,374
Provision for taxes on income	202	43	96	28	4	39	58	3	(1)	472
Income (loss) after taxes	415	81	190	52	5	80	96	(16)	(1)	902
Bank's share in income of associates, net of tax effect	(1)	-	-	1	10	-	1	-	-	11
Net income (loss) before attributed to the non-controlling interests	414	81	190	53	15	80	97	(16)	(1)	913
Net income attributed to the non-controlling interests	-	-	-	-	-	-	(31)	10	1	(20)
Net income (loss) attributed to the Bank's shareholders	**414**	**81**	**190**	**53**	**15**	**80**	**66**	**(6)**	**-**	**893**
Balance of Assets	109,201	30,818	66,561	131,761	2,583	43,823	18,564	14,793	(39,030)	379,074
Balance of credit to the public	107,925	30,946	59,787	-	90	30,362	17,450	-	(6,528)	240,032
Balance of deposits from the public	161,959	30,012	63,665	12,790	-	35,568	10	471	(13,829)	290,646
	For the three months ended September 30, 2021									
Net interest income	638	165	242	258	3	211	139	-	1	1,657
Non-interest income	282	34	99	94	93	57	385	16	(45)	1,015
Total income	**920**	**199**	**341**	**352**	**96**	**268**	**524**	**16**	**(44)**	**2,672**
Credit loss expenses	(50)	(16)	(31)	-	-	(30)	1	-	-	(126)
Operating and other expenses	768 [2]	95 [2]	149 [2]	81 [2]	13	179	393	23	(45)	1,656
Income (loss) before taxes	202	120	223	271	83	119	130	(7)	1	1,142
Provision for taxes (tax saving) on income	64 [2]	41 [2]	75 [2]	101 [2]	27	41	49	3	-	401
Income (loss) after taxes	138	79	148	170	56	78	81	(10)	1	741
Bank's share in income of associates, net of tax effect	-	-	-	2	(2)	-	1	-	(1)	-
Net income (loss) before attributed to the non-controlling interests	138	79	148	172	54	78	82	(10)	-	741
Net income attributed to the non-controlling interests	-	-	-	-	-	-	(26)	7	-	(19)
Net income (loss) attributed to the Bank's shareholders	**138**	**79**	**148**	**172**	**54**	**78**	**56**	**(3)**	**-**	**722**
Balance of Assets	94,702	26,075	56,306	99,310	2,234	37,858	15,165	7,897	(26,136)	313,411
Balance of credit to the public	92,139	26,561	52,770	-	36	25,743	14,410	-	(4,715)	206,944
Balance of deposits from the public	150,879	23,514	40,025	6,724	-	31,892	15	-	(7,656)	245,393

footnotes:

(1) The contribution to the Bank's business results.

(2) Reclassified, see Note 12 B.

13. Managerial Operating Segments (continued)

	Unaudited									
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	In NIS millions									
	For the nine months ended September 30, 2022									
Net interest income	2,647	564	880	721	10	825	501	2	3	6,153
Non-interest income	899	113	348	11	134	169	1,332	296	(165)	3,137
Total income	**3,546**	**677**	**1,228**	**732**	**144**	**994**	**1,833**	**298**	**(162)**	**9,290**
Credit loss expenses (expenses release)	136	30	(33)	-	1	(12)	55	-	-	177
Operating and other expenses	2,310	269	450	236	42	620	1,396	89	(162)	5,250
Income before taxes	1,100	378	811	496	101	386	382	209	-	3,863
Provision for taxes on income	332	126	268	196	37	128	143	60	-	1,290
Income after taxes	768	252	543	300	64	258	239	149	-	2,573
Bank's share in income of associates, net of tax effect	-	-	-	4	26	-	2	-	(2)	30
Net income before attributed to the non-controlling interests	768	252	543	304	90	258	241	149	(2)	2,603
Net income attributed to the non-controlling interests	-	-	-	-	-	-	(76)	27	2	(47)
Net income attributed to the Bank's shareholders	**768**	**252**	**543**	**304**	**90**	**258**	**165**	**176**	**-**	**2,556**
Balance of Assets	109,201	30,818	66,561	131,761	2,583	43,823	18,564	14,793	(39,030)	379,074
Balance of credit to the public	107,925	30,946	59,787	-	90	30,362	17,450	-	(6,528)	240,032
Balance of deposits from the public	161,959	30,012	63,665	12,790	-	35,568	10	471	(13,829)	290,646
	For the nine months ended September 30, 2021									
Net interest income	1,860	491	720	739	11	620	402	-	3	4,846
Non-interest income	844	105	290	367	171	182	1,048	43	(127)	2,923
Total income	**2,704**	**596**	**1,010**	**1,106**	**182**	**802**	**1,450**	**43**	**(124)**	**7,769**
Credit loss expenses (expenses release)	(260)	(65)	(340)	-	-	-	(18)	-	-	(683)
Operating and other expenses	2,327	285	443	241	41	531	1,141	35	(125)	4,919
Income before taxes	637	376	907	865	141	271	327	8	1	3,533
Provision for taxes on income	209	129	310	333	44	93	121	8	-	1,247
Income (loss) after taxes	428	247	597	532	97	178	206	-	1	2,286
Bank's share in income of associates, net of tax effect	1	-	-	6	11	-	1	-	(3)	16
Net income before attributed to the non-controlling interests	429	247	597	538	108	178	207	-	(2)	2,302
Net income attributed to the non-controlling interests	-	-	-	-	-	-	(65)	5	2	(58)
Net income attributed to the Bank's shareholders	**429**	**247**	**597**	**538**	**108**	**178**	**142**	**5**	**-**	**2,244**
Balance of Assets	94,702	26,075	56,306	99,310	2,234	37,858	15,165	7,897	(26,136)	313,411
Balance of credit to the public	92,139	26,561	52,770	-	36	25,743	14,410	-	(4,715)	206,944
Balance of deposits from the public	150,879	23,514	40,025	6,724	-	31,892	15	-	(7,656)	245,393

footnotes:
(1) The contribution to the Bank's business results.

13. Managerial Operating Segments (continued)

	Audited									
	In NIS millions									
	For the year ended December 31, 2021									
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital(1)	Discount Bancorp(1)	Israel Credit Cards(1)	other	Adjustments	Total
Net interest income	2,538	659	966	948	20	848	548	-	2	6,529
Non-interest income	1,149	142	381	483	267	231	1,437	59	(187)	3,962
Total income	**3,687**	**801**	**1,347**	**1,431**	**287**	**1,079**	**1,985**	**59**	**(185)**	**10,491**
Credit loss expenses (expenses release)	(295)	(47)	(328)	-	-	(14)	(9)	-	-	(693)
Operating and other expenses	3,264	399	640	320	54	696	1,603	66	(184)	6,858
Income (loss) before taxes	718	449	1,035	1,111	233	397	391	(7)	(1)	4,326
Provision for taxes on income	208	152	347	435	74	138	151	11	-	1,516
Income (loss) after taxes	510	297	688	676	159	259	240	(18)	(1)	2,810
Bank's share in income of associates, net of tax effect	1	-	-	7	13	-	2	-	(3)	20
Net income (loss) before attributed to the non-controlling interests	511	297	688	683	172	259	242	(18)	(4)	2,830
Net income attributed to the non-controlling interests	-	-	-	-	-	-	(76)	15	4	(57)
Net income (loss) attributed to the Bank's shareholders	**511**	**297**	**688**	**683**	**172**	**259**	**166**	**(3)**	**-**	**2,773**
Balance of Assets	99,921	27,803	58,421	111,163	2,323	40,279	16,075	12,363	(33,260)	335,088
Balance of credit to the public	96,374	28,220	55,022	-	17	26,590	15,307	-	(5,334)	216,196
Balance of deposits from the public	152,590	28,376	46,751	10,698	-	33,810	13	370	(11,701)	260,907

footnote:

(1) The contribution to the Bank's business results.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses

General. As from January 1, 2022, the Bank is applying the directives of the Supervisor of Banks requiring the adoption in full of accounting principles accepted by US banks in the matter of allowance for current expected credit losses (CECL). For details regarding the updated accounting policy and regarding the identification and classification of non-accruing debts, a term that has replaced the term impaired debts, see Note 1 (e) above. The comparative data is indeed, starting with the financial statements as of September 30, 2022, presented according to the new format, but this is according to the identification and classification rules, which had been in effect until December 31, 2021, prior to the new directive taking effect (the data for December 31, 2021, as originally published, were audited. However, after presenting the data according to the new format, the referenced data is not audited).

Debts – in this Note: Credit to the public, credit to Governments, deposits with banks and other debts, excluding bonds, securities borrowed or purchased under agreements to resell and assets regarding the "Maof" market activity.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

A. Held-to-maturity and available-for-sale bonds and off-balance sheet credit instruments

1. Change in the balance of the allowance for credit losses - consolidated

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks, governments, held-to-maturity and available-for-sale bonds[(2)]	Total
	In NIS millions					
	Three months ended September 30, 2022					
Balance of allowance for credit losses, as at June 30, 2022	2,390	254	803	3,447	30	3,477
Expenses for credit loss	41	12	50	103	3	106
Accounting write-offs	(96)	-	(81)	(177)	-	(177)
Collection of debts written-off in previous years	94	-	62	156	-	156
Net accounting write-offs	(2)	-	(19)	(21)	-	(21)
Adjustments from translation of financial statements	4	-	-	4	-	4
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384
	Three months ended September 30, 2021					
Balance of allowance for credit losses, as at June 30, 2021	2,421	254	852	3,527	17	3,544
Expenses (expense release) for credit loss	(132)	(1)	2	(131)	5	(126)
Accounting write-offs	(77)	(1)	(70)	(148)	-	(148)
Collection of debts written-off in previous years	65	-	53	118	-	118
Net accounting write-offs	(12)	(1)	(17)	(30)	-	(30)
Adjustments from translation of financial statements	3	-	(6)	(3)	-	(3)
Balance of allowance for credit losses, as at September 30, 2021	**2,280**	**252**	**831**	**3,363**	**22**	**3,385**
Of which: For off-balance sheet credit instruments	171	-	75	246	-	246
	Nine months ended September 30, 2022					
Balance of allowance for credit losses, as at December 31, 2021 (audited)	2,258	258	773	3,289	22	3,311
Restatement of opening balance – initial implementation of CECL[(1)]	183	(32)	-	151	9	160
Expenses for credit loss	-	46	129	175	2	177
Accounting write-offs	(266)	(7)	(262)	(535)	-	(535)
Collection of debts written-off in previous years	223	-	193	416	-	416
Net accounting write-offs	(43)	(7)	(69)	(119)	-	(119)
Adjustments from translation of financial statements	35	1	1	37	-	37
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384
	Nine months ended September 30, 2021					
Balance of allowance for credit losses, as at December 31, 2020 (audited)	2,817	258	984	4,059	15	4,074
Expenses (expense release) for credit loss	(563)	(2)	(125)	(690)	7	(683)
Accounting write-offs	(243)	(6)	(202)	(451)	-	(451)
Collection of debts written-off in previous years	262	2	180	444	-	444
Net accounting write-offs	19	(4)	(22)	(7)	-	(7)
Adjustments from translation of financial statements	7	-	(6)	1	-	1
Balance of allowance for credit losses, as at September 30, 2021	**2,280**	**252**	**831**	**3,363**	**22**	**3,385**
Of which: For off-balance sheet credit instruments	171	-	75	246	-	246

Footnotes:
(1) Effect of initial implementation of US GAAP regarding allowance for current expected credit losses (CECL). See also Note 1(e) to the condensed financial statements.
(2) In the periods of three and nine months ended on September 30, 2021, the column includes only governments and banks.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public

1. Credit quality and arrears - consolidated

	Unaudited					
	September 30, 2022					
		Problematic(1)			Accruing debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More(2)	In Arrears of 30 to 89 Days(3)
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	21,158	205	246	21,609	14	74
Construction and Real Estate - Real Estate Activity	14,155	112	211	14,478	1	10
Financial Services	13,751	23	25	13,799	2	1
Commercial - Other	57,867	1,308	547	59,722	49	114
Total Commercial	**106,931**	**1,648**	**1,029**	**109,608**	**66**	**199**
Private Individuals - Housing Loans	62,730	73	233	63,036	-	287
Private Individuals - Other Loans	31,951	370	76	32,397	40	151
Total Public - Activity in Israel	**201,612**	**2,091**	**1,338**	**205,041**	**106**	**637**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,219	533	27	11,779	-	-
Commercial - Other	19,972	1,395	124	21,491	3	1
Total Commercial	**31,191**	**1,928**	**151**	**33,270**	**3**	**1**
Private Individuals	1,673	48	-	1,721	-	-
Total Public - Activity Abroad	**32,864**	**1,976**	**151**	**34,991**	**3**	**1**
Total public	**234,476**	**4,067**	**1,489**	**240,032**	**109**	**638**

For footnotes see page 172.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

1. Credit quality and arrears – consolidated (continued)

	Unaudited					
	September 30, 2021					
		Problematic[1]			Unimpaired debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More[2]	In Arrears of 30 to 89 Days[3]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	19,132	252	112	19,496	6	26
Construction and Real Estate - Real Estate Activity	11,562	145	86	11,793	2	16
Financial Services	10,676	55	-	10,731	1	1
Commercial - Other	53,764	1,454	784	56,002	35	115
Total Commercial	**95,134**	**1,906**	**982**	**98,022**	**44**	**158**
Private Individuals - Housing Loans	49,838	274	1	50,113	270	101
Private Individuals - Other Loans	28,399	459	69	28,927	44	163
Total Public - Activity in Israel	**173,371**	**2,639**	**1,052**	**177,062**	**358**	**422**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,017	1,196	125	10,338	-	3
Commercial - Other	16,215	1,574	259	18,048	-	1
Total Commercial	**25,232**	**2,770**	**384**	**28,386**	**-**	**4**
Private Individuals	1,448	48	-	1,496	6	-
Total Public - Activity Abroad	**26,680**	**2,818**	**384**	**29,882**	**6**	**4**
Total public	**200,051**	**5,457**	**1,436**	**206,944**	**364**	**426**

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

1. Credit quality and arrears – consolidated (continued)

	Audited					
	December 31, 2021					
		Problematic(1)			Unimpaired debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More(2)	In Arrears of 30 to 89 Days(3)
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	19,643	391	113	20,147	6	30
Construction and Real Estate - Real Estate Activity	11,848	235	92	12,175	1	9
Financial Services	13,872	52	-	13,924	1	1
Commercial - Other	53,263	1,288	706	55,257	34	94
Total Commercial	**98,626**	**1,966**	**911**	**101,503**	**42**	**134**
Private Individuals - Housing Loans	53,375	275	-	53,650	271	80
Private Individuals - Other Loans	29,685	443	72	30,200	43	133
Total Public - Activity in Israel	**181,686**	**2,684**	**983**	**185,353**	**356**	**347**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,696	681	70	10,447	-	-
Commercial - Other	16,940	1,602	227	18,769	1	9
Total Commercial	**26,636**	**2,283**	**297**	**29,216**	**1**	**9**
Private Individuals	1,584	43	-	1,627	5	-
Total Public - Activity Abroad	**28,220**	**2,326**	**297**	**30,843**	**6**	**9**
Total public	**209,906**	**5,010**	**1,280**	**216,196**	**362**	**356**

Footnotes:

(1) Substandard or special mention non-accruing credit to the public.

(2) Classified as problematic debts accruing interest income.

(3) Accruing interest income. Debts in arrears for 30 to 89 days amounting to NIS 209 million, were classified as problematic debts (September 30, 2021 - NIS 130 million, December 31, 2021 - NIS 121 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

2. Credit quality according to years of granting the credit

	Unaudited								
	September 30, 2022								
	Recorded amount of fixed-time credit to the public								
	2022	2021	2020	2019	2018	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**12,939**	**10,063**	**3,093**	**1,789**	**690**	**1,153**	**6,360**	**-**	**36,087**
Credit performance rating	12,622	9,862	2,968	1,708	660	1,074	5,316	-	34,210
Non problematic credit having no credit performance rating	128	109	59	29	11	27	740	-	1,103
Accruing problematic credit	71	35	37	41	12	34	87	-	317
Non-accruing credit	118	57	29	11	7	18	217	-	457
Total commercial - Other	**19,861**	**11,465**	**7,551**	**4,730**	**2,445**	**7,126**	**22,495**	**-**	**75,673**
Credit performance rating	19,116	10,850	7,115	4,479	2,227	6,874	21,316	-	71,977
Non problematic credit having no credit performance rating	424	228	194	127	45	106	676	-	1,800
Accruing problematic credit	187	360	151	86	165	70	312	-	1,331
Non-accruing credit	134	27	91	38	8	76	191	-	565
Total private Individuals - Housing Loans	**14,644**	**16,476**	**8,577**	**5,652**	**4,265**	**13,427**	**(5)**	**-**	**63,036**
LTV up to 60%	8,799	10,015	5,483	3,758	2,846	8,984	(5)	-	39,880
LTV over 60% up to 75%	5,809	6,385	3,036	1,860	1,402	3,902	-	-	22,394
LTV over 75%	36	76	58	34	17	541	-	-	762
Credit not in arrears and in credit performance rating	14,576	16,389	8,520	5,592	4,185	12,989	(6)	-	62,245
Credit not in arrears and not in credit performance rating	19	39	16	19	32	146	-	-	271
In arrears of 30 to 89 days	41	36	29	29	29	123	-	-	287
Non-accruing credit	8	12	12	12	19	169	1	-	233
Total private Individuals - Other Loans	**4,217**	**3,944**	**1,641**	**1,151**	**498**	**339**	**6,994**	**-**	**18,784**
Credit not in arrears and in credit performance rating	3,848	3,572	1,456	1,013	436	274	6,483	-	17,082
Credit not in arrears and not in credit performance rating	346	333	162	122	56	52	442	-	1,513
In arrears of 30 to 89 days	18	22	11	8	4	4	42	-	109
In arrears of 90 days or over	3	4	3	2	-	1	27	-	40
Non-accruing credit	2	13	9	6	2	8	-	-	40
Total Credit to the public - Activity in Israel	**51,661**	**41,948**	**20,862**	**13,322**	**7,898**	**22,045**	**35,844**	**-**	**193,580**
Total Credit to the public - Activity Abroad	**4,789**	**6,245**	**2,640**	**2,748**	**890**	**2,591**	**14,528**	**560**	**34,991**
Non-problematic credit	4,535	5,943	2,568	2,185	757	2,368	14,007	501	32,864
Accruing problematic credit	227	302	46	533	133	199	477	59	1,976
Non-accruing credit	27	-	26	30	-	24	44	-	151
Total Credit to the public	**56,450**	**48,193**	**23,502**	**16,070**	**8,788**	**24,636**	**50,372**	**560**	**228,571**

Footnote:
(1) The disclosure data does not include the subsidiary company ICC, which is expected to apply the new rules as from January 1, 2023

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts

A. Credit to the public – non-accruing debts

	Unaudited					
	September 30, 2022					
	Balance[1] of non-accruing debts for which allowance exists	Balance of allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance[1] of non-accruing debts[3][4]	Balance of contractual principal sum of non-accruing debts	Recorded interest income[2]
	In NIS millions					
Lending Activity in Israel						
Construction and Real Estate	382	39	75	457	1,312	4
Commercial - Other	489	205	83	572	2,159	7
Total Commercial	**871**	**244**	**158**	**1,029**	**3,471**	**11**
Private Individuals - Housing Loans	228	9	5	233	283	-
Private Individuals - Other Loans	76	26	-	76	114	1
Total Public - Activity in Israel	**1,175**	**279**	**163**	**1,338**	**3,868**	**12**
Lending Activity Abroad						
Total Public - Activity Abroad	**66**	**2**	**85**	**151**	**328**	**2**
Total public	**1,241**	**281**	**248**	**1,489**	**4,196**	**14**
Of which:						
Measured specifically according to present valued of cash flows	639	210	45	684	830	
Measured specifically according to fair value of collateral	246	27	197	443	2,888	
Measured on a group basis	356	44	6	362	478	

For footnotes see page 176.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts – consolidated

A. Impaired debts and specific allowance

	Unaudited					
	September 30, 2021					
	Balance[1] of non-accruing debts for which allowance exists	Balance of allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance[1] of non-accruing debts[3][4]	Balance of contractual principal sum of non-accruing debts	Recorded interest income[2]
	In NIS millions					
Lending Activity in Israel						
Construction and Real Estate	95	22	103	198	1,278	7
Commercial - Other	673	230	111	784	2,633	10
Total Commercial	**768**	**252**	**214**	**982**	**3,911**	**17**
Private Individuals - Housing Loans	1	-	-	1	1	-
Private Individuals - Other Loans	67	38	2	69	370	1
Total Public - Activity in Israel	**836**	**290**	**216**	**1,052**	**4,282**	**18**
Lending Activity Abroad						
Total Public - Activity Abroad	**225**	**35**	**159**	**384**	**739**	**3**
Total public	**1,061**	**325**	**375**	**1,436**	**5,021**	**21**
Of which:						
Measured specifically according to present valued of cash flows	723	261	106	829	996	
Measured specifically according to fair value of collateral	316	52	269	585	4,003	
Measured on a group basis	22	12	-	22	22	

For footnotes see next page.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding non-accruing debts – consolidated (continued)

A. Impaired debts and specific allowance (continued)

	Audited					
	December 31, 2021					
	Balance[1] of non-accruing debts for which allowance exists	Balance of allowance	Balance[1] of non-accruing debts for which no allowance exists	Total balance[1] of non-accruing debts[3][4]	Balance of contractual principal sum of non-accruing debts	Recorded interest income[2]
	In NIS millions					
Lending Activity in Israel						
Construction and Real Estate	108	25	97	205	1,113	10
Commercial - Other	580	223	126	706	2,506	13
Total Commercial	**688**	**248**	**223**	**911**	**3,619**	**23**
Private Individuals - Housing Loans	-	-	-	-	-	-
Private Individuals - Other Loans	70	31	2	72	364	1
Total Public - Activity in Israel	**758**	**279**	**225**	**983**	**3,983**	**24**
Lending Activity Abroad						
Total Public - Activity Abroad	**211**	**32**	**86**	**297**	**653**	**4**
Total public	**969**	**311**	**311**	**1,280**	**4,636**	**28**
Of which:						
Measured specifically according to present valued of cash flows	649	244	86	735	1,064	
Measured specifically according to fair value of collateral	294	53	225	519	3,546	
Measured on a group basis	26	14	-	26	26	

Footnotes:

(1) Recorded amount.

(2) The amount of interest income recorded in the reported period for the average balance of non-accruing debts, in the period of time in which the debts had been classified as non-accruing.

(3) Had the non-accruing debts accrue interest according to the original terms, interest income of NIS 42 million would have been recorded for the period of nine months ended September 30, 2022 (September 30, 2021 - NIS 47 million, December 31, 2021 - NIS 61 million).

(4) Additional information: the total average recorded amount of the debt of non-accruing debts in the period of nine months ended September 30, 2022, amounts to NIS 1,940 million (September 30, 2021 - NIS 1,706 million, December 31, 2021 - NIS 1,711 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding debts which undergone troubled debt restructurings – consolidated

B. Debts which undergone troubled debt restructurings - consolidated

	Unaudited				
	September 30, 2022				
	Recorded amount				
	Not accruing interest income	Accruing debts[1], in arrears for 90 days or more	Accruing debts[1], in Arrears for 30 to 89 Days	Accruing debts[1] not in arrears	Total[2]
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	159	-	1	42	202
Commercial - Other	231	-	2	151	384
Total Commercial	**390**	**-**	**3**	**193**	**586**
Private Individuals - Housing Loans	10	-	-	9	19
Private Individuals - Other Loans	42	-	2	97	141
Total Public - Activity in Israel	**442**	**-**	**5**	**299**	**746**
Lending Activity Abroad					
Total Public - Activity Abroad	**119**	**-**	**-**	**208**	**327**
Total	**561**	**-**	**5**	**507**	**1,073**

Footnotes:

(1) Accruing interest income.

(2) As at September 30, 2022, restructured troubled debts amounting to NIS 967 million, were classified as problematic debts

Commitment to grant additional credit to borrowers, for which a troubled debt restructurings was performed, within the framework of which the credit terms had been changed, amounts at September 30, 2022, to NIS 13 million (September 30, 2021 - NIS 33 million; December 31, 2021 – NIS 45 million).

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding debts which undergone troubled debt restructurings – consolidated (continued)

B. Debts which undergone troubled debt restructurings - consolidated (continued)

	Unaudited				
	September 30, 2021				
	Recorded amount				
	Not accruing interest income	Accruing debts(1),in arrears for 90 days or more	Accruing debts(1), in Arrears for 30 to 89 Days	Accruing debts(1) not in arrears	Total(2)
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	39	-	1	41	81
Commercial - Other	328	-	2	175	505
Total Commercial	**367**	**-**	**3**	**216**	**586**
Private Individuals - Housing Loans	7	-	-	7	14
Private Individuals - Other Loans	47	-	3	161	211
Total Public - Activity in Israel	**421**	**-**	**6**	**384**	**811**
Lending Activity Abroad					
Total Public - Activity Abroad	**273**	**-**	**-**	**177**	**450**
Total	**694**	**-**	**6**	**561**	**1,261**

Footnotes:

(1) Accruing interest income.

(2) Included in troubled debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding debts which undergone troubled debt restructurings – consolidated (continued)

B. Debts which undergone troubled debt restructurings - consolidated (continued)

	Audited				
	December 31, 2021				
	Recorded amount				
	Not accruing interest income	Accruing debts(1),in arrears for 90 days or more	Accruing debts(1), in Arrears for 30 to 89 Days	Accruing debts(1) not in arrears	Total(2)
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	40	-	-	34	74
Commercial - Other	304	-	2	185	491
Total Commercial	**344**	**-**	**2**	**219**	**565**
Private Individuals - Housing Loans	7	-	-	7	14
Private Individuals - Other Loans	46	-	2	156	204
Total Public - Activity in Israel	**397**	**-**	**4**	**382**	**783**
Lending Activity Abroad					
Total Public - Activity Abroad	**208**	**-**	**-**	**138**	**346**
Total	**605**	**-**	**4**	**520**	**1,129**

Footnotes:

(1) Accruing interest income.

(2) Included in troubled debts.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding debts which undergone troubled debt restructurings – consolidated (continued)

B. Debts which undergone troubled debt restructurings - consolidated (continued)

	Unaudited					
	Three months ended September 30					
	2022			2021		
	Debt restructuring performed					
	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring	Number of contracts	Recorded amount before restructuring	Recorded amount after restructuring
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate	40	12	12	41	4	4
Commercial - Other	208	20	18	142	29	28
Total Commercial	**248**	**32**	**30**	**183**	**33**	**32**
Private Individuals - Housing Loans	5	-	-	-	-	-
Private Individuals - Other Loans	1,328	21	21	977	17	16
Total Public - Activity in Israel	**1,581**	**53**	**51**	**1,160**	**50**	**48**
Lending Activity Abroad						
Total Public - Activity Abroad	**1**	**39**	**39**	**-**	**-**	**-**
Total	**1,582**	**92**	**90**	**1,160**	**50**	**48**
	Nine months ended September 30					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate	137	167	167	164	42	41
Commercial - Other	571	83	80	713	236	234
Total Commercial	**708**	**250**	**247**	**877**	**278**	**275**
Private Individuals - Housing Loans	18	3	3	-	-	-
Private Individuals - Other Loans	3,992	70	70	3,785	107	105
Total Public - Activity in Israel	**4,718**	**323**	**320**	**4,662**	**385**	**380**
Lending Activity Abroad						
Total Public - Activity Abroad	**4**	**90**	**90**	**7**	**136**	**136**
Total	**4,722**	**413**	**410**	**4,669**	**521**	**516**

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information regarding debts which undergone troubled debt restructurings – consolidated (continued)

B. Debts which undergone troubled debt restructurings - consolidated (continued)

	Unaudited			
	Three months ended September 30			
	2022		2021	
	Failure of restructured debts[(1)]			
	Number of contracts	Recorded amount	Number of contracts	Recorded amount
	In NIS millions			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate	28	2	29	2
Commercial - Other	60	2	82	7
Total Commercial	**88**	**4**	**111**	**9**
Private Individuals - Housing Loans	-	-	-	-
Private Individuals - Other	603	3	571	4
Total Public - Activity in Israel	**691**	**7**	**682**	**13**
Lending Activity Abroad				
Total Public - Activity Abroad	**1**	**-**	**1**	**7**
Total	**692**	**7**	**683**	**20**
	Nine months ended September 30			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate	62	3	71	7
Commercial - Other	168	10	270	21
Total Commercial	**230**	**13**	**341**	**28**
Private Individuals - Housing Loans	2	-	-	-
Private Individuals - Other	1,702	10	1,859	12
Total Public - Activity in Israel	**1,934**	**23**	**2,200**	**40**
Lending Activity Abroad				
Total Public - Activity Abroad	**1**	**-**	**1**	**7**
Total	**1,935**	**23**	**2,201**	**47**

Footnote:
(1) Debts, which in the reported year turned into debts in arrears for 30 days or over, which had been restructured under troubled debt restructurings during the period of twelve months prior to their having become debts in arrears.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

4. Additional information regarding non-accruing credit in arrears

	Unaudited									
	September 30, 2022									
	In arrears for up to 89 days	In arrears of 90 to 180 days	In arrears for over 180 days to one year	In arrears for over one year to three years	In arrears of over three to five years	In arrears of over five to seven years	In arrears of over seven years	Total non-accruing debts in arrears	Non-accruing debts not in arrears	Total non-accruing
	In NIS millions									
Commercial	26	18	41	150	32	48	15	330	850	1,180
Private Individuals - Housing Loans	-	101	55	43	16	7	11	233	-	233
Private Individuals - Other Loans	4	34	-	-	-	-	-	38	38	76
Total	**30**	**153**	**96**	**193**	**48**	**55**	**26**	**601**	**888**	**1,489**

5. Additional disclosure regarding the quality of credit

(A) Risk characteristics according to credit segments

(1) Commercial credit

- Sensitivity to the domestic economic cycle in Israel. In addition, in view of material overseas investments by large Israeli corporations, the level of exposure to global crises increased.
- Sensitivity to changes in private consumption.
- Price increases and high rates of inflation, which started in 2021, accelerated in the first nine months of 2022. Inter alia, on the background of the monetary expansion in recent years and disruptions in the global supply chain. These led to the raising of interest rates by central banks, which, as yet, has not ended. This trend has led to a rise in the level of economic uncertainty in Israel and the world over, and to fluctuations in prices of shares and bonds. In addition, the war between Russia and the Ukraine, which broke out during the first quarter of 2022, has led to additional harm caused to the supply of commodities and to a rise in commodities price, all this leading to an adverse effect on the global economy. The Chinese economy, considered a global engine, experienced a decline in growth rates, an increase in business default rates, and the rigid policy of zero Corona, leading to the total closure of cities for weeks.
- The inter-bloc struggle between the United States and China, one of its expressions being the struggle over hegemony in the electronic chip market, may lead to a decline in the volume of global production and trade and to the continuing rise in prices of finished products.

The said macro-economic and geo-political events increased the level of risk in the short-medium term.

(2) Credit to private individuals – housing loans

- Loans involving a high finance ratio carry risk in the event of impairment in the value of collateral below the balance of the loan. The Bank's underwriting policy limits the ratio of finance when granting a loan.

(3) Credit to private individuals – other

- Exposure to retail credit is affected by macro-economic factors. The growth in unemployment rates, which is still minor, recorded in recent months, requires strict management of exposure in the retail credit portfolio.
- The growth in competition in recent years, whether within the banking industry or against off-banking institutions, may lead to erosion of the spreads, to a decline in the quality of borrowers, and as a result thereof to increased credit risk. The present credit policy examines thoroughly the risk involved in the underwriting of loans to existing and new customers using models and tools developed for sales points, thus reducing such risk.

(4) Implication of the rise in the prime interest rate on credit to private individuals (mortgage and other)

The volume of demand for mortgage loans has declined; the increase in amount of monthly repayments following the rise in interest rates may adversely affect the repayment ability, thus increasing the number of borrowers seeking to defer repayment of principal.

The rise in housing prices leads to higher leverage ratios and higher repayment rates, as well as to longer average periods to maturity in housing loans.

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

5. Additional disclosure regarding the quality of credit (continued)

(B) Indication of credit quality

	Unaudited				Audited			
	September 30, 2022				December 31, 2021			
		Private Individuals				Private Individuals		
	Commercial	Housing Loans	Other Loans	Total	Commercial	Housing Loans	Other Loans	Total
Ratio of the balance of non-problematic credit to the public to the balance of credit to the public	96.7%	99.5%	98.6%	97.7%	95.8%	99.5%	98.3%	97.1%
Ratio of accruing credit to balance of credit to the public	2.5%	0.1%	1.2%	1.7%	3.3%	0.5%	1.5%	2.3%
Ratio of non-accruing credit to balance of credit to the public	0.8%	0.4%	0.2%	0.6%	0.9%	-	0.2%	0.6%
Ratio of the balance of allowance to credit losses for credit to the public to the balance of credit to the public	1.5%	0.4%	2.2%	1.3%	1.6%	0.5%	2.2%	1.4%
Ratio of the balance of allowance to credit losses for credit to the public to the balance of problematic credit risk (excluding derivatives and bonds)	42.4%	80.7%	148.9%	53.4%	34.8%	92.1%	125.3%	44.6%

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

6. Additional information regarding housing loans

Balances for the year end, according to Loan-to-Value (LTV)[1] ratio, manner of repayment and type of interest

		Balance of housing loans			
		Total	Of which: Bullet and Balloon debts	Of which: variable interest	Total Off-Balance Sheet Credit Risk
		In NIS millions			
		Unaudited			
		September 30, 2022			
First degree pledge: financing ratio	Up to 60%	38,785	379	22,849	612
	Over 60%	23,064	137	13,695	472
Second degree pledge or without pledge		1,592	171	780	8,056
Total		**63,441 (2)**	**687**	**37,324**	**9,140**
		Unaudited			
		September 30, 2021			
First degree pledge: financing ratio	Up to 60%	31,857	366	18,872	440
	Over 60%	17,200	119	10,296	289
Second degree pledge or without pledge		1,287	151	574	6,044
Total		**50,344 (2)**	**636**	**29,742**	**6,773**
		Audited			
		December 31, 2021			
First degree pledge: financing ratio	Up to 60%	33,904	357	20,045	610
	Over 60%	18,664	127	11,104	466
Second degree pledge or without pledge		1,376	170	639	8,933
Total		**53,944 (2)**	**654**	**31,788**	**10,009**

Footnotes:

(1) The ratio between the authorized credit line at the time the credit line was granted and the value of the asset, as confirmed by the Bank at the time the credit line was granted. The LTV ratio is another indication of the bank as to the assessment of the customer risk when the facility was granted.

(2) The balance of housing loans not includes the balance of commercial debts in the amount of NIS 202 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction (September 30, 2021 - NIS 248 million, December 31, 2021 - NIS 252 million).

C. Information regarding the purchase and sale of debts

Details regarding the consideration paid or received for the acquisition or sale of loans

	Unaudited									
	Credit to the public					Credit to the public				
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Credit to banks and governments	Total
	In NIS millions									
	For the three months ended September 30, 2022					For the three months ended September 30, 2021				
Loans acquired	2,422	-	-	767	3,189	3,657	-	-	379	4,036
Loans sold	84	-	-	-	84	-	-	-	-	-
	For the nine months ended September 30, 2022					For the nine months ended September 30, 2021				
Loans acquired	7,805	-	-	1,800	9,605	8,348	-	-	958	9,306
Loans sold	526	1,019	-	-	1,545	93	-	-	-	93

14. Additional information regarding credit risk, credit to the public and allowance for credit losses (continued)

D. Off balance Sheet Financial instruments[(3)]

	Unaudited		Unaudited		Audited	
	Balance[(1)]	Provision[(2)]	Balance[(1)]	Provision[(2)]	Balance[(1)]	Provision[(2)]
	September 30, 2022		September 30, 2021		December 31, 2021	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	1,100	3	1,837	3	1,345	3
Credit guarantees	2,618	30	2,307	33	2,216	32
Guarantees for home purchasers	18,922	6	15,057	4	16,093	4
Other guarantees and obligations	13,125	47	11,002	44	10,728	50
Unutilized facilities for transactions in derivative instruments	4,307	-	3,376	-	3,696	-
Unutilized facilities credit line for credit cards	38,282	71	35,639	58	35,247	53
Unutilized current loan account facilities and other credit facilities in on-call accounts	10,081	63	9,929	36	10,201	34
Irrevocable commitments to extend credit approved but not yet granted[(3)]	31,514	155	30,114	63	31,489	66
Commitment to issue guarantees	14,699	9	13,117	5	13,906	7

Footnotes:

(1) Contract balance or their stated amounts at period end before of allowance for credit loss.

(2) Balance of allowance for credit losses at period end.

(3) Including commitments to customers for granting credit within the framework of "an approval in principle and maintaining interest rates" according to Proper Management Directive No. 451 "Procedures for the granting of housing loans".

15. Assets and liabilities according to linkage terms - consolidated

	Unaudited						
	September 30, 2022						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	65,737	23	4,653	657	440	-	71,510
Securities	21,676	1,350	16,746	976	1	1,884	42,633
Securities borrowed or purchased under agreements to resell	1,271	-	-	-	-	-	1,271
Net credit to the public	174,483	23,713	35,754	2,391	540	-	236,881
Credit to the Government	511	232	1,228	603	-	-	2,574
Investments in associates	2	-	-	-	-	500	502
Buildings and equipment	-	-	-	-	-	3,724	3,724
Intangible assets and goodwill	-	-	-	-	-	163	163
Assets regarding derivative instruments	2,391	458	9,921	329	102	400	13,601
Other assets	2,452	25	1,347	101	98	2,192	6,215
Total assets	**268,523**	**25,801**	**69,649**	**5,057**	**1,181**	**8,863**	**379,074**
Liabilities							
Deposits from the public	197,762	4,405	80,384	6,251	1,844	-	290,646
Deposits from banks	13,278	-	3,367	68	6	-	16,719
Deposits from the Government	30	1	89	-	-	-	120
Securities lent or sold under agreements to repurchase	-	-	3,038	-	-	-	3,038
Bonds and Subordinated debt notes	5,637	7,854	-	-	-	-	13,491
Liabilities regarding derivative instruments	2,651	607	7,677	288	95	400	11,718
Other liabilities	16,014	750	870	26	31	933	18,624
Total liabilities	**235,372**	**13,617**	**95,425**	**6,633**	**1,976**	**1,333**	**354,356**
Difference	33,151	12,184	(25,776)	(1,576)	(795)	7,530	24,718
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(28,398)	(2,634)	28,154	1,966	912	-	-
Net options in the money (in terms of underlying asset)	(279)	-	526	(247)	-	-	-
Net options out of the money (in terms of underlying asset)	(118)	-	211	(65)	(28)	-	-
Total	**4,356**	**9,550**	**3,115**	**78**	**89**	**7,530**	**24,718**
Net options in the money (discounted par value)	(429)	-	572	(148)	5	-	-
Net options out of the money (discounted par value)	(1,660)	-	2,117	(20)	(437)	-	-

Footnote:

(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Unaudited						
	September 30, 2021						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	42,043	25	3,474	353	439	-	46,334
Securities	27,513	1,432	14,734	773	1	1,509	45,962
Securities borrowed or purchased under agreements to resell	1,142	-	-	-	-	-	1,142
Net credit to the public	149,240	20,695	31,307	2,063	522	-	203,827
Credit to the Government	678	253	1,373	823	-	-	3,127
Investments in associates	2	-	-	-	-	390	392
Buildings and equipment	-	-	-	-	-	3,203	3,203
Intangible assets and goodwill	-	-	-	-	-	163	163
Assets regarding derivative instruments	1,863	293	1,798	64	71	278	4,367
Other assets	2,218	22	919	66	88	1,581	4,894
Total assets	**224,699**	**22,720**	**53,605**	**4,142**	**1,121**	**7,124**	**313,411**
Liabilities							
Deposits from the public	167,177	3,993	66,356	6,097	1,770	-	245,393
Deposits from banks	11,799	-	1,634	179	23	-	13,635
Deposits from the Government	138	3	144	-	-	-	285
Bonds and Subordinated debt notes	4,651	6,503	-	16	-	-	11,170
Liabilities regarding derivative instruments	1,952	359	1,794	114	73	278	4,570
Other liabilities	14,458	763	695	10	27	399	16,352
Total liabilities	**200,175**	**11,621**	**70,623**	**6,416**	**1,893**	**677**	**291,405**
Difference	24,524	11,099	(17,018)	(2,274)	(772)	6,447	22,006
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(21,274)	(3,690)	21,479	2,742	743	-	-
Net options in the money (in terms of underlying asset)	1,154	-	(760)	(362)	(32)	-	-
Net options out of the money (in terms of underlying asset)	366	-	(268)	(98)	-	-	-
Total	**4,770**	**7,409**	**3,433**	**8**	**(61)**	**6,447**	**22,006**
Net options in the money (discounted par value)	598	-	(329)	(245)	(24)	-	-
Net options out of the money (discounted par value)	556	-	(116)	(457)	17	-	-

Footnote:
(1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Audited						
	December 31, 2021						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	53,145	21	5,593	439	440	–	59,638
Securities	24,254	1,043	16,084	868	1	1,619	43,869
Securities borrowed or purchased under agreements to resell	1,207	–	–	–	–	–	1,207
Net credit to the public	156,869	21,435	32,793	1,535	524	–	213,156
Credit to the Government	639	242	1,130	653	–	–	2,664
Investments in associates	2	–	–	–	–	460	462
Buildings and equipment	–	–	–	–	–	3,401	3,401
Intangible assets and goodwill	–	–	–	–	–	163	163
Assets regarding derivative instruments	3,080	334	1,416	74	72	546	5,522
Other assets	2,460	15	926	47	92	1,466	5,006
Total assets	**241,656**	**23,090**	**57,942**	**3,616**	**1,129**	**7,655**	**335,088**
Liabilities							
Deposits from the public	179,371	4,110	69,662	6,080	1,684	–	260,907
Deposits from banks	10,813	–	1,604	114	3	–	12,534
Deposits from the Government	167	2	177	–	–	–	346
Bonds and Subordinated debt notes	5,003	10,058	–	10	–	–	15,071
Liabilities regarding derivative instruments	3,587	436	1,572	107	76	545	6,323
Other liabilities	15,928	798	677	19	36	301	17,759
Total liabilities	**214,869**	**15,404**	**73,692**	**6,330**	**1,799**	**846**	**312,940**
Difference	26,787	7,686	(15,750)	(2,714)	(670)	6,809	22,148
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(18,698)	(3,968)	19,028	2,995	643	–	–
Net options in the money (in terms of underlying asset)	743	–	(373)	(353)	(17)	–	–
Net options out of the money (in terms of underlying asset)	(338)	–	224	114	–	–	–
Total	**8,494**	**3,718**	**3,129**	**42**	**(44)**	**6,809**	**22,148**
Net options in the money (discounted par value)	533	–	(196)	(305)	(32)	–	–
Net options out of the money (discounted par value)	(1,677)	–	1,282	392	3	–	–

Footnotes:

(1) Includes those linked to foreign currency.

16. Balances and fair value estimates of financial instruments

A. Composition - consolidated

	Unaudited				
	September 30, 2022				
	Book value	Fair value			
		Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	71,510	27,223	-	44,055	71,278
Securities[(2)]	42,633	26,874	12,941	1,664	41,479
Securities borrowed or purchased under agreements to resell	1,271	-	-	1,271	1,271
Net credit to the public	236,881	4,431	-	231,571	236,002
Credit to Governments	2,574	-	-	2,580	2,580
Assets regarding derivative instruments	13,601	424	7,821	5,356	13,601
Other financial assets	2,412	708	5	1,699	2,412
Total financial assets	**370,882 [(3)]**	**59,660**	**20,767**	**288,196**	**368,623**
Financial liabilities					
Deposits from the public	290,646	32,298	189,393	67,700	289,391
Deposits from banks	16,719	1,260	4,594	10,566	16,421
Deposits from the Government	120	-	32	89	121
Securities lent or sold under agreements to repurchase	3,038	-	-	3,038	3,038
Bonds and Subordinated debt notes	13,491	12,365	146	286	12,797
Liabilities regarding derivative instruments	11,718	414	10,690	614	11,718
Other financial liabilities [(4)]	14,919	1,816	10	13,093	14,919
Total financial liabilities	**350,651 [(3)]**	**48,153**	**204,865**	**95,386**	**348,405**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	149	-	-	149	149

Footnotes:

(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 74,699 million and NIS 174,677 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities regarding leasing.

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

A. Composition - consolidated (continued)

	Unaudited				
	September 30, 2021				
	Book value	Fair value			
		Level 1(1)	Level 2(1)	Level 3(1)	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	46,334	20,066	-	26,252	46,318
Securities(2)	45,962	31,618	13,258	1,233	46,109
Securities borrowed or purchased under agreements to resell	1,142	-	-	1,142	1,142
Net credit to the public	203,827	2,789	-	203,128	205,917
Credit to Governments	3,127	-	-	3,117	3,117
Assets regarding derivative instruments	4,367	288	3,042	1,037	4,367
Other financial assets	1,723	210	6	1,507	1,723
Total financial assets	**306,482 (3)**	**54,971**	**16,306**	**237,416**	**308,693**
Financial liabilities					
Deposits from the public	245,393	30,228	177,479	38,214	245,921
Deposits from banks	13,635	230	2,631	10,699	13,560
Deposits from the Government	285	-	199	88	287
Securities lent or sold under agreements to repurchase	-	-	-	-	-
Bonds and Subordinated debt notes	11,170	10,328	51	1,205	11,584
Liabilities regarding derivative instruments	4,570	288	3,867	415	4,570
Other financial liabilities(4)	12,245	1,357	7	10,881	12,245
Total financial liabilities	**287,298 (3)**	**42,431**	**184,234**	**61,502**	**288,167**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	131	-	-	131	131

Footnotes:

(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 65,896 million and NIS 162,350 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities regarding leasing.

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

A. Composition - consolidated (continued)

	Audited				
	December 31, 2021				
	Book value	Fair value			
		Level 1[(1)]	Level 2[(1)]	Level 3[(1)]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	59,638	26,791	-	32,778	59,569
Securities[(2)]	43,869	29,142	13,577	1,330	44,049
Securities borrowed or purchased under agreements to resell	1,207	-	-	1,207	1,207
Net credit to the public	213,156	4,077	-	211,797	215,874
Credit to Governments	2,664	-	-	2,712	2,712
Assets regarding derivative instruments	5,522	556	3,500	1,466	5,522
Other financial assets	1,686	105	7	1,574	1,686
Total financial assets	**327,742 [(3)]**	**60,671**	**17,084**	**252,864**	**330,619**
Financial liabilities					
Deposits from the public	260,907	31,483	187,556	42,415	261,454
Deposits from banks	12,534	205	1,700	10,581	12,486
Deposits from the Government	346	-	264	85	349
Securities lent or sold under agreements to repurchase	-	-	-	-	-
Bonds and Subordinated debt notes	15,071	14,294	480	768	15,542
Liabilities regarding derivative instruments	6,323	555	5,287	481	6,323
Other financial liabilities [(4)]	13,783	1,228	5	12,550	13,783
Total financial liabilities	**308,964 [(3)]**	**47,765**	**195,292**	**66,880**	**309,937**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	139	-	-	139	139

Footnotes:

(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 12.

(3) Of which: assets and liabilities in the amount of NIS 71,032 million and NIS 171,083 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities regarding leasing.

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

B. Items measured at fair value – Consolidated

1. Items measured at fair value on a recurring basis

	Unaudited				
	September 30, 2022				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	10,067	2,047	-	-	12,114
Foreign Governments bonds	4,396	30	-	-	4,426
Israeli financial institutions bonds	85	3	-	-	88
Foreign financial institutions bonds	-	473	-	-	473
Bonds backed by assets (ABS) or by mortgage (MBS)	-	5,537	-	-	5,537
Bonds of others in Israel	272	126	-	-	398
Bonds of others abroad	-	1,643	-	-	1,643
Shares not for trading	201	-	-	-	201
Total available-for-sale bonds and shares not for trading	**15,021**	**9,859**	**-**	**-**	**24,880**
Trading Securities					
Israeli Government bonds	1,255	67	-	-	1,322
Foreign Governments bonds	77	-	-	-	77
Israeli financial institutions bonds	-	-	-	-	-
Foreign financial institutions bonds	-	-	-	-	-
Bonds backed by assets (ABS) or by mortgage (MBS)	-	-	-	-	-
Bonds of others in Israel	9	-	-	-	9
Bonds of others abroad	-	-	-	-	-
Trading Shares	3	16	-	-	19
Total trading securities	**1,344**	**83**	**-**	**-**	**1,427**
Credit to the public for securities loaned	4,431	-	-	-	4,431
Assets regarding derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	433	-	433
Other Interest Rate Contracts	10	5,498	189	-	5,697
Foreign Currency Contracts	14	2,280	4,734	-	7,028
Shares Contracts	400	43	-	-	443
Commodity and other Contracts	-	-	-	-	-
Total assets regarding derivative instruments	424	7,821	5,356	-	13,601
Other	-	5	-	-	5
Assets regarding the "Maof" market operations	708	-	-	-	708
Total assets	**21,928**	**17,768**	**5,356**	**-**	**45,052**
Liabilities					
Deposits from the public for securities borrowed	3,666	-	-	-	3,666
Deposits from banks for securities borrowed	19	-	-	-	19
CLN deposits	-	-	-	-	-
Liabilities regarding derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	424	-	424
Other Interest Rate Contracts	-	5,492	-	-	5,492
Foreign Currency Contracts	14	5,157	190	-	5,361
Shares Contracts	400	41	-	-	441
Commodity and other Contracts	-	-	-	-	-
Total liabilities regarding derivative instruments	414	10,690	614	-	11,718
Other	-	10	-	-	10
Commitments regarding the "Maof" market operations	708	-	-	-	708
Short sales of securities	1,108	-	-	-	1,108
Total liabilities	**5,915**	**10,700**	**614**	**-**	**17,229**

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

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Unaudited				
	September 30, 2021				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	18,227	2,312	-	-	20,539
Foreign Governments bonds	2,548	39	-	-	2,587
Israeli financial institutions bonds	112	17	-	-	129
Foreign financial institutions bonds	-	420	-	-	420
Bonds backed by assets (ABS) or by mortgage (MBS)	1	7,526	-	-	7,527
Bonds of others in Israel	395	137	-	-	532
Bonds of others abroad	-	1,988	-	-	1,988
Shares not for trading	259	13	-	-	272
Total available-for-sale bonds and shares not for trading	**21,542**	**12,452**	**-**	**-**	**33,994**
Trading Securities					
Of the Israeli Government	1,404	191	-	-	1,595
Of foreign governments	44	-	-	-	44
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	26	-	-	26
Of others in Israel	23	-	-	-	23
Of others abroad	-	-	-	-	-
Shares	3	1	-	-	4
Total trading securities	**1,474**	**218**	**-**	**-**	**1,692**
Credit to the public for securities loaned	2,789	-	-	-	2,789
Assets regarding derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	256	-	256
Other Interest Rate Contracts	-	1,767	163	-	1,930
Foreign Currency Contracts	10	1,257	618	-	1,885
Shares Contracts	278	18	-	-	296
Commodity and other Contracts	-	-	-	-	-
Total assets regarding derivative instruments	288	3,042	1,037	-	4,367
Other	-	6	-	-	6
Assets regarding the "Maof" market operations	210	-	-	-	210
Total assets	**26,303**	**15,718**	**1,037**	**-**	**43,058**
Liabilities					
Deposits from the public for securities borrowed	1,464	-	-	-	1,464
Deposits from banks for securities borrowed	133	-	-	-	133
CLN deposits	-	-	16	-	16
Liabilities regarding derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	232	-	232
Other Interest Rate Contracts	-	1,973	-	-	1,973
Foreign Currency Contracts	10	1,881	183	-	2,074
Shares Contracts	278	13	-	-	291
Commodity and other Contracts	-	-	-	-	-
Total liabilities regarding derivative instruments	288	3,867	415	-	4,570
Other	-	7	-	-	7
Commitments regarding the "Maof" market operations	210	-	-	-	210
Short sales of securities	1,147	-	-	-	1,147
Total liabilities	**3,242**	**3,874**	**431**	**-**	**7,547**

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

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Audited				
	December 31, 2021				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	15,585	2,162	-	-	17,747
Foreign Governments bonds	3,423	109	-	-	3,532
Israeli financial institutions bonds	111	11	-	-	122
Foreign financial institutions bonds	-	517	-	-	517
Bonds backed by assets (ABS) or by mortgage (MBS)	1	6,581	-	-	6,582
Bonds of others in Israel	399	134	-	-	533
Bonds of others abroad	-	1,994	-	-	1,994
Shares not for trading	283	-	-	-	283
Total available-for-sale bonds and shares not for trading	**19,802**	**11,508**	**-**	**-**	**31,310**
Trading Securities					
Of the Israeli Government	623	314	-	-	937
Of foreign governments	48	-	-	-	48
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	21	-	-	21
Of others in Israel	20	-	-	-	20
Of others abroad	-	-	-	-	-
Shares	2	4	-	-	6
Total trading securities	**693**	**339**	**-**	**-**	**1,032**
Credit to the public for securities loaned	4,077	-	-	-	4,077
Assets regarding derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	273	-	273
Other Interest Rate Contracts	-	1,465	125	-	1,590
Foreign Currency Contracts	10	2,023	1,068	-	3,101
Shares Contracts	546	12	-	-	558
Commodity and other Contracts	-	-	-	-	-
Total assets regarding derivative instruments	556	3,500	1,466	-	5,522
Other	-	7	-	-	7
Assets for the "Maof" market operations	105	-	-	-	105
Total assets	**25,233**	**15,354**	**1,466**	**-**	**42,053**
Liabilities					
Deposits from the public for securities borrowed	1,988	-	-	-	1,988
Deposits from banks for securities borrowed	137	-	-	-	137
CLN deposits	-	-	10	-	10
Liabilities regarding derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	240	-	240
Other Interest Rate Contracts	-	1,636	-	-	1,636
Foreign Currency Contracts	9	3,643	241	-	3,893
Shares Contracts	546	8	-	-	554
Commodity and other Contracts	-	-	-	-	-
Total liabilities regarding derivative instruments	555	5,287	481	-	6,323
Other	-	5	-	-	5
Commitments regarding the "Maof" market operations	105	-	-	-	105
Short sales of securities	1,123	-	-	-	1,123
Total liabilities	**3,908**	**5,292**	**491**	**-**	**9,691**

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

B. Items measured at fair value - Consolidated (continued)

2. Items measured according to fair value not on a recurring basis

	Unaudited				
	September 30, 2022				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the nine months ended September 30, 2022
	In NIS millions				
Problematic credit, the collection of which is collateral dependent	-	-	443	443	2
Not for trading shares	-	-	98	98	4

	Unaudited				
	September 30, 2021				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the nine months ended September 30, 2021
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	770	770	20
Not for trading shares	-	-	57	57	(25)

	Audited				
	December 31, 2021				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the year ended December 31, 2021
	In NIS millions				
Impaired credit the collection of which is collateral dependent	-	-	614	614	57
Not for trading shares	-	-	57	57	(33)

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

C. Changes in items measured at fair value on a recurring basis included in level 3 - Consolidated

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) on held instruments as at end of period
				in NIS millions					
				Unaudited					
				For the three months ended September 30, 2022					
Net Assets (Liabilities) regarding derivative instruments									
Shekel/CPI Interest Rate Contracts	10	(10)[1]	–	–	9	–	–	9	16 [1]
Other Interest Rate Contracts	132	162 [1]	–	–	(132)	(7)	34	189	162 [1]
Foreign Currency Contracts	4,303	(187)[1]	(20)	(68)	514	(1)	3	4,544	(121)[1]
Commodity and other Contracts	–	–[1]	–	–	–	–	–	–	–[1]
Total	**4,445**	**(35)**	**(20)**	**(68)**	**391**	**(8)**	**37**	**4,742**	**57**
Liabilities									
CLN Deposits	(4)	–[2]	–	–	4	–	–	–	–[2]
				For the three months ended September 30, 2021					
Net Assets (Liabilities) regarding derivative instruments									
Shekel/CPI Interest Rate Contracts	36	(4)[1]	–	–	(8)[3]	–	–	24	5 [1]
Other Interest Rate Contracts	175	(3)[1]	–	–	(18)	–	9	163	(3)[1]
Foreign Currency Contracts	513	30 [1]	–	(1)	(121)	17	(3)	435	100 [1]
Commodity and other Contracts	–	–[1]	–	–	–	–	–	–	–[1]
Total	**724**	**23**	**-**	**(1)**	**(147)**	**17**	**6**	**622**	**102**
Liabilities									
CLN Deposits	(17)	–[2]	–	–	1	–	–	(16)	–[2]
				For the nine months ended September 30, 2022					
Net Assets (Liabilities) regarding derivative instruments									
Shekel/CPI Interest Rate Contracts	33	(63)[1]	–	–	39	–	–	9	(26)[1]
Other Interest Rate Contracts	125	138 [1]	–	–	(56)	(61)	43	189	140 [1]
Foreign Currency Contracts	827	4,224 [1]	–	(219)	(281)	(1)	(6)	4,544	4,578 [1]
Commodity and other Contracts	–	–[1]	–	–	–	–	–	–	–[1]
Total	**985**	**4,299**	**-**	**(219)**	**(298)**	**(62)**	**37**	**4,742**	**4,692**
Liabilities									
CLN Deposits	(10)	–[2]	–	–	10	–	–	–	–[2]

Footnotes:

(1) Included in the statement of profit and loss in the item "Non-interest financing income".

(2) Included in the statement of profit and loss in the item "Interest income and expenses".

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

C. Changes in items measured at fair value on a recurring basis included in level 3 – Consolidated (continued)

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) on held instruments as at end of period
	in NIS millions								
	Unaudited								
	For the nine months ended September 30, 2021								
Net Assets (Liabilities) regarding derivative instruments									
Shekel/CPI Interest Rate Contracts	78	(32)(1)	-	-	(22)	-	-	24	(20)(1)
Other Interest Rate Contracts	248	(48)(1)	-	-	(45)	(3)	11	163	(48)(1)
Foreign Currency Contracts	782	15 (1)	-	(124)	(243)	11	(6)	435	284 (1)
Commodity and other Contracts	37	-(1)	-	-	(37)	-	-	-	-(1)
Total	**1,145**	**(65)**	**-**	**(124)**	**(347)**	**8**	**5**	**622**	**216**
Liabilities									
CLN Deposits	(31)	-(2)	-	-	15	-	-	(16)	-(2)
	Audited								
	For the year ended December 31, 2021								
Net Assets (Liabilities) regarding derivative instruments									
Shekel/CPI Interest Rate Contracts	78	(20)(1)	-	-	(25)	-	-	33	(10)(1)
Other Interest Rate Contracts	248	(60)(1)	-	-	(62)	(4)	3	125	(60)(1)
Foreign Currency Contracts	782	374 (1)	-	(179)	(148)	2	(4)	827	636 (1)
Commodity and other Contracts	37	-(1)	-	-	(37)	-	-	-	-(1)
Total	**1,145**	**294**	**-**	**(179)**	**(272)**	**(2)**	**(1)**	**985**	**566**
Liabilities									
CLN Deposits	(31)	(1)(2)	-	-	22	-	-	(10)	(1)(2)

Footnotes:
(1) Included in the statement of income in the item "Non-interest financing income".
(2) Included in the statement of profit and loss in the item "Interest income and expenses".

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first nine months of 2022, due to a clarification of the Supervisor of Banks, according to which, derivative instruments, the credit risk thereof is determined on the basis of unobservable inputs, shall be included in level 3.

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

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3

1. Quantitative information regarding the measurement of fair value at level 3

	Unaudited			
	Fair value as at September 30, 2022	Valuation Techniques	Unobservable inputs	Range (Weighted Average)
	In NIS millions			In %
A. Items measured at fair value not on a recurring basis				
Problematic credit the collection of which is collateral dependent	443	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs	
Not for trading shares	98	Evaluation	Company value	
B. Items measured at fair value on a recurring basis				
Net Assets regarding derivative instruments				
Shekel/CPI Interest Rate Contracts	9	Discounted cash flow	Inflationary expectations	From 2.38% to 4.23% (2.81%)
			Counterparty credit risk (CVA)	From 0.00% to 6.17% (3.90%)
Other Interest Rate Contracts	189	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00% to 7.22% (0.11%)
Foreign Currency Contracts	4,544	Discounted cash flow	Inflationary expectations	From 2.38% to 4.23% (2.95%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00% to 59.90% (0.07%)
Liabilities				
CLN Deposits	-	Discounted cash flow	Credit risk of the underlying asset	

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

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information regarding the measurement of fair value at level 3 (continued)

	Unaudited			
	Fair value as at September 30, 2021	Valuation Techniques	Unobservable inputs	Range (Weighted Average)
	In NIS millions			In %
A. Items measured at fair value not on a recurring basis				
Impaired credit the collection of which is collateral dependent	770	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs	
Not for trading shares	57	Evaluation	Company value	
B. Items measured at fair value on a recurring basis				
Net Assets regarding derivative instruments				
Shekel/CPI Interest Rate Contracts	24	Discounted cash flow	Inflationary expectations	From 1.35% to 3.02% (2.24%)
			Counterparty credit risk (CVA)	From 0.00% to 1.71% (0.74%)
Other Interest Rate Contracts	163	Discounted cash flow	Counterparty credit risk (CVA)	From 0.00% to 0.09% (0.01%)
Foreign Currency Contracts	435	Discounted cash flow	Inflationary expectations	From 1.35% to 3.02% (2.26%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From 0.00% to 85.58% (0.98%)
Liabilities				
CLN Deposits	16	Discounted cash flow	Credit risk of the underlying asset	

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

E. Additional details regarding significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information regarding the measurement of fair value at level 3 (continued)

	Audited							
	Fair value as at December 31, 2021	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Impaired credit the collection of which is collateral dependent	614	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	57	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets regarding derivative instruments								
Shekel/CPI Interest Rate Contracts	33	Discounted cash flow	Inflationary expectations	From	1.62%	to	3.66%	(2.49%)
			Counterparty credit risk (CVA)	From	0.00%	to	6.65%	(4.68%)
Other Interest Rate Contracts	125	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	0.46%	(0.12%)
Foreign Currency Contracts	827	Discounted cash flow	Inflationary expectations	From	1.62%	to	3.66%	(2.50%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	58.03%	(0.38%)
Liabilities								
CLN Deposits	10	Discounted cash flow	Credit risk of the underlying asset					

2. Qualitative information regarding the measurement of fair value at level 3

Significant unobservable inputs, which were used to measure the fair value of derivative financial instruments, are the interest graph in the CPI linked segment, and adjustments regarding counterparty credit risk (CVA). As much as the interest graph rises (falls) and the Bank commits to pay the index-linked amount, so the fair value rises (falls). As much as the interest graph rises (falls) and the counterparty to the transaction is obligated to pay the Bank the index-linked amount, so the fair value falls (rises). The counterparty credit risk coefficient (CVA) expresses the probability of credit default of the counterparty to the transaction. A rise in the default probability reduces the fair value of the transaction, and vice versa.

17. Credit card activity

A. Existing arrangements between credit card companies and between such companies and the banks.

1. The arrangements were described in Note 36 A to the financial statements as of December 31, 2021.

Reduction of the cross-commission rate. The Governor of the Bank of Israel announced on February 25, 2018 a new outline with respect to the reduction of the cross-commission in deferred charge transactions, from the rate of 0.7% at that date to a rate of 0.5%, this in five phases.

The cross-commission level under the outline has been calculated based on the methodology that was approved in 2006 by the Competition Court, as referred to above.

The reduction in the issuer's fee to a level of 0.5% will be implemented in stages, as follows:

- from January 1, 2019, the end of the current arrangement period, through December 31, 2019, the issuer's fee stood at an average rate that did not exceed 0.6%;
- from January 1, 2020, through December 31, 2020, the issuer's fee stood at an average rate that did not exceed 0.575%;
- from January 1, 2021, through December 31, 2021, the issuer's fee stands at an average rate that shall not exceed 0.55%;
- from January 1, 2022, through December 31, 2022, the issuer's fee stands at an average rate that shall not exceed 0.525%;
- from January 1, 2023, the issuer's fee will stand at an average rate that shall not exceed 0.5%.

In addition, an outline was established with respect to the reduction of the cross-commission regarding immediate charge transactions, from the rate of 0.3% at that date, to a rate of 0.25%, in two phases. The aforementioned reduction will be carried out in stages, as follows:

- from January 1, 2021 through December 31, 2022, the commission stands at an average rate of not more than 0.275%;
- from January 1, 2023, the commission will stand at an average rate of not more than 0.25%.

On November 25, 2018, these rates were recognized in the Banking Order (Customer service) (Supervision over cross-clearing service for charge card transactions and for immediate debit transactions), 2018.

B. 1. **Increase in competition and reduction in concentration Law.** The Increase in Competition and Reduction in Concentration in the Banking Market in Israel (Legislation Amendments) Law, 5777-2017, was published in the Official Gazette on January 31, 2017.

In the first stage, within the framework of implementing the Law, the credit card companies Isracard and MAX (formally: Leumi Card) were separated from Bank Hapoalim and Bank Leumi, respectively, and the separation of ownership of the credit card companies from the banks did not apply to the owners of ICC. Only in the second stage will the issue of the separation of ownership in relation to ICC be re-examined. According to the law, a period of two year began on February 1, 2021, ending on February 1, 2023, during which the Minister of Finance may order ICC to be separated from Discount.

On October 18, 2022, a letter was published on the website of the Bank of Israel, issued by the Head of the Research Division of the Bank of Israel, who acts also as co-chairman of the Committee established by Law, and addressed to members of the Committee. Among its duties, the Committee advises on matters of applying the authority of the Minister of Finance under Section 11B of the Banking Law (Licensing), 5741-1981 (hereinafter – "the Committee" and "the Banking Law").

The subject matter of the said letter is the position of the Bank of Israel in the matter of separating ICC from Discount Bank. According to Section 11B of the Banking Law, the Minister of Finance, with the consent of the Governor of the Bank of Israel and with the approval of the Finance Committee of the Knesset, may determine that the definition "a bank with wide-ranging activity" shall apply also to a bank, the value of its assets is lower than 20% of the total value of the assets of all banks in Israel, provided that it shall not be lower than 10%. The significance of such determination, if decided, is that the Bank would be required to sell its holdings in ICC. According to the letter, the position of the Bank of Israel is that the definition "a bank with wide-ranging activity" as stated in the Law, should be changed so as to apply also to the Bank.

It is noted that the letter in question is a letter addressed to members of the Committee. The Committee has not yet published its recommendations in the matter, neither has the decision of the Minister of Finance been received with the consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset in the matter. It is also noted, that in a clarification letter sent on October 24, 2022, by the Director of the Trading Division at the Bank of Israel, it has been clarified that the letter of October 18, 2022, includes the recommendation made only by members of the Committee representing the Bank of Israel.

On November 6, 2022, the Bank received a draft recommendation by the Committee stating that the Minister of Finance should use his authority under Section 11(b)(d) of the Banking Law, permitting the Minister to determine that the definition "a bank with Wide-Ranging Activity" shall apply also to a bank, the value of its assets exceeds a rate lower than 20% of the total value of assets of all banks in Israel, provided that it does not exceed 10%. The Bank may submit its comments on the said draft recommendation until November 27, 2022. On November 21, 2022, the Bank filed a motion with the High Court of Justice for the issue of an Order Nisi and of an Interim Order for delivery of all documents serving as a basis for the Commission in forming the draft recommendation and for extending the date for submission of the Bank's position regarding the draft recommendation.

17. Credit card activity (continued)

In addition to the above stated, if in the past the large banks (Hapoalim, Leumi and Discount) issued to their customers credit cards of the credit card companies owned by them (Isracard, MAX and ICC), then, competition had intensified between the companies in the transitional period determined in the Law. Each bank holding control means in a debit card company, is required to divert a part of the business of issuing new cards to its customers to at least one other operating company, with which the bank had no business relations in the past. From the view point of ICC, although there is a reduction in the issue of credit cards to customers of the owner banks, ICC now has the opportunity to compete in the issue of new credit cards to customers of Hapoalim and Leumi. In this context, it should be mentioned that the transitional period ended in January, February and April 2022, with respect to Discount Bank, Bank Leumi and Bank Hapoalim, respectively. In the era following the entry into effect of the new Law, and now again, with the ending of the transitional period, the different participants in the credit card market, banks on the one part and credit card companies on the other part, find themselves in front of an array of moves and action possibilities of each of them and of each of the other participants.

The aforementioned could have a material effect on the banking system, including the Bank itself, on the credit card market and on ICC. Nevertheless, at this stage, prior to clarifying the nature, character, scope and timing of all the measures that will be taken, it is not possible to assess the aforesaid effects either in terms of materiality or in terms of quantity.

The additional tax that may apply, if doubt is raised as to the continued holding (according to this term's meaning in generally accepted accounting principles) of the Bank in ICC, computed in relation to the value of the holdings in ICC stated in the books of the Bank as of September 30, 2022, is estimated at approx. NIS 50 million.

2. **Arrangements following the Strum Law.** The arrangements were described in Note 36 B to the financial statements as of December 31, 2021.

   Extension of a joint issuing agreement with Hapoalim Bank. Note 36 B 2 (b) to the financial statements as of December 31, 2021, described a joint issuing agreement and debit card issue operating agreement. On March 22, 2022, ICC and Hapoalim Bank signed an agreement for the updating of certain conditions stated in the agreement. Furthermore, the validity of the joint distribution agreement was extended for an additional period of one year, until December 31, 2025.

C. **Joint distribution agreement with El-Al Company.** Note 36 C to the financial statements as of December 31, 2021 described an agreement for an engagement of ICC with EL AL, regarding the issuance and operation of brand name credit cards, within the framework of which the FlyCard club is being operated.

Within the framework of the agreement, inter alia, EL AL was granted a "phantom" option, which would grant it economic rights in ICC (of a value equal to 8.75% of the increase in value of ICC of over a total of NIS 1,800 million) or in Diners (of a value equal to 35% of the increase in value of Diners of over a total of NIS 335 million). The option may be exercised only in the event of sale or share issue of any of the above companies, according to the terms stated in the agreement in this respect, and shall be settled in cash.

The Corona crisis and restrictions on travelers imposed with respect thereto by governments throughout the world and in Israel have caused economic damage to numerous airline companies, including El Al. On August 11, 2022, El Al published its financial statements as of June 30, 2022, in which it reported, among other things, that – since El Al's ability to fulfill all its financial obligations is dependent on factors that are beyond the control of EL AL, at this stage, there is significant doubt regarding El Al being able to continue as a going concern.

El Al reported the transfer of activity of the Frequent Traveler Club, including the Club's assets, to a separate subsidiary company, wholly owned by El Al and regarding an agreement for obtaining finance for a transaction related to it.

ICC has studied these developments, and according to assessments made, based, inter alia, on the performance of the operation of the Club and the anticipated income there from, ICC has reached the conclusion that, at this stage, no reason exists for a provision for impairment to be recognized for material amounts paid to El Al within the framework of the agreement. This conclusion is based on information existing in the hands of ICC at the reporting date, and on the estimates made by ICC, as stated. It is possible that actual developments would be different than those estimated by ICC.

D. **Extension of a joint distribution agreement with Shufersal Company.** Note 36 D to the financial statements as of December 31, 2021, described a joint credit card distribution agreement with Shufersal. On April 10, 2022, ICC and Shufersal signed an agreement for the updating of certain conditions stated in the agreement. Furthermore, the validity of the joint distribution agreement was extended for an additional period of three years, until December 31, 2030.

E. **Acquisition of the minority interest in Diners.** In December 2015 ICC acquired all the holdings of Dor-Alon and Blue Square in Diners (49%), so that upon conclusion of the transaction ICC holds all the rights (100%) in Diners. A dispute arose between the parties regarding the entitlement of the sellers to additional consideration, conditional upon fulfillment of conditions precedent. The parties referred to mediation proceeding in the matter, but the mediation proceedings were not successfully concluded.

17. Credit card activity (continued)

A monetary action was filed on September 24, 2019 with the Tel Aviv District Court against ICC, in which the Court is requested to order ICC to pay to Dor-Alon and Blue Square an amount of approx. NIS 21 million. On February 9, 2020, ICC submitted a defense brief for this action. Concurrently with the submission of the defense brief, ICC submitted a counterclaim, in which the Court is requested to order the opposite parties to pay ICC an amount of approx. NIS 33 million. On June 15, 2020, the Claimants filed a response brief in which they reiterated their arguments, and on the same day they submitted a counter defense brief, in which the rejected the arguments of the company in the counterclaim. On September 29, 2021, the Court admitted ICC's motion for the disclosure of documents and rejected the parallel motion by the Claimants. A pretrial was conducted on October 27, 2021. On October 19, 2021, the plaintiffs filed a motion for the review of the aforementioned Court ruling from September 29, 2021. On October 27, 2021, a pre-trial meeting was held, following which the parties reached agreements regarding document discovery. On July 28, 2022, ICC submitted its response to the motion for a retrial, and on September 14, 2022, the Claimants submitted their response referring to the arguments of ICC. On July 31, 2022, the Claimants submitted a motion requesting an Order for the disclosure and study of documents, and on September 14, 2022, ICC submitted its response. A hearing of the motions by the parties was set for January 9, 2023. The document discovery procedure has not yet been completed.

F **Extension of the clearing license of ICC and Diners.** On March 27, 2022, the provisional clearing permit of ICC and Diners was extended to March 31, 2023, or until a permanent permit is obtained, the earlier of the two.

18. Dividends

Details regarding the Bank’s dividend policy are presented in Note 24 C (4) to the financial statements to December 31, 2020.

Declaration date	Payment date	Total dividend paid	Rate from the profit	Dividend per share
		In NIS million	In percentage	In agorot (100 agorot = NIS 1)
March 15, 2020	April 5, 2020	48.8	15	4.19
November 22, 2021	December 9, 2021	144.4	20	12.41
March 8, 2022	March 30, 2022	105.8	20	9.09
May 22, 2022	June 9, 2022	196.6	20	15.89
August 11, 2022	August 30, 2022	135.9	20	10.99

On November 22, 2022 the Bank’s Board of Directors decided to make a dividend distribution at the rate of 20% of the profits of the third quarter of 2022, in an amount of approx. NIS 178.6 million, representing approx. 0.14438 Agorot per ordinary A share of NIS 0.1 par value.

19. Taxation

Note 8 D to the financial statements as of December 31, 2021, described appeal proceedings regarding VAT assessments, conducted at the Tel Aviv District Court in the matter of the company and additional credit card companies. Hearing of evidence was conducted during the months of June and July 2022.

ICC estimates the amount of exposure, for which no provision has been recorded in its financial statements, at approx. NIS 195 million.

During the reported period, the parties conducted negotiations regarding a possible compromise with respect to the said assessments. As of date of approval of the financial statements, no agreement has been reached, and accordingly, ICC is preparing to submit a summing-up brief in the case.

20. Increase in capital

On March 30, 2022, the Bank completed a process of issuing shares to the public, comprising 72,994,300 shares of a par value of NIS 0.1 each, in total consideration for approx. NIS 1,428 million.

21. Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus

As part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus, the following transactions were performed:

- The Bank sold on March 21, 2021, the property at 17, Yehuda Halevi Street in Tel-Aviv, which serves one of the Bank's Head Office units. Transfer of the right of possession in the property took place on December 31, 2021, and the property has been leased to the Bank until the planned relocation date to the Discount Campus, in the first half of 2023. Upon the transfer of possession of the property, the Bank recorded a profit of approx. NIS 38 million, net of the tax effect.
- On March 1, 2022, the Bank completed the sale transaction of two of its properties, located at 156 Herzl Street and 160 Herzl Street in Tel Aviv. In the first quarter of 2022 the Bank recorded a gain of approx. NIS 315 million, net of the tax effect. The property has been leased to the Bank until the planned relocation date to the Discount Campus.
- On March 23, 2022, ICC signed an agreement for the sale of the ICC Building in Givatayim, in consideration for NIS 336 million, with the addition of VAT and betterment levies. The transaction is expected to be consummated in the second quarter of 2023. ICC estimates a gain of approx. NIS 220 million, net of the tax effect, is expected to be recognized on this transaction at the date of closing the transaction (the Bank's share in this amount is approx. NIS 155 million).
- On August 8, 2022, MDB's Board of Directors gave approval for the bank to enter into a transaction for the sale of space in The Jubilee Tower in Tel Aviv, which serves the bank's Management and its central head office units. The closure of the transaction and transfer of possession of the property is expected by June 30, 2023. As assessed by it, MDB expects to recognize a gain of approx. NIS 80 million, net of the tax effect, in the second quarter of 2023. MDB has an option to defer the date of transferring possession by six months, until December 31, 2023, and, after that date, it also has an option to rent the property for up to two years.

22. Issue of debt instruments

On June 2, 2022, the Bank, by means of Discount Manpikim, completed the issue of bonds (expansion of Series "N") in a total amount of approx. NIS 1 billion, and commercial securities (Series 2) in a total amount of approx. NIS 700 million.

23. Equity compensation for officers and senior employees

Outline for the allocation of share options. On June 27, 2022, the Bank's Board of Directors approved an outline for the granting of up to 10,000,000 nonmarketable share options to offerees, at no cost, each of which would be exercisable, upon fulfillment of certain terms, into one registered Ordinary A share of the Bank of a par value of NIS 0.1, subject to adjustments (hereinafter: "the outline" and "the pool", respectively), and it also approved, following approval by the Bank's Remuneration Committee regarding Officers of the Bank, the actual granting of up to 3,939,972 share options out of the pool, to 33 employees of the Bank, of which are 9 Executive Vice Presidents and 24 senior managers reporting to VP's, engaged by the Bank under personal employment agreements (hereinafter: "the present allotment"). On July 17, 2022, the Bank allotted the options to the offerees according to the present allotment (hereinafter: "date of allotment").

The options under the present allotment and the options that would be allotted in the future, if at all, under the outline, are allotted according to the capital compensation plan 2022, approved by the Board of Directors and submitted to the Tax Authority on May 31, 2022 (hereinafter: "the plan") and according to the provisions of Sections 102(b)(2) and 102(b)(3) of the Income Tax Ordinance (New Version), 1961, under the capital profit tax option, by means of a Trustee.

In the event that entitlement of the offeree to the option that had been granted to him expires and/or is cancelled prior to being exercised by him, the option returns to the pool being used by the Bank, and out of which, the Bank would be entitled to grant options according to the provisions of the plan and the outline, at its exclusive discretion.

Vesting period. The options granted to each offeree under the present allotment, are divided into two tranches. The first tranche (one half of the options) vests at the end of two years since date of allotment, and the second tranche (one half of the options) vests at the end of three years from date of allotment (hereinafter: "the original vesting date").

Vesting performance goals. Each option tranche allotted to an offeree vests on the determined date for vesting, subject to the Bank fulfilling the cumulative conditions detailed below (hereinafter: "vesting performance goals"):

- The comprehensive capital adequacy ratio and the Common Equity Tier 1 ratio, according to the annual consolidated financial statements of the Bank for the two calendar years ended prior to the vesting date of the first trance and for the calendar year ended prior to the vesting date of the second tranche, shall not be lower that the minimal ratios determined in Directives of the Supervisor of Banks;

23. Equity compensation for officers and to senior employees (continued)

- The Bank's rate of return on equity according to the Bank's annual consolidated financial statements of the Bank for the two full calendar years ended prior to the vesting date of the first tranche, shall not be lower than 7% on an average, and the rate of return on equity in the calendar year ended prior to the vesting date of the second tranche shall not be lower than 7%. In the event that the Bank does not attain the performance goal of return on equity on the original vesting date of a particular tranche, the compliance test regarding this performance goal regarding that tranche would be deferred to the next year, so long as the option has not expired, with the rate of return on equity with respect to the first tranche shall be tested in relation to the three calendar years prior to the deferred vesting date, and with respect to the second tranche, shall be tested in relation to the calendar year prior to the deferred vesting date.

Exercise price. The exercise price of the options that would be allotted according to the outline, shall at least equal the average of the closing quotations of the shares of the Bank on the Stock Exchange on the thirty trading days prior to the date of approval of granting by the Board of Directors (or by the manager of the plan) with the addition of a premium to be determined, if at all, when in relation to the present allotment a premium of 5% has been determined, and the exercise price of each option allotted to the offerees in the present allotment amounts to NIS 19.66 (subject to adjustments according to the outline).

Exercise period. Each tranche may be exercised as from the original date of vesting and until the end of two years from the said date, subject to adjustments in certain cases.

Manner of exercising the options. The exercise shall be made by an exercise mechanism of options into shares based on the benefit component (Net exercise).

Automatic compulsory exercise. In the event that following the vesting of any option tranche and prior to its expiry, the closing quotation for the Bank's shares on the Stock Exchange at the close of whatever trading date, would be equal to or exceed a price which is 70% higher than the closing quotation for the shares of the Bank on the trading day immediately prior to the date on which the Board of Directors approved the granting of options (with respect to the present allotment – an amount of NIS 31.65) (hereinafter: "the maximum quotation"), then all options of that tranche would be automatically exercised.

Miscellaneous instructions. The outline contains different instructions, including instructions regarding cases of termination of employment; instructions regarding adjustment of the right of the offeree to exercise the options in case of different events happening; instructions regarding the management of the plan and the authority of the manager of the plan, and more.

The economic value of the options. The fair value of the options granted under the present allotment, as of date of approval of the present allotment by the Board of Directors, amounts to approx. NIS 15,701 thousands. The fair value of the options is based upon a binomial model for the pricing of options, consistent with the Black & Scholes formula, all according to the assumptions as contained in the outline.

The number of options allotted in the present allotment, for each offeree being an Officer, reflects the fair value as of date of approval of the allotment by the Board of Directors, which equals the amount of three monthly salaries for each vesting year, and for an offeree being another senior employee, equals two monthly salaries for each vesting year.

Cost of compensation. The cost of compensation relating to the present allotment, computed according to the fair value of the options granted under this allotment, amounts at June 30, 2022 to approximately NIS 15.7 million. Such cost is charged as an expense over a period of three years, starting with the report for the third quarter of 2022.

Additional allotment. On August 11, 2022, the Board of Directors approved an additional actual allotment of 638,341 options out of the pool, to five employees of the Bank, of which, two are Executive Vice Presidents, and three are senior managers reporting to VP's, who are employed by the Bank under a personal employment agreement. The exercise price of each option allotted to the offerees in the additional allotment amounts to NIS 19.81 (subject to adjustments according to the outline). The stated fair value of the options granted under the additional allotment, as of date of approval of the additional allotment by the Board of Directors, amounts to approx. NIS 3,077 thousands. The cost of compensation relating to the additional allotment, computed according to the fair value of the options granted under this allotment, amounts at September 30, 2022 to approx. NIS 3.1 million. Such cost is charged as an expense over a period of three years, starting with the report for the third quarter of 2022.

24. Pledges, Restrictive Terms and Collateral

RIPO transactions. During the second quarter of the year, the Bank started to engage in RIPO transactions for different periods, within the framework of which, the Bank had delivered bonds as security obtaining cash against it. As of September 30, 2022, the value of the security provided in this respect amounted to NIS 3.27 billion.

25. Holdings in Discount Capital Underwriting

a. Note 15 D to the financial statements as of December 31, 2021, include description of an agreement entered into by the shareholders of Discount Capital Underwriting. On May 25, 2022, the blockage period for the exercise of a PUT option granted to one of the minority shareholders of Discount Capital Underwriting ("the shareholder") was extended until December 31, 2023, with respect to the balance of Discount Capital Underwriting shares held by him (approx. 21%), in consideration for that determined by the parties, subject to the right of the shareholder to shorten the blockage period until December 31, 2022.

b. An agreement entered into effect on August 28, 2022, according to which the shareholders of Discount Underwriting sold, pro-rata, approx. 21.65% of the company's shares ("the sold shares") to two Officers of Discount Capital Underwriting ("the purchasers"). The consideration for the transaction is not material. Upon consummation of the transaction, the holdings of Discount Capital were reduced to 50.1%, and an Addendum to the company shareholders agreement entered into effect, according to which, the purchasers joined as parties to the shareholders agreement, and Discount Capital Ltd. was granted a CALL option, and each of the purchasers were granted a PUT option with respect to the sold shares.

Corporate Governance, Audit, Additional Details Regarding the Business of the Banking Corporation and Management Thereof

Corporate Governance and additional details - List of tables

Corporate governance and audit

Board of Directors and Management

Changes in the Board of Directors

Appointment of Director. The General Meeting of Shareholders held on August 2, 2022, decided to appoint Mr. Danny Yamin as a Director for a period of three years, as from February 1, 2023. All as detailed in the Immediate Report dated August 2, 2022 (Ref. No. 2022-01-098110), the information contained therein regarding the above matters, is presented herein by way of reference.

Changes in Management

On February 21, 2022, Mr. Avi Levi, Senior Executive Vice President, commenced office as Head of the Banking Division, replacing Ms. Yafit Gheriani, Senior Executive Vice President, who terminated her office on this date.
Ms. Esther Deutsch, Senior Executive Vice President and Head of the Group Management and Regulation Division, terminated her office on June 15, 2022. Ms. Esther Deutsch will continue to act as Chairperson of the Board of Directors of MDB and of ICC.
On August 15, 2022, Ms. Hila Eran-Zik commenced office as member of Management with the title of Senior Executive Vice President, Head of the Corporate Division, replacing Mr. Yuval Gavish, Senior Executive Vice President, who terminated his office on this date.
On July 10, 2022, Ms. Orit Caspi, Executive Vice President, began her office as Chief Risk Officer and Head of the Risk Management Division, replacing Mr. Avi Levy, who terminated this office, as stated. Until the said date, acted Mr. Amir Rozin, Deputy Head of the Risk Management Division as substitute of the Head of the Risk Management Division replacing Mr. Avi Levi.
On August 11, 2022, Ms. Nitzan Sandor, Executive Vice President, began her service as Head of the Legal Counsel Division and Chief Legal Counsel in place of Ms. Hagit Meiroviz.
On August 11, 2022, Ms. Hagit Meiroviz, Executive Vice President, began her service as Head of the Human Resources Division in place of Ms. Orit Caspi.

The Chairman of the Board, the Board of Directors and the President & CEO thank Ms. Yafit Gheriani, Ms. Esther Deutsch and Mr. Yuval Gavish for their activity and contribution during their period of office at the Bank, and wish Mr. Avi Levy, Ms. Orit Caspi, Ms. Hagit Meirovitz, Ms. Nitzan Sandor and Ms. Hila Eran-Zik success in fulfilling their offices.

Meetings of the Board of Directors and its committees

In the first nine months of 2022, the Board of Directors held 22 meetings. In addition, 53 meetings of committees of the Board of Directors were held.

The Internal Audit in the Group

Details regarding the internal audit in the Group, including the professional standards according to which the internal audit operates, the annual work plans and the considerations at its basis were included in the 2021 Annual Report (pp. 330-334).

Updates. During the third quarter of 2022 the following periodic reports were submitted and discussed:

- The quarterly report on the activities of the internal audit in the second quarter of 2022 was submitted on August 30, 2022, and discussed in the Audit Committee on September 20, 2022;
- The quarterly report on the activities of the internal audit in the third quarter of 2022 was submitted on October 30, 2022, and is yet to be discussed in the Audit Committee.

Transactions with Interested and Related Parties

A collective insurance policy for Directors and Officers. On March 31, 2022, the Bank purchased a collective insurance policy for Directors and Officers, officiating and who may officiate from time to time at the Bank, including for their office on behalf of the Bank in any other company in which the Bank has an interest. For additional details, see Note 10 section 6 to the condensed financial statements.

On March 28, 2022, the Board of Directors decided to adopt yardsticks for complementing the compensation of Directors during the Corona period, all according to the Remuneration Regulations (Provisional instruction), 2022.

Amendment of the Remuneration Policy of Officers at the Bank according to Section 267A of the Companies Law. The General Meeting of Shareholders held on August 2, 2022, resolved to approve an amendment to the compensation policy for Officers at the Bank, according to Section 267A of the Companies Law. All as detailed in the Immediate Reports dated July 25, 2022 (Ref. No. 2022-01-094939) and August 2, 2022 (Ref. No. 2022-01-098110), the information detailed therein in this matter is presented hereby by way of reference.

Approval of the updating of the terms of office of the Chairman of the Board, and accordingly amendment of the compensation policy for Officers. The General Meeting held on August 2, 2022, resolved to approve the updating of the terms of office of the Chairman of the Board, Mr. Shaul Kobrinsky, and, accordingly, an amendment of the compensation policy for Officers. The said amendments are according to and in the light of an amendment to Proper Conduct of Banking Business Directive No. 301A "Remuneration policy in a banking corporation", published by the Supervisor of Banks on April 10, 2022, which included instruction regarding everything relating to the compensation of the Chairman of the Board of a banking corporation having no core controlling interest. All as detailed in the Immediate Reports dated July 25, 2022 (Ref. No. 2022-01-094939) and August 2, 2022 (Ref. No. 2022-01-098110), the information detailed therein in this matter is presented hereby by way of reference.

Special and independent committee – proceedings in Australia

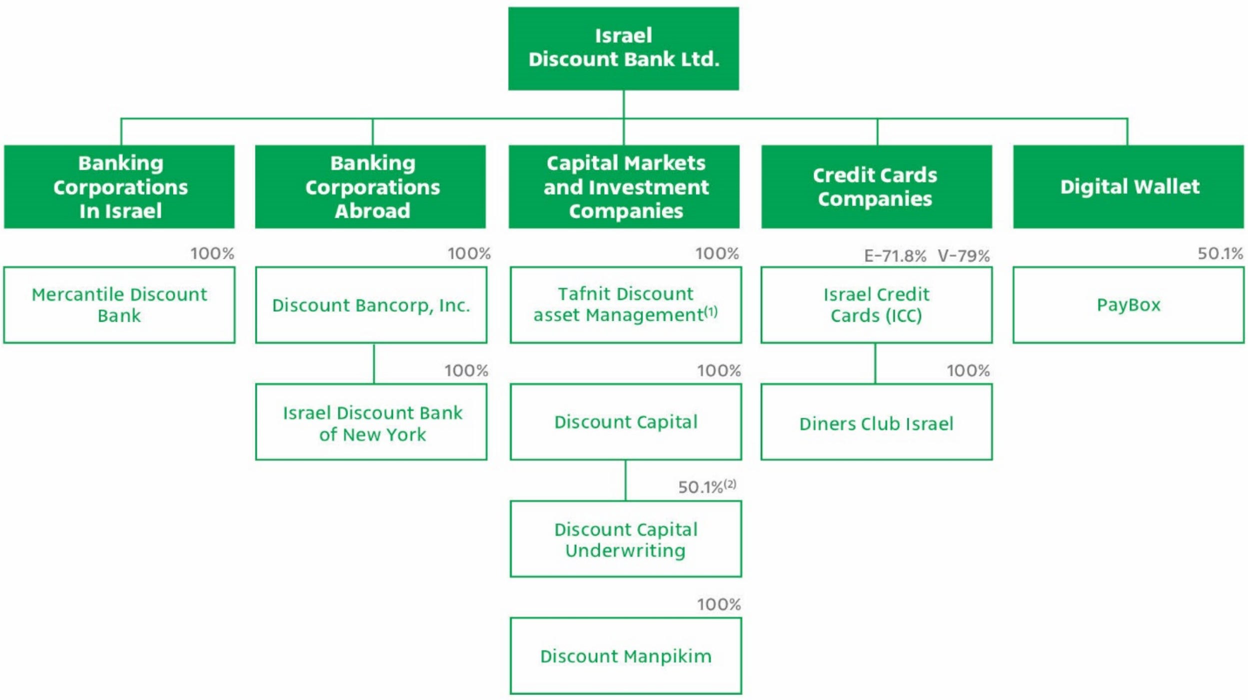
Different legal proceedings have been conducted in Australia and in Israel against the Bank and against MDB ("the banks"), relating to accounts held with the banks by certain Australian family members and by companies related to them. The essence of the said proceedings is civil lawsuits (fiscal) filed in Australia by Liquidators of the related companies, claiming damage caused to these companies due to amended tax assessments issued by the Australian Tax Authorities. The claims were based on the argument (refuted) that the said banks had provided banking services to customers, assisting them in evading the payment of taxes in Australia.

On January 31, 2021, the banks signed compromise arrangements in relation to the aforementioned proceedings for the settlement of all claims and actions of the Plaintiffs against the Discount Group, including in relation to the proceedings, the family members and the related companies, with this being without any admission of liability. According to the aforesaid arrangements, the amount of the settlement totals approx. AUD 138 million, equivalent to approx. NIS 343 million.

Concurrently, the Bank has agreed to an arrangement whereby the insurers will pay the banks an amount of approx. US$ 55 million for which an amount of approx. US$ 47.5 million (approx. NIS 151 million) was recorded as income.
For further details, see Note 26 C 11.3 to the financial statements as of December 31, 2020 (pp. 230-231).
The Bank had carried out a lesson learning process in order to avoid repetition of events of that sort, and in this framework, the Bank reassessed processes and procedures.
As required by the Supervisor of Banks, the Boards of the two banks have decided to establish a joint committee of the two Boards of Directors, which will be a special, independent committee that will be headed by her honor, Retired Judge Hila Gerstel. His honor, Retired Judge Jacob Sheinman was appointed on August 15, 2021, as joint Chairperson of the Committee, acting together with her honor, Retired Judge Gerstel. The committee will examine the administrative and control processes that allowed the conduct of the Banks that led to the proceedings for which the compromise arrangements were signed, while addressing, inter alia, to corporate governance aspects and the conduct of the Board of Directors and the senior Management including drawing conclusions and making general and personal recommendations with regard to officers and employees, where necessary, including in relation to compensation awards granted to the officers during the relevant period.
According to information in the hands of the Bank, the Committee had completed the gathering of material and the hearing of Officers and employees appearing before it, and is now forming its conclusions and recommendations.
The committee will present its conclusions and recommendations to the Boards of Directors of the banks.
The committee's conclusions and recommendations will be notified to the Supervisor of Banks, in response to the latter's request to the banks.

Additional details regarding the business of the banking corporation and management thereof

Discount Group Structure



(1) Directly and Indirectly.
(2) See Note 25 to the condensed financial statements.

Fixed Assets and Installations

Buildings and Equipment

Establishment of the Discount Campus. For details, see the 2021 Annual Report (p. 334) and Note 10 section 5 to the condensed financial statements.
Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank to the Discount Campus. For details, see Note 21 to the condensed financial statements.

Information and Computer Systems

For details, see the 2021 Annual Report (pp. 346-348).

The human capital

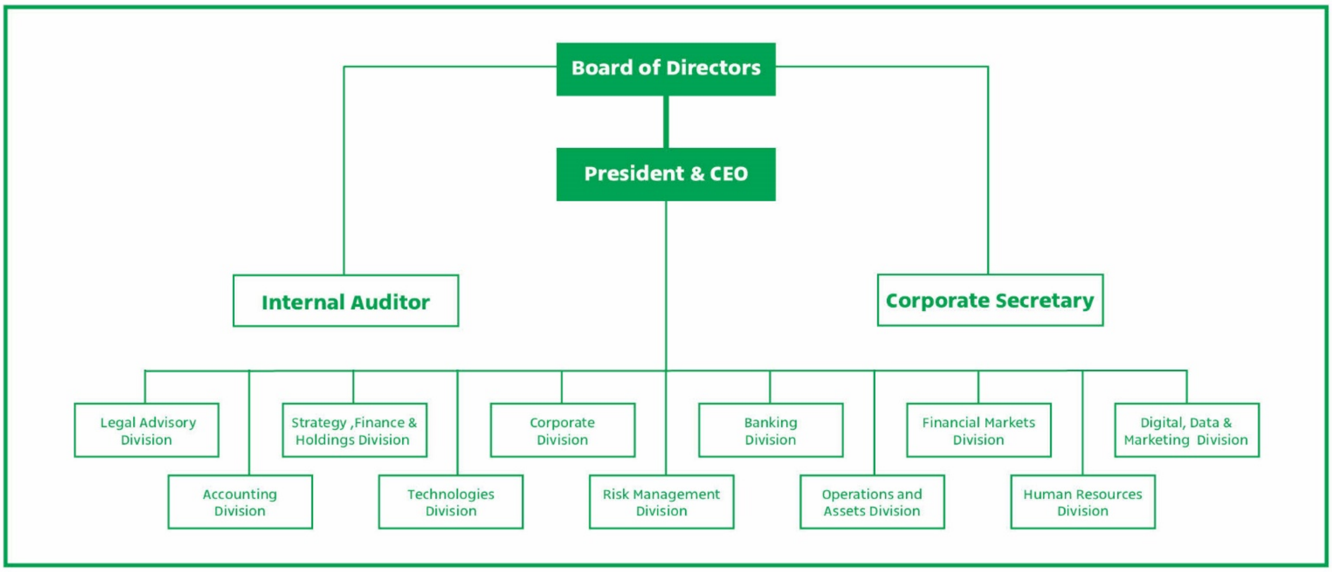
Changes in the organizational structure

The Bank's Board of Directors approved on April 26, 2022, several organizational changes, that would comprise an infrastructure for the acceleration of the implementation of the strategy in the Group:

- The Planning, Strategy and Finance Division absorbed most of the activity of the Group Management and Regulation Division, which was abolished, within the framework of a new Wing that has been established for this purpose – the Group Management Wing – which focuses on maximizing and utilizing to the utmost the business and strategic potential in all the subsidiary companies. In addition, the Division has absorbed the Fintech and Innovation Unit, transferred from the Digital, Data and Innovation Division. This Unit focuses on leading pioneering moves, supporting the strategy of the Bank and the Group. The name of the Division has been changed to the Strategy, Finance and Holdings Division.
- The Digital, Data and Innovation Division has absorbed the Marketing Wing and the Customer Experience Administration, transferred from the Strategy Division. This with the view of strengthening and leveraging the connection between the advanced capabilities existing in the fields of digital, data and marketing, in favor of continuing the advancement of the leading customer experience. The name of the Division has been changed to the Digital, Data and Marketing Division.
- A new Wing had been established within the Operations and Assets Division – the Products and Processes Wing, which leads the operational and banking excellence area across the organization. The Wing has absorbed the operations of the current account department from the Digital Division, the processes department from the Strategy Division, and the products department from the Operations Division. In addition, this Division absorbed the foreign trade department from the Corporate Division, as part of the process of concentrating the Bank's operational activity within the Operations Division.

The above changes took effect in the middle of May.

Organizational Structure Chart



Equity compensation for officers and senior employees

On June 27, 2022, the Bank's Board of Directors approved an outline for the granting of up to 10,000,000 nonmarketable share options to offerees, at no cost, each of which would be exercisable, upon fulfillment of certain terms, into one registered Ordinary A share of the Bank of a par value of NIS 0.1, subject to adjustments (hereinafter: "the outline" and "the pool", respectively), and it also approved, following approval by the Bank's Remuneration Committee regarding Officers of the Bank, the actual granting of up to 3,939,972 share options out of the pool, to 33 employees of the Bank, of which are 9 Executive Vice Presidents and 24 senior managers reporting to VP's, engaged by the Bank under personal employment agreements (hereinafter: "the present allotment"). On July 17, 2022, the Bank allotted the options to the offerees according to the present allotment (hereinafter: "date of allotment").

On August 11, 2022, the Board of Directors approved an additional actual allotment of 638,341 options out of the pool, to five employees of the Bank, of which, two are Executive Vice Presidents, and three are senior managers reporting to VP's, who are employed by the Bank under a personal employment agreement.

The aim of granting stock options is to remunerate officers and managers for their work and contribution to the Bank, and in order to maintain them for a long period of time, while creating appropriate incentives and relating them to the goals of the Bank, all this within the restrictions of the Remuneration of Officers of Financial Corporations (Special permit and the non-deductible Tax wise of exceptional compensation) Law, 5776-2016, and while maintaining the Bank's risk management framework.

For additional details, see Note 23 to the condensed financial statements, as well as the amended outline published by the Bank on July 13, 2022 (Ref. No. 2022-01-089110), the details contained therein in this matter are presented hereby by way of reference.

Labor Relations of the Principal Subsidiaries

ICC. On June 11, 2019, a special collective agreement was signed by ICC, the New Federation of Labor and the national committee of ICC employees, which is effective from January 1, 2019 through December 31, 2022. An agreement was signed on September 22, 2022, whereby the move of ICC's employees to the Discount Campus had been arranged. Within this framework it was established that in the course of 2023, ICC will pay to its entitled employees a onetime award for their consent to the move to the Discount Campus and the changes involved in such move. The total amount of the award is estimated at approx. NIS 25 million, most of which would be recognized in the financial statements for 2023. In addition, arrangements were made for remote work by ICC employees. Moreover, the effective period of the existing collective labor agreement was extended to December 31, 2023.

Organizational culture

Within the framework of the project regarding the organizational culture, strengthening and empowerment of senior managers with a view of improving ability for execution of decisions and projects and the optimal implementation of the strategic plan, it has been decided to establish a leading Forum. The Forum numbers some ninety managers directly subject to VP's, of the grades of wing and department managers. The forum has a work plan of five levels with the duty to advance and handle cross-organization issues, strategic projects and organizational matters. The Forum meets a number of times per year in a workshop format. In between these meetings, CEO updates are held on a monthly basis, and also enrichment and development processes as well as current updates are provided through a designated WhatsApp group. In addition, work teams have been formed for the removal of bureaucratic obstructions and improvement of processes.

For details, see the 2021 Annual Report (pp. 349-359).

Environmental, Social and Governance (ESG)

Environmental, Social and Governance (ESG) Report for 2021. The Report is available for reference on the website of the Bank.
"Maala" Rating for 2022. On July 19, 2022, "Maala" published its rating for 2021. The Bank has been rated in the Platinum Plus category (distinguish companies with an absolute score of over 90). ICC has maintained its Platinum rating.

Rating of Liabilities of the Bank and some of its Subsidiaries

On January 23, 2022, Midrug reaffirmed the rating of the Bank and the rating of MDB at a level of "ilAAA" with a stable outlook. On the same date, S&P Global reaffirmed the international rating of the Bank and of IDB Bank at a level of "BBB+/A-2" and changed the outlook from stable to positive, all as detailed in the immediate reports dated January 23 (Ref. Nos. 2022-15-009534 and 2022-01-010159), the information contained therein is presented hereby by way of reference.
On June 30, 2022, Moody's announced the affirmation of the international rating of the Bank at a level of "A2" with a stable outlook, all as detailed in the immediate report dated June 30, 2022 (Ref. No. 2022-01-081676), the information contained therein is presented hereby by way of reference.
On November 9, 2022, Midrug left unchanged the internal financial stability rating of the Bank at "aa2.il", and long-term deposits at "Aaa.il" with a stable outlook, all as detailed in the immediate report dated November 9, 2022 (Ref. No. 2022-01-135082), the information contained therein is presented hereby by way of reference.

For details regarding the rating determined for the Bank and some of its subsidiaries by different rating agencies, see the 2021 Annual Report (pp. 361-362).

Activity of the Group according to regulatory operating segments - additional details

Household Segment (Domestic operations) - additional details

Developments in the segment

Branches. At the end of the third quarter of 2022, the Discount Group has 171 branches in operation in Israel (98 branches of the Bank and 73 branches of MDB).

For additional details, see the 2021 Annual Report (pp. 361-367).

Mortgage Activity

At the present time, the Bank operates 74 branches, countrywide, providing mortgage loan services. The Bank focuses on the granting of mortgage loans as a method for maintaining the business with existing customers and attracting new customers.

Developments in the mortgage market

	September 30,		
	2022	2021	
	in NIS millions		Change in %
Total housing loans granted by the banks, excluding internal recycling of loans	96,414	82,174	17.3
Loans from State funds	300	372	(19.4)

New loans and recycled loans granted for the purchase of a residential unit and secured by a mortgage on a residential unit

	For the nine months ended September 30,		
	2022	2021	
	In NIS millions		Change in %
From bank funds[1]	14,522	11,780	23.3
From Treasury funds[2]	34	38	(10.5)
Total of new loans	**14,556**	**11,818**	**23.2**
Recycled loans	1,261	812	55.3
Total granted[3]	**15,817**	**12,630**	**25.2**

Footnotes:

(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 183 million in the first nine months of 2022, compared to NIS 207 million as at September 30, 2021 and NIS 275 million in 2021.

(2) Including standing loans in the amount of NIS 14 million in the first nine months of 2022, compared to NIS 16 million as at September 30, 2021 and NIS 23 million in 2021.

(3) At the Bank and MDB.

Legislative restrictions, regulations and special constraints applicable to the operations

Consumer Reform increasing transparency of information provided to bank customers and improving the competition environment in the mortgage market. In continuation of the announcement by the Bank of Israel dated November 14, 2021, regarding promotion of a series of consumer steps in the mortgages field, and Amendment to Proper Conduct of Banking Business Directive No. 451 was published on January 31, 2022, which would take effect on August 31, 2022. In addition, on June 13, 2022, a draft Amendment to Proper Conduct of Banking Business Directive No. 449 was published, according to which, a bank is required to present to the customer the actual cost according to the computation formula recently amended as part of the Amendment to Proper Conduct of Banking Business Directive No. 451.

According to this Amendment, it is required to present the actual cost together for all the tracks of the loan, or with respect to the total framework offered to the customer. For additional details, see the 2021 Annual Report (pp. 364-366).

Amendment to Proper Conduct of Banking Business Directive No. 451, in the matter of housing loans. The Amendment, which was published on July 7, 2022, granted an extension in the implementation of a part of the reform of the principal approval. The beginning date for the presentation of a calculator that includes the forecasted change in interest rates is set for September 30, 2022. The disclosure duty regarding overall forecasted interest and interest rate for comparison purposes, upon considerations regarding advisability of premature redemption of the loan, takes effect on November 30, 2022.

Letter by the Supervisor of Banks in the matter of reverse mortgage. A letter and a draft amendment of Proper Conduct of Banking Business Directive No. 329 in the matter of reverse mortgage were published on October 2, 2022. A reverse mortgage is a loan secured by a pledged on a residential unit applying to persons aged 60 and over, the repayment date thereof is unknown with no monthly repayments of the principal amount. The financing ratio applying to a reverse mortgage is not to exceed 50% (anticipated financing ratio, whereas no repayments reducing the balance of the loan apply, is not to exceed 60%). Realization of the property is made possible only after the last borrower vacates the property, with the borrower having the option of repaying the loan at any time with no early repayment commission. Heirs of the borrower are entitled to repay the loan within a period of twelve months with no charge of interest in arrears. Limitations regarding the ratio of repayments to income, variable interest and a maximum loan period of thirty years, do not apply to a reverse mortgage.

Large businesses Segment (Domestic operations) - additional details

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of September 30, 2022, no deviations existed from the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as of September 30, 2022, there were no deviations from the limitations on "related persons". According to a clarification received from the Supervisor of Banks, the investment of the Group in securities of U.S. federal agencies is averaged at 50% for the purpose of computing the liability according to Directive 313.

Limitations on indebtedness of a borrower and groups of borrowers. A circular was issued on April 7, 2022, updating Proper Conduct of Banking Business Directive No. 313, within the framework of which, it had been determined that the calculations relating to derivative financial instruments shall be made in accordance with Directive No. 203A instead of Appendix "C" in Directive No. 203. In addition, it had been determined that deductions from the indebtedness, which were not included in the amount of exposure to derivative financial instruments, would be allowed.

Developments in the debt of the business sector

The debt of the business sector amounted at the end of August 2022[7] to NIS 1,211 million, an increase of 9.7% compared with the end of December 2021 (all the rates of change are in nominal terms and are affected by changes in exchange rates and in the CPI).

The increase in total indebtedness is due to a rise in the debt to banks (approx. 12%), to foreign residents (approx. 9%) and debt to institutional bodies (6%), in view of the growth in the balance of bonds held by institutional bodies and in loans. As a result of the aforesaid trends, the weighting of the bank in the total indebtedness of the business sector grew and stood at 53.2% at the end of August 2022 (52.2% at the end of December 2021).

The volume of issues by Israeli corporations amounted in the first nine months of the year to approx. NIS 64 billion, of which, approx. NIS 38 billion with the exclusion of banking, insurance and financial corporations. This, as compared to approx. NIS 43 billion and approx. NIS 36 billion, respectively, in the corresponding period last year.

7 The most updated data available at the time of submitting the report to print.

The margin between corporate bonds (included in the shekel Tel-Bond) and government bonds as of the end of September 2022, was 1.59%, as compared to 1.34% at the end of 2021, and 1.41% at the end of the third quarter of last year.

Developments in the Segments' Markets

Following are development directions in the principal economic sectors:
- Industrial sector – the production activity of the Israeli industry continues to grow in most areas and particularly in the Hi-Tech industry, which has demonstrated impressive stability even at the height of the Corona crisis. Nevertheless, the challenging macro-economic environment, which includes concern regarding global recession and a higher inflationary environment than in the past, may have a burdening effect on operations. On the other hand, the strengthening of the US dollar, which is found at its highest level since the middle of 2020, supports growth in income of exporters and may serve as a moderating factor with respect to the present macro-economic environment;
- The hi-tech sector – this sector has enjoyed in recent years the availability of "cheap money", which supported a fast growth and the raising of capital at high volumes. The trend of rising interest rates and reduction in the supply of funds may have an adverse effect on growth in this sector;
- The off-banking credit sector – the rise in the interest rates increases financing expenses of the players in the sector, alongside a growth in the level of risk of their customers;
- The tourism sector – The sectorial activity shows a positive trend, as seen from the occupancy rates, including in the urban hotels. Notwithstanding the above, the significant continuing growth in outgoing tourism may become a moderating factor;
- The commercial sector - the intensity of the sectorial activity corresponds with the buying power of the consumer, which is derived from, among other factors, the unemployment rate, current macro events and the inflationary environment, all of which could present a formidable challenge;
- Real estate sector – for details, see below under "Construction and real estate activity".

Anticipated Developments in the Segments' Markets

According to the updated growth forecast by the Bank of Israel, dated October 2022, the GDP is expected to grow at a rate of 6% in 2022 and at the rate of 3% in 2023. In addition, the inflation in 2023 is expected to converge into the targeted price stability range, standing at the level of 2.5%. According to the forecast, the monetary interest rate is expected to continue to rise up to 3.5% in the third quarter of 2023.

For details regarding the "Large businesses Segment", see the 2021 Annual Report (pp. 373-380).

Construction and Real Estate Activity

Developments in markets of the activity

Residential property. The vivid activity on the housing market continues, accompanied by rising prices and being supported by the basic data in the housing market – excess demand over supply. However, the rise in interest and inflation rates started to put difficulties on the part of demand, as seen from the decline in the sale of new apartments since the beginning of 2022. Furthermore, the economic slowdown may have a restraining effect on prices of apartments and on their rate of sale.

Income producing office premises. Most of the demand related to large areas of quality properties in regions characterized by the presence of many hi-tech companies. Notwithstanding the above, the office premises market is sensitive to economic cycles, so that a slowdown in activity of hi-tech companies may result in erosion in rental prices applying to office buildings, particularly in areas that had experienced a very fast growth in rental prices in the past two years. Furthermore, a rising interest environment is expected to result in an increase of the discounting rates, following which, to a decline in value.

Income producing commercial real estate. The present occupancy rates are high and stable (even with relation to their level prior to the Corona crisis). Looking forward, the growth potential is coordinated with the performance of retail trading, and within the larger circle, with the buying power of the Israeli consumer. To the extent that the present macro-economic events, particularly in a high inflationary environment, would adversely affect private consumption, the challenges would intensify.
Infrastructures. The growth in volume of activity of the infrastructure sector has continued. Over and above the projects that are already in progress, expectations exist for the beginning of additional significant projects.

Legislative and regulatory limitations and special constraints applying to the activity

The limitations described above applying to the business segment also apply to construction and real-estate operations. In addition, it should be noted that as part of Proper Conduct of Banking Business Directives No. 315, a limitation applies to sectorial credit concentration, where that part of the credit being the responsibility of the banking corporation (including off-balance sheet credit) granted to a certain sector, as defined in the Directive, exceeds 20% of total credit to the public being the responsibility of the banking corporation. The Bank's sectorial credit concentration in the real estate sector was 16.54% as of September 30, 2022, compared with 17.12% at the end of 2021.
Requirement for a further allocation of capital. An Amendment to Proper Conduct of Banking Business Directive No. 203, was published on May 22, 2022, which states that to the list of debts averaged at the rate of 150% risk would be added loans intended to finance the purchase of land for development or building purposes at a rate exceeding 80% of the value of the purchased property (LTV). This, excludes loans financing the purchase of agricultural land having no planning horizon or intention to file a request for a change in zoning, and excluding loans financing the purchase of land for the personal use of a borrower who is not classified to the construction and real estate sector. The said Amendment took effect on June 30, 2022, though banking corporations may spread the effect of change in weight of the risk for the existing amount of loans at fixed quarterly installments until June 30, 2023.
For additional details, see the 2021 Annual Report (pp. 377-380).

Financial Management Segment (Domestic operations) - additional details

Non-Financial Companies

Legislative restrictions, regulations and special constraints applicable to the sub-segment

As of September 30, 2022, the Bank was far from reaching the restriction on investment in non-financial corporations pursuant to Section 23 A (A) of the Banking Law (Licensing). For further details, see the 2021 Annual Report (p. 384).

Non-financial investments portfolio – principal data

Scope of the portfolio. The total value of the non-financial investments portfolio of Discount Capital amounted at September 30, 2022 to NIS 2,116 million. The outstanding investment commitments of Discount Capital amounted on September 30, 2022, to NIS 776 million (approx. US$219 million) most of which in Funds the investment period of which has not yet expired.
Income. Discount Capital recorded in the first nine months of 2022 net income from non-financial investments in a total amount of approx. NIS 97 million. This, compared to net income in a total amount of approx. NIS 145 million in the first nine months of 2021.
New investments. In the first nine months of 2022 Discount Capital completed a number of investment transactions in investment Funds and in corporations in a total amount of approx. US$88 million.

For additional details, see the 2021 Annual Report (pp. 383-384).

International Operations Segment - Additional Details

Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations

Exposure restriction with regard to overseas extensions. According to guidelines of the Supervisor of Banks, a board of directors of a banking corporation, which operates or intends to operate by means of overseas extensions, is required to discuss and approve a comprehensive policy document with respect to the operations of overseas extensions. Within the framework of the said statement of policy, the Board of the banking corporation is required, among other things, to determine a restriction or a set of restrictions as to the exposure regarding the activities of overseas extensions, which should reflect the risk appetite applying to the operations of the overseas extensions, on condition that the principal part of the operations of the banking corporation and the banking group is located in Israel.

On September 30, 2022, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 14.47% of total risk assets, as compared with 14.22% on December 31, 2021. The said exposure rate complies with the exposure limitations set by the Board of Directors, within the framework of the risk appetite declaration of the Discount Group.

The Bank monitors the development of the risks assets for its operations in overseas extensions.

U.S. legislation. Following the crossing of the US$10 billion line of total assets in 2020, IDB Bank has been defined as a "Large bank" to which different regulatory requirements apply, and accordingly, these are being prepared for by IDB Bank. Among other things, different instructions apply to it with respect to activity in derivatives and to the methodology for computing the deposit insurance. With the crossing of the line, the activity of IDB Bank is subject to supervision by the Consumer Financial Protection Bureau, the authority of which relates to compliance and to different instructions intended for the protection of customers. In addition, there is a change in the frequency and intensity of the regulatory audits of IDB Bank, performed by the FDIC and the NYDFS, making them more extensive and sequential in a way that presents a higher supervisory anticipation. Within the framework of the above stated, IDB Bank may be required to expand and intensify its internal controls, the compliance plan and the risk management.

The US regulators have the authority to adopt public and non-public enforcement measures, in different circumstances, including in cases of identifying financial or operating weaknesses, deficiencies in corporate governance or other deficiencies, as well as cases of violation of Regulations. Within the framework of these enforcement measures, Regulators may order different measures, including measures to correct deficiencies or the discontinuation of certain practices, as well as increasing the capital, limiting growth, restrictions on profit distribution, termination of office of Officers, as well as the payment of penalties or civil indemnification.

BSA/AML. As required under the USA PATRIOT ACT and the Bank Secrecy Act (the "BSA"), Israel Discount Bank of New York ("IDB Bank") has adopted a BSA compliance program, which includes policies, procedures and controls for the prevention of money laundering and terrorist financing. As a result of the identification of certain issues regarding IDB Bank's BSA compliance program, IDB Bank committed to applicable regulatory authorities in the US to take steps to address these issues and is working to do so, and, among other things, has approved a voluntarily-initiated comprehensive remediation plan and has taken steps in furtherance of that plan. IDB Bank is subject to ongoing oversight by these authorities on this matter and was informed that, as a result of such oversight, it will be asked to enter into a consent order. IDB Bank expects that any such order would require IDB Bank, among other things, to further enhance its policies, procedures and controls and staffing levels. IDB Bank further expects that any such order would not impose fines or penalties. Any such order would result in additional expenses and compliance costs and could negatively influence reputation, and may limit IDB Bank's ability to obtain regulatory approvals for new business initiatives that require such approval. There is no certainty that a consent order will be imposed or of the nature, scope, consequences or timing of any such order.

As of date of approval of the report, the Bank estimates that these measures, to the extent imposed, would not have a material financial impact on the Bank's results.

Forward looking information. The above information forms forward looking information constituting an assessment based on existing information at the hands of the Bank at date of publication of these reports. Such information includes, inter alia, reference to future events the materialization of which is uncertain, based on assessments and data at the hands of Management of the Bank, and is conditional upon the existence of different factors, which existence is uncertain, inter alia, in relation to the regulatory measures that might be applied, as discussed above.

For additional details, see the 2021 Annual Report (pp. 385-387).

Additional Segments

For additional details regarding the Small and minute businesses segment (Domestic operations), see the 2021 Annual Report (pp. 370-371). For additional details regarding the Medium businesses segment (Domestic operations), see the 2021 Annual Report (pp. 372-373). For additional details regarding the Private Banking Segment (Domestic operations), see the 2021 Annual Report (pp. 367-369). For additional details regarding the Institutional bodies segment (Domestic operations), see the 2021 Annual Report (p. 380).

Credit Card Operations

Developments in operations

Clearing of the Diners brand. As described in the 2021 Annual Report (p.391), on December 21, 2021, the Ministry of Finance informed ICC that the examination of possibly allowing the cross-clearing of the Diners and American Express brands had begun. In continuation thereof, in a letter dated August 1, 2022, the Ministry of Finance presented to ICC an outline, by which, issuers of the closed brands ("Diners" and "American Express") shall allow each licensed clearing agent to engage in an aggregator agreement with them, and to summarize debits and credits of trading houses for transactions made by way of charge cards of the closed brands. The position of the Treasury is that, to the extent that the said outline would take effect within 120 days, there will be no need to apply the authority of the Minister of Finance according to the law, to determine that an issuer with Wide-Ranging Activity (which includes ICC) shall not refuse to engage with a clearing agent in order to settle cross-clearing of transactions made by use of charge cards issued by him, based on unreasonable arguments, also with respect to the closed brands. According to the letter, the Ministry of Finance intends to examine the state of affairs in the market, and the progress made by the parties in applying the said outline, and accordingly, reach conclusions with respect to the need to apply the authority of the Minister. It is noted, that according to the outline, ICC might serve as an aggregator for the "American Express" brand.

It is noted that at date of this Report, the subsidiary of ICC, Diners Club Israel Ltd. is engaged in agreements with several aggregators granting them the ability to offer trading houses clearing services for the "Diners" brand under terms agreed with each aggregator.

ICC has approached clearing agents operating in Israel, negotiating with them the matter of operating as Aggregators with respect to the "Diners" brand. Furthermore, ICC is conducting negotiations regarding its activity as an Aggregator with respect to the "American Express" brand.

According to assessments of ICC and the Bank, implementation of the outline may on the one hand increase competition in the clearing sector in general and in the closed brands ("American Express" and "Diners") in particular, and respectively, might bring a decline in income from the clearing segment of ICC. On the other hand, the outline may widen the coverage of the closed brands in the clearing market to additional trading houses.

An agreement for cooperation with Electra Consumer Products and Hapoalim Bank. On March 20, 2022, ICC has reached an understanding in principle with Electra Consumer Products (1970) Ltd. ("ECP"), according to which, the parties would engage in an agreement for cooperation in the establishment of an off-banking customer club based on credit cards, covering all the retail chains of the ECP Group.

On May 10, 2022, ICC, ECP and Hapoalim Bank Ltd. ("the parties") signed an updated agreement in principle ("the updated agreement in principle"), which states that the parties would engage in a tripartite cooperation agreement for the establishment of a joint customer club based on an off-banking credit card. The agreement is based upon the renewed agreement in principle of March 2022, subject to certain modifications.

On August 9, 2022, the parties signed a tripartite agreement with ACP and with Bank Hapoalim, for cooperation in connection with the activity of a customer club based on an off-banking credit card issued by ICC, intended for BIT customers and for customers of the retail stores chains of ECP, in which customers of the BIT-Card Club and customers of the Family 365 Club would be included ("the Club"), for a period of twelve years from date of fulfillment of the conditions precedent according to the agreement. The agreement would be renewed automatically for three years each time, unless any of the parties informs of his wish not to renew the agreement, all according to the terms and accords detailed in the agreement.

The aim of the credit-card Club is to provide value and benefits to customers of the credit-card Club, while, within the framework of this cooperation, ICC, as stated, would issue credit cards of the Club to customers of ECP and its subsidiary companies and to customers of BIT who join the Club.

The agreement states, among other things: (1) ICC shall serve as the sole and exclusive issuer of the Club's credit cards, as off-banking cards, and shall act as the entity responsible for providing all the services related to the issue and the operation of the Club's card, as well as additional services as detailed in the agreement; (2) The issuance of the club cards will be carried out in ICC's digital issuance interface, to which, among other things, customers of the BIT application will be directed. Furthermore, the BIT Application would serve for the presentation to Club customers of certain data related to the Club; (3) ECP would be responsible for the management of the Club, including connection with club customers, as well as the formation of value offers to Club customers, all as detailed in the agreement; (4) ECP and Bank Hapoalim shall be entitled, each of them separately, to payments from ICC for their share in the income earned on the transaction turnover made by use of the Club's credit cards, as well as additional income related to the operations of the Club (according to the rates and conditions stated in the agreement). ECP would be entitled to additional payments, as detailed in the agreement, including for the participation of ICC and the Bank in marketing and sales promotion expenses of the Club; In the years 2023 and 2024, ECP would be entitled, according to the agreement, to receive safety net awards and goal awards, which might assure ECP net receipts of approx. NIS 32 million in each of those years. In addition, during the period of the agreement, ECP would be entitled to a bonus of up to NIS 50 million, conditional upon reaching performance goals, all as detailed in the agreement.

Entry into effect of the agreement and the execution thereof are subject to fulfillment of conditions precedent, including obtaining a permit from the Commissioner of Competition (under terms detailed in the agreement). The parties are acting to complete the said conditions precedent. No certainty exists that the cooperation would be completed or that the required permit would be obtained.

ICC estimates that the introduction of the Club would take place during the first half of 2023, subject to fulfillment of the said conditions precedent.

Cooperation agreement with PAZ. On February 20, 2022, ICC signed an agreement for the cooperation with PAZ Oil Company Ltd. ("PAZ"), in the marketing of loans extended by ICC at its responsibility, through the "Yellow" Application, to members of the Yellow Customer Club. The agreement is in effect for a period of three years, and PAZ has the option of extending the agreement by two additional periods of twelve months each. It would be possible to terminate the agreement at an earlier date upon existence of certain causes of action relating to the volume of operations. The agreement regulates the consideration payable by ICC to PAZ, based upon the actual profits of ICC earned on loans extended within the framework of the operation.

Cooperation agreement with Hapoalim Bank with respect to BIT. On March 16, 2022, ICC and Hapoalim Bank signed a cooperation agreement for the extensions of credit to customers of the BIT Application, owned by Hapoalim Bank. The credit would be extended by ICC at its full responsibility. The agreement states the consideration to which Hapoalim Bank would be entitled for its share in the joint venture. The agreement states conditions precedent to its taking effect, including obtaining regulatory approvals that are still pending at date of publication of this Report. The agreement shall remain in effect for a period of thirty-six months from date of fulfillment of the conditions precedent stated therein, including approval by the Competition Authority.

Extension of a joint issuing agreement with Hapoalim Bank. For details, see Note 17 B 2 to the condensed financial statements.

Extension of a joint distribution agreement with Shufersal Company. For details, see Note 17 D to the condensed financial statements.

Agreement with PayBox. On March 29, 2022, ICC and PayBox signed an agreement for the issue of designated credit cards, entitling the holders thereof to various benefits. The issue of digital credit cards started in the course of the second quarter. At the first stage, cards would be issued only as virtual cards by ICC and at its responsibility. The agreement states the order for the distribution of the consideration between ICC and PayBox.

Updates and extension of operational issuance agreement with Bank Yahav. On March 31, 2022, an agreement was signed between ICC, Diners and Bank Yahav for Government Employees Ltd. to extend the validity of the previous agreements signed between the parties, while updating certain terms. The agreement will be valid through December 2026.

Agreement to operate credit cards that are charged to an employer's account. On July 21 ICC signed an agreement with a third-party for the issuance of charge cards that will serve corporations, bodies and organizations in Israel that wish to provide various budgets for the benefit of their employees and/or service providers ("the End-Users"), by means of off-banking credit cards having a user interface linked to a designated app, which will be issued to the End-Users and will allow them to make use of the employer's budget and, if so selected, to also receive an additional personal credit facility from ICC.

Success in a tender by the Accountant General. On September 19, 2022, the Tender Committee in the matter of means of payment at the Department of the Accountant General informed of the success of ICC in a tender for the management and issue of advanced means of payments. The aim of the tender was to simplify and improve efficiency of the acquisition and payment processes of Government offices, and which is expected to provide response both crosswise for acquisitions in small volumes by Government offices and for acquisitions regarding designated units and projects, such as: policemen, school headmasters, persons supported by the Welfare Ministry and more. The tender defines an innovative fast and digital payment mechanism that would significantly shorten for the Government the length of the acquisition and payment processes alongside increasing the control and transparency mechanisms. Success in the tender is expected to induce growth in the scope of activity of ICC's charge cards, in a volume, that at this stage cannot be estimated.

Regulations, Legislation and Arrangements

Letter of the Supervisor of Banks in the matter of payment Applications. On November 16, 2022, the Supervisor of Banks published a letter dealing in the supervision over the cross-clearing service for transactions made through the banking Applications, based on agreements with the international agencies (VISA and MasterCard). The letter relates to two categories of transactions effected through the Applications:

1. Payment transactions to suppliers made by means of the payment Application (P2B transactions) – these transactions are subject to the existing regulatory regime and to the rate of the cross-commission determined by the Supervision Orders over charge cards and immediate debit cards. In this respect, it is clarified that the clearing agent has to verify, including by means of an appropriate arrangement vis-à-vis the Application, that the beneficiary in the transaction is indeed the supplier (trading house). This is in order to comply with the provisions of the Prohibition of Money Laundering Order.
2. Transferring a payment to a beneficiary who is not a supplier, involving a charge card (P2P transactions) – in the case of such transactions, the Bank of Israel will consider examining the issue of charging a commission, inter alia, according to developments in the payment market, including attention to time schedules for the promotion of the possibility of transferring payments directly from account to account. This possibility is expected to become viable until the end of 2023.

For additional details see the 2021 Annual Report (pp. 387-394).

Technological improvements and innovation

General. Among the goals of the Bank's strategic plan, is the goal of the implementation of technological means and increasing customer experience.

The field of open banking is one of the strategic fields defined by the Bank and, within its framework, a "backbone of partners" has been launched on the application. The Bank is working to expand the backbone of partners on the application and has recently added FamilyBiz, which offers customers a tool for summarizing financial data. This was added to the list of companies such as PayBox, RiseUp and Fibo. In addition, a "backbone of partners" has also recently been launched for business customers on the business application, where the Bank offers customers sophisticated services through Icount and Amir CashFlow Ltd., which provide a range of financial solutions for business customers.

Strategic cooperation for setting up a digital wallet. For details see "Management's handling of current material issues" above.

Direct channels

The following innovations and updates took place during the current activity in the third quarter of 2022:

Mortgage

Support for submission of an application – for all types of transactions. It was possible in the past to submit applications through the mortgage portal, only for primary and secondary mortgage transactions and for "price for the purchaser" program. It is now possible to submit applications and receive an approval in principle through the digital for all types of transactions, with no need to refer to the branch or to the call center.

Addition of an option to direct the transaction to the expert center. External consultants have the option on the mortgage portal to choose whether the application would be dealt by the branch or by the expert center.

Improvement of the mortgage calculator. The new mortgage calculator is based upon guidelines of the Supervisor of Banks. The improved calculator enables customers to obtain extensive information: it is possible to choose several channels, to enter the amount of the loan, the number of years and the interest rate, and the calculator will present to the customer, for each channel and for the amount of the loan – the expected monthly repayment amount, the amount of interest charged, the forecasted interest and the amount of the first repayment. The improved calculator is identical with those provided by the other banks, a fact that allows customers a true comparison of the terms offered by the banks prior to submission of the application for approval in principle.

Operations regarding an existing mortgage. Customers are no longer required to apply to the branch or to the mortgage center in order to obtain documents for insurance purposes. Cases of reducing the pledge clause and of exemption from damage fees may now be dealt with on the digital.

Current accounts

Interest on current account credit facilities. It is now possible to observe the details of interest charged on credit facilities.

Opening an additional account through the Application. In continuation of the introduction of the project for the opening of an account through the Application, obviating the need to visit the branch, a possibility of opening an additional account through the Application has been added. This option is available to existing customers choosing "Opening an account".

Signed confirmation form regarding a bank account. The confirmation form regarding a bank account issued through the digital, would now include a digital signature, as required by different entities. Bank customers may now obtain the signed form through the digital with no need to visit the branch.

Capital market

Extension of the "Session" time regarding the capital market screen. The time period in which a customer may remain on the capital market screen without operating the mouse or keyboard, has been extended from eight to twenty minutes before being cutoff.

Digital for business

Warning notice to business customers regarding arrears in the repayment of a loan. When a loan is charged with interest in arrears of NIS 200 or over, the home page of a business customer website will carry a warning regarding the arrears with a link to the branch for the settling of the debt.
Immediate transfer of funds – opening the service also to business customers. Opening the service of immediate transfer also on the business website.
Foreign trade – Extension of the Receipts query. A possibility has been added of observing foreign trade receipts prior to obtaining coverage against the SWIFT.
Discode/Mercode – by telephone. A possibility has been added to obtain a Discode/Mercode also by telephone call (instead of through the Application or through a text message). This innovation is particularly relevant to ultra-religious customers of Mercantile Discount Bank and to persons with special needs.
Transactions on the business website in English. A possibility has been added to conduct transactions on the website, including signatures. Business customers may conduct the following transactions also on the English website: different transfers (transfer to a number of beneficiaries, to permanent beneficiaries, a single transfer, RTGS with permanent beneficiaries and "between my accounts"); payment of bills; payment of wages; foreign currency conversion; submitting a request for authorized charges; confirmation regarding foreign currency receipts; signing on foreign trade transactions; status of transactions (English names of signatories).

Customer experience

Improving accessibility to "dashboard" correspondence. In order to encourage customers to correspond with the banker and receive a reply within the hour, the correspondence button is presented already upon entry into the Application.
Insight under the new image. Now, when customers press a certain insight on the Application, they would be exposed to a new and updated image in the insight story, presented with images accompanying the text.
Process of ordering checkbooks – status query. A query has been added to the information menu on the Application, informing the customer of the status of his checkbook order, and when he would be able to collect it from the branch.
Online consultation – starting a consultation request with the investment consultant. When a customer pushes the "call the banker" button in the online consultation process, the investment consultant at the Bank receives a contact notice enabling an orderly response to the customer.
Breast cancer awareness month. During the month of October, the entry screen was colored pink in order to increase awareness by customers to breast cancer. The screen included an "Awareness month" button with a link to the information page regarding breast cancer on the website of the Israel Cancer Association.

Open banking

"Partners' Avenue" – now also for business customers. Links have been added to the business website and application connecting to services offered by business partners of Discount Bank: PayBox, Icount and Amir Cash Flows.

Main developments in the Israeli economy and around the world in the first nine months of 2022

Developments in the Global economy

General. Upon recovery from the Corona crisis, the global economy is experiencing a jolt due to inflation, which has gathered acceleration with the outbreak of the war in the Ukraine, which has led to an accelerated rise in commodities prices and to damage to the chain of supply. In recent months, inflation is also penetrating domestic demand, and accordingly, central banks adopt an aggressive monetary contraction. On the background of this activity, the FED raised the interest rate to 3%-3.25% and is reducing the balance sheet. At the same time, the ECB raised the interest rate to a level of 0.75%. A slowdown in economic activity is noticed in recent months; however, this is not yet reflected in the growth data for the third quarter, with growth in the US at an annualized rate of 2.6% and of 0.8% in the Eurozone.

Financial markets. The first nine months, which were marked by a high level of fluctuations, ended with falling prices, with noticeable drop in the leading share indices, in contrast to rising prices recorded in the corresponding period last year. This was the result of the monetary policies of the central banks, designed to curb inflation, and of the global economic slowdown.

The changes in selected share indices recorded in the first nine months of the years 2021 and 2022

Index	2022	2021
500 S&P	(25.0%)	14.7%
DAX	(24.2%)	11.2%
MSCI Emerging Markets	(28.8%)	(2.5%)

During the first nine months, trading in US bonds was marked by fluctuations, this following the steep rise in interest rates designed to curb inflation. At the end of the first nine months, yields on ten-year bonds was traded at a level higher by approx. 230 basis points than that of the end of 2021, this being supported by inflationary expectations and real term yield. The parallel return on German bonds rose at a similar fashion.

The returns on government bonds

10Y Government Bond Yields	September 30, 2022	December 31, 2021
U.S.A.	3.8%	1.5%
Germany	2.1%	(0.18%)

A significant strengthening of the US dollar was recorded around the world in the first nine months of the year, when in total for the period the dollar basket (DXY) appreciated by 17%.

Changes in the U.S. dollar against selected currencies in the first nine months of the years 2021 and 2022

Exchange rate	2022	2021
EUR	(13.8%)	(5.4%)
JPY	25.6%	(7.3%)
GBP	(17.5%)	(1.4%)

Concern regarding recession strengthened in the third quarter, and as a result, prices of oil declined and commodity prices took a sharp turn. Thus, on a cumulative basis during the first nine months of the year, a moderate rise in prices was recorded. At the same time, the price of gold decreased as a result of rising interest rates.

Changes in selected commodities indices in the first nine months of the years 2021 and 2022

	2022	2021
The commodities index - GSCI	8.9%	36.2%
The oil price (BRENT)	13.1%	51.6%
The oil price (WTI)	5.7%	54.6%
Gold	(9.6%)	(7.2%)

Main Developments in the Israeli Economy

General

Following the fast growth of the economy in the second quarter (approx. 7%), a slow growth of 2.1% was recorded in the third quarter, with the business product expanding at a rate of only 0.9%, and private consumption shrinking at an annualized rate of nearly 2%. It is noted, that the last quarter was marked by a slowdown/regression in a large number of current consumption and of sustainable components. On the other hand, the fast increase continues in private consumption of services, which had suffered most of the damage during the Corona crisis. At the same time, a significant slowdown may be noticed in the expansion rate of exports, following the regression in industrial exports and the slowdown in the export of hi-tech services.
On the background of the relatively slow recruitment of workers, a slight increase was recorded during the third quarter in the rate of unemployment, to a level of 3.7%, as compared to the level prevailing at the end of the first half of the year, in which the level of unemployment in the economy had returned to its level prior to the outbreak of the Corona crisis – 3.3%. On the background of the increase in unemployment, a decline in the rate of employment was recorded. At the same time, the rate of open positions declined.

Developments in economic sectors

In the months of July and August[8], the turnover of economic sectors declined by approx. 1%, compared to the second quarter, with a noticeable decline recorded in the private consumption sectors and in the construction sector.

Developments in the activity of the Israeli economy with overseas markets

A significant decline was recorded in the months of January-June[8] 2022, in direct investments in Israel by foreign residents, as compared to the first half of the previous year. Concurrently, a sharp regression was recorded in financial investments by foreign residents in marketable securities, as a result of a decline in a large number of components with the exception of investments in shares in Tel Aviv. A significant change has taken place in the investments by foreign residents in government bonds in Tel Aviv, which recorded realizations as compared to a positive net investment in the first half of 2021. Concurrently, a net negative flow was recorded in investments by Israeli residents in financial investments in marketable securities abroad, compared to a high level in 2021.

8 The most recent data available at date of approval of the Report.

Changes recorded in investments of the Israeli economy abroad

Investments in Israel by foreign residents	January-June 2022	January-June 2021
	US$ million	
Total direct investments	11,604	15,293
Total financial investments	7,821	22,376
Of which: Government bonds and MAKAM	4,737	12,798
Shares	3,004	6,929

Investments abroad by Israeli residents	January-June 2022	January-June 2021
	US$ million	
Total direct investments	4,981	3,555
Total financial investments	(3,452)	9,150

Developments in inflation and foreign exchange rates

The annual inflation rate amounted in September to 4.6%, compared to 2.5% in September 2021 and 2.8% in December 2021. Acceleration in inflation stems from the marketable products and services sector, as well as from the nonmarketable, which continue to accelerate. In the nonmarketable sector, additional acceleration is noticed in the housing item. Index contracts as of the end of the third quarter, took into account an inflation rate for the coming year of approx. 3.1%, as against approx. 2.4% at the end of 2021.
During the first nine months of the year, the shekel devalued as against the dollar by 14%, and by 3.8% as against the currencies basket. The devaluation of the shekel stemmed from the sharp decline recorded on the foreign equities markets, as well as from the significant appreciation of the dollar around the world.

Fiscal and monetary policy

Fiscal policy. In September, the budgetary surplus for the past twelve months amounted to 0.9% of the GDP. Since the beginning of the year, tax revenues increased by 20%, as compared with the corresponding period last year, while Government expenditure declined by 7.2%, this, in view of the decrease in expenses regarding the emergency economic plan.
Monetary policy. Until September, the Bank of Israel had raised the interest rate by 1.9%, from a level of 0.1% prevailing since the year 2020, to 2%. Furthermore, within the framework of the monetary restraint policy, the Bank of Israel has increased the volume of short-term loan (MAKAM) issues.
Change in the monetary base. In the first nine months of 2022, a moderate decline of 3% was recorded in the M1 money supply (cash in the hands of the public and shekel current account deposits), compared to growth of 12% in the corresponding period last year. The decline in 2022 stemmed from a decline in current account balances during June to September, this on the background of rising interest rates. The money supply expanded in this period by approx. NIS 10 billion, as compared to approx. NIS 19 billion in the corresponding period last year, a trend corresponding with the change in the monetary policy. Absorption of liquidity by the Government was recorded in this period, offset by liquidity supply by the Bank of Israel.

Sources for the change in the monetary base in the first nine months of the years 2021 and 2022

	2022	2021
	In NIS billion	
Operations on the Capital Market	(30.1)	11.5
The Shekel deposits tender	47.5	(73.0)
Foreign currency conversion	1.1	91.8
Government activity	(8.7)	(32.5)

Capital market

The local capital market continued to be marked by falling prices, similarly to the global trend. In total for the first nine months of the year, the TA 125 Index dropped by approx. 8%, comprising a more moderate drop than that of the S&P 500. During this period, the TA Global Blue-Tech Index dropped steeply.

The changes recorded in selected share indices in the first nine months of the years 2021 and 2022

Index	2022	2021
TA 35	(7.1%)	20.2%
TA 125	(8.4%)	18.6%
TA banks	(2.0%)	40.8%
TA Global-Blutech	(28.8%)	2.9%
Real-estate	(4.9%)	27.3%

Trading in government bonds in Israel was marked during the first nine months of the year by a rising yields trend – by approx. 210 basis points in ten year shekel bonds (to 3.40%). The rise in yields was accompanied by a steep rise in the real-time interest.

The changes recorded in selected bond indices in the first nine months of the years 2021 and 2022

Index	2022	2021
General bonds	(7.7%)	2.6%
General Government bonds	(8.8%)	0.7%
Shekel Government bonds	(8.6%)	(1.6%)
Linked Government bonds	(9.1%)	4.2%
General Corporate bonds	(5.7%)	5.9%
Linked Corporate bonds	(6.6%)	7.1%
Shekel Tel-Bond	(7.1%)	2.1%

During the first nine months of 2022, the corporate bond market recorded falling prices, at the rates of 7% and 8% in the shekel Tel Bond and the Tel Bond 60, respectively, with growing margins. The volume of issues by Israeli corporations amounted to approx. NIS 64 billion, of which approx. NIS 38 billion excluding banking, insurance and financial corporations. This compared to approx. NIS 43 billion and approx. NIS 36 billion, respectively, in the corresponding period last year.

The asset portfolio held by the public

During the period from January to August 2022[9], the balance of the financial asset portfolio held by the public declined by 2.3%, to a level of approx. NIS 4.9 trillion. The balance of holdings by the public declined in most of the components in the portfolio; particularly noticeable was the decline in the balance of foreign equities. In addition, the value of Israeli equities and of the CPI-linked segment also declined. On the other hand, a moderate increase was recorded in the shekel segment, while the foreign currency-linked segment recorded a slight decline.

9 The most recent data available at date of approval of the Report.

Distribution of the asset portfolio held by the public

	August 31, 2022	December 31, 2021
Shares	26.4%	28.0%
Non-linked assets	37.9%	36.5%
CPI linked assets	25.1%	25.0%
Foreign currency linked assets	10.6%	10.5%

Principal economic developments in October-November 2022[10]

In Israel, the budgetary surplus reached 0.5% of the GDP, in the twelve months ended in October.
Unemployment is rising reaching 4.1% in October, as against 3.8% in September and 3.3% in June.
In view of the high inflation data, the central banks continue to apply a restraining monetary policy. The FED has raised the interest rate in the US by 75 basis points, to a level of 3.75%-4%, similarly to the ECB, which has raised the interest rate to 1.5%. The Bank of Israel has also raised the interest rate to 2.75%.
In Israel, the annual inflation rate rose in October to 5.1%, and the rate of the core inflation (excluding fruit, vegetables and energy) rose to 5%.
Since the end of September, the S&P500 Index has risen by approx. 10%, and the TA 125 Index has risen by approx. 2%. The rising prices on the equities markets and the weakening of the US dollar have led to the strengthening of the shekel as against the dollar by 2.4%, and by 0.5% as against the currencies basket.
Yields on Israeli government bonds for ten years recorded certain fluctuations all along the period, and as of the present time, the yield stands at a level of approx. 3.27%, when at the end of the third quarter, the yield amounted to 3.44%. During the period, inflationary expectations decreased slightly, all along the graph, when a CPI contract for one year was traded at the end of the period at 2.9%, as against 3.1% at the end of September.

Legislation and Supervision

Following is a summary of legislation changes and relevant legislation initiatives during the reviewed period, which affect or might have a significant effect on the Bank's operations.

Legislation for increasing competition in banking and financial services

Strengthening Competition and Reducing Concentration in the Israeli Banking Industry, (legislation amendments) Law, 5776-2017

The Law prescribes, inter alia, prohibiting of a bank, the value of its balance sheet assets on a consolidated basis exceeds 20% of the total balance sheet assets of the banking industry ("a bank with Wide-Ranging Activity"), from engaging in operating the issue of debit cards, from clearing of transactions made by debit cards and from controlling or holding means of control in a corporation engaged in the said operations. In the period from the end of four years from the beginning date (namely, from February 1, 2021) and until six years from this date, the Minister of Finance is authorized to determine, with the consent of the Governor of the Bank of Israel and with the approval of the Finance Committee of the Knesset, that, restrictions shall apply also to a banking corporation which holds less than 20%, though not under 10%, and this taking into consideration, inter alia, the state of competition existing in the credit market.
It was further determined in the Law, that during a transitional period beginning on the beginning date and ending at the end of five years from the said date, and with respect to a bank having a Wide-Ranging Activity – until the end of three years from date of separation or until the end of five years from the beginning date, whichever is later ("the

10 All data relate to the period from October 1, 2022 and until November 17, 2022.

transitional period"), restrictions shall apply to a bank issuing debit cards and which immediately prior to date of publication of the Law had controlled or held means of control in a debit card company, as follows:

- A bank shall conduct the issuance operation of charge cards issued by it by means of an operating company, and shall allow the operating company to become a part to the charge card agreement.
- As from the termination of a period of two years from date of publication of the Law and until the end of the transitional period, the bank shall not conduct, by means of one operating company, the issuance operation of more than 52% of the total new credit cards issued by the bank to its customers. The Minister of Finance is authorized to change the said rate at any time during the transitional period under the terms prescribed in the Law. The engagement of a bank with an operating company, for the purpose of conducting the issue operation of new credit cards issued by the bank to its customers shall be made only after conducting a process which allows every operating company the proper and fair opportunity to offer its services.

It was also determined that during the transitional period, also the following instructions will apply to a bank having a Wide-Ranging Activity which issues charge cards, additional instructions, inter alia, with respect to the division of income derived from issue operations of charge cards and from the activity of customers using charge cards, between a bank, as stated, and the charge card company; to the date of approach to the customer regarding the renewal of the Credit card; to restrictions regarding the total of credit facilities in charge cards of its customers.

The Committee for the examination of competition in the credit market. According to the law, a committee was formed for the examination of competition in the credit market has been determined, which would monitor the implementation of the Law since the beginning date, and until the end of six years since the said date. The duties of the committee are: conduct periodic examinations regarding the state of competition in the credit market and locate barriers for development of competition in this market; to monitor the implementation of the provisions of the Law; to recommend in the matter of activating the authority of the Minister of Finance for extending to additional banking corporations the prohibition on engagement in the operation of issuance and clearing of charge cards, on the control of or on the holding of means of control in a corporation engaged in the said operations.

A measurable test for the measuring success in increasing competition in the banking sector. According to the Law, on October 25, 2017, the Committee for the Examination of Competition in the Credit Market published measurable tests for the examination of success in increasing competition in the banking market. These tests will serve as a basis for a semi-annual analysis and for the report that the Committee will submit to the Economic Committee of the Knesset, and are also expected to serve the Committee when recommending measures for improvement and increase in competition in the market, including also the matter of exercising the authority of the Minister of Finance, under the Strum Law, to change the definition of "a bank with Wide-Ranging Activity". The Committee retains the right to change, add or reduce tests. A set of general tests have been determined, as well as an additional test relating to the Bank and ICC.

The Committee has determined tests of different types, including – tests for the removal of entry barriers and transfer barriers for customers; tests examining the entry of new competitors and customer activity; tests regarding the distribution of market shares, volume and prices; tests regarding means of payment.

A test for the Bank and ICC. The Committee decided to test whether the cumulative rate of change in credit balances (excluding large business and operations abroad) of the Discount group at the end of 2020 would be in the range of 2.5 to 4.5 percentage points over the cumulative rate of change of the other four large banking groups and the two credit card companies that had been separated. This test would be monitored on a semi-annual frequency. It has been clarified that this test, as all other tests, would serve the Committee as indication for a decision regarding the detachment of ICC from the Bank, though in any event, the Committee retains discretion in the matter.

The third report by the Committee examining competition in the credit market. This report was published on August 16, 2021. Inter alia, the report points out that since the beginning of the Reform, significant progress had been made in reducing barriers to competition, which forms an essential condition for the growth in competition. This progress has been slowed down following the publication of the second report, both due to the Corona period and in consequence to the political uncertainty prevailing during the reviewed period. In the first place, the progress includes the gradual materialization of a digital bank using a computer services facility, as well as providing the possibility of conducting online additional operations (both by engagement with banking institutions as well as with off-banking providers of credit, among which are regulated bodies). In addition, the report included reference to the ICC-Discount test – on the one hand, the analysis shows the clear conformation of the Discount Group with the lower end of the defined test. On the other hand, the prominent trend in the competition image is the reduction in activity of Hapoalim Bank in the consumer sector and the growth in credit to large businesses. It is further noted, that the

Committee had decided not to analyze ICC and Discount in a singular manner, except for their conformation with the test that had been determined at the time.

Rate of cumulative change in the actual balances of credit. The Discount Group's credit has grown at a rate of 35.9% during the years 2016 through 2020 (total credit, net of large businesses and overseas), while the four major banking groups and the two separated credit card companies grew at a rate of 18% in the same period. Namely, the rate of cumulative change in the aforesaid credit balances of the Discount Group was 17.9% higher than the system.

For additional details, see the Note 17 B to the condensed financial statements.

For details regarding the position of the Bank of Israel in the matter of separating ICC from Discount Bank, see above "Initiatives concerning the banking sector and its operations".

Economic Competition

Approach by the Competition Authority in the matter of the joint relationships between ABS and BCC and the prima facie existence of a restrictive agreement (cartel). On April 12, 2022, the Competition Authority made an announcement, according to which, the Competition Tribunal had fully endorsed the agreed outline for the separation of the companies, formed in cooperation with the Payments Division of the Bank of Israel. According to the outline, the staff and offices of these companies would be separated by August 2022, most of the applicative developments enabling increasing competition between the companies would be separated by the end of 2023, the infrastructure of the companies would be separated by the end of 2024, and the computer hardware of the companies would be separated by the end of 2027.

Draft Opinion of the Competition Authority in the matter of information obtained by the Competition Authority and its perusal by factors other than those providing the information. The draft presents for the first time, the policy of the Authority in its relations with entities that are required, under the Economic Competition Law, to provide it with data and information, as well as with respect to having such information available to entities entitled to it under the Administrative Tribunals Law. Inter alia, the draft states that the Authority has the power to require "any information held" by a corporation; the Authority clarifies that the provider of the information may not blacken or omit information without obtaining prior approval by the Authority.

Prohibition of money laundering and finance of terror

Circular of the Supervisor of Banks in the matter of payment of wages to Palestinian workers, dated June 30, 2022. On the background of different actions promoted by the State of Israel, including increased restrictions on the use of cash and imposing a duty on employers to pay wages to Palestinian employees using payment means other than cash, the Supervisor of Banks informed that the Bank of Israel is promoting a move that would allow the banking system accessibility to information existing in the hands of the Population Authority with respect to Palestinian workers having a permit to work in Israel. According to the circular, banks are required to verify information regarding Palestinian employees upon making a bank transfer with the information existing in the data base of the Population Authority, made available to them (It is determined that this examination may replace the examination required under Section 13A(3)(b) of the Prohibition of Money Laundering Order). To the extent that a duty would be imposed on employers to pay wages by means of a bank transfer, the Supervisor would consider the money transfer service as part of conducting the account, and refusal to provide the service shall be examined in the light of the Banking Law (Customer service). A draft Amendment to Proper Conduct of Banking Business Directive No. 411 was published on November 14, 2022, instructing the integration of the circular as part of the Directive. The Bank has completed the required preparations.

Climate Bill Memorandum, 5782-2022

On May 8, 2022, the Committee of Ministers on Legislation approved the Climate Bill Memorandum, 2022. The aim of the proposed Bill is to create an integrative framework for the confrontation with the climate crisis, according to international commitments of the State of Israel, including goals for the reduction in emission of greenhouse gases, energetic efficiency and expansion of use of renewable energies. Within the framework of the Law, an independent expert committee will be set up to follow the treatment of the matter by the Government, and also control and reporting mechanisms will be establishment. Adoption of the Bill and the goals to be determined therein, may have an impact on the environment risk management of the Bank, both as part of determining the risk appetite, and as part of the Bank's policy in various areas, including: credit, market and relevant risk management investments, including the credit policy, operational risk management and market risks management.
On October 24, 2022, the Government approved a decision to amend a previous Government decision No. 4079 of the year 2018, on the "preparations for the adaptation of the State of Israel to climate changes – implementation of the recommendations submitted to the Government on strategy and a national plan of action". According to the Amendment, a final date would be set by the end of 2023 for conclusion of the drafting of preparation plans by the different Government Offices regarding this issue, and within the framework of the preparation plans, the Offices would be required to relate to the climatic reference scenarios defined by the National Emergency Authority.

Legislation and Regulation Amendments relating to the Capital Market

Temporary directive for mutual fund managers and trustees pursuant to Section 65A of the Joint Investment in Trusts Law regarding assets that may be acquired and held in a hedge fund trust. The temporary directive was published by the Israel Securities Authority on July 14, 2022, in order to encourage public accessibility to investment in hedge funds within the supervised framework of a trust fund. The directive sets out a framework of rules for the activity of a hedge fund trust, including removing the investment, diversification and leverage restrictions that currently apply to a trust fund. The temporary directive will be in effect for a year and a half, with an option to be extended for a further year, with this being subject to the time constraints prescribed in Section 65A of the Joint Investment Trusts Law. In order to allow customers to purchase the security and hold it, operational preparation of the banks is required.

Various Legislation Matters

Provision of pension consulting services over digital channels. On June 22, 2022, a government bill – Supervision of Financial Services Law (Pension Consulting, Marketing and Clearance System) (Amendment No. 11), 5782-2022 – was brought before the Knesset, the aim of which is to enable banking corporations to provide pension consulting services also over digital channels and not solely in a face-to-face format. Furthermore, on July 21, 2022, the Capital Markets, Insurance and Savings Authority renewed its announcement that it will not take enforcement measures against banking corporations that will provide pension counseling services by digital means or by telephone to existing customers in the pension counseling field. This position will be in effect until the end of three months from the day of the 25th Knesset's assembly.
Payment Services (Exemption from the provisions of the Law) Regulations, 5782-2022. The Regulations took effect on April 13, 2022, in which it is stated that the prohibition to deduct a commission or any other charge from the funds for which a payment order was issued, does not apply when the payment operation is carried out from a payment account or to a payment account managed by a supervised payment service provider, for which the payment order is transmitted through the 'Swift' system. The aforementioned exemption will not apply to a commission or other charge that, according to the payment order, the payer chose to bear himself and that the payment service provider collects from the payer himself. Furthermore, a temporary exemption has been added, until October 14, 2023, from various provisions in the Payment Services Law, for an immediate debit payment method that is not intended for the use of a particular payer that can be accumulated up to an amount determined by the regulations and without reloading and for an immediate debit payment card that can be reloaded subject to an accumulation ceiling established in the regulations, which is limited in the purchase options allowed to it and requires

its physical presentation, which was issued for the use of a payer who is not a specific payer and delivered to a specific payer through a governmental body or a non-profit corporation as part of economic assistance.

Amendment No. 23 to the Equal Rights to Persons with a Disability Law. The Amendment took effect on July 13. 2022, with the aim of improving the enforcement abilities of the Commissioner of Equal Rights to Persons with a Disability. In this framework, the authority of the Commissioner had been extended to include the filing of an action on behalf of a person with a disability; supervisory authority and the authority to impose administrative penalties in case of violation of the accessibility instructions. The amounts of the monetary sanctions may vary between NIS 12,500 and NIS 37,500. To these amounts may be added additional sanctions in cases of prolonged violation and recurring violation.

Banking Order (customer service)(supervision of operation services by a clerk, operation in a direct channel, extended track and extended track plus), 5782-2022. The Order was published in the Official Gazette on September 1, 2022. The Order declares the following services as supervised services: operation by a clerk, operation in a direct channel and the services of the tracks - extended track and extended track plus (basic track is already under supervision). The meaning of the supervision is that the supervisor is authorized to determine by an Order the price of the services, a maximum price, or a prohibition on charging a commission in their respect. In addition, a banking corporation that requests an increase in the rate of said services compared to the prevailing price at the time of the issuance of the Order, will be required submit a request to the Supervisor of Banks.

Draft Amendment of the Banking Rules (Customer service) (Commissions), 5768-2008. A draft Amendment of the Rules was issued on November 7, 2022, the essence of which is the updating of the system of charging current account commissions ("the optimal track mechanism"), in a way that banks would be required to calculate for the customer what would be the cheapest monthly payment charged to him for his current account activity (both teller transactions and direct channel transactions) made in a particular month, and the payment that will be collected will be accordingly; extension of the group of small businesses, to which the cheaper pricelist would apply, from a business the turnover of which is up to NIS 5 million, to a business the turnover of which is up to NIS 10 million. In addition, the default option would be changed, so that corporations would be defined as a "small business" entitled to the cheaper pricelist, unless the Bank has in their respect, financial statements showing a turnover of over NIS 10 million. Furthermore, the expanded plus channel would be updated so as not to limit the number of teller and direct channel transactions included therein.

Draft Banking Order (Customer service) (Control over basic track, extended track and extended plus track services, direct channel transactions and teller transactions), 5782-2022. The draft Order was published on November 7, 2022, declaring the following services as service under control: teller transaction, direct channel transaction, basic track, extended track, extended plus track. The meaning of the declaration is that it would not be possible to raise the price of these services without approval of the Supervisor of Banks. In addition, the draft Order establishes the current account commission charge system presented in the draft Amendment of the Banking Rules ("the optimal track mechanism"). This Order will replace the Order published in September 2022.

Memorandum of the Payment Services (Initiated payments) Bill, 5783-2022. The Bill Memorandum, published on October 11, 2022, proposes to amend the Payments Services Law, 5779-2019, regulating two additional payment services. The one, basic initiation services, which include initiation of payment orders and initiation of authority to charge an account, where the initiator of the payment order only passes on the payment order from the trading house to the bank and the customer has to confirm the transaction on the website of the bank. The other, advanced initiation services that include initiation services by power of an authorization, within the framework of which, the customer grants the initiator of the service an authority to act on his behalf vis-à-vis the bank and confirm the payment order or the authority to charge his account. It is proposed that the Law shall take effect at the end of one year following its publication.

Directives of the Supervisor of Banks

Proper Conduct of Banking Business Directive No. 427, in the matter of "advanced payments services". The Directive, published on June 13, 2022, contains rules applying to those managing current accounts and issuing charge cards with respect to the manner of presentation of information regarding payment transactions made through the payments application, with the aim of enabling customers to improve follow-up of the transaction in their accounts. The information regarding payment operations shall be presented on the page showing movement in the account and on the communication channels available to the customers. According to the Directive, a payment application managed by a banking corporation has to present the required information details.

Proper Conduct of Banking Business Directive No. 460, in the matter of "presentation of activity data in a securities deposit". The Directive, published on December 26, 2021 and amended on June 13, 2022, states a uniform format for the presentation to the customer of information and data regarding his securities deposit with the banking corporation. In this framework, it is stated how information should be presented to customers regarding yields on their securities deposit, the assets included therein, the commissions paid by the customer for the service, the manner of delivery of information to customers who are not subscribers to online services, the reporting currency, the manner of calculating yields on the securities deposit and more. In addition to the presentation of current information, a uniform framework was defined for more extensive quarterly information provided to customers, including customers obtaining consultation. The Directive will take effect on January 1, 2023, and the first report would be presented for the first quarter of 2023.

Draft Proper Conduct of Banking Business Directive regarding a banking corporation's broker-dealer activities. An updated draft of the directive was distributed on April 10, 2022. The aim of the draft is to create a regulatory framework for the activities of banking corporations in the field of financial brokering, with regard to the receipt and transfer of orders for executing transactions in securities for customers, both in their activities as brokers and also by way of trading on their own account (broker-dealer activity). The draft includes various amendments including to the Bill Memorandum for Regulating Activity in Broker-Dealer Services, which the Israel Securities Authority published in 2018, with the aim of applying uniform principles for all the bodies engaged in broker-dealer activities in Israel. The draft is expected to replace Proper Conduct of Banking Business Directives Nos. 461 and 419 and expand their purview on the basis of generally accepted global standards.

Draft Proper Conduct of Banking Business Directive in the matter of management of the customers' service and support layout. The draft that was published on November 7, 2022, establishes principles for the providing of adequate service to bank customers using the different service channels, including the Internet website, Application, Call Center, Chat with a banker, Automated Teller Machines, personal service at the branches, and more. The principles established by the draft are: maintaining an optimal service and support layout, useful communication with the customers, avoidance of damage and deception, availability and quality all along the engagement period, customer adapted service and support and provision of service through various tracks. The draft also establishes the duty of publishing details concerning the customer service and support layout, including details of all the services available on each of the service tracks, including details concerning the termination of engagement, ways of fixing appointments and service-level agreements (SLA) regarding service and support for particular matters.

Draft letter of the Supervisor of Banks in the matter of "business regarding cryptographic assets" and draft Amendment of Proper Conduct of Banking Business Directive No. 310 in the matter of risk management. The drafts were published on November 7, 2022, and within the framework of which, it is proposed to state that banks have to exercise extra care in considering operations in the crypto field, apply a new product process, check that the operation in question is included in the areas of operation permitted to banks, conduct a risk evaluation process and refer to the Supervisor of Banks with a detailed application prior to starting business regarding the new product.

Draft Q&A file in the matter of – whether a banking corporation is required to include an internal decision to approve future credit to a customer in calculating exposure for regulatory purposes. The draft, published on August 17, 2022, proposes, inter alia, to require examination as to whether the internal decision creates a legal liability to the banking corporation for extending credit on the basis of an opinion. Moreover, parameters were proposed for optimal monitoring and management of the risks arising from an internal decision to extend credit.

Letter of the Supervisor of Banks regarding "clarifications in the matter of third-party expenses incurred while extending credit". The letter was published on August 11, 2022, and according to which, banking corporations and credit card companies must see to it that Section 11 of the full commission pricelist should not include consulting services provided while extending credit, including professional fees paid to lawyers, regarding the core service –

unless it is, at the most, a special consulting service, as defined in the Regulation of Off-Banking Loans (Exclusion of certain types of credit transactions from the provisions of the Law, and exclusion of expenses from the contents of "Addendum"), 2019. It has been explained that the above stated is intended, inter alia, to promote a fair and structured presentation of the commissions and increase the ability for cost comparison.

Letter of the Supervisor of Banks in the matter of opening bank accounts for new immigrants from Russia and their transfer of funds. The letter dated August 16, 2022, states that on the background of information conveyed to the Bank of Israel on difficulties regarding the transfer of funds made by new immigrants arriving in Israel and the deposit thereof with the banking system, the Supervisor of Banks expects banking corporations to apply a high level of sensitivity with respect to the opening and management of bank accounts for new immigrants, to verify the existence of a uniform and swift response, to the extent possible, on the part of the bank branches to the needs of the new immigrants, and should provide accessibility in the Russian language to the basic bank services on all the various channels of activity. The Bank is acting towards the implementation of the above.

Details regarding new Proper Conduct of Banking Business Directives (or draft Directives) were provided in the chapters "Description of the Activity of the Group According to Segments of Operation – additional details", "Human Capital" above and in the Document "Disclosure according to the third pillar of Basel and additional information regarding risks" available for review on the Internet.

For further details regarding "Legislation and Supervision", see the 2021 Annual Report (pp. 405-429) and the "Disclosure according to the third pillar of Basel and additional information regarding risks" document, which is available for perusal on the Bank's website, on the MAGNA site of the Israel Securities Authority and on the MAYA site of the Tel Aviv Stock Exchange Ltd.

Legal Proceedings

Material claims outstanding against the Bank and its consolidated subsidiaries are described in the 2021 Annual Report (pp. 430-431) and Note 10 to the condensed financial statements.

Additional Legal Proceedings

1. On March 27, 2017, ICC received notice of a lawsuit filed against it with the Lod-Central District Court, together with a motion for approval of the action as a class action suit. The Plaintiff claims that according to the letter of the agreement between it and ICC, where a transaction had been cancelled prior to the crediting of the trading house, ICC is not entitled to charge the trading house with the full amount of the clearing commission, unless in cases where the transaction had been effected manually and not by use of the electronic POS instrument. Alternatively, the Plaintiff argues that a contractual instruction permitting ICC to charge in full the clearing commission also where the clearing service had not been rendered in full (due to cancellation of the transaction), comprises a "discriminating term in a uniform contract", that has to be abolished or changed. The Plaintiff estimates the damage caused to all class members at NIS 45 million.
   A preliminary hearing of the case was held on March 28, 2019. The parties had conducted mediation proceedings in which they were not successful in concluding the dispute by agreement. Therefore, summing-up briefs have been filed with the Court.
   On May 25, 2020, the Court admitted the motion for the conduct of the case as a class action suit.
   According to the Court's recommendation, the parties entered into mediation, and, on January 6, 2022, the Court was presented with a motion to approve a settlement arrangement with regard to the case. On May 24, 2022, the Attorney General to the Government submitted her position to the Court, according to which, the Attorney General does not object to the approval of the arrangement. On November 6, 2022, the Court issued a verdict approving the compromise arrangement.
2. On August 7, 2017, a claim and a motion for its approval as a class action were filed at the District Court in Tel-Aviv against MDB. It is alleged in the motion that MDB charges fees for drawing up guarantee documents when extending a guarantee's validity, contrary to the contractual arrangement between the customer and the Bank,

and it was notes that the estimated amount damages by all the members of the class is approx. NIS 24 million. On January 11, 2022, a ruling was given approving the conduct of the claim as a class action. On February 3, 2022, MDB filed with the Supreme Court a motion for permission to appeal against the decision to approve the action as a class action suit, and at the same time a motion for the stay of execution of the decision was also filed. On March 6, 2022, the Supreme Court ruled that the motion for permission to appeal requires an answer and issued a temporary stay of execution Order. On June 8, 2022 a decision was taken according to which, the motion for permission to appeal would be set for hearing before a composition of judges, and a stay of execution Order was issued until the Court decides in the matter. The parties referred to mediation proceedings.

3. An action against the Bank and two additional banks was filed on November 19, 2018, with the District Court Central Region together with a motion for approval of the action as a class action suit. It was stated in the motion that at this stage it is not possible to estimate the amount of the damage to all members of the class, though the amount exceeds NIS 3 million. The subject matter of the motion was the transaction for the withdrawal of cash by means of a charge card, from a distant ATM operated by a bank that had not issued the card. The Claimants argue that in such transactions only the bank operating the ATM is entitled to charge a commission, while the issuer bank of the card has no right to charge an additional commission for the transaction. It is argued that, in practice, the customer pays two commissions: one commission to the operating bank for the withdrawal of cash from its ATM and an additional commission for a direct channel transaction charged by the issuer bank of the card.
   On November 1, 2020, the Court decided to hear the action as a class action. On December 1, 2020, a motion for leave to appeal against the ruling to approve the claim as a class action was filed with the Supreme Court. On October 26, 2021, the position of the Attorney General was submitted, which supports the Bank's position. In the hearing of the motion for permission to appeal held on July 25, 2022, the Court decided to admit the motion for permission to appeal, abolished the decision of the District Court of November 1, 2020, and dismissed the motion for approval of the action as a class action.
4. **A motion for disclosure of documents for the purpose of considering the filing of a derivative suit in the matter of violation of the exemption provisions regarding cross-clearing.** On September 13, 2022, a motion was submitted to the Economic Department of the Haifa District Court, under Section 198A of the Companies Law, 5759-1999, against ICC, against the Bank and against Diners. The motion alleges that on September 12, 2022, it was published on the website of the Competition Authority that ICC had signed on an agreed Order, in which it was obliged to pay an amount of NIS 10 million. See below "Proceedings regarding authorities" (Section 4). The appellant claims that the readiness of ICC to pay the amount of the agreed Order stems from violation of the exemption provisions regarding cross-clearing.

For additional details, see the 2021 Annual Report (pp. 430-431).

Material Legal Proceedings settled in the first nine months of 2022

1. For details regarding the motion for approval of a claim as a class action suit, in which the Court decided on January 26, 2022, to admit the motion for withdrawal of the Claimant, see Note 10, section 3.3 to the condensed financial statements.
2. For details regarding the decision of the Supreme Court to admit the motion of the Bank for permission to appeal in the matter of approval of an action as a class action, see above "Legal proceedings", section 3.
3. For details regarding a motion for approval of a legal action as a class action, regarding which a verdict was given on August 21, 2022, dismissing the motion for approval, and whereas on November 13, 2022, an appeal was filed with the Supreme Court against the said verdict, see Note 10, section 3.4 to the condensed financial statements.

Proceedings regarding Authorities

1. **Demand for data – The Competition Authority.** A request for further data was received in the first nine months of 2022, by MDB and by the Bank, with respect to banking services provided to customers in the Arab sector. Moreover, the Bank and MDB received a request in the matter of deposits.
2. **Privacy Protection Authority.** The Authority announced on February 16, 2020, the starting of a regulatory administrative process under the Privacy Protection Law, for the examination of circumstances of the PayBox event. On October 1, 2020, the Authority sent the Bank a letter determining allegedly breach of the Privacy Protection Law. The Bank submitted its response in writing on December 9, 2020 and had requested an additional oral hearing. The Privacy Protection Authority has consented to the request of the Bank to hold a viva voce hearing. The hearing was held on October 21, 2021.
3. **Competition Authority – Agreed Order.** On February 6, 2020, ICC received a demand for information from the Competition Authority, under Section 46(b) of the Economic Competition Law, 5748-1988, with respect to trading houses receiving from ICC or from a related entity, debit card clearing services. In continuation thereof and following the data that had been delivered, further demands were received, this within the framework of an investigation that was conducted by the Authority in the matter. ICC provided the required data.

   On September 12, 2022, ICC informed the Competition Authority of its consent for the payment of NIS 10 million, to the State's Treasury, within the framework of an agreed Order, this according to Section 50B of the Law. Subject to the payment of the said amount, the Competition Commissioner would not take any enforcement actions against ICC or against anyone on its behalf, with respect to events that had taken place in the period from 2018 to 2020, in which, as alleged, beneficial commercial terms regarding clearing services for charge cards of the "Diners" brand, had been offered to customers who would purchase or would continue to purchase from ICC clearing services for charge cards of other brands.

   It is clarified that there is nothing in the agreed Order or in ICC's signature thereon, that denotes a statement, admission or consent on the part of ICC, or on the part of anyone on its behalf, regarding violation of the Law, of decisions of the Commissioner, or of any other provision of the law in any way whatsoever.

   The agreed Order requires approval by the Competition Tribunal.
4. **Imposition of financial sanction.** On December 28, 2021, the Supervisor of Banks notified ICC of his intention to impose on it a financial sanction of NIS 1 million for its alleged violation of Section 11(a) of Proper Conduct of Banking Business Directive No. 470, pursuant to which a card issuer shall not charge a customer for transactions conducted after termination of the charge card contract. The Supervisor of Banks informed ICC on May 8, 2022, of his decision to impose upon it a monetary sanction in the amount of NIS 650 thousand.
5. **Notice regarding the removal of pledges.** On July 4, 2022, the Bank and MDB received a notice pursuant to Section 8A(a) of the Banking Ordinance with regard to repeated deficiencies in the removal of pledges following the settlement of the charges, for which the pledges were registered. The banks have taken the necessary steps to comply with the requirements specified in the notice.
6. **Notice regarding the intention to impose a monetary sanction.** On November 21, 2022, the Supervisor of Banks informed the Bank of his intention to impose on it a monetary sanction in the amount of NIS 2 million, due to violation of sections 25 and 26 of the Proper Conduct of Banking Business Directive No. 450, in the matter of procedures for the collection of debts. The Bank may submit its arguments by December 21, 2022.

For additional details, see the 2021 Annual Report (p. 432).

Appendices to the Quarterly Report

Appendices - List of tables

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses

Part "A" - Average balances and interest rates – assets

	For the three months ended September 30					
	2022			2021		
	Average balance(2)	Interest income	Rate of income	Average balance(2)	Interest income	Rate of income(10)
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:(3)						
In Israel	195,738	2,326	4.75	167,103	1,561	3.74
Abroad	28,972	364	5.03	24,909	194	3.12
Total credit to the public	**224,710**	**2,690 ***	**4.79**	**192,012**	**1,755 ***	**3.66**
Credit to the Government:						
In Israel	2,522	22	3.49	3,156	16	2.03
Total credit to the Government	**2,522**	**22**	**3.49**	**3,156**	**16**	**2.03**
Deposits with banks:						
In Israel	5,175	10	0.77	3,096	2	0.26
Abroad	267	-	-	502	-	-
Total deposits with banks	**5,442**	**10**	**0.74**	**3,598**	**2**	**0.22**
Deposits with central banks:						
In Israel	53,838	206	1.53	34,550	8	0.09
Abroad	548	3	2.19	482	1	0.83
Total deposits with central banks	**54,386**	**209**	**1.54**	**35,032**	**9**	**0.10**
Securities borrowed or purchased under resale agreements:						
In Israel	1,338	4	1.20	1,284	-	-
Total securities borrowed or purchased under resale agreements	**1,338**	**4**	**1.20**	**1,284**	**-**	**-**
Bonds held for redemption and available for sale:(4)(5)						
In Israel	31,975	112	1.40	34,550	89	1.03
Abroad	9,381	48	2.05	8,822	34	1.54
Total bonds held for redemption and available for sale	**41,356**	**160**	**1.55**	**43,372**	**123**	**1.13**
Trading bonds:(5)						
In Israel	2,128	13	2.44	1,840	2	0.43
Abroad	72	-	-	72	1	5.56
Total trading bonds	**2,200**	**13**	**2.36**	**1,912**	**3**	**0.63**
Other assets:						
Abroad	831	5	2.41	760	4	2.11
Total other assets	**831**	**5**	**2.41**	**760**	**4**	**2.11**
Total interest bearing assets	**332,785**	**3,113**	**3.74**	**281,126**	**1,912**	**2.72**
Debtors for credit card operations	7,389			7,974		
Other non-interest bearing assets(6)	30,309			21,928		
Total assets	**370,483**			**311,028**		
Of which: Total interest bearing assets attributable to operations abroad	40,071	420	4.19	35,547	234	2.63
* Commissions included in interest income from credit to the public		81			71	

For footnotes see page 245.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "B" – Average balances and interest rates – liabilities and equity

	For the three months ended September 30					
	2022			2021		
	Average balance(2)	Interest expenses	Rate of expense	Average balance(2)	Interest expenses	Rate of expense(10)
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	72,095	68	0.38	55,138	2	0.01
In Israel - Time deposits	125,107	482	1.54	93,976	105	0.45
Total deposits from the public in Israel	**197,202**	**550**	**1.12**	**149,114**	**107**	**0.29**
Abroad - On call	20,523	71	1.38	20,345	16	0.31
Abroad - Time deposits	7,159	27	1.51	3,385	2	0.24
Total deposits from the public outside Israel	**27,682**	**98**	**1.42**	**23,730**	**18**	**0.30**
Total deposits from the public	**224,884**	**648**	**1.15**	**172,844**	**125**	**0.29**
Deposits from the Government:						
In Israel	47	-	-	223	1	1.79
Abroad	71	-	-	66	-	-
Total deposits from the Government	**118**	**-**	**-**	**289**	**1**	**1.38**
Deposits from central banks:						
In Israel	9,726	1	0.04	9,524	1	0.04
Total deposits from central banks	**9,726**	**1**	**0.04**	**9,524**	**1**	**0.04**
Deposits from banks:						
In Israel	3,604	22	2.44	2,863	5	0.70
Abroad	1,647	5	1.21	1,006	2	0.80
Total deposits from banks	**5,251**	**27**	**2.06**	**3,869**	**7**	**0.72**
Securities loaned or sold under repurchase agreements:						
In Israel	2,459	21	3.42	-	-	-
Abroad	-	-	-	(2)	-	-
Total securities loaned or sold under repurchase agreements	**2,459**	**21**	**3.42**	**(2)**	**-**	**-**
Bonds and subordinated debt notes:						
In Israel	13,823	136	3.94	11,146	121	4.34
Total bonds and subordinated debt notes	**13,823**	**136**	**3.94**	**11,146**	**121**	**4.34**
Other liabilities:						
In Israel	93	-	-	65	-	-
Total other liabilities	**93**	**-**	**-**	**65**	**-**	**-**
Total interest bearing liabilities	**256,354**	**833**	**1.30**	**197,735**	**255**	**0.52**
Non-interest bearing deposits from the public	61,763			69,372		
Creditors for credit card operations	12,328			11,584		
Other non-interest bearing liabilities(7)	14,544			11,151		
Total liabilities	**344,989**			**289,842**		
Total capital resources	**25,494**			**21,186**		
Total liabilities and capital resources	**370,483**			**311,028**		
Interest margin		**2,280**	**2.44**		**1,657**	**2.20**
Net return on interest bearing assets:(8)						
In Israel	292,714	1,963	2.68	245,579	1,443	2.35
Abroad	40,071	317	3.16	35,547	214	2.41
Total net return on interest bearing assets	**332,785**	**2,280**	**2.74**	**281,126**	**1,657**	**2.36**
Of which: Total interest bearing liabilities attributable to operations abroad	29,400	103	1.40	24,800	20	0.32

For footnotes see page 245.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "C" - Average balances and interest rates - additional information regarding interest bearing assets and liabilities attributed to operations in Israel

	For the three months ended September 30					
	2022			2021		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)[10]
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	242,046	2,080	3.44	204,381	1,292	2.53
Total interest bearing liabilities	(177,471)	(343)	(0.77)	(142,906)	(74)	(0.21)
Interest margin		**1,737**	**2.67**		**1,218**	**2.32**
CPI-linked shekels:						
Total interest bearing assets	26,404	447	6.77	22,328	307	5.50
Total interest bearing liabilities	(12,748)	(172)	(5.40)	(10,631)	(140)	(5.27)
Interest margin		**275**	**1.37**		**167**	**0.23**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	24,264	166	2.74	18,870	79	1.67
Total interest bearing liabilities	(36,735)	(215)	(2.34)	(19,398)	(21)	(0.43)
Interest margin		**(49)**	**0.40**		**58**	**1.24**
Total operations in Israel:						
Total interest bearing assets	292,714	2,693	3.68	245,579	1,678	2.73
Total interest bearing liabilities	(226,954)	(730)	(1.29)	(172,935)	(235)	(0.54)
Interest margin		**1,963**	**2.39**		**1,443**	**2.19**

For footnotes see next page.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "D" – Analysis of changes in interest income and expenses

	For the three months ended September 30		
	2022 Compared to 2021		
	Increase (decrease) due to change[9]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	340	425	765
Abroad	51	119	170
Total credit to the public	**391**	**544**	**935**
Other interest bearing assets:			
In Israel	70	180	250
Abroad	2	14	16
Total other interest bearing assets	**72**	**194**	**266**
Total interest income	**463**	**738**	**1,201**
Interest bearing liabilities:			
Credit to the Government:			
In Israel	134	309	443
Abroad	14	66	80
Total deposits from the public	**148**	**375**	**523**
Other interest bearing liabilities:			
In Israel	36	16	52
Abroad	2	1	3
Total other interest bearing liabilities	**38**	**17**	**55**
Total interest expenses	**186**	**392**	**578**
Interest income, net	**277**	**346**	**623**

Footnotes:
(1) The data is presented after the effect of hedge derivative instruments.
(2) Based on monthly opening balances, except for the non-linked shekels segment for which the average balances are based on daily data.
(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.
(4) From the average balance of bonds held to maturity was added the average balance of losses included in equity as part of accumulated other comprehensive income in the item "Adjustments regarding the presentation of available-for-sale securities at fair value" for bonds transferred from the available-for-sale portfolio, in the amount of NIS 429 million.
(5) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) on available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments for available-for-sale securities according to fair value" in the amount of NIS (6) million and NIS (1,076) million, respectively; 2021 – NIS (1) million and NIS 398 million respectively.
(6) Including derivative instruments and other assets that are not interest bearing and net of allowance for credit losses.
(7) Including derivative instruments.
(8) Net return – net interest income divided by total interest bearing assets.
(9) The quantitative impact has been computed by multiplying the interest margin by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest margin between the periods.
(10) The method of computing the quarterly rates of income and expenses in annual terms has been changed as from January 1, 2022, according to the accepted practice at US banks. The comparative data was restated accordingly.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses

Part "E" - Average balances and interest rates – assets

	For the nine months ended September 30					
	2022			2021		
	Average balance(2)	Interest income	Rate of income	Average balance(2)	Interest income	Rate of income(10)
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:(3)						
In Israel	188,830	6,108	4.31	162,207	4,571	3.76
Abroad	27,648	846	4.08	24,415	572	3.12
Total credit to the public	**216,478**	**6,954 ***	**4.28**	**186,622**	**5,143 ***	**3.67**
Credit to the Government:						
In Israel	2,544	58	3.04	3,238	49	2.02
Total credit to the Government	**2,544**	**58**	**3.04**	**3,238**	**49**	**2.02**
Deposits with banks:						
In Israel	4,227	18	0.57	3,268	7	0.29
Abroad	259	-	-	538	-	-
Total deposits with banks	**4,486**	**18**	**0.53**	**3,806**	**7**	**0.25**
Deposits with central banks:						
In Israel	48,282	272	0.75	34,730	26	0.10
Abroad	1,196	5	0.56	718	1	0.19
Total deposits with central banks	**49,478**	**277**	**0.75**	**35,448**	**27**	**0.10**
Securities borrowed or purchased under agreements to resell:						
In Israel	1,330	5	0.50	1,236	-	-
Total securities borrowed or purchased under agreements to resell	**1,330**	**5**	**0.50**	**1,236**	**-**	**-**
Bonds held for redemption and available for sale:(4)(5)						
In Israel	31,637	289	1.22	32,788	259	1.05
Abroad	9,231	127	1.83	9,030	109	1.61
Total bonds held for redemption and available for sale	**40,868**	**416**	**1.36**	**41,818**	**368**	**1.17**
Trading bonds:(5)						
In Israel	1,562	27	2.30	1,672	10	0.80
Abroad	68	-	-	68	1	1.96
Total trading bonds	**1,630**	**27**	**2.21**	**1,740**	**11**	**0.84**
Other assets:						
Abroad	797	15	2.51	680	15	2.94
Total other assets	**797**	**15**	**2.51**	**680**	**15**	**2.94**
Total interest bearing assets	**317,611**	**7,770**	**3.26**	**274,588**	**5,620**	**2.73**
Debtors for credit card operations	6,925			9,426		
Other non-interest bearing assets(6)	28,395			20,578		
Total assets	**352,931**			**304,592**		
Of which: Total interest bearing assets attributable to operations abroad	39,199	993	3.38	35,449	698	2.63
* Fees and commissions included in interest income from credit to the public		236			226	

For footnotes see page 249.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "F" – Average balances and interest rates – liabilities and equity

	For the nine months ended September 30					
	2022			2021		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense[10]
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	65,853	82	0.17	54,398	4	0.01
In Israel - Time deposits	113,237	859	1.01	94,552	333	0.47
Total deposits from the public in Israel	**179,090**	**941**	**0.70**	**148,950**	**337**	**0.30**
Abroad - On call	21,963	114	0.69	19,853	54	0.36
Abroad - Time deposits	5,521	44	1.06	3,739	12	0.43
Total deposits from the public outside Israel	**27,484**	**158**	**0.77**	**23,592**	**66**	**0.37**
Total deposits from the public	**206,574**	**1,099**	**0.71**	**172,542**	**403**	**0.31**
Deposits from the Government:						
In Israel	121	1	1.10	213	2	1.25
Abroad	69	-	-	68	-	-
Total deposits from the Government	**190**	**1**	**0.70**	**281**	**2**	**0.95**
Deposits from central banks:						
In Israel	9,726	5	0.07	7,826	4	0.07
Total deposits from central banks	**9,726**	**5**	**0.07**	**7,826**	**4**	**0.07**
Deposits from banks:						
In Israel	3,362	34	1.35	3,969	14	0.47
Abroad	1,293	11	1.13	1,190	8	0.90
Total deposits from banks	**4,655**	**45**	**1.29**	**5,159**	**22**	**0.57**
Securities lent or sold under agreements to repurchase:						
In Israel	933	24	3.43	-	-	-
Abroad	-	-	-	54	-	-
Total securities lent or sold under agreements to repurchase	**933**	**24**	**3.43**	**54**	**-**	**-**
Bonds and subordinated debt notes:						
In Israel	13,043	443	4.53	10,692	342	4.26
Total bonds and subordinated debt notes	**13,043**	**443**	**4.53**	**10,692**	**342**	**4.26**
Other liabilities:						
In Israel	79	-	-	63	1	2.12
Total other liabilities	**79**	**-**	**-**	**63**	**1**	**2.12**
Total interest bearing liabilities	**235,200**	**1,617**	**0.92**	**196,617**	**774**	**0.52**
Non-interest bearing deposits from the public	68,765			65,376		
Creditors for credit card operations	11,696			11,172		
Other non-interest bearing liabilities[7]	13,124			11,179		
Total liabilities	**328,785**			**284,344**		
Total capital resources	**24,146**			**20,248**		
Total liabilities and capital resources	**352,931**			**304,592**		
Interest spread		**6,153**	**2.34**		**4,846**	**2.21**
Net return on interest bearing assets:[8]						
In Israel	278,412	5,329	2.55	239,139	4,222	2.35
Abroad	39,199	824	2.80	35,449	624	2.35
Total net return on interest bearing assets	**317,611**	**6,153**	**2.58**	**274,588**	**4,846**	**2.35**
Of which: Total interest bearing liabilities attributable to operations abroad	28,846	169	0.78	24,904	74	0.40

For footnotes see page 249.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "G" - Average balances and interest rates - additional information regarding interest bearing assets and liabilities attributed to operations in Israel

	For the nine months ended September 30					
	2022			2021		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)[10]
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	231,408	4,954	2.85	198,791	3,808	2.55
Total interest bearing liabilities	(164,703)	(530)	(0.43)	(142,002)	(234)	(0.22)
Interest spread		**4,424**	**2.42**		**3,574**	**2.33**
CPI-linked shekels:						
Total interest bearing assets	24,744	1,464	7.89	21,628	868	5.35
Total interest bearing liabilities	(12,802)	(595)	(6.20)	(10,437)	(397)	(5.07)
Interest spread		**869**	**1.69**		**471**	**0.28**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	22,260	359	2.15	18,720	246	1.75
Total interest bearing liabilities	(28,849)	(323)	(1.49)	(19,274)	(69)	(0.48)
Interest spread		**36**	**0.66**		**177**	**1.27**
Total operations in Israel:						
Total interest bearing assets	278,412	6,777	3.25	239,139	4,922	2.74
Total interest bearing liabilities	(206,354)	(1,448)	(0.94)	(171,713)	(700)	(0.54)
Interest spread		**5,329**	**2.31**		**4,222**	**2.20**

For footnotes see next page.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "H" – Analysis of changes in interest income and expenses

	For the nine months ended September 30		
	2022 Compared to 2021		
	Increase (decrease) due to change[9]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	861	676	1,537
Abroad	99	175	274
Total credit to the public	**960**	**851**	**1,811**
Other interest bearing assets:			
In Israel	94	224	318
Abroad	7	14	21
Total other interest bearing assets	**101**	**238**	**339**
Total interest income	**1,061**	**1,089**	**2,150**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	158	446	604
Abroad	22	70	92
Total deposits from the public	**180**	**516**	**696**
Other interest bearing liabilities:			
In Israel	84	60	144
Abroad	-	3	3
Total other interest bearing liabilities	**84**	**63**	**147**
Total interest expenses	**264**	**579**	**843**
Net interest income	**797**	**510**	**1,307**

Footnotes:

(1) The data is presented after the effect of hedge derivative instruments.

(2) Based on monthly opening balances, except for the non-linked shekels segment for which the average balances are based on daily data.

(3) Before deduction of the average stated balance of allowances for credit losses. Including impaired debts that do not accrue interest income.

(4) From the average balance of bonds held to maturity was added the average balance of profits losses in equity as part of accumulated other comprehensive income in the item "Adjustments regarding the presentation of available-for-sale securities at fair value" for bonds transferred from the available-for-sale portfolio, in the amount of NIS 208 million.

(5) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) on available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments for available-for-sale securities according to fair value" in the amount of NIS (4) million and NIS (721) million, respectively; 2021 – NIS (2) million and NIS 428 million respectively.

(6) Including derivative instruments and other assets that are not interest bearing and net of allowance for credit losses.

(7) Including derivative instruments.

(8) Net return – net interest income divided by total interest bearing assets.

(9) The quantitative impact has been computed by multiplying the interest spread by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest spread between the periods.

(10) The method of computing the quarterly rates of income and expenses in annual terms has been changed as from January 1, 2022, according to the accepted practice at US banks. The comparative data was restated accordingly.

Appendix no. 2 - Additional details - securities portfolio

1. Available-for-sale bonds - data according to economic sectors

Details regarding to the distribution of bonds in the available-for-sale portfolio according to economic sectors

	September 30, 2022			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non government bonds				
Various sectors*	2,120	2,041	8	87
Financial services[1]	6,771	6,098	1	674
Total non government bonds	**8,891**	**8,139**	**9**	**761**
Government bonds				
U.S. government	4,399	4,268	-	131
Israel Government	12,716	12,114	92	694
Other Governments	185	158	-	27
Total government bonds	**17,300**	**16,540**	**92**	**852**
Total bond in the available-for-sale portfolio	**26,191**	**24,679**	**101**	**1,613**

* Including the investment of IDB New York in the U.S. municipal bonds. Of which, the three largest investments are in the amount of NIS 79-151 million, each, in municipal bonds of Washington state, in bonds of Texas state and in bonds of the New York state .

(1) Details regarding bonds in the financial services sector in the available-for-sale portfolio

	September 30, 2022			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies[2]	457	438	1	20
Ginnie Mae	4,613	4,040	-	573
Freddie Mac	53	45	-	8
Fannie Mae	66	60	-	6
Other	1,582	1,515	-	67
Total financial services	**6,771**	**6,098**	**1**	**674**

Appendix no. 2 - Additional details - securities portfolio

1. Available-for-sale bonds - data according to economic sectors (continued)

(2) Details according to geographical areas of investment in bonds of banks and banking holding companies in the available-for-sale portfolio

	September 30, 2022			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Western Europe[3]	248	233	-	15
Israel	79	76	-	3
Australia	130	129	1	2
Total banks and banking holding companies	**457**	**438**	**1**	**20**

(3) Details by countries of investment in bonds of banks and banking holding companies in the available-for-sale portfolio in Western Europe

Britain	33	31	-	2
Switzerland	33	33	-	-
France	167	155	-	12
Netherlands	15	14	-	1
Total	**248**	**233**	**-**	**15**

Appendix no. 2 - Additional details - securities portfolio (continued)

2. Held-to-maturity securities - data according to economic sectors

Details regarding the distribution of bonds in the held-to-maturity securities portfolio according to economic sectors

	September 30, 2022			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Public and community services	94	86	-	8
Financial services*	3,245	2,867	-	378
Total non government bonds	**3,339**	**2,953**	**-**	**386**
Total Government bonds	**11,323**	**10,555**	**1**	**769**
Total bonds in the held-to-maturity portfolio	**14,662**	**13,508**	**1**	**1,155**

*Following are details of Held-to-maturity bonds in the financial services sector:

Ginnie Mae	3,100	2,730	-	370
Freddie Mac	61	57	-	4
Fannie Mae	84	80	-	4
Total financial services	**3,245**	**2,867**	**-**	**378**

Appendix no. 2 - Additional details - securities portfolio (continued)

3. Trading Bonds - data according to economic sectors

Details regarding the distribution of bonds in the trading securities portfolio according to economic sectors

	September 30, 2022			
	Amortized cost	Fair value	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value
	In NIS millions			
Non government bonds				
Various sectors	10	9	-	1
Total non government bonds	**10**	**9**	**-**	**1**
Total government bonds	**1,409**	**1,399**	**-**	**10**
Total bonds in the trading portfolio	**1,419**	**1,408**	**-**	**11**

Appendix no. 3 - Additional details

1. Activity in financial instruments

Credit risk involved in financial instruments. The Bank's activity in financial instruments involves special risk factors including credit risks.
The uniqueness of the credit risk in such transactions stems from the fact that the stated amount of the transaction does not necessarily reflect its entailed credit risk. For further details see "General disclosure regarding exposure related to credit risk of a counterparty" under "Credit risk management".
Note 11 to the condensed financial statements presents details of operations in derivative instruments - scope, credit risk and maturities. Part B of the aforementioned Note presents details of credit risk with respect to derivatives by counter party, on a consolidated basis. Following are further details regarding data presented in part B of the aforementioned Note.
See also Note 1 E 2 to the condensed financial statements.

Appendix no. 3 - Additional details (continued)

1. Activity in financial instruments (continued)

(1) Details according to rating of balance-sheet balances of assets derived from transactions in derivative instruments where the counterparty is a bank

	As of September 30	As of December 31
	2022	2021
	In NIS million	
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	-	-
With an AA- rating	397	154
With an A+ rating	159	1,542
With an A rating	37	172
With an A- rating	11	79
With a BBB+ rating	1	14
With a B+ rating	-	2
Not rated	-	70
Total against foreign banks	**605**	**2,033**
Total against Israeli banks	**3**	**403**
Total Balance-sheet balances of assets deriving from derivative instruments	**608**	**2,436**

(2) Details according to rating of off balance sheet credit risk for transactions in derivative instruments where the counterparty is a bank

	As of September 30	As of December 31
	2022	2021
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AAA rating	-	2
With an AA- rating	330	88
With an A+ rating	1,027	129
With an A rating	238	40
With an A- rating	48	-
With an BBB+ rating	12	-
With an B+ rating	-	1
Not rated	7	2
Total against foreign banks	**1,662**	**262**
Total against Israeli banks	**100**	**9**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**1,762**	**271**

Appendix no. 3 - Additional details (continued)

1. Activity in financial instruments (continued)

(3) Details of the column "Other" in Note 11 to the condensed financial statements according to the overall credit to the public risk per economic sectors

	As of September 30, 2022	As of September 30, 2021	As of December 31, 2021
		in NIS million	
Agriculture	2	1	2
Industry:			
Machines, electrical and electronic equipment	335	25	28
Mining, chemical industry and oil products	236	66	52
Other	45	36	36
Total industry	617	127	116
Construction and real estate:			
Acquisition of real estate for construction	171	58	79
Real estate holdings	58	254	194
Other	6	5	9
Total Construction and real estate	235	317	282
Electricity and water	552	438	489
Commerce	392	317	482
Hotels, hotel services and food	26	17	15
Transportation and storage	131	46	42
Communications and computer services	138	24	17
Financial services:			
Financial institution (excluding banks)	377	989	873
Private customers active on the capital market	2,536	509	691
Financial holding institutions	332	539	827
Insurance and provident fund services	-	-	-
Total financial services	3,226	2,037	2,391
Business and other services	31	34	45
Public and community services	20	60	55
Private individuals - housing loans	-	-	-
Private individuals - other	8	7	8
Total credit risk for financial instruments	**5,380**	**3,425**	**3,944**
Credit risk mitigation for financial instruments and for a cash collateral received	-	(1,268)	(1,302)
Total credit risk for derivative instruments (after deduction of financial instruments and for a cash collateral received)	**5,380**	**2,157**	**2,642**

Appendix no. 3 - Additional details (continued)

2. Details of the investment in government bonds

Note 5 to the financial statements includes, among other things, details regarding investments in government bonds included in the "held to maturity" portfolio, the "available-for-sale" portfolio and the "trading" portfolio, divided into bonds and loans of the Government of Israel and bonds and loans of foreign governments.

Details divided by governments with respect to the total securities portfolio

	September 30, 2022		December 31, 2021	
	Book value	Fair value[1]	Book value	Fair value[1]
	In NIS millions			
Of the Israeli Government	24,759	23,991	27,204	27,388
Of the U.S. government	4,345	4,345	3,318	3,318
Of other governments	158	158	262	262
Total	**29,262**	**28,494**	**30,784**	**30,968**

Footnote:
(1) Fair value data based on market prices, does not necessarily reflect the price that may be obtained on the sale of securities in large volumes.

Appendix no. 4 - Glossary

Option	A contract between two parties within the framework of which one of the parties (the option writer) grants the counterparty a right to acquire or a right to sell an asset specified in the contract, in consideration for a predetermined price on a date set in advance or prior thereto.
Bond	A security that includes a commitment by the issuer to pay the holder of the security (the bond) the principal specified in the bond with the addition of interest, on the dates prescribed or upon fulfillment of a certain condition (according to the terms prescribed in the bond).
Least developed countries - LDC	Countries classified by the World Bank in a low or medium income group.
Regulatory capital	The capital components used in calculating the stability ratios (e.g., capital adequacy) and consisting of two tiers: a. Tier 1 capital that comprises the accounting common equity after regulatory adjustments (as defined in Proper Conduct of Banking Business Directive No. 202). b. Tier 2 capital that mainly comprises capital debt instruments and other regulatory adjustments.
Indebtedness	Credit and commitments to provide credit (balance-sheet and off-balance-sheet) as defined in Proper Conduct of Banking Business Directive No. 313.
Special mention debt	A debt that has potential weaknesses for which Management's special attention is required, and which, if not attended to, might adversely affect the repayment of the credit or the position of the Bank as a creditor.
Problematic debt	A debt that is classified as "non-accruing", "substandard" or under "special mention".
Substandard debt	A debt that is inadequately safeguarded by collateral or by the solvency of the debtor, and for which there is a distinct possibility that the Bank will sustain a loss, if the deficiencies are not rectified.
Impaired debt	A debt for which the Bank expects that it will be unable to collect the amounts due to it from the debtor, on the dates prescribed under the debt agreement.
Collateral dependent debt	A non-accruing debt whose repayment, in the Bank's opinion, is expected from the realization of only the collateral provided to secure the said debt, since the debtor has no other available resources for its repayment.
Total capital adequacy ratio	The ratio of the total capital resources (Tier 1 and Tier 2) to the Bank's total risk weighted assets.
Recorded amount of a debt	The balance of a debt, including accrued interest that has been recognized, any premium or discount that has not yet been amortized, deferred net fees and commissions or deferred net costs that have been added to the debt balance and have not yet been amortized, net of any part of the debt that has been subject to an accounting write-off.
Basel instructions	The instructions for the management of banks risks that have been prescribed by the Basel Committee that deals with supervision and the setting of standards for the supervision of the world's banks.
Subordinated debt notes	Debt notes, in which the rights conferred thereunder are subordinate to claims by the rest of the Bank's creditors, except for other debt notes of the same class.
Off-balance-sheet credit instruments	Debt instruments such as commitments to provide credit and guarantees (not including derivative instruments).
Derivative instrument	A financial instrument or other contract that contains three cumulative features: a. A basis and nominal value that determine the settlement amount of the instrument. b. The net initial investment required is less than that would be required in other types of contracts that are exposed in a similar manner to changes in market factors (or where no investment is required). c. Its terms require or permit net settlement.
Forward looking information	Some of the information detailed in the directors' report, which does not relate to historical facts, comprises forward-looking information, as defined in the Securities Law, 5728-1968. The Bank's actual results might differ materially from those indicated in the forward-looking information, due to a large number of factors, including, among other things, macro-economic changes, changes in the geo-political situation, regulatory changes and other changes not under the Bank's control, and which may result in the non-realization of the estimates and/or in changes in the Bank's business plans.

Appendix no. 4 – Glossary (continued)

Forward looking information (continued)	Forward-looking information is typified by terms and words like: "believe", "anticipate", "estimate", "intends", "prepares to…", "might" and similar expressions, in addition to nouns such as: "desire", "anticipation", "intention", "expectation", "assessment", "forecast", etc. Such forward-looking expressions involve risks and uncertainties as they are based on evaluations by Management as to future events, which include, among other things, evaluations as to the state of the economy, public preferences, domestic and foreign interest rates, inflation rates, etc. as well as regarding the effects of new legislative and regulatory provisions relating to the banking industry and the capital market and to other fields that have an impact on the Bank's activity and on the environment in which it operates, and that by the nature of things, their realization is uncertain. The information presented below relies, among other things, on information in the Bank's hands, inter-alia, publications by other entities such as the Central Bureau of Statistics, the Ministry of Finance, the Bank of Israel, the Ministry of Housing and other entities that publish data and assessments as to the Israeli and global financial and capital markets. The above reflects the Bank's and its subsidiaries point of view at the time of preparation of the financial statements as to future events, based on evaluations that are uncertain. The evaluations and business plans of the Bank and its subsidiaries are derived from such data and assessments. As stated above, actual results might differ materially and impact the realization of the business plans or bring about changes in these plans.
Financial instrument	Cash, evidence of the rights of ownership in a corporation, or a contract that fulfills the following two conditions: a. The instrument imposes a contractual obligation on one party to transfer cash or another financial instrument to the second party, or to exchange other financial instruments with the second party under terms that might be unfavorable to the first party. b. The instrument grants the second party a contractual right to receive cash or another financial instrument from the first party, or to exchange other financial instruments with the first party under terms that might be beneficial to the second party.
Average maturity	A weighted average of the time to the principal repayment and to the interest payments of interest-bearing financial instruments.
Over-the-counter (OTC) derivative	Derivative instruments which are not traded on an official stock exchange and are created within the framework of an agreement between two counterparties.
Counterparty credit risk - CVA (Credit Valuation Adjustment)	The exposure to a loss that might arise if the counterparty to a derivative instrument transaction does not fulfill the terms of the transaction.
Active market	A market in which transactions in an asset or a liability take place with sufficient frequency and volumes as to provide information regarding the pricing of the assets or liabilities on a current basis.
Financing rate - LTV (Loan To Value Ratio)	The ratio of the approved debt facility, at the time of granting the facility, to the value of the asset that secures the debt, as approved by the Bank at the time of granting the facility, which is used in calculating the "capital adequacy".
ICAAP (Internal Capital Adequacy Assessment Process)	The Bank's internal capital adequacy assessment process. The process combines, among other things, setting capital targets, capital planning measures and examining the capital position under a variety of stress tests.

Appendix no. 5 - Index

Main Office

Tel Aviv, 23 Yehuda Halevi Street
website: www.discountbank.co.il

Subsidiaries In Israel

Banking

Mercantile Discount Bank

Capital Market And Investments

Tafnit Discount Asset Management
Discount Capital
Discount Capital Underwriting
Discount Manpikim

Credit Cards

Israel Credit Cards
Diners Club

Digital Wallet

PayBox

Subsidiary Bank Abroad

Israel Discount Bank of New York, USA
website: www.idbbank.com
Head Office: 1114 6th Avenue, New York
Staten Island, NY Branch:
201 Edward Curry Avenue, Suite 204
Brooklyn, NY Branch:
705 Avenue U
Short Hills, NJ Branch:
150 JFK Parkway
Beverly Hills, CA Branch:
9401 Wilshire Boulevard, Suite 600
Downtown Los Angeles, CA Branch:
888 South Figueroa Street, Suite 550
Aventura, FL Branch:
Harbour Centre, 18851 NE 29th Avenue,
Suite 600

Representative Offices: Israel /
Chile / Uruguay / Local representative office in
Long Island