First Quarter of 2023 Report

This report is a translation from the Hebrew and has been prepared for convenience only. In case of any discrepancy the Hebrew will prevail.

Board of Directors and Management Report

Internal Control over Financial Reporting

Condensed Financial Statements

Corporate Governance, Audit and Additional details on 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

Board of Directors and Management Report - List of tables (continued)

Chapter "A" - General overview, goals and strategy

At the meeting of the Board of Directors held on May 16, 2023, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for March 31, 2023 were approved (hereinafter: "the condensed financial statements"). The data presented in the report are consolidated data, unless explicitly stated otherwise.

Condensed financial information on financial position and operating results

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

	First Quarter 2023	2022	Year 2022
	In %		
Main performance indicators:			
Return on equity	20.1	18.3	15.1
Return on assets	1.34	1.17	0.99
Ratio of net credit to the public to deposits from the public	86.1	81.4	82.5
Ratio of common equity tier 1	10.22	10.55	10.25
Ratio of total capital to risk assets	12.91	13.30	13.03
Leverage ratio	6.3	6.3	6.2
Liquidity coverage ratio(1)	137.3	124.8	130.5
Net Stable Funding Ratio	124.8	127.3	124.8
Efficiency ratio	46.1	55.3	55.8
Main credit quality indicators:			
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.33	1.31	1.31
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	0.63	0.71	0.67
Ratio of net accounting write-offs for credit to the public to the average balance of credit to the public	0.14	0.10	0.11
Ratio of credit loss expenses (expenses release) to the average balance of credit to the public	0.33	(0.11)	0.18
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	**1,269**	**983**	**3,495**
Net interest income	2,740	1,800	8,693
Credit loss expense (expenses release)	204	(60)	407
Non-financing income	1,517	1,286	4,251
Of which: Fees and commissions	887	825	3,404
Non-financing expenses	1,962	1,707	7,217
Of which: salaries and related expenses	945	855	3,568
Comprehensive income, attributed to the Bank's shareholders	**1,423**	**391**	**2,757**
Total earnings per share attributed to Bank's shareholders (in NIS)	1.03	0.84	2.87

For footnotes see next page.

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

	First Quarter 2023	2022	Year 2022
	In NIS millions		
Principal balance sheet data for the end of the reporting period:			
Total assets	**387,472**	**340,658**	**376,754**
Of which:			
Cash and deposits with banks	60,040	60,997	65,713
Securities	51,215	42,918	44,794
Net credit to the public	249,483	217,851	241,079
Total liabilities	**360,722**	**316,949**	**351,276**
Of which:			
Deposits from the public	289,712	267,731	292,293
Deposits from banks	17,517	13,183	15,376
Bonds and Subordinated debt notes	15,097	12,211	12,308
Shareholders' equity	26,096	23,027	24,880
Total equity	**26,750**	**23,709**	**25,478**
Additional data:			
Share price	1,755	1,996	1,848
Dividend per share (in Agorot)	15.18	9.09	49.88
Ratio of fees and commissions to total assets	0.93	0.98	0.96

Footnotes:
(1) The ratio is computed for the three months ended at the end of the reporting period.
(2) In annual terms.

For details on the decision of the Bank's Board of Directors dated May 16, 2023, to distribute a dividend in the amount of approx. 30.78 Agorot per share, see below "Dividend distribution" and Note 18 to the condensed financial statements.

Data excluding ICC

	First Quarter of 2023		Year 2022	
	Actual	Excluding ICC(1)	Actual	Excluding ICC(1)
	n NIS millions			
Net Profit Attributed to the Bank's Shareholders	1,269	1,158	3,495	3,305
	in percentage			
Return on equity	20.1	(2)19.1	15.1	(2)14.8
Efficiency ratio	46.1	43.2	55.8	51.5
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.33	1.24	1.31	1.23
Ratio of credit loss expenses (expenses release) to the average balance of credit to the public	0.33	0.28	0.18	0.14

Footnotes:
(1) The data for ICC has been totally eliminated, with no calculation in respect of the alternative use of the risk assets that would become available as a result of the separation as well as the yield produced by them and with no calculation of the gains produced by the realization of the holdings in ICC and the yield produced by the investment thereof in an alternative activity.
(2) In congruence of that stated above, the capital has been standardized so as to maintain the actually existing capital adequacy level, and accordingly, the return on equity has been standardized.

For details regarding the separation of ICC from Discount Bank, see below.

Market share

Based on data relating to the banking industry as of December 31, 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

	December 31, 2022	December 31, 2021
	In %	
Total assets	15.9	15.2
Net credit to the public	16.7	16.6
Deposits from the public	15.4	14.6
Net interest income	17.6	17.6
Total non-interest income	22.7	21.4

Development of the Discount share

	Closing price at end of the trading day			Change in
	May 11, 2023	March 31, 2023	December 31, 2022	Q1 of 2023 in %
Discount share	1,930	1,755	1,848	(5.0)
The TA 5 Banks index	3,425.75	3,121.25	3,280.79	(4.9)
The TA 35 index	1,802.68	1,739.11	1,796.92	(3.2)
Discount market value (in NIS billions)	23.87	21.71	22.86	(5.0)

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 – winning in traditional banking, groundbreaking innovation, leveraging the power of the Group.

First pillar – winning in traditional banking

As part of the changes affecting the banking sector, 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 done by way of focusing on four 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 the vision and become the best Bank for its customers, Discount Bank has launched several strategic projects, intended to turn the whole Bank into a customer focused organization.
These projects require a significant and extensive effort by all units of the Bank, which would lead to a fundamental and deep change in work procedures as well as in service and conduct principles.

Such gradual implementation would lead to improved availability for customers, closure of a full treatment circle and accessibility to products and services customized to the needs of the customer.
In order to measure the success of the fundamental change process, use would be made of the Net Promoter Score index. 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 of the credit portfolio and of income at a rate higher than that of the banking system

- 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, small businesses and commercial banking fields and in additional focal fields, and all while maintaining the quality of the credit portfolio;
- 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.

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 carry out the efficiency measures with an emphasis on diverting operations to the digital channels, optimization of real estate properties and savings in purchases expenses and other expenses.

Winning organizational culture

Goal: Integration of a winning organizational culture that promotes the strategy of the Bank by means of guiding leadership and employee engagement, the highest in the banking system

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 would act in a number of fields:
- The Bank will continue to strengthen its managers and employees while developing leadership in accordance with the Discount spirit and striving to maximize the potential of employees and managers by means of qualitative career development processes;

- The Bank will act in order to improve the sense of commitment and the organizational engagement of employees and managers, while leveraging the relocation to the joint Campus at the "Elef" site in Rishon LeZion, all this, in order to become the best Bank for its employees;
- The Bank will act in order to adopt agile work methods that would support improvement in customer and employee experience and would help in improving performance capabilities and the shortening of response time.

Second pillar – groundbreaking innovation

Goal: Become a leading financial player in the new banking in Israel through the implementation of pioneering and competition creators banking models for customers of all banks

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, through the implementation of the following measures:

- Continuing to intensify the cooperation and relationship with the Fintech community in Israel and abroad, with the aim of offering the Bank's customers and customers of all banks, the most advanced services and products, both in the field of banking and in tangential fields;
- Initiation and establishment of new ventures, off-banking, through close cooperation with Fintech companies and other third parties having a unique DNA, in favor of creating innovative products and services, designed for customers of all banks;
- Enlarging the activity of PayBox as the digital wallet for the management of off-banking payment accounts, offering also financial products and services, including those of third parties, designated for customers of all banks;
- Leveraging the open banking reform in favor of expanding its value offer to customers, while making services and products accessible on the digital channels.

Third Pillar – maximizing the value of the Group

Goal: The subsidiary companies are leading growth

- 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, as a holding company, will continue to initiate significant moves that create value in the portfolio of Group companies, while maintaining activity in accordance with corporate governance rules;
- 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.

Following are actual data regarding components defined as goals of the strategic plan:

- a return on equity goal of 15.1% in 2022;
- an efficiency ratio of 55.8% in 2022;
- a net profit of NIS 3,495 million in 2022.

As seen from the said data, the goals of the strategic plan were mostly achieved already in 2022.

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".

Environmental, social and governance strategy. Discount Bank, which raised the banner of becoming the best financial institution for its customers, takes another step in the implementation of it vision and publishes a significant and challenging ESG strategy, as approved by the Board of Directors on February 28, 2023. As part of the implementation of the strategy that had been formed, Discount Bank will promote a connection between environmental, social and governance aspects and the core business, organizational and social activities of the Group, while focusing on three central fields:

- Social mobility and financial inclusion – promotion of enabling banking, which acts toward increasing financial accessibility for disadvantage populations, alongside support for actions contributing to the reduction of gaps in the social and geographic peripheral areas in Israel through education and knowledge.
- Diverse and equal employment – promotion of employment diversity and employing staff at the Bank coming from employment challenged sectors, alongside the supporting of plans enlarging employment of such sectors in the Israeli economy as a whole. Alongside this, the Bank will act towards the creation of an embracing and enabling work environment.
- Green future – Promotion of green conduct in the Bank's operating and business activity, with a view of reducing its environmental effects.

Presently, the Bank is forming goals and performance indices for the coming years.

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 10.22% and the liquidity coverage ratio amounts to 137.3%. This is the capital infrastructure that allows the Group to continue growing.
The central challenges and issues in the first quarter of 2023 were:

The separation of ICC from Discount Bank

On January 31, 2017, the Increase in Competition and Reduction of Centralization in the Israeli Banking Market Law (Legislation amendments), 5777-2017, was published on the Official Gazette ("the Law").
Within the framework of implementation of the Law, in the first stage, the credit card companies, IsraCard and MAX (formerly LeumiCard) were separated from Hapoalim Bank and Bank Leumi, respectively, due to the fact that they held assets of a value exceeding 20%, and therefore defined as "a bank with Wide-Ranging Activity". Accordingly, at that stage, the Bank is under no duty to sell ICC.
With respect to ICC, on January 31, 2021, a period of two years started, which ended on January 31, 2023, during which, the Minister of Finance, with consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset, was empowered to instruct the separation of ICC from Discount Bank upon existence of certain terms stated in Section 11B(d) of the Banking Law (Licensing), 5741-1981 ("the Banking Law").
According to the provisions of Section 12(b)(3) of the Law, a committee had even been established, among the duties of which was recommending to the Minister in the matter of applying his authority to enforce the duty to sell ICC, as stated. On December 21, 2022, the committee published its recommendation to the Minister of Finance, as accepted by the majority of the committee members, which stated the position that the Minister should apply the said authority. The recommendation document contained also the minority opinion of the Supervisor of Banks, who was not a party to the opinion of the other committee members. On January 18, 2023, after obtaining the consent of the Governor of the Bank of Israel, the Minister applied to the Chairman of the Finance Committee of the Knesset, requesting approval of the Committee to the draft Banking Regulations (Licensing)(A bank with Wide-Ranging Activity), 5783-2023. As part of the application, the Minister referred also to the possibility of acquisition of a charge card company by institutional bodies, and noted that on the background of developments in the market and the provisions of Section 10 of the Law, he had instructed the formation of a designated team at the Ministry of Finance to study this issue.
On January 30, 2023, the Finance Committee of the Knesset approved the Banking Regulations (Licensing) (A bank with Wide-Ranging Activity), 5783-2023, ("the Regulations").
According to the Regulations, the Bank is bound to sell the means of control of Israel Credit Card Company Ltd., held by it, within a period of three years from the effective date (date of publication of the Regulations in the Official Gazette), or until the end of four years in certain circumstances, to the extent that a public offer outline would be decided upon. Furthermore, the provisions stated in the Law would apply with respect to the sale.
In addition, the following instructions, inter alia, apply:
- During the period from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank has to conduct the operation of issue of charge cards issued by it, by means of an operating company, and to enable it to be a party to the charge card agreement;

- As from the end of one year from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank is not permitted to conduct by means of one operating company, the issue of more than 52% of the total new credit cards issued to Bank customers;
- A fixed mechanism for the distribution of income derived from the issue operation of charge cards and from use of charge cards by customers, between the Bank and the charge card company, so that the said distribution of income would be in accordance with an agreement signed by the parties in 2022;
- Restriction to approaches made to customers regarding renewal of credit cards.

It is noted that the restrictions relating to the duty to enable the credit card company to become a party to the agreement, the forbiddance to conduct through one operating company the issue operation of more than 52% of total new credit cards, and restrictions on approaches to customers regarding the renewal of credit cards, apply also to some of the other banks.

The Regulations entered into effect on January 31, 2023. It is noted that at that date the Minister of Finance issued an open call for the public's positions in which he announced, as part of his decision in the matter of amending the definition of a bank with Wide-Ranging Activity, the formation of a team at the Ministry of Finance headed by the Officer in Charge of Budgeting, the Legal Counsel of the Ministry of Finance and the Commissioner of the Capital Market, Insurance and Savings, for studying the issue of the differentiation existing in the Law between the acquisition of a charge card company from a bank with Wide-Ranging Activity (primary acquisition) and the acquisition of a charge card company from an entity which had purchased such a company from such a bank (secondary acquisition), and whether it is just and equitable to leave such a differentiation intact. The question of the possible effects of large institutional bodies controlling charge card companies is also supposed to be studied.

On May 11, 2023, the team for the examination of the holdings by institutional bodies of charge cards companies ("the Team") published its recommendations.

The central recommendation of the Team is the amendment of Section 10 of the Law, whereby a large institutional body shall no longer be debarred from acquiring means of control of a charge card company from a bank with wide-ranging activity (applying also to a primary acquisition). The practical significance of this recommendation, if implemented, is that the Bank would be able to sell its holdings in ICC also to a large institutional body. In addition, as a complementary act, the Team, inter alia, recommended a clear structural separation between the charge card company and the institutional body holding it, as well as stating restrictions in respect of material operational interfaces between institutional bodies and banks.

Following the decision of the Minister of Finance and approval of the Regulations, the Bank has decided to record a provision for the balance of taxes due on its share in the profits of ICC, which in accordance with accounting principles, had not been provided for in the past, in the amount of NIS 50 million. The said provision was included in the report for the first quarter of 2023.

Within the framework of a joint distribution agreement with El-Al Company, El-Al was, inter alia, granted a "phantom" type option, entitling it to economic rights in ICC (of a value equal to 8.75% of the appreciation in value of ICC, exceeding the amount of NIS 1,800 million). The option would be exercisable only in the event of sale or issuance of ICC, in accordance with the terms stated in the related agreement, and would be settled in cash. (The equity capital of ICC as of March 31, 2023, amounts to NIS 2,278 million).

According to an assessment in the hands of ICC, the fair value of the "phantom" option (within the meaning of the term in accepted accounting principles), based on data regarding transactions for the acquisition of the credit card companies Isracard and MAX (being published information only, regarding the agreement, within the framework of which, Harel Investments is expected to acquire all the shares in Isracard, and the agreement, within the framework of which, CLAL Insurance Enterprises Holdings acquired all the shares in MAX, based on their reports to the public), and on the assumption that ICC will utilize to the options of the distribution of dividends, according to the option agreement, within the framework of the future negotiations to formulate the terms of sale of the holdings in ICC at an amount of approx. NIS 58 million (approx. NIS 40 million after tax effect). ICC recognized in the first quarter of 2023 a liability in respect of the said option. Considering the tax effect and after deduction of the share of the First International Bank in the profit of ICC, the recording of the option in the said amount reduced the net profit of the Bank in the first quarter of 2023 by a net amount of approx. NIS 24 million.

It is emphasized that at this stage, the Bank is in the midst of the primary preparation phases for the separation from ICC, and that decisions with respect to the separation outline have not as yet been taken. This issue relates to a transaction of a scope expected to be significant, where the acquisition price to be determined might be affected by the dynamics in the market, as would exist at the time proximate to the date of the transaction, by the path of development of ICC in comparison to its competitors, by the outline for the execution of the separation, by possible competition between potential buyers and

by different macro-economic variables. In light of the abovesaid, the acquisition price might be very materially different from the price of ICC seemingly grossed up in the fair value assessment of the option.
For additional details, see the Immediate Reports dated December 22, 2022, January 3, January 19 and January 31, 2023 (Ref. Nos. 2022-01-154045, 2023-01-001587, 2023-01-009330 and 2023-01-012882, respectively), the details contained therein are presented hereby by way of reference.
For details regarding the said Law, see the 2022 Annual Report (pp. 401-407). For details regarding the contribution of ICC to the profits of the Discount Group see the 2022 Annual Report (p. 58). For details regarding the data for the "ICC" segment, within the framework of Managerial Operating Segments, see Note 13 to the condensed financial statements below.

Developments in the economic environment and their effect on the operations of the Bank and its customers

The CPI rose in 2022 by 5.3%, following a long period in which the inflationary environment was low. The first quarter of 2023 saw a slight moderation in the inflationary environment in Israel, though it still remained at a high level (annual rate of 5%). Moderation occurred also in the global inflationary environment, particularly in the core inflation, though it continued to stay at a high level. The Bank of Israel interest rate, which remained unchanged for a lengthy period, rose from a level of 0.1% in April 2022 to a level of 3.75% (as from February 22, 2023), similarly to the global trend of rising interest rates.
As detailed in the section "Market risks", the Bank is exposed to market risks, including interest risk. As detailed in this part, the rising interest has a positive effect on the Bank's income, the average interest rate in the first quarter of 2023, in relation to the corresponding quarter last year, rose by approx. 4%, and according to the Bank's assessments, the Bank's financing income increased by approx. NIS 800 million as a result of the rise in interest, in the first quarter of 2023, compared to the first quarter of 2022.
With respect to the increased in inflation, the Bank is exposed to changes in the CPI in a way that there is an excess of assets over liabilities that are CPI-linked in an amount of approx. NIS 15 billion, at the end of the first quarter of 2023. The rise in the CPI contributed approx. NIS 170 million to the Bank's income in the first quarter of 2023.
The rise in the CPI and in the interest rate may result in an increased burden of loan repayments of burrowers, for households in particular, and in their impaired repayment ability. The Bank's Management gave expression to these effects in the estimate of the group allowances, according to the existing models, however, their effect may also be reflected in future periods and also require making allowances for specific borrowers.
The principal measures adopted by the Bank in order to face the effects of the main changes in interest and in the CPI are:

- Monitoring interest exposure.
- Entering into interest and CPI hedge transactions.
- Strict underwriting mechanisms for the granting of credit and the monitoring of the credit portfolio quality.
- In the framework of computation of the group allowance, a macro-economic model was utilized, intended to provide a response to a rise in the macro-economic risks. As a result of the above, a buffer has been created for the said risks and their possible implications upon borrowers. The buffer was, inter alia, computed by use of scenarios of rising interest rates and inflation, and forecasts for the GDP and unemployment for the coming year.
- Allowing customers having certain characteristics, the option to reduce the amount of the monthly mortgage repayments to the level existing in September 2022, prior to the last four raisings of the interest rate; the amount deferred would be repayable as from the end of 24 months, spread over 36 installments, with no interest charge.
- Concurrently, the Bank offers its customers deposits bearing interest.

For details regarding credit and deposit margins, see the 2022 Annual Report (pp. 430-433).

Greenlend

On March 5, 2023, the Bank and Ezbob Ltd., a company incorporated in England ("Ezbob"), signed a non-binding memorandum of understanding for the formation of an enterprise for extending consumer credit and credit to small and middle market businesses, to customers of all banks, by means of a company that would be controlled by the Bank (an auxiliary corporation) ("the company").
According to the memorandum of understandings, 70% of the ordinary share capital of the company would be owned by the Bank and 30% would be owned by Ezbob. Extension of credit and its management shall be conducted by means of the innovative technological systems of Ezbob, according to a license granted to the company. In accordance with the Memorandum of Understandings, the Bank is expected to provide the company with capital in the amount of approx. NIS 163 million. In addition, the Bank is expected to put at the disposal of the company additional capital/shareholder loan facilities, for future drawing in certain circumstances. Furthermore, the Bank is expected to provide the company with credit facilities at market terms.
The Bank and Ezbob are acting to form a binding agreement, which would be conditional upon obtaining the required regulatory approvals, including approval by the Bank of Israel. There is no certainty that the above transaction would be consummated.

Discount Campus

The finishing work at the Campus reached its peak during the reported period, and so did the preparations for the relocation of units of the Bank, of ICC and of MDB. A work completion certificate was issued to the Discount Campus on January 11, 2023.
During the reported period the transfer to the Campus of the Bank's central computer room was completed, and the Bank employees began moving to the Campus.
It is noted that concurrently with the operation of Discount Leasing and the Technologies Administration established in aid of the project,
The Group Relocation Administration is active as from January 2021. Its duties are to prepare the Bank, ICC and MDB for relocation, to manage in practice the relocation as well as the operational routine thereafter. The Administration operates by means of promotion of eighteen across the board and multi-areas Group projects, formation and management of orderly work plans, including conditions precedent to the relocation, regulating interfaces, reports and arriving at orderly and agreed decisions.
The relocation to the Campus is conducted according to the plan in a number of stages, the completion of which is expected in the course of 2023.
For additional details, see Note 10 section 5 to the condensed financial statements and "Fixed assets and installations" below.

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.
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 during 2022 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.

Issue of debt instruments within the framework of an international private placement

On January 26, 2023, the Bank completed an international private placement of US dollar bonds, being the first in its history, in a principal amount of US$800 million ("the bonds"), which were issued to institutional investors, within the meaning of the term in the Articles of the Tel Aviv Stock Exchange Ltd. ("the Stock Exchange" and "the issue", respectively).
The bonds were issued at a price of 99.935% of their par value. The gross proceeds of the issue amounted to US$799.48 million. The issue price comprises a margin of 190 basis points over that of US government bonds of an identical average period to maturity.
The bonds have been registered for trading on the "TASE-UP" system of the Stock Exchange.

Additional issues

- **Termination of office of the President & CEO.** For additional details, see "Board of Directors and Management" below;
- **IDB Bank.** For details regarding proceedings concerning certain matters relating to IDB Bank's compliance plan, see below "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details";
- **Rating by Fitch.** Fitch rated the Bank for the first time in the first quarter of 2023. For additional details, see below "Rating the Liabilities of the Bank and some of its Subsidiaries";
- **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 additional details, see Note 20 to the condensed financial statements, section K;
- **Strategic cooperation with Shufersal – PayBox Ltd.** For additional details, see the 2022 Annual Report (pp. 23-24 and 320-321);
- **The "One-Click Mobility" reform.** For details, see the 2022 Annual Report (p. 24).

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 quarter of 2023.
During January 2023, the Government started to promote a plan for the implementation of material changes in the legal system in Israel, which raises a significant dispute in the Israeli public. In the opinion of various economic entities in Israel and globally, such changes may have an adverse effect on the financial markets and on the stability of the economy in Israel. The said implications may have a negative impact also on the Bank and its customers.
It is noted that in the beginning of March Fitch rating agency has ratified the credit rating of the State of Israel at a level of "A+", with a "Stable" rating outlook. Fitch noted, inter alia, that a number of countries that had undergone a significant institutional reform, have reached even a decline in their credit rating, and that at this stage it is unclear whether the proposed reform in Israel will have a similar extensive effect.
On April 14, 2023, Moody's rating agency published the credit rating of the State of Israel, leaving it at "A1". However, Moody's graded down the rating outlook from "Positive" to "Stable" due to its estimates that the events related to the implementation of the Legal Reform indicate the weakening of the institutional solidity of Israel.
On May 12, 2023, the S&P rating agency published the credit rating of the State of Israel leaving it unchanged at "AA" with a "Stable" rating outlook, on the background of the assumption that an agreement would be reached regarding the legal reform.
It is noted that in recent months, discussions are being held at the State President's House, with a view of reaching a wide consent regarding the actions for changes in the legal system.
At this stage, it is not possible to estimate what would be the components of the plan proposing changes in the legal system, if completed at all, and accordingly foresee what would be the implications on the condition of the financial markets and on the state of the economy in Israel.
For details regarding the direct effect on the Bank's capital adequacy, in the event that the credit rating of the State of Israel would be reduced, see "Capital and Capital Adequacy" below.
Growth. The global economy continues to grow at paces of activity higher than anticipated. At the same time, the labor markets remained tight, with unemployment rates remaining at low levels and continuing wage hikes, though moderated.

Notwithstanding the above, the US data for the first quarter of 2023 indicated slow growth, lower by 1.1% than anticipated, while the Eurozone recorded growth of 0.4% only. Globally, inflation is continuing to slow down, though it still remains at a high level. Concurrently, the core inflation in the US and in the Eurozone remained at a high level. A crisis broke out in the American banking system during the reported quarter, with the collapse of two US regional banks. The FED reacted by rescuing the deposit holders, providing liquidity to the banking system. In Israel, economic data indicates slow growth. The integrated Index of the Bank of Israel rose in the first quarter of 2023 at an annualized rate of 1%, as compared to the last quarter of last year.

Notwithstanding the above, the labor market continued to demonstrate strength, with the unemployment rate in March amounting to 3.8%, similarly to that of February, and reflecting a decline compared to December (4.2%). On the other hand, the decline in the rate and scope of available positions continues.

Exchange rates. The dollar basket (“Dollar Index”) weakened by 1% during the first quarter, against a background of concerns of a recession and a fall in interest. On the other hand, during the first quarter the shekel weakened by approx. 4% against the dollar and by approx. 5% against the basket of currencies, with this being against the background of the advancement of the judicial reform legislation.

Inflation. In common with the global trend, inflation in Israel stands at a level above the target range -5%, with core inflation standing at 5.2% and struggles to slow down. Furthermore, inflation is evident over a broad number of items. Concurrently, the inflation expectations embodied in the one-year index contract, recorded an increase during the quarter from approx. 2.8% to 3.1%.

Monetary policy. Central banks throughout the world are continuing to raise interest. The Fed has raised interest to a level of 4.75%-5%, despite concerns about financial stability and the high level of uncertainty. At the same time, the ECB has raised interest to 3%. The Bank of Israel has also continued to raise interest at a rapid pace, to a level of 4.25%.

Financial markets. Most leading indices in the developed markets were traded at higher prices against the background of the economic recovery. On the other hand, the Tel Aviv Stock Exchange’s equity indices fell in the first quarter in response to progress with the government’s judicial reform legislation.

Moreover, as a result of the local uncertainty, 10-year Israel government bonds were traded at a yield of approx. 3.8%, a rise of approx. 20 basis points since the start of the quarter. The margin between Israeli bonds and US bonds, which had been negative, has been turned around, and at the end of the quarter stood at approx. 34 basis points.

The second quarter of 2023. The high uncertainty and concerns regarding the impact on stability of regional banks in the US continue to affect the markets since the beginning of the quarter. Nevertheless, at this stage, no impact on the economy is yet being noticed. Concurrently, the maximum debt crisis gains momentum.

The FED raised the interest rate by 25 basis points to 5%-5.25%, and signaled the discontinuation of the consecutive raising of the interest, The ECB slowed down the pace of interest hikes, raising the interest by 25 basis points to 3.25%. In Israel, the Bank of Israel raised the interest by 0.25% to a level of 4.5%.

The CPI in Israel for the month of April rose steeply by 0.8%, with the annual inflation rate remaining at a level of 5%.

The core inflation accelerated from 5.2% to 5.3%.

The unemployment rate in Israel continued to decline reaching 3.6% in April, as compared to 3.8% in March.

The budgetary deficit continues to rise to a level of 0.3% of the GDP in April, compared to being balanced in March (on a cumulative basis for the past twelve months).

Yields on US government bonds for ten years remained at a level of approx. 3.5%, while yields on Israeli government bonds dropped since the beginning of the quarter by approx. 10 basis points to approx. 3.7%.

In the same period, price increases were recorded in the share market, with the TA-125 Index rising by approx. 5%, while the S&P500 Index rising by approx. 1%.

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 three months of 2023" in "Corporate governance, audit, additional details on the business of the banking corporation and management thereof".

Material leading and developing risks

The Bank considers macro environment risks, business model risks, cyber and data protection risks, model risks and environment and climate risk, as the most significant developing leading risks. For additional details see the 2022 Annual Report (pp. 27-28).

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three months period ended on March 31, 2023, the independent auditors drew attention to Note 10 section 4, regarding claims 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 three months of 2023 totaled NIS 1,269 million, compared with NIS 983 million in the corresponding period last year, an increase of 29.1%.

Return on equity net attributed to the Bank's shareholders for the first three months of 2023 reached a rate of 20.1%, on an annual basis, compared with a rate of 18.3% for the corresponding period last year, and 15.1% for all of 2022.

The following are the main factors that had an effect on the business results of the Group in the first three months of 2023, compared with the corresponding period last year:

a. An increase in net interest income in an amount of NIS 940 million (52.2%), which was affected by the growth in credit to the public in the non-linked segment and the rise 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 264 million. The expenses in the quarter stemmed mostly from expenses on a group basis following the growth in loan balances, growth in qualitative adjustments components, recording of accounting write-offs, and growth in the macro economic components. This, compared with expenses release in an amount of NIS 60 million in the corresponding period last year.

c. An increase in the total non-interest income, of NIS 221 million (18.0%), which was affected, mostly, by an increase of NIS 284 million in non-interest financing income (631.1%), mostly an increase in income from derivatives operations, and from an increase of NIS 62 million in fees and commissions (7.5%), mainly from an increase in credit card fees and commissions and from a decrease of NIS 115 million in other income, principally a decline in capital gains on sale of buildings.

d. An increase of NIS 255 million in operating and other expenses (14.9%), affected, mainly, from an increase of NIS 90 million in salaries (10.5%), from a NIS 21 million rise in maintenance and depreciation of buildings and equipment (6.9%) and from an increase of NIS 144 million in other expenses (26.2%).

e. Tax provision of NIS 763 million on earnings in the first three months of 2023, compared with NIS 447 million in the corresponding period last year.

Additional details and explanations are presented below.

Developments in Income and Expenses

Developments in certain income statement items in the first quarter of 2023, compared with the fourth quarter of 2022 and compared with the first quarter of 2022

	2023	2022		Q1 2023 compared to	
	Q1	Q4	Q1	Q4 2022	Q1 2022
	In NIS millions			in %	
Interest income	4,693	3,930	2,084	19.4	125.2
Interest expenses	1,953	1,390	284	40.5	587.7
Net interest income	**2,740**	**2,540**	**1,800**	**7.9**	**52.2**
Credit loss expenses (expenses release)	204	230	(60)	(11.3)	-
Net interest income after credit loss expenses	**2,536**	**2,310**	**1,860**	**9.8**	**36.3**
Non-interest Income					
Non-interest financing income	329	248	45	32.7	631.1
Fees and commissions	887	857	825	3.5	7.5
Other income	301	9	416	3,244.4	(27.6)
Total non-interest income	**1,517**	**1,114**	**1,286**	**36.2**	**18.0**
Operating and other Expenses					
Salaries and related expenses	945	988	855	(4.4)	10.5
Maintenance and depreciation of buildings and equipment	324	313	303	3.5	6.9
Other expenses	693	666	549	4.1	26.2
Total operating and other expenses	**1,962**	**1,967**	**1,707**	**(0.3)**	**14.9**
Profit before taxes	2,091	1,457	1,439	43.5	45.3
Provision for taxes on profit	763	516	447	47.9	70.7
Profit after taxes	**1,328**	**941**	**992**	**41.1**	**33.9**
Bank's share in profits (losses) of Associates, net of tax effect	5	(3)	5	-	-
Net loss (profit) attributed to the non-controlling interests in consolidated companies	(64)	1	(14)	-	357.1
Net Profit attributed to Bank's shareholders	**1,269**	**939**	**983**	**35.1**	**29.1**
Return on shareholders' equity, in %[1]	20.1	15.4	18.3		
Efficiency ratio in %	46.1	53.8	55.3		
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**1,201**	**958**	**668**	**25.4**	**79.8**
Return on shareholders' equity, in %[1] - excluding certain components (see below)	19.0	15.7	12.4		
Efficiency ratio in % (see below)	48.1	53.0	63.7		

Footnote:
(1) On an annual basis.

Profitability - excluding certain components

	2023	2022		Q1 2023 compared to	
	Q1	Q4	Q1	Q4 2022	Q1 2022
	in NIS millions			Change in %	
Net income attributed to the Bank's shareholders - as reported	1,269	939	983	35.1	29.1
Excluding[1]:					
Realization of assets	(142)	-	(315)		
Effect of settlement	-	19	-		
Provisions stemming from the separation of ICC	74	-	-		
Net income attributed to the Bank's shareholders - excluding the above components	**1,201**	**958**	**668**	**25.4**	**79.8**

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

Details on Eliminated Components

Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank and its main subsidiaries in Israel to the Discount Campus. For details, see Note 20 to the condensed financial statements.
Effect of settlement. Acceleration of the amortization of “actuarial profits/losses” (a charge to profit and loss) following the payment of severance pay to retirees, including those who had retired within the framework of the 2022 retirement plan (see the 2022 Annual Report, p. 25).
Allowances deriving from the separation of ICC. For details, see Note 17 B 1 to the condensed financial statements.

Details on material changes in statement of profit and loss items

Net interest income. In the first three months of 2023, net interest income amounted to NIS 2,740 million compared with NIS 1,800 million in the corresponding period last year, an increase of 52.2%. The rise in the net interest income in the amount of NIS 940 million, is explained by a positive price impact of NIS 786 million, and a positive quantitative effect in the amount of NIS 155 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 2.61% in the first three months of 2023, compared with 2.22% in the corresponding period last year.
The average balance of interest bearing assets has increased by a rate of approx. 13.3%, from an amount of NIS 304,666 million to NIS 345,115 million, and the average balance of interest bearing liabilities increased by a rate of approx. 26.7%, from an amount of NIS 217,475 million to NIS 275,590 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 three months ended March 31,							
	2023				2022			
	Volume of activity[1] in %	Weight out of total net interest income, in %	Net interest income in NIS millions	Interest spread in %	Volume of activity[1] in %	Weight out of total net interest income, in %	Net interest income in NIS millions	Interest spread in %
Unlinked shekels	72.5	89.0	2,439	3.37	72.9	70.1	1,261	2.22
CPI-linked shekels	8.1	11.2	306	1.65	7.6	13.9	250	2.12
Foreign Currency	19.4	(0.2)	(5)	0.84	19.5	16.0	289	1.89
Net interest income and the interest spread	**100.0**	**100.0**	**2,740**	**2.61**	**100.0**	**100.0**	**1,800**	**2.22**

Footnote:
(1) According to the average balance of the interest bearing assets.

The growth in net interest income, stemmed mostly from an increase in credit to the public in the non-linked segment and from a rise in the Bank of Israel interest, offset by a decline in the interest margin in the foreign currency segment.
Non-interest financing income amounted in the first three months of 2023 to NIS 329 million, compared to NIS 45 million in the corresponding period last year, an increase of 631.1%.
The increase in non-interest financing income stems, mostly, from the rise in income from derivatives operations and from an increase in income from exchange differences, offset by a decrease in gains on realization of bonds and shares held for trading and available-for-sale bonds and a decline of 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

	2023	2022			
	Q1	Q4	Q3	Q2	Q1
	in NIS millions				
Interest income	4,693	3,930	3,113	2,573	2,084
Interest expenses	1,953	1,390	833	500	284
Net interest income	2,740	2,540	2,280	2,073	1,800
Non-interest financing income (expense)	329	248	151	(27)	45
Total net financing income	**3,069**	**2,788**	**2,431**	**2,046**	**1,845**

Analysis of the total net financing income

	2023	2022			
	Q1	Q4	Q3	Q2	Q1
	in NIS millions				
Financing Income from current operations	2,715	2,513	2,265	1,965	1,730
Effect of CPI on net interest income	170	111	151	230	134
Effect of CPI on derivative instruments	(8)	(15)	(39)	(65)	(37)
Net profit from realization and adjustment to fair value of bonds (1)	(10)	(96)	(11)	16	60
Profit (losses) from investments in shares (2)	19	2	41	(15)	56
Adjustment to fair value of derivative instruments	70	210	(50)	(186)	(144)
Exchange rate differences, options and other derivatives (1)	113	62	71	100	46
Net profit on the sale of loans	-	1	3	1	-
Total net financing income	**3,069**	**2,788**	**2,431**	**2,046**	**1,845**
Footnotes:					
(1) Exchange rate differences of trading bonds are included in the exchange rate differences line	3	3	(3)	19	4
(2) Of which: income from realizations in Discount Capital in deduction of provision for impairment	32	(2)	5	15	39

Net financing income, amounted to NIS 3,069 million in the first three months of 2023, compared to NIS 1,845 million in the corresponding period last year, an increase of 66.03%. The increase in financing income stemmed mostly from an increase in financing income from current operations and from the positive effect of adjustment to fair value of derivatives.

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 2.20% in the first three months of 2023, compared with 1.88% in the corresponding period last year.

Development of the net interest income by regulatory operating segments

	For the three months ended March 31,		
	2023	2022	Change
	In NIS millions		in %
Domestic operations:			
Households	1,157	557	107.7
Private banking	97	17	470.6
Small and minute businesses	672	373	80.2
Medium businesses	170	101	68.3
Large businesses	354	211	67.8
Institutional bodies	21	6	250.0
Financial management	(69)	301	(122.9)
Total Domestic operations	**2,402**	**1,566**	**53.4**
Total International operations	**338**	**234**	**44.4**
Total	**2,740**	**1,800**	**52.2**

Credit loss expenses. In the first three months of 2023 credit loss expenses in the amount of 204 million were recorded, compared with expenses release of NIS 60 million in the corresponding period last year.
The credit loss expenses in the first quarter has been mostly affected by the following factors:
- Expenses on a group basis (excluding housing loans) in the amount of NIS 172 million, compared expenses release of NIS 36 million, in the corresponding period last year. The expenses in the current quarter were affected mainly by the growth in preforming and problematic credit balances, growth in qualitative adjustments components, recording of accounting write-offs and growth in the macro economic components;
- Expenses on a specific basis in the amount of NIS 19 million, compared to expenses release in the amount of NIS 35 million in the first quarter of 2022. The expenses in the current quarter were affected mostly from the recording of accounting write-offs;
- Expenses for housing loans in the amount of NIS 13 million, compared to expenses in the amount of NIS 11 million, in the first quarter of 2022.

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

	2023	2022				
	Q1	Total	Q4	Q3	Q2	Q1
	In NIS millions					
On a specific basis						
Change in allowance	(23)	(107)	(30)	30	(36)	(71)
Gross Accounting Write-offs	81	272	111	53	50	58
Collection	(39)	(165)	(24)	(70)	(49)	(22)
Total on a specific basis	**19**	**-**	**57**	**13**	**(35)**	**(35)**
On a group basis						
Change in allowance	140	263	128	55	126	(46)
Gross Accounting Write-offs	154	506	132	124	138	112
Collection	(109)	(362)	(87)	(86)	(98)	(91)
Total on a group basis	**185**	**407**	**173**	**93**	**166**	**(25)**
Total	**204**	**407**	**230**	**106**	**131**	**(60)**
Rate of credit loss expenses (expenses release) to the average balance of credit to the public[1]:						
The rate in the quarter:	[2]0.33%	-	[2]0.38%	[2]0.18%	[2]0.23%	[2](0.11%)
Cumulative rate since the beginning of the year:	[2]0.33%	0.18%	0.18%	[2]0.10%	[2]0.06%	[2](0.11%)

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 three months of 2023 amounted to NIS 887 million, compared to NIS 825 million in the corresponding period last year, an increase of 7.5%. The increase was mainly affected by credit card fees and commissions, handling credit fees and commissions, ledger fees and exchange differences, partly offset by a decrease in fees and commissions earned on operations in securities and in certain derivative instruments.

Distribution of the fees and commissions

	For the three months ended March 31,		
	2023	2022	Change
	in NIS millions		in %
Account Management fees	127	115	10.4
Credit cards	440	395	11.4
Operations in securities and in certain derivative instruments	85	109	(22.0)
Fees and commissions from the distribution of financial products	37	41	(9.8)
Handling credit	73	51	43.1
Conversion differences	49	38	28.9
Foreign trade services	14	15	(6.7)
Fees and commissions on financing activities	41	41	-
Other fees and commissions	21	20	5.0
Total fees and commissions	**887**	**825**	**7.5**

Salaries and related expenses amounted to NIS 944 million in the first three months of 2023, compared with NIS 855 million in the corresponding period last year, an increase of 10.5%. The growth was mostly impacted by the rise in salaries and in the manpower position at IDB Bank. With the elimination of the effect of certain components as detailed below, an increase of 7.6% would have been recorded.

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

	2023	2022			
	Q1	Q4	Q3	Q2	Q1
	In NIS millions				
Salaries and Related Expenses - as reported	945	988	881	844	855
Awards	(116)	(210)	(106)	(95)	(85)
Salaries and Related Expenses - excluding certain components	**829**	**778**	**775**	**749**	**770**

Other expenses amounted to NIS 693 million in the first quarter of 2023, compared to NIS 549 million in the corresponding period last year, an increase of 26.2%. The increase was affected, mainly, by an increase in expenses from fees and commissions, as a result of an increase in credit card activity, and computer expenses.

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 profit (loss) for cash flows hedge	Adjustments for employee benefits	Total		
				in NIS millions			
For the three months ended March 31, 2023 and 2022							
Balance at December 31, 2022	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the period	3	132	4	16	155	1	154
Balance at March 31, 2023	**(1,316)**	**(95)**	**(16)**	**(436)**	**(1,863)**	**(5)**	**(1,858)**
Balance at December 31, 2021	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	(826)	77	(9)	167	(591)	1	(592)
Balance at March 31, 2022	**(583)**	**(634)**	**(10)**	**(648)**	**(1,875)**	**(9)**	**(1,866)**

Footnote:
(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.

The comprehensive income amounted in the first three months of 2023 to NIS 1,423 million, as compared with NIS 391 million in the first three months of 2022. The difference between the comprehensive income for this quarter and the net profit, stemmed mostly from profits in the amount of NIS 132 million on translation adjustments and profits of NIS 16 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 March 31, 2023, amounted to NIS 387,472 million, compared with NIS 376,754 million at the end of 2022, an increase of 2.8%.

Developments in the principal balance sheet items

	March 31, 2023	December 31, 2021	Rate of change in %
	in NIS millions		
Assets			
Cash and deposits with banks	60,040	65,713	(8.6)
Securities	51,215	44,794	14.3
Net credit to the public	249,483	241,079	3.5
Liabilities			
Deposits from the public	289,712	292,293	(0.9)
Deposits from banks	17,517	15,376	13.9
Subordinated debt notes	15,097	12,308	22.7
Shareholders' equity	26,096	24,880	4.9
Total equity	26,750	25,478	5.0

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

Explanation of changes in certain balance sheet items

Cash and deposits with banks. Cash and deposits with banks decreased in the first quarter of 2023 by approx. 8.6%, comprising a decrease of approx. NIS 5.7 billion. Most of the decrease stems mainly from acquisition of securities.
Deposits by banks. The growth stems from growth in business activity with banks.
Bonds and subordinated debt notes. The balance increased by approx. NIS 2.8 billion, mostly as a result of an international issuance of U.S. dollar terms bonds in the amount of approx. US$800 billion. For additional details see Note 21 to the condensed financial statements.

Credit to the public

General. Net credit to the public (after allowance for credit losses) as of March 31, 2023 totaled NIS 249,483 million, compared with NIS 241,079 million at the end of 2022, an increase of 3.5%.
For details on the credit portfolio, see the 2022 Annual Report (pp. 40-43). For details on 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 2022 Annual Report (pp. 67-89). For details on the quality of credit, see Note 14 B, sections 1-2, to the condensed financial statements and in the 2022 Annual Report (pp. 275-277).

Composition of credit to the public by linkage segments

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

	March 31, 2023		December 31, 2022		
	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	185,801	74.5	179,846	74.6	3.3
CPI-linked shekels	25,514	10.2	24,334	10.1	4.8
Foreign currency and foreign currency-linked shekels	38,168	15.3	36,899	15.3	3.4
Total	**249,483**	**100.0**	**241,079**	**100.0**	**3.5**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto increased by 3.4% compared with December 31, 2022. In U.S. dollar terms, credit to the public in foreign currency and foreign currency linked Shekels increased by US$73 million, an increase of 0.7% as compared to December 31, 2022. 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 3.1% as compared to December 31, 2022.

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

	March 31, 2023	December 31, 2022	change
	In NIS millions		in %
Domestic operations:			
Households*	99,458	97,457	2.1
Private banking*	474	490	(3.3)
Small and minute businesses	42,085	41,185	2.2
Medium businesses	18,186	17,224	5.6
Large businesses	62,431	58,407	6.9
Institutional bodies	551	416	32.5
Total Domestic operations	**223,185**	**215,179**	**3.7**
Total International operations*	**29,660**	**29,109**	**1.9**
Total credit to the public	**252,845**	**244,288**	**3.5**
Credit loss expenses	(3,362)	(3,209)	4.8
Total net credit to the public	**249,483**	**241,079**	**3.5**
*Of which - Mortgages	66,928	65,325	2.5

The increase in credit to the public in the first quarter of 2023 reflects growth in the focus points determined in the updated strategic plan. Credit to households excluding housing loans grew by NIS 398 million (1.2%). Credit to medium businesses grew by NIS 962 million (5.6%). Credit to large businesses grew by NIS 4,024 million (6.9%) and housing credit grew by NIS 1,603 million (2.5%).
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

	March 31, 2023		December 31, 2022		
Economic Sectors	Total credit to the public risk	Rate from total credit risk	Total credit to the public risk(1)	Rate from total credit risk	Rate of change
	in NIS millions	%	in NIS millions	%	in %
Industry	23,836	6.0	22,904	6.1	4.1
Construction and real estate - construction	52,138	13.2	49,371	13.1	5.6
Construction and real estate - real estate activity	32,118	8.1	30,507	8.1	5.3
Commerce	40,949	10.5	37,998	10.0	7.8
Financial services	43,610	11.1	35,968	9.6	21.2
Private individuals - housing loans	74,860	19.0	73,674	19.7	1.6
Private individuals - other	74,615	18.9	74,956	19.9	(0.5)
Other sectors	52,219	13.2	50,837	13.5	2.7
Total overall credit to the public risk	**394,345**	**100.0**	**376,215**	**100.0**	**4.8**

Footnote:
(1) Reclassified - following improving of data of subsidiary.

The data presented above indicates that in the first quarter of 2023, the overall risk regarding credit to the public increased by 4.8% compared with the end of 2022. This growth applied mostly to financial services, commerce, construction, and real estate – construction and construction and real estate – real estate activity sectors.

Development of problematic credit risk

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 March 31, 2023, to NIS 7,296 million, as compared to NIS 6,703 million at December 31, 2022, an increase of 8.8%.

Problematic credit not accruing interest. The problematic credit to the public that does not accrue interest income amounted at March 31, 2023, to NIS 1,475 million, as compared to NIS 1,520 million at December 31, 2022, a decrease of 3.0%.

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

	March 31, 2023			December 31, 2022		
Economic Sectors	Total credit risk	Of which: Problematic credit risk	Rate of problematic risk	Total credit risk(1)	Of which: Problematic credit risk	Rate of problematic risk
	in NIS millions		%	in NIS millions		%
Industry	23,836	698	2.9	22,904	739	3.2
Construction and real estate - construction	52,138	1,069	2.1	49,371	1,219	2.5
Construction and real estate - real estate activity	32,118	1,709	5.3	30,507	1,361	4.5
Commerce	40,949	1,077	2.6	37,998	931	2.5
Financial services	43,610	4	0.0	35,968	5	0.0
Private individuals - housing loans	74,860	319	0.4	73,674	313	0.4
Private individuals - other	74,615	861	1.2	74,956	529	0.7
Hotels, Hotel Services and Food	4,151	473	11.4	3,842	466	12.1
Transportation and Storage	8,149	226	2.8	7,434	271	3.6
Other Sectors	39,919	1,370	3.4	39,561	1,382	3.5
Total Public	**394,345**	**7,806**	**2.0**	**376,215**	**7,216**	**1.9**
Banks	9,021	-	-	7,136	-	-
Governments	42,405	-	-	36,055	-	-
Total	**445,771**	**7,806**	**1.8**	**419,406**	**7,216**	**1.7**

Footnote:
(1) Reclassified -following improving of data of subsidiary.

In the first quarter of 2023, the ratio of problematic credit risk to the total credit risk increased. The total problematic debts increased mostly in the sectors of construction and real estate - real estate activity, private individuals – other and commerce, while on the other hand, the total problematic debts decreased mostly in construction and real estate – construction, transportation and storage and industry sectors increased.

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 3,362 million as of March 31, 2023. The balance of this allowance constituted 1.3% of the credit to the public, compared with a balance of the allowance in the amount of NIS 3,209 million, constituting 1.3% of the credit to the public as of December 31, 2022.

The balance of allowances for credit losses for non-accruing credit amounted on March 31, 2023 to NIS 276 million, compared with a balance of allowances in an amount of 248 as of December 31, 2022.

The balance of allowances for credit losses for accruing credit amounted on March 31, 2023 to NIS 3,086 million (of which for accruing problematic debts – NIS 414 million), compared with a balance of allowances in an amount of NIS 2,961 million as of December 31, 2022 (of which for accruing problematic debts – NIS 463 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 three months ended March 31			
	2023		2022	
	Credit loss expense (expense reversal)	Rate of expense (expense reversal)	Credit loss expense (expense reversal)	Rate of expense (expense reversal)
sectors	In NIS millions	%	In NIS millions	%
Industry	13	0.4	(15)	(0.5)
Construction and real estate - construction	61	1.0	(7)	(0.1)
Construction and real estate - real estate activity	41	0.6	(21)	(0.4)
Commerce	16	0.2	(23)	(0.4)
Hotels, hotel services and food	1	0.1	(38)	(4.1)
Transportation and storage	(2)	(0.1)	1	0.1
Financial services	7	0.2	7	0.2
Other Business Services	(7)	(0.4)	(12)	(0.7)
Public and Community Services	(10)	(0.3)	19	0.6
Other Sectors	14	0.7	5	0.3
Total Commercial	**134**	**0.4**	**(84)**	**(0.3)**
Private Individuals - Housing Loans	6	-	11	0.1
Private Individuals - Other	60	0.7	17	0.2
Total credit loss expenses (expense reversal) to the public.	**200**	**0.3**	**(56)**	**(0.1)**
Total Banks and Governments	4	0.4	(4)	(0.6)
Total credit loss expenses (expense reversal).	**204**	**0.3**	**(60)**	**(0.1)**

Securities

General. Securities in the Nosrto portfolio totaled NIS 51,215 million as of March 31, 2023, compared with NIS 44,794 million at the end of 2022, an increase of 14.3%. Securities included in the "nostro" portfolio of the Discount Group, the investment in which as of March 31, 2023, amounted to 5% or over of the total amount of the portfolio: "government variable 1130" and the "MAKAM 314" security types, which amounted to approx. 9.2 and approx. 6.0%, of the total portfolio, respectively.

As of March 31, 2023, approx. 72.6% of the portfolio is invested in Government bonds, and approx. 15.3% 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. 0.5% of the portfolio is invested in bonds of U.S. Government Supported Enterprises (GSE)). For details on the Bank’s investments in bonds, according to economic sectors, see "Appendices to the quarterly report", appendix 2, sections 1-3. For details on the segmentation of the investment in government bonds according to principal governments, see "Appendices to the quarterly report" – appendix 3, section 2.

For details on the Nostro portfolios management policy, see 2022 Annual Report (p. 44).

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	March 31, 2023	December 31, 2022	Rate of change in %
	In NIS millions		
Non-linked shekels	26,989	21,961	22.9
CPI-linked shekels	3,207	2,494	28.6
Foreign currency and foreign currency-linked shekels	19,181	18,546	3.4
Shares - non-monetary items	1,838	1,793	2.5
Total	**51,215**	**44,794**	**14.3**

Securities in foreign currency and in Israeli currency linked to foreign currency increased by 3.4%, compared with December 31, 2022. In U.S. dollar terms, the investment in securities in Israeli currency linked to foreign currency and in foreign currency increased by US$36 million, an increase of 0.7% as compared with December 31, 2022. Total securities, including securities in foreign currency and in Israeli currency linked to foreign currency expressed in U.S. dollar terms, increased by 13.2% as compared with December 31, 2022.

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

	March 31,2023			December 31 ,2022		
	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	13,582	12,315	13,582	14,847	13,594	14,847
Available for sale	30,980	29,482	29,482	27,344	25,858	25,858
Trading	6,312	6,313	6,313	2,309	2,296	2,296
Shares						
Available for sale	1,737	1,811	1,811	1,692	1,767	1,767
Trading	4	27	27	4	26	26
Total Securities	**52,615**	**49,948**	**51,215**	**46,196**	**43,541**	**44,794**

Corporate bonds (excluding mortgages and assets backed bonds). Discount Group's available-for-sale bonds portfolio as of March 31, 2023, includes investments in corporate bonds in the amount of NIS 2,689 million (of which an amount of NIS 379 million is held by IDB Bank), compared with NIS 2,703 million as of December 31, 2022, a decrease of 0.5%. 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, would continue to be presented in other comprehensive income and would be amortized to profit and loss over the remaining lives of the bonds as an adjustment of yield. The balance of unrealized losses on adjustment to fair value as of March 31, 2023, in respect of the said bonds, amounted to a pre-tax amount of NIS 386 million.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of March 31, 2023 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 9,434 million, compared to an amount of NIS 8,412 million as at December 31, 2022, an increase of 12.1%. The amount includes investment in mortgage backed securities in the amount of NIS 8,571 million, which are held by IDB Bank, compared to an amount of NIS 7,592 million as at December 31, 2022, an increase at a rate of 12.9%. Approx. 83.3% 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 March 31, 2023, the portfolio of mortgage and assets backed securities included unrealized net losses of NIS 969 million, compared with NIS 1,063 million as of December 31, 2022.
For details on the agencies operating under the auspices of the U.S. Governance, see the 2022 Annual Report (p. 46).
CLO. IDB New-York holds secured bonds of the CLO class in a total amount of approx. NIS 715 million. The said securities are rated AA-AAA. The Bank holds secured bonds of the CLO class in a total amount of NIS 863 million. The said securities are rated AA-AAA. For details, see Note 5 to the condensed financial statements.

Details on 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 quarter of 2023, unrealized losses were recorded, included in the portfolio of available-for-sale bonds, were recorded in the first quarter, which as of March 31, 2023 amounted to a total of NIS 1,537 million (before tax), representing approx. 5.2% of the portfolio balance (December 31, 2022 - losses in the amount of NIS 1,566 million, approx. 6.0% of the portfolio balance). As assessed by the Management, these losses are due to an increase in yields in the capital market in 2022, 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. No provision for impairment in value was recognized in the statement of profit and loss for the first quarter of 2023.
For details on the review of impairment of available-for-sale bonds, see below "Critical accounting policies and critical accounting estimates" and Note 1 D section 4a to the financial statements as of December 31, 2022 (p. 151).
For details regarding unrealized losses on available-for-sale bonds that are in a loss position, by period of time and rate of impairment, see Note 5 to the condensed financial statements.

Adjustment for the presentation of available-for-sale bonds according to fair value

The balance of the adjustments presented as part of equity, for stating available-for-sale bonds at fair value, including for bonds on loan, amounted at March 31, 2023, to NIS 1,937 million unrealized losses before tax effect, compared to NIS 1,940 million unrealized losses before the tax effect, as of December 31, 2022.

Customer assets

Deposits from the public as of March 31, 2023, totalled NIS 289,712 million, compared with NIS 292,293 million at the end of 2022, a decrease of 0.9%.

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

	March 31, 2023		December 31, 2022		
	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	188,982	65.2	196,945	67.4	(4.0)
CPI-linked shekels	4,508	1.6	4,188	1.4	7.6
Foreign currency and foreign currency-linked shekels	96,222	33.2	91,160	31.2	5.6
Total	**289,712**	**100.0**	**292,293**	**100.0**	**(0.9)**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased at the rate of 5.6%, compared with December 31, 2022. In dollar terms the deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased by US$712 million, an increase of 2.7% compared with December 31, 2022. 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, decreased at a rate of 1.8%, compared with December 2022.

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

	March 31, 2023	December 31, 2022	
	In NIS millions		Change in %
Domestic operations:			
Households	95,659	94,036	1.7
Private banking	23,203	22,319	4.0
Small and minute businesses	47,437	47,752	(0.7)
Medium businesses	15,507	15,093	2.7
Large businesses	44,283	48,002	(7.7)
Institutional bodies	26,505	29,655	(10.6)
Total Domestic operations	**252,594**	**256,857**	**(1.7)**
Total International operations	**37,118**	**35,436**	**4.7**
Total deposits from the public	**289,712**	**292,293**	**(0.9)**

The ratio of total net credit to the public to deposits from the public was 86.1% as at March 31, 2023, compared with 82.5% at the end of 2022.

Deposits from the public of the three largest depositor groups amounted as of March 31, 2023, to NIS 7,950 million.

Securities held for customers. On March 31, 2023, the balance of the securities held for customers at the Bank amounted to approx. NIS 216.17 billion, including approx. NIS 0.99 billion of non-marketable securities, compared to approx. NIS 215.55 billion as at December 31, 2022, including approx. NIS 1.75 billion of non-marketable securities, an increase of approx. 0.3%. 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 March 31, 2023, amounted to NIS 11.4 billion, compared with NIS 11.45 million in December 31, 2022, a decrease of 0.4%.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at March 31, 2023, amounting to approx. NIS 21.5 billion, compared with NIS 21.65 billion as of December 31, 2022, a decrease of 1.0%, which stemmed, inter alia, from the decreases in the markets in the first quarter of 2023.

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%. For details on the requirement concerning housing loans and for details on 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 2022 Annual Report (p. 225) 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.

Effect of the rise in the interest rate. As estimated by the Bank, a rise of 1% in the interest rate would reduce the Common Equity Tier 1 ratio by approx. 0.10%, in terms of March 31, 2023 (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 March 31, 2023, net of the tax effect).

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 (one notch), this would have a decrease of 0.2% in the Tier 1 capital ratio, in March 31, 2023 terms.

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. 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[1].

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 was 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 common equity 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%.

For additional details, see the document "Disclosure according to the third pillar of Basel and additional information on risks", which had been published within the framework of the 2022 Annual Report.

1 For the meaning of the term "uniform stress testing" and for further details, see "Stress testing" in Chapter C in the 2022 Annual Report (pp. 66-67), as well as "Assessing the capital adequacy" in the "Disclosure according to the third pillar of Basel and additional information on risks" document, which had been published within the framework of the 2022 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 on risks" which had been published within the framework of the 2022 Annual Report. The document is available for perusal on the Bank's website together with the Bank's 2022 Annual Report, on the MAGNA site of the Israel Securities Authority, and on the MAYA site of the Tel Aviv Stock Exchange Ltd..

Exposure regarding the investment in Discount Bancorp Inc.

A US dollar exposure (structural position) in the amount of US$1,161 million exists as of March 31, 2023, 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 March 31, 2023, totalled NIS 26,750 million, compared with NIS 25,478 million at the end of 2022, an increase of 5.0%.

Shareholders' equity as at March 31, 2023, totalled NIS 26,096 million, compared with NIS 24,880 million at the end of 2022, an increase of 4.9%. The change in Shareholders' equity in the first three months of 2023 was affected, among other things, by the net earnings during the period, net of the tax effect, and from an increase of NIS 127 million in financial statements transactions adjustments and from the net actuarial gain in the amount of NIS 16 million.

The ratio of total capital, to total assets as at March 31, 2023, stood at 6.9%, compared with 6.8% on December 31, 2022.

Components of the regulatory capital as of March 31, 2023

Ratio of common equity tier 1 as of March 31, 2023, amounted to 10.22%, compared with 10.25% on December 31, 2022.

Total capital ratio as of March 31, 2023, amounted to 12.91%, compared with 13.03% on December 31, 2022.

Components of the regulatory capital as of March 31, 2023

	March 31,		December 31,
	2023	2022	2022
	in NIS millions		
1. Capital for Calculating ratio of capital			
Common equity tier 1 after deductions	26,543	23,473	25,353
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	**26,543**	**23,473**	**25,353**
Tier 2 capital	7,003	6,132	6,878
Total capital	**33,546**	**29,605**	**32,231**
2. Weighted risk assets balance			
Credit risk[2]	234,601	201,893	225,052
Market risk	4,747	3,677	3,633
CVA risk	2,428	1,489	2,077
Operational risk	18,012	15,460	16,685
Total weighted risk assets balance	**259,788**	**222,519**	**247,447**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	10.22	10.55	10.25
Ratio of total capital to risk assets	12.91	13.30	13.03
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1[1]	9.19	9.17	9.19
Total capital ratio	12.50	12.50	12.50

Footnotes:

(1) With an addition of 0.19% (March 31, 2022: 0.17%, December 31, 2022: 0.19%), according to the additional capital requirements with respect to housing loans - see Note 9 section 1 (b) to the financial statements.

(2) The total weighted balances of the risk assets have been reduced by NIS 227 million (March 31, 2022: NIS 325 million, December 31,2022: NIS 252 million) due to adjustments in respect to the efficiency plan and an amount of NIS 268 million (December 31, 2022: NIS 555 million) in respect of adjustments for higher capital requirements in respect of loans of increased risk, designated for the purchase of land.

Raising of resources

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 2023.

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 on 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 on the dividend policy approved by the Board of Directors, see the 2022 Annual Report (p. 51)
On May 16, 2023 the Bank's Board of Directors decided to make a dividend distribution at the rate of 30% of the profits of the first quarter of 2023 (compared to 20% up until and including the fourth quarter of 2022), in an amount of approx. NIS 380.7 million, representing approx. 30.78 Agorot per ordinary A share of NIS 0.1 par value. Further details on 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 first quarter of 2022, see Note 18 to the condensed financial statements. For details regarding the limitations set in the Supervisor of Banks' directives, see Note 24 C (2) to the financial statements as of December 31, 2022 (p. 221).

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.
Concise data regarding operations in the various segments is presented in Notes 12 and 13 to the condensed financial statements.
For details on the relevant public reporting instructions and the definition of the segments, and details on the principal guidelines, estimates and principles used in the preparation of segment information, see Note 29 to the financial statements as of December 31, 2022 (pp. 253-255).

Household Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first three months of 2023 amounted to NIS 423 million, compared to an amount of 116 million in the corresponding period last year, an increase of 264.7%. The growth in profits was mostly affected by growth in income.
The credit loss expenses in the first three months of 2023 recorded expenses of NIS 68 million, compared to expenses of NIS 29 million in the corresponding period last year, an increase of 134.5%. The increase in expenses is due, primarily, from the group allowance.

Principal data on the household segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	1,646	1,000	4,966
Credit loss expenses	68	29	222
Total Operating and other expenses	925	807	3,393
Net Profit Attributed to the bank's shareholders	423	116	849

For additional details on the household segment (Domestic operations), including details on mortgage activity, see in the Chapter "Corporate governance, audit and additional details on 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 three months of 2023 amounted to NIS 58 million, compared to NIS 11 million in the corresponding period last year, an increase of 427.3%. The growth in profits was mostly affected by growth in income.

Principal data on the Private Banking segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	120	37	280
Credit loss expenses (expenses release)	(1)	1	1
Total Operating and other expenses	32	21	111
Net Profit Attributed to the bank's shareholders	58	11	112

For additional details on the Private Banking segment, see in the Chapter "Corporate governance, audit and additional details on 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 three months of 2023 amounted to 255 million, compared to an amount of NIS 140 million in the corresponding period last year, an increase at a rate of 82.1%. The growth in profits was mostly affected by growth in income.

The credit loss expenses in the first three months of 2023 expenses were recorded of NIS 73 million, compared to expenses release of NIS 4 million in the corresponding period last year. The increase in expenses is due, primarily, to the increase in the group allowance.

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

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	824	524	2,555
Credit loss expenses (expenses release)	73	(4)	89
Total Operating and other expenses	351	333	1,371
Net Profit Attributed to the bank's shareholders	255	140	721

For additional details on the Small and minute businesses segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details on 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 three months of 2023 amounted to NIS 87 million, compared to an amount of 53 million in the corresponding period last year, an increase at a rate of 64.2%.
The credit loss expenses in the first three months of 2023 amounted to expenses of NIS 1 million, compared to expenses release of NIS 8 million in the corresponding period last year.

Principal data on the Medium businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	208	137	648
Credit loss expenses (expenses release)	1	(8)	35
Total Operating and other expenses	72	70	281
Net Profit Attributed to the bank's shareholders	87	53	221

For additional details on the Medium businesses segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details on 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 three months of 2023 amounted to NIS 129 million, compared to an amount of NIS 141 million in the corresponding period last year, a decrease at a rate of 8.5%.
The credit loss expenses in the first three months of 2023 expenses were recorded of NIS 74 million, compared to expenses release of NIS 47 million in the corresponding period last year. The increase in expenses is due, primarily, to the increase in the group allowance.

Principal data on the Large businesses segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	473	315	1,576
Credit loss expenses (expenses release)	74	(47)	70
Total Operating and other expenses	187	158	703
Net Profit Attributed to the bank's shareholders	129	141	528

For additional details on the Large businesses segment (Domestic operations), including details on construction and real estate activity, see in the Chapter "Corporate governance, audit and additional details on 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 three months of 2023 amounted to NIS 3 million, compared with NIS 1 million in the corresponding period last year.

Principal data on the Institutional bodies segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	21	9	77
Credit loss expenses release	-	(6)	(2)
Total Operating and other expenses	17	14	59
Net Profit Attributed to the bank's shareholders	3	1	14

For additional details on the Institutional bodies segment (Domestic operations), see in the Chapter "Corporate governance, audit and additional details on 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 three months of 2023 amounted to NIS 574 million, compared to NIS 783 million in the corresponding period last year, a decrease at a rate of 26.7%. The decrease in income was, inter alia, impacted by the decrease in the realization of assets compared with the corresponding period last year, and from the rise in price of money relating to deposits, offset by the rise in the price of money relating to credit and the rise in interest on bank deposits and bonds. See Note 20 to the condensed financial statements.
The net profit in the first three months of 2023 amounted to NIS 193 million, compared to an amount of NIS 443 million in the corresponding period last year, a decrease at a rate of 56.4%.

Principal data on the Financial management segment (Domestic operations)

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	574	783	1,494
Credit loss expenses (expenses release)	4	(4)	-
Total Operating and other expenses	141	121	465
Net Profit Attributed to the bank's shareholders	193	443	702

For additional details on the financial management segment (Domestic operations), including details on non-financial companies activity, see in the Chapter "Corporate governance, audit and additional details on 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 three months of 2023 amounted to NIS 121 million, compared to NIS 78 million in the corresponding period last year, an increase at a rate of 55.1%.
The credit loss expenses in this segment in the first three months of 2023 amounted to expenses release of NIS 15 million, compared to expenses release of NIS 21 million in the corresponding period last year.

Principal data on the International operations segment

	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Total income	391	281	1,348
Credit loss expenses release	(15)	(21)	(8)
Total Operating and other expenses	237	183	834
Net Profit Attributed to the bank's shareholders	121	78	348

For additional details on the International operations segment, see in the Chapter "Corporate governance, audit and additional details on 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 three months ended March 31				
	2023		2022		
	In NIS millions	% of Net profit	In NIS millions	% of Net profit	Change in %
Banking Activity:					
Commercial banks:					
In Israel - the Bank	803	63.3	680	69.2	18.1
Mercantile Discount Bank	237	18.7	121	12.3	95.9
Overseas - Discount Bancorp	94	7.4	78	7.9	20.5
Other Activities:					
Israel Credit Cards	112	8.8	49	5.0	128.6
Discount Capital	26	2.0	57	5.8	(54.4)
Other financial services	(3)	(0.2)	(2)	(0.2)	(50.0)
Net profit	**1,269**	**100.0**	**983**	**100.0**	**29.1**

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 466 million in the first three months of 2023, compared to NIS 303 million in the corresponding period last year, and an income of NIS 1,203 million in all of 2022.
The Bank evaluates the performance and opportunities of the principal investee companies, an evaluation that includes, from time to time, an examination of the strategic alternatives relating to the main investee companies.
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

	First Quarter		Year
	2023	2022	2022
	In US$ millions		
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	30	28	114
Net interest income	87	72	335
Credit loss expenses release	(4)	(7)	(3)
Non-financing income	17	18	67
Non-financing expenses	68	58	255
Principal balance sheet data for the end of the reporting period:			
Total assets	12,830	12,980	12,512
Credit to the public, net	8,086	8,564	8,154
Securities	2,679	2,804	2,460
Deposits from the public	10,773	11,301	10,479
Total equity	1,161	1,116	1,121
	In %		
Main performance indicators:			
Return on equity	10.5	9.7	10.2
Efficiency ratio	65.4	64.4	63.4
Ratio of total capital to risk assets	15.3	13.5	15.1
Ratio of credit loss expenses (expenses release) to the average balance of credit to the public	(0.18)	(0.31)	(0.03)
Total net return on interest bearing assets	3.03	2.34	2.80

The main factors affecting the quarter’s results, compared to the corresponding quarter last year, are: an increase in net interest income (US$15.6 million; 21.7%) effected from improvement in Return on Assets, a decrease in credit loss expenses release (expenses release of US$2.9 million), and the increase in total operating and other expenses (US$9.9 million; 6.4%) stemming, mostly, from the rise in payroll expenses.
The contribution of Bancorp to the Bank's net results reached a profit of NIS 94 million in the first quarter of 2023 (after deducting a provision for taxes of NIS 12 million), compared with NIS 78 million in the first quarter of 2022 (after deducting a provision for taxes of NIS 5 million).
For details regarding proceedings concerning certain matters relating to IDB Bank’s compliance plan, see below "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details".
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.

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

	First Quarter		Year
	2023	2022	2022
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	237	121	601
Net interest income	563	359	1,746
Credit loss expenses	53	25	155
Non-financing income	109	89	376
Non-financing expenses	255	241	1,051
Principal balance sheet data for the end of the reporting period:			
Total assets	64,417	60,900	64,786
Credit to the public, net	43,718	39,494	42,569
Securities	7,109	7,035	6,988
Deposits from the public	50,741	48,881	51,047
Total equity	4,262	3,691	4,055
	In %		
Main performance indicators:			
Return on equity	23.0	12.9	15.7
Efficiency ratio	37.9	53.8	49.5
Ratio of total capital to risk assets	13.75	14.18	13.60
Ratio of credit loss expenses to the average balance of credit to the public	0.50	0.30	0.38
Total net return on interest bearing assets	3.61	2.51	2.92

The principal factors affecting the business results. The profit in the first three months of 2023, compared to the corresponding period last year, was mainly affected by the following factors: an increase of NIS 28 million in credit loss expenses; an increase of NIS 204 million in net interest income, increase of 56.8%, which mostly stemmed from the rise in interest rates and the rise in the average balances of income producing assets; and an increase of NIS 20 million in non-interest income.

Strategic plan of MDB. For details, see the 2022 Annual Report (pp. 60-61).

For details on lawsuits and motions for approval of the lawsuits as class action suits and for details on additional proceedings, see Note 26 C to the financial statements as of December 31, 2022, sections 10.7 and 10.8 (p. 242) and Note 10 to the condensed financial statements, section 3.1.

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 March 31, 2023, 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.
For details regarding the separation of ICC from the Discount Group, see Note 17 B 1 to the condensed financial statements.

Israel Credit Cards – principal data

	First Quarter 2023	First Quarter 2022	Year 2022
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net profit attributed to the shareholders	263	80	309
The contribution to the Bank's business results[(1)]	112	49	190
Income from credit card transactions	423	377	1,651
Net interest income	194	160	680
Non-interest Income	301	17	102
Non-financing expenses	583	439	1,992
Of which: Credit loss expenses	41	(1)	97
Principal balance sheet data for the end of the reporting period:			
Total assets	19,435	16,867	18,547
Interest bearing credit to the public	8,416	7,188	8,183
Total equity	2,278	2,305	2,120
	In %		
Main performance indicators:			
Return on equity	50.0	14.3	14.3
Efficiency ratio	59.0	79.4	77.9
Ratio of total capital to risk assets	13.9	16.0	13.5
Turnover of credit card transactions – in NIS millions	39,699	34,587	149,851
Number of active cards – in thousands	3,382	3,172	3,330

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

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 68 million, 12.1%), stemming mostly from the increase in income from credit card transactions (NIS 46 million, 12.1%), which mostly stemmed from the growth in the issuance rounds of the company (compared with the corresponding quarter last year), and from an increase in net interest income (NIS 34 million, 20.9%),which mostly stemmed from growth at the rate of 17% in the credit portfolio of the company. On the other hand, expenses of the company increased (NIS 70 million, 15.9%), which mostly stemmed from growth of the volume of operations of the company.
Profits in the first quarter were affected, inter alia, by gains on the sale of the company's building in Givataim, in the amount of NIS 231 million, net of the tax effect, and on the other hand, by recognition of an expense for the "phantom" option granted to EL AL Company in the amount of NIS 40 million, net of tax. (See Note 17 B 1 and Note 20 to the condensed financial statements, respectively).
Strategic plan. For details, see the 2022 Annual Report (p. 62).
Distribution of dividend. On March 31, 2023, ICC distributed to its shareholders a dividend of NIS 74 million (the share of the Bank is approx. NIS 53 million).
For details on activity in the credit card field in Israel, see in the 2022 Annual Report (pp. 315-321, 384-393) in the chapter "Corporate governance, audit and additional details on the business of the Banking Corporation and management thereof", and Note 17 to the condensed financial statements.
For details on 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, 2022, sections 10.1, 10.4 and 10.9 (pp. 238-241).
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 year:	2023	2022	Change in %
Net profit attributed to the shareholders	27	(2)70	(61.4)
The contribution to the Bank's business results(1)	26	57	(54.4)

Discount Capital – principal data (continued)

Principal balance sheet data for the end of the reporting period:	March 31, 2023	December 31, 2022	Change in %
Total assets	2,600	(2)2,394	8.6
Total equity	1,328	(2)1,257	5.6

Footnotes:
(1) Differences between net income and the contribution to the Bank's business results is derived from current tax liability for the investment on the company.
(2) Restated – Discount Capital has begun implementing the accounting principles adopted by the Bank with respect to everything relating to investments. The comparative data is restated accordingly.

For details regarding income from the investment portfolio of Discount Capital, see "Non-financial companies" below under "Activity of the Group by regulatory operating segments – additional details".
In the first three months of 2023, Discount Capital participated, via its subsidiary, in 9 public offerings, and in 5 private transactions, of which 1 private placement for the Discount Group, amounting to approx. NIS 6.7 billion. This, compared with 11 public offerings, of which 1 for the Discount Group and 4 private transactions, amounting to approx. NIS 6.9 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 on the risk profile of the Discount Group, see the 2022 Annual Report (pp. 63-64). For details on Risk Management Principles, see the 2022 Annual Report (pp. 64-65).

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 on the various risks above and below in this Chapter, is presented in the 2022 Annual Report (pp. 63-112) and in the document "Disclosure according to the third pillar of Basel and additional information on risks". The document is available for perusal on the Bank's website together with the Bank's 2022 annual report together with the Report for the first quarter of 2023 (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 on Credit risks, see the 2022 Annual Report (pp. 67-89). For details regarding exposure to Russia and the Ukraine, see the 2022 Annual Report (p. 75).

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). The new rules were initially implemented in the first quarter of 2022, for the data as of January 1, 2022 (transition date). ICC implements the new rules as from January 1, 2023.

During 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 2023.

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 are continuing, 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 implementation as reported by the banks.

Credit quality and problematic credit risk

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

	Commercial	Housing	Private	Total
	In NIS millions			
	March 31, 2023			
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	154,904	66,025	31,559	252,488
Off-balance sheet credit risk[3]	77,757	7,875	39,340	124,972
Total credit risk in Credit Granting Rating	**232,661**	**73,900**	**70,899**	**377,460**
Credit risk not in Credit Granting Rating:				
1. Not problematic	4,526	583	2,066	7,175
2. Accruing problematic	5,053	86	687	5,826
3. Problematic non-accruing	1,077	234	164	1,475
Total balance sheet credit risk	**10,656**	**903**	**2,917**	**14,476**
Off-balance sheet credit risk[3]	**1,553**	**57**	**799**	**2,409**
Total credit risk not in Credit Granting Rating[2]	**12,209**	**960**	**3,716**	**16,885**
Of which: Accruing debts in arrears of 90 days or more	81	-	41	122
Total overall credit risk of the public	**244,870**	**74,860**	**74,615**	**394,345**
Additional information concerning nonperforming assets:				
Non-accruing credit risk	1,125	234	164	1,523

For footnotes see next page.

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

	Commercial	Housing	Private	Total
	In NIS millions			
	December 31, 2022			
Credit risk in Credit Granting Rating[(1)]				
Balance sheet credit risk	147,607	64,409	31,547	243,563
Off-balance sheet credit risk[(3)]	[(5)]68,907	8,293	[(5)]40,551	117,751
Total credit risk in Credit Granting Rating	**216,514**	**72,702**	**72,098**	**361,314**
Credit risk not in Credit Granting Rating:				
1. Not problematic	3,820	603	2,037	6,460
2. Accruing problematic	4,665	84	437	5,186
3. Problematic non-accruing	[(4)]1,211	229	81	[(4)]1,521
Total balance sheet credit risk	**9,696**	**916**	**2,555**	**13,167**
Off-balance sheet credit risk[(3)]	**1,375**	**56**	**303**	**1,734**
Total credit risk not in Credit Granting Rating[(2)]	**11,071**	**972**	**2,858**	**14,901**
Of which: Accruing debts in arrears of 90 days or more	70	-	45	115
Total overall credit risk of the public	**[(5)]227,585**	**73,674**	**[(5)]74,956**	**376,215**
Additional information concerning nonperforming assets:				
Non-accruing credit risk	[(4)]1,263	229	81	[(4)]1,573

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) December 31, 2022- Including non-accruing corporate bonds in the amount of NIS 1 million.

(5) Reclassified due to changes in the data.

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

	Three months ended March 31							
	2023				2022			
	Commercial	Housing Loans	Private	Total	Commercial	Housing Loans	Private	Total
	In NIS millions							
Movement in non-accruing debts (for credit to the public only):								
Balance of non-accruing credit to the public at beginning of period	**1,210**	**229**	**81**	**1,520**	**1,184**	**275**	**72**	**1,531**
Credit classified as non-accruing during the period	192	47	230	469	214	35	58	307
Credit resuming accruing interest income	(23)	(35)	(14)	(72)	(86)	(34)	(10)	(130)
Credit written off accounting wise	(67)	-	(51)	(118)	(51)	(6)	(33)	(90)
Repaid credit	(237)	(7)	(82)	(326)	(121)	(19)	(7)	(147)
Other	2	-	-	2	2	-	-	2
Balance of non-accruing debts at end of the period	**1,077**	**234**	**164**	**1,475**	**1,142**	**251**	**80**	**1,473**
Of which: changes in restructured non-accruing credit								
Balance of restructured non-accruing credit at beginning of period	**450**	**4**	**42**	**496**	**552**	**7**	**46**	**605**
Restructure of debts made during the period	63	-	57	120	130	2	19	151
Debts reclassified as non-impaired due to following restructure	(19)	(1)	(9)	(29)	(64)	-	(10)	(74)
Restructured debts written off	(9)	-	(5)	(14)	(4)	-	(2)	(6)
Restructured debts repaid	(45)	-	(15)	(60)	(53)	-	(3)	(56)
Other	2	-	-	2	(1)	-	-	(1)
Balance of restructured non-accruing credit at end of the period	**442**	**3**	**70**	**515**	**560**	**9**	**50**	**619**
Changes in allowances for credit losses on impaired debts								
Balance of allowance for credit losses as of the beginning of the year	205	13	30	248	277	9	23	309
Increase in allowances	70	1	153	224	66	6	25	97
Collections and write-offs	(92)	(2)	(102)	(196)	(102)	(6)	(24)	(132)
Balance of allowance for credit losses as of end of the period	**183**	**12**	**81**	**276**	**241**	**9**	**24**	**274**

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

	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total
	March 31, 2023			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	0.71%	0.35%	0.48%	0.58%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	0.76%	0.35%	0.59%	0.63%
Ratio of problematic credit to balance of credit to the public	4.04%	0.48%	2.47%	2.89%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	8.06%	1.43%	10.78%	6.68%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses to the average balance of credit to the public (in annualized terms)	0.36%	0.04%	0.70%	0.33%
Ratio of net accounting write-off to the average balance of credit to the public (in annualized terms)	0.12%	-	0.47%	0.14%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.52%	0.41%	2.29%	1.33%
Ratio of credit loss allowance to balance of non-accruing credit to the public	213.56%	116.67%	481.10%	227.93%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	198.62%	116.67%	384.88%	210.52%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	12.50	-	4.93	9.77
	March 31, 2022			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	0.87%	0.44%	0.25%	0.67%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	0.90%	0.44%	0.37%	0.71%
Ratio of problematic credit to balance of credit to the public	3.64%	0.58%	1.39%	2.53%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	7.58%	1.73%	7.01%	5.99%
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)	(0.26%)	0.08%	0.21%	(0.11%)
Ratio of net accounting write-off to the average balance of credit to the public (in annualized terms)	0.09%	0.04%	0.25%	0.10%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.52%	0.37%	2.09%	1.31%
Ratio of credit loss allowance to balance of non-accruing credit to the public	175.22%	83.67%	838.75%	195.66%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	167.87%	83.67%	563.87%	184.51%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	16.14	8.75	8.39	12.64
	December 31, 2022			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	0.84%	0.35%	0.24%	0.62%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	0.88%	0.35%	0.37%	0.67%
Ratio of problematic credit to balance of credit to the public	4.05%	0.48%	1.52%	2.74%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	7.64%	1.49%	8.38%	6.10%
Expense analysis for credit losses for the reported period				
Ratio of credit loss expenses to the average balance of credit to the public	0.13%	0.10%	0.49%	0.18%
Ratio of net accounting write-off to the average balance of credit to the public	0.09%	0.01%	0.35%	0.11%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.53%	0.41%	2.14%	1.31%
Ratio of credit loss allowance to balance of non-accruing credit to the public	182.81%	116.16%	902.47%	211.12%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	172.81%	116.16%	580.16%	196.27%
Ratio of credit loss allowance to net accounting write-offs	16.89	53.20	6.36	12.78

Credit risk by economic sectors

Credit risk by economic sectors – consolidated

	March 31, 2023							
						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 (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	17,812	17,114	454	244	118	15	11	236
Construction and Real Estate - Construction[6]	51,922	50,352	1,069	501	168	61	1	553
Construction and Real Estate - Real Estate Activity	17,439	16,808	441	190	304	35	20	362
Commerce	29,529	28,261	579	689	128	15	13	339
Financial Services[7]	31,679	31,451	4	224	1	5	(1)	101
Other Business Services	41,999	39,887	1,015	1,097	287	(8)	9	664
Total Commercial	**190,380**	**183,873**	**3,562**	**2,945**	**1,006**	**123**	**53**	**2,255**
Private Individuals - Housing Loans	74,419	73,465	319	635	234	14	-	286
Private Individuals - Other	72,648	69,281	562	2,805	164	61	40	864
Total Public	**337,447**	**326,619**	**4,443**	**6,385**	**1,404**	**198**	**93**	**3,405**
Banks in Israel and Government of Israel	37,542	37,542	-	-	-	1	-	5
Total Lending Activity in Israel	**374,989**	**364,161**	**4,443**	**6,385**	**1,404**	**199**	**93**	**3,410**
Total Public - Lending Activity Outside of Israel	**56,898**	**50,841**	**3,363**	**2,694**	**119**	**2**	**(7)**	**398**
Banks and Governments Outside of Israel	13,884	13,884	-	-	-	3	1	29
Total Lending Activity Outside of Israel	**70,782**	**64,725**	**3,363**	**2,694**	**119**	**5**	**(6)**	**427**
Total	**445,771**	**428,886**	**7,806**	**9,079**	**1,523**	**204**	**87**	**3,837**

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, 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 261,579 million, NIS 49,377 million, NIS 1,251 million, NIS 3,075 million, NIS 130,489 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 487 million.

(7) Including mortgage backed securities in the amount of NIS 7,615 million, issued by GNMA and in the amount of NIS 240 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 9,541 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 181 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)

	March 31, 2022							
						Credit Losses[3]		
	Total Credit Risk[1][8][9][10]	Of Which: Credit Performance Rating[4][10]	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 (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	15,872	15,161	428	283	192	(15)	20	254
Construction and Real Estate - Construction'[6]	43,164	42,149	431	584	160	(7)	2	364
Construction and Real Estate - Real Estate Activity	14,815	14,335	360	120	111	(10)	(4)	252
Commerce	23,355	22,481	490	384	161	(18)	(5)	353
Financial Services[7]	22,902	22,823	49	30	-	9	1	127
Other Business Services	38,587	36,426	1,104	1,057	305	16	19	660
Total Commercial	**158,695**	**153,375**	**2,862**	**2,458**	**929**	**(25)**	**33**	**2,010**
Private Individuals - Housing Loans	68,000	67,026	324	[10]650	247	12	6	222
Private Individuals - Other	68,564	66,358	440	1,766	153	17	20	765
Total Public	**295,259**	**286,759**	**3,626**	**4,874**	**1,329**	**4**	**59**	**2,997**
Banks in Israel and Government of Israel	29,533	29,532	-	1	-	-	-	1
Total Lending Activity in Israel	**324,792**	**316,291**	**3,626**	**4,875**	**1,329**	**4**	**59**	**2,998**
Total Public - Lending Activity Outside of Israel	**50,793**	**46,065**	**2,407**	**2,321**	**281**	**(60)**	**(2)**	**336**
Banks and Governments Outside of Israel	12,251	12,251	-	-	-	(4)	-	26
Total Lending Activity Outside of Israel	**63,044**	**58,316**	**2,407**	**2,321**	**281**	**(64)**	**(2)**	**362**
Total	**387,836**	**374,607**	**6,033**	**7,196**	**1,610**	**(60)**	**57**	**3,360**

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, 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 227,718 million, NIS 41,166 million, NIS 1,156 million, NIS 5,734 million, NIS 112,062 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 417 million.
(7) Including mortgage backed securities in the amount of NIS 6,981 million, issued by GNMA and in the amount of NIS 228 million, issued by FNMA and FHLMC.
(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 7,858 million.
(9) The balance of commercial debts includes housing loans in the amount of NIS 266 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) Reclassified - following improvement of data.

Credit risk by economic sectors – consolidated (continued)

	December 31, 2022							
						Credit Losses[3]		
	Total Credit Risk[1][8][9][10]	Of Which: Credit Performance Rating[4][10]	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 (expense reversal)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	17,150	16,350	489	311	176	31	58	256
Construction and Real Estate - Construction'[6]	49,160	47,713	1,219	228	278	153	24	493
Construction and Real Estate - Real Estate Activity	16,195	15,681	362	152	220	61	2	325
Commerce	27,091	26,073	490	528	119	(42)	9	316
Financial Services[7]	25,399	24,950	5	444	1	(4)	21	94
Other Business Services	40,994	38,934	1,143	917	340	60	46	679
Total Commercial	**175,989**	**169,701**	**3,708**	**2,580**	**1,134**	**259**	**160**	**2,163**
Private Individuals - Housing Loans	73,227	72,267	313	647	229	61	5	271
Private Individuals - Other	72,936	70,216	481	2,239	81	163	115	818
Total Public	**322,152**	**312,184**	**4,502**	**5,466**	**1,444**	**483**	**280**	**3,252**
Banks in Israel and Government of Israel	29,909	29,909	-	-	-	-	-	1
Total Lending Activity in Israel	**352,061**	**342,093**	**4,502**	**5,466**	**1,444**	**483**	**280**	**3,253**
Total Public - Lending Activity Outside of Israel	**54,063**	**49,130**	**2,714**	**2,219**	**129**	**(76)**	**(29)**	**379**
Banks and Governments Outside of Israel	13,282	13,282	-	-	-	-	-	30
Total Lending Activity Outside of Israel	**67,345**	**62,412**	**2,714**	**2,219**	**129**	**(76)**	**(29)**	**409**
Total	**419,406**	**404,505**	**7,216**	**7,685**	**1,573**	**407**	**251**	**3,662**

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, 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 251,036 million, NIS 43,001 million, NIS 857 million, NIS 2,363 million, NIS 122,149 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 of the Bank.
(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 519 million.
(7) Including mortgage backed securities in the amount of NIS 6,724 million, issued by GNMA and in the amount of NIS 239 million, issued by FNMA and FHLMC.
(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 9,407 million.
(9) The balance of commercial debts includes housing loans in the amount of NIS 218 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) Reclassified - following improvement of data.

Exposure to Foreign Countries - consolidated

	As of March 31						As of December 31		
	2023			2022			2022		
	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][7]	Off-balance sheet[2][3][7]	Total
	In NIS millions								
United States	18,269	10,238	28,507	17,895	7,755	25,650	18,431	9,748	28,179
Other	6,293	[5]10,278	16,571	7,535	[5]7,125	14,660	6,191	[5][8]9,876	16,067
Total exposure to foreign countries[1]	**24,562**	**20,516**	**45,078**	**25,430**	**14,880**	**40,310**	**24,622**	**19,624**	**44,246**
Of which - Total exposure to the PIGS countries[4]	19	214	233	19	158	177	9	[8]244	253
Of which - Total exposure to LDC countries[6]	384	163	547	628	144	772	413	162	575
Of which - Total exposure to countries having liquidity problems	28	13	41	34	22	56	31	13	44

Notes:

(1) Exposure to countries where the total amounts of exposure to each of them exceeds 1% of the total consolidated assets or more than 20% of the equity, whichever is lower. 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 March 31 2023 in the following countries: Switzerland – an amount of NIS 3,069 million and Germany – an amount of NIS 2,986 million, as of March 31 2022 in the following countries: Switzerland – an amount of NIS 2,492 million and Germany – an amount of NIS 2,447 million, and as of December 31 2022 in the following countries: Switzerland – an amount of NIS 2,993 million and Germany – an amount of NIS 2,920 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.

(8) Reclassified – improvement of data.

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. As a general rule, the credit risk policy of the Group allows exposure to banks from Tier 1 only and a low credit risk appetite in respect of regional and middle-sized banks (exposure of the Group to regional and middle-sized banks in the US, as of April 27, 2023, relates to four banks and amounts to a few million dollars).

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 on "Exposure to foreign countries", The Bank's direct exposure to countries at risk is not material.

For details on the manner of managing credit risk applying to foreign financial institutions, see the 2022 Annual Report (pp. 76-78).

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 98% of the exposure as of March 31, 2023, is to financial institutions rated "A-" rating or higher, similar to December 31, 2022.

During the first quarter, three banks collapsed in the United States. In Switzerland, following concern for the collapse of a certain Bank, the Swiss Government initiated a quick acquisition move for its takeover by another Bank, backed up by the central bank. Exposure of the Bank to the said banks is not material.

The states for which the Bank has exposure as stated above as of March 31, 2023, include, inter-alia, the United States and Britain.

In the first quarter of 2023, no loss on impairment of securities was recorded for exposure to financial institutions.

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 March 31, 2023		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	997	21	1,018
A+ to A-	3,762	468	4,230
BBB+ to BBB-	58	5	63
BB+ to B-	5	32	37
Not rated	3	24	27
Total present credit exposure to foreign financial institutions	**4,825**	**550**	**5,375**
	As of December 31, 2022		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	771	20	791
A+ to A-	3,196	470	3,666
BBB+ to BBB-	28	5	33
BB+ to B-	2	20	22
Not rated	2	25	27
Total present credit exposure to foreign financial institutions	**3,999**	**540**	**4,539**

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 instrument.

(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 on 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 on 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 March 31, 2023 and December 31, 2022 a potential off-balance sheet exposure exists to 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 on "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 1,699 million and NIS 1,479 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 346 million as of March 31, 2023 and NIS 336 million as of December 31, 2022).

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 the rise recorded in the interest rate and a scenario of the rise in unemployment and an additional rise in the interest rate, may lead to impairment in the quality of the housing credit portfolio and may increase exposure to credit risk in the banking industry. Beginning with the second quarter of 2022 a decline was recorded, all across the system, in the volume of housing loans extended. This slowdown continued also in the first quarter of 2023. In continuation of the trend of rising interest rates in the economy, the volume of granting new housing loans continued to decline. Together with the slowdown in the housing market, and for the first time in years, a decline in prices of real estate was observed in the price index for March.

For details on the deferral of housing loan payments, against the background of the Corona crisis, see "Preparations by the Bank in the wake of the Corona crisis – credit risk" above.

For details on the measures taken by the Group, see 2022 Annual Report (pp. 78-79).

The volume of the Group's housing loan portfolio as of March 31, 2023, amounted to NIS 67,109 million (December 31, 2022 - NIS 65,543 million).

Certain risk characteristics of the Group's housing loans portfolio

	March 31, 2023	December 31, 2022
	%	
Rate of housing loans financing over 75% of the value of the property	0.7	0.8
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	13.2	12.4
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio(1)	58.7	58.7

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

	March 31, 2023	December 31, 2022
Average amount of loan (in NIS thousands)	937	993
Average financing ratio for housing loans (in %)	56.0	56.7
Average financing ratio for general purpose loans (in %)	24.5	30.3

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

	March 31, 2023		December 31, 2022	
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	43,064	64.4	42,342	64.9
Between 1,200 and 4,000	22,360	33.5	21,554	33.0
Over 4,000	1,411	2.1	1,379	2.1
Total	**66,835**	**100.0**	**65,275**	**100.0**
Of which:				
Housing loans that were granted abroad	341		323	

Footnotes:
(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 274 million (December 31, 2022: NIS 268 million).
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 181 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, 2022: NIS 218 million).

Volume of problematic debts in housing loans

	Balance of credit to the public[(1)(2)]	Balance of problematic credit: Accruing	Non-accruing	Total	Balance of allowances for credit losses	Ratio of problematic debt
	In NIS millions					Change in %
March 31, 2023	67,109	86	234	320	274	0.5
December 31, 2022	65,543	84	229	313	268	0.5

Footnotes:
(1) Recorded amount.
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 181 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 31,2022: NIS 218 million).

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

	For the three months ended March 31,				For the year ended December 31,	
	2023		2022		2022	
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%	899	29.8	1,293	24.4	4,493	25.3
Between 45% and 60%	847	28.1	1,853	34.9	5,800	32.6
Over 60%	1,266	42.1	2,160	40.7	7,472	42.1
Total	**3,012**	**100.0**	**5,306**	**100.0**	**17,765**	**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 quarter of 2023, was 24.9 years, compared with 24.3 years in the industry. The amount of credit for a period of over twenty years amounted to 56.4% of the whole credit portfolio of housing loans at the Bank.
The data on the distribution of extended credit as of March 31, 2023, by period of loan shows that the granting of loans for periods of over twenty years reached a rate of 76.9% of the portfolio.

Data on developments in housing credit balances according to linkage segments

	Non-linked credit			CPI linked credit			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 March 31, 2023	21,493	27,246	72.9	6,056	11,933	26.9	25	82	0.2	66,835
As at December 31, 2022	20,996	26,822	73.2	5,756	11,596	26.6	24	81	0.2	65,275

Footnotes:

(1) The outstanding balance of credit to the public includes housing loans in the amount of NIS 181 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 31,2022:NIS 218 million).

(2) The balance of credit is after deduction of allowance for credit losses of NIS 274 million (December 31,2022: NIS 268 million).

Most of the loans are granted for an initial period of up to 25 years. The average period of the loan at the Bank is slightly higher than that of the industry.

The outstanding balance as of March 31, 2023 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 11,706 million, comprising 17.5% of the total housing loans portfolio (as of December 31, 2022, the balance amounted to NIS 9,527 million, comprising 14.6% of the total housing loans portfolio).

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

	For the three months ended March 31,				For the year ended December 31,	
	2023		2022		2022	
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%	2,771	99.9	5,041	99.8	16,713	99.4
Over 40%	4	0.1	9	0.2	100	0.6
Total	**2,775**	**100.0**	**5,050**	**100.0**	**16,813**	**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				
	March 31, 2023				
Level of income to the account					
Excluding permanent income to the account	1,054	100	1,154	536	1,690
Less than NIS 10 thousand	3,775	801	4,576	3,163	7,739
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,312	1,615	5,927	3,723	9,650
Greater than NIS 20 thousand	4,207	3,101	7,308	5,669	12,977
Total	**13,348**	**5,617**	**18,965**	**13,091**	**32,056**
	December 31, 2022				
Level of income to the account					
Excluding permanent income to the account	1,046	103	1,149	574	1,723
Less than NIS 10 thousand	3,904	838	4,742	3,300	8,042
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,312	1,637	5,949	3,771	9,720
Greater than NIS 20 thousand	4,108	3,018	7,126	5,616	12,742
Total	**13,370**	**5,596**	**18,966**	**13,260**	**32,226**

Additional quantitative characteristics

Distribution by the average remaining period to maturity

	March 31, 2023	December 31, 2022
	Balance of loans in NIS millions	
Fixed maturity date		
Up to 1 year	1,265	1,277
Over 1 year and up to 3 years	4,711	4,748
Over 3 years and up to 5 years	3,880	3,984
Over 5 years	2,944	2,996
Total	**12,800**	**13,005**

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

	March 31, 2023	December 31, 2022
Balance sheet credit upper limit (NIS thousands)	in NIS million	
Up to 40	4,839	5,132
Between 40 and 150	9,449	9,563
Over 150	4,677	4,271
Total	**18,965**	**18,966**

Distribution by exposure to changes in interest rates

	March 31, 2023	December 31, 2022
	in NIS million	
Fixed interest credit	5,794	5,714
Variable interest credit	13,171	13,252
Total	**18,965**	**18,966**

Distribution of collateral securing the credit

	March 31, 2023	December 31, 2022
Type of collateral	Total collateral in NIS millions	
Liquid financial assets	994	1,047
Other collateral	933	1,050
Total	**1,927**	**2,097**

Development of problematic credit risk for private individuals

	March 31, 2023	December 31, 2022	Change in	Rate from total balance-sheet to credit to the public March 31, 2023	December 31, 2022
	in NIS million		%	%	
Problematic credit risk	179	179	(0.0)	0.9	0.9
Of which: Non-accruing credit risk	42	39	8.8	0.2	0.2
Debts in arrears of 90 days or more	41	45	(8.9)	0.2	0.2
Net accounting write-offs	7	14	(1)90.8	0.1	0.1
Balance of allowance for credit losses	449	459	(2.2)	2.4	2.4

Footnote:
(1) 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, MDB and in ICC), amounted to NIS 1,379 million at March 31, 2023, compared with NIS 1,491 million as of December 31, 2022.

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 through the digital channels 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. The Bank combines in both layers the information in the credit data report of the customer from the Bank of Israel data base in considering the extension of credit, everything according to the provisions of the law regarding use of information.

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 continuation of the slowdown trend in the economy in the first quarter of 2023, as well as the reduction in volume of tax collection contributed to a higher evaluation of the credit risk.

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 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 on loans to private individuals portfolio (excluding housing loans), see the risks report.

Quantitative data on credit granted to private individuals in ICC

A rise at the rate of 2.6% was recorded in the first quarter of 2023 in the balance of interest bearing credit granted to private individuals, in continuation of a rise of 21.9% in 2022. This credit amounted as of March 31, 2023, to NIS 7,216 million, and comprises 59.5% 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 4,902 million, as compared to NIS 4,726 million as of December 31, 2022 (an increase of approx. 3.7%), 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 quarter to NIS 56 million, compared to an expense in the amount of NIS 1 million in the corresponding quarter last year. The growth in credit loss expenses stems, mostly, from a decrease in the group allowance for credit losses recognized in prior periods, as well as from growth in scope of accounting write-offs, growth in the credit portfolio and from the macro-economic condition in Israel.

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 on the Business of the Banking Corporation and Management Thereof" chapter.
In the first quarter of 2023, the scope of the Bank's exposure to the construction and real estate industry grew at a fair rate following a moderate growth rate in 2022. The Bank operates with a focus on financing residential building projects and on financing 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.
The Bank purchases insurance policies in respect of credit risk involved in bank guarantees issued under the Sales Law, execution guarantees and loans financing the purchase of land. Within the framework of such policies, the Bank transfers a share of the credit risk to an international consortium of reinsurers. In accordance with Proper Conduct of Banking Business Directive No. 203, the international rating of the reinsurers allows the Bank the replacement of counterparty risk, thus reducing up to 80% of the required capital allocation in respect of the insured assets. As of March 31, 2023, a total of approx. NIS 31 billion of exposure to the real estate sector, including commitments to extend credit, is insured under

the said insurance policies.
The rate of exposure to credit in the construction and real estate sector remained almost unchanged as of March 31, 2023 – 17.04%, compared with 17.03% at the end of 2022.
The rising interest rates in the market, which started in April 2022, led to an increase in financing expenses of borrowers in the construction and real estate sector in general, and in the area of financing the purchase of land, in particular. The Bank closely follows-up and monitors exposure and the impact of rising interest rates on the financial stability of the borrowers, as well as the prices of properties.

Reinforcement of monitoring and control procedures and expansion of disclosure on 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 on 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 on 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.
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 increased risk transactions conducted at Discount Bank starting from the second quarter of 2021, shows that:
- Credit that meets the criteria of intensified risk is mostly attributed to the financing of the purchase of land for construction;
- The credit in these transactions that was granted in the last quarters is earmarked in part to finance “Mechir Lamishtaken”/reduced price projects and was extended to borrowers that are not rated as being high risk and, in the estimation of the Bank’s Management, the risk in such transactions is reasonable;
- The pricing of such transactions relates, inter alia, both to the nature of the transactions and to the quality of the borrower.

In the reported period, MDB did not extend credit in the construction and real estate sector, which matches the definition of increased risk credit according to the parameters defined by that 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

	March 31, 2023					December 31, 2022					
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	14,128	217	1,958	16,303	388	13,179	242	1,472	14,893	328	9.5
Construction – general building contracting	959	386	448	1,793	22	739	835	352	1,926	39	(6.9)
Residential projects financing	5,427	6,514	12,766	24,707	120	5,310	6,655	11,724	23,689	139	4.3
Acquisition of building land	13,986	410	790	15,186	754	12,653	356	402	13,411	859	13.2
Subcontracting	1,537	1,083	689	3,309	103	1,519	1,159	607	3,285	99	0.7
Civil engineering work	1,937	2,349	979	5,265	42	1,855	2,329	1,067	5,251	43	0.3
Other	1,600	481	704	2,785	81	1,462	550	682	2,694	72	3.4
Total	**39,574**	**11,440**	**18,334**	**69,348**	**1,510**	**36,717**	**12,126**	**16,306**	**65,149**	**1,579**	**6.4**

The credit risk relating to the construction and real estate sector grew in the first quarter of 2023 at a rate of 6.4%, in continuation to an increase at a rate of 13.5% in 2022. Most of the growth is in acquisition of building land and income generating real estate field.

Breakdown by quality of credit portfolio

	March 31, 2023	December 31, 2022	
	in NIS million		Change in %
Non-accruing debts	472	496	(4.9)
Impaired debts in Arrears of 90 Days or More	12	12	-
Other problematic debts	1,026	(1)1,073	(4.4)
Total problematic debts	**1,510**	**1,581**	**(4.5)**
Non-problematic debts ranked as “performing”	67,147	(1)63,188	6.3
Non-problematic debts not ranked as “performing”	691	(1)380	82.0
Total Credit	**69,349**	**65,149**	**6.4**

Footnote:
(1) Reclassified – following improvement of data.

As shown by the Table, the credit risk for non-accruing debts for the construction and real estate sector decreased in the first quarter of 2023 by approx. 4.9%, due to debt collection. Other problematic debts decreased by 4.4% and performing credit which is not at credit rated for granting increased by approx. 82.0%.
For details on 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 above.

Breakdown by type of financing

	March 31, 2023	December 31, 2022	Change in %
	in NIS million		
Housing construction	40,246	38,389	5.1
Industrial and commercial construction	13,357	12,460	7.2
Without real estate collateral	15,745	14,300	9.5
Total	**69,348**	**65,149**	**6.4**

Breakdown by type of collateral

	March 31, 2023	December 31, 2022	Change in %
	in NIS million		
"Gross" land	14,971	13,294	12.6
Real estate under construction	22,499	22,175	1.5
Constructed real estate	16,133	15,380	4.9
Without real estate collateral	15,745	14,300	10.1
Total	**69,348**	**65,149**	**6.4**

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 on the finance of capital transactions, which the Bank abides by.

Following are data on credit risk pertaining to leveraged finance as of March 31, 2023. 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

	March 31, 2023				December 31, 2022			
	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	709	478	1,187	-	1,041	181	1,222	-
Commerce	171	-	171	-	181	-	181	-
Public and Community Services	254	5	259	-	258	5	263	-
Total	**1,134**	**483**	**1,617**	**-**	**1,480**	**186**	**1,666**	**-**

Exposure to leveraged finance as of March 31, 2023 amounted to NIS 1,134 million, compared with NIS 1,480 million as of December 31, 2022. The balance of exposure presented in the table above, is after accounting write-offs. The off-balance sheet exposure to leveraged finance transactions as of March 31, 2023, amounted to NIS 483 million, compared with NIS 186 million as of December 31, 2022.

For additional details, see "Credit risk" in the document "Disclosure according to the third pillar of Basel and additional information on 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 on credit risk for significant exposure to borrower groups

As at March 31, 2023, there is no borrower group whose indebtedness exceeds 15% of the capital, as defined in the Directive.

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 on market risks, see the 2022 Annual Report (pp. 89-99).

Quantitative information on interest risk – sensitivity analysis

Net adjusted fair value of financial instruments

	March 31, 2023			March 31, 2022			December 31, 2022		
	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]	16,062	4,765	20,827	[6]16,114	5,102	21,216	16,120	5,099	21,219
Of which: the banking book	14,796	3,962	18,758	[6]16,525	3,893	20,418	15,987	4,038	20,025

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

	March 31, 2023			March 31, 2022			December 31, 2022		
	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%	(23)	53	30	[6](432)	(46)	(478)	(3)	170	167
Of which: the banking book	7	86	93	[6](420)	(10)	(430)	-	186	186
A parallel decrease of 1%	47	(96)	(49)	[6]544	44	588	7	(202)	(195)
Of which: the banking book	19	(128)	(109)	[6]531	7	538	9	(217)	(208)
Non-parallel changes									
Curving[2]	(746)	75	(671)	[6](345)	39	(306)	(649)	55	(594)
Flattening[3]	724	(80)	644	[6]269	(53)	216	631	(28)	603
Interest rise in the short-term	659	(61)	598	[6]83	(56)	27	585	52	637
Interest decline in the short-term	(703)	84	(619)	[6](102)	44	(58)	(635)	(53)	(688)

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.
(6) Reclassified following improvement of data.

Most of the change in exposure stems from the change in foreign currency. A reduction in current account balances and an increase in the securities portfolio took place in this segment, resulting in a reduction in profit under a rising interest scenario.

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

	March 31, 2023			March 31, 2022			December 31, 2022		
	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%	494	(6)	488	1,241	(199)	1,042	521	(44)	477
Of which: the banking book	471	(39)	432	1,225	(191)	1,034	509	(41)	468
A parallel decrease of 1%	(1,041)	-	(1,041)	(1,458)	208	(1,250)	(1,033)	35	(998)
Of which: the banking book	(1,018)	37	(981)	(1,442)	199	(1,243)	(1,021)	35	(986)

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.
As of March 31, 2023, the estimated effect of a parallel increase of 1% on interest income amounted to an increase of NIS 488 million, whereas the estimated effect of a parallel decrease of 1% amounted to a decrease of NIS 1,041 million. This compared to estimates as of December 31, 2022, which amounted to an increase in interest income of NIS 477 million, in a scenario of a parallel increase of 1%, and to a decrease in interest income of NIS 998 million, in a scenario of a parallel decrease of 1%. 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.
For additional quantitative and qualitative details about the interest risks, see the “Disclosure according to the third pillar of Basel and additional information on 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 on 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 on 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 on 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, 2022 (pp. 297-299).

Following are certain updates as of March 31, 2023:

- 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 2.7 million. Increasing the discount interest rate by 0.1 basis point would have reduced the fair value of the problematic debts by NIS 1.6 million (compared to a reduction of NIS 2.3 million and a reduction of NIS 1.5 million, respectively, as of December 31, 2022);
- 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 225 million (compared to an increase of NIS 167 million as at December 31, 2022);
- 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 4.09 years on March 31, 2023, compared to 3.70 years, taking into consideration the forecast for early redemptions (compared to 3.87 years and 3.46 years, respectively, as of December 31, 2022);
- 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 80 million (compared to a reduction of NIS 169 million at December 31, 2022);

- 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 2.73 years on March 31, 2023, compared to 2.61 years, taking into consideration the forecast for early redemption (compared to 2.79 years and 2.67 years, respectively, as of December 31, 2022).

For details on 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, 2022 (p. 298-299).
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 on 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		
			March 31, 2023		
An increase of 100BP in interest rates	44	(629)	(31)	27	(590)
A decrease of 100BP in interest rates	(7)	596	(7)	(28)	553
			December 31, 2022		
An increase of 100BP in interest rates	(62)	(518)	106	26	(447)
A decrease of 100BP in interest rates	76	432	(135)	(28)	345

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 on 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.

On June 30, 2023, the LIBOR interest quotation for the US dollar will be discontinued; the Bank has made preparations to replace the interest index for the balance of the loans linked to the LIBOR interest, to an alternative interest index based on the SOFR graph, as published by the Chicago Mercantile Exchange (CME) with the addition of adjustment of the risk margin determined by the International Swaps and Derivatives Association (ISDA). Notices would be delivered to the relevant customers and in publications of the Bank.

Material exposures. The Bank has various contracts that continue beyond June 30, 2023 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

	March 31, 2023		December 31, 2022	
	Number of transactions	Book value in NIS million	Number of transactions	Book value in NIS million
Loans	988	7,715	1,185	8,216
Securities	20	611	20	595
Total	1,008	8,326	1,205	8,311
Derivatives (volume transactions)	734	36,999	1,188	52,426

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 2022 Annual Report (pp. 96-97).

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 on 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 on the impact of changes in exchange rates of the major currencies on the capital as of March 31, 2023.

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

	For the first Quarter ending on March 31, 2023 in NIS millions			
Segment	10%	5%	-5%	-10%
USD	316	149	(131)	(260)
EUR	83	41	(22)	(25)
Other Foreign Currencies	11	5	(5)	(11)

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 March 31, 2023.

Sensitivity of the capital to changes in the CPI

	As of March 31, 2023	
	in NIS millions	
	Increase of 3%	Decrease of 3%
	426	(426)

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 2022 Annual Report (pp. 98-99) and in the “Disclosure according to the third pillar of Basel and additional information on 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 first quarter of 2023.
For further details on the management of the Liquidity and financing risks, see the 2022 Annual Report (pp. 99-102).

Liquidity coverage ratio

As of the first quarter of 2023, the liquidity coverage ratio of the Discount Group, on the basis of 77 observations average, stood as of March 31, 2023, at 137.3%, compared with 130.5% as of December 31, 2022, 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 Bank's liquidity ratio grew in the first quarter of 2023, mainly as a result of an issuance made by the Bank during January in the amount of approx. NIS 3 billion, as well as due to the pledging of the mortgage portfolio. This impact was offset by the growth in the Bank's credit portfolio. The contribution of deposits from the public to the Bank's liquidity remained stable throughout the quarter.
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 quarter of 2023, 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 quarter in deposits from the public according to linkage bases reveals that most of the reduction stems from a reduction in volume of the non-linked shekel deposits, mainly of institutional bodies.

Deposits from the public

	March 31, 2023	March 31, 2022	December 31, 2022	Change compared to March 31, 2022		Change compared to December 31, 2022	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	146,968	144,100	153,976	2,868	2.0	(7,008)	(4.6)
CPI-linked shekels	10,588	9,641	10,304	947	9.8	284	2.8
Foreign currency and foreign currency linked shekels	56,000	41,313	53,139	14,687	35.6	2,861	5.4
Total	**213,556**	**195,054**	**217,419**	**18,502**	**9.5**	**(3,863)**	**(1.8)**
Foreign currency and foreign currency linked shekels - In US$ millions	15,491	13,008	15,101	2,483	19.1	390	2.6

Deposits from Banks

	March 31, 2023	March 31, 2022	December 31, 2022	Change compared to March 31, 2022		Change compared to December 31, 2022	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	10,168	8,685	9,241	1,483	17.1	927	10.0
CPI-linked shekels	22	26	22	(4)	(15.4)	-	-
Foreign currency and foreign currency linked shekels	692	918	568	(226)	(24.6)	124	21.8
Total	**10,882**	**9,629**	**9,831**	**1,253**	**13.0**	**1,051**	**10.7**

For additional details on liquidity risks and the management thereof, see the “Disclosure according to the third pillar of Basel and additional information on risks” document, which is available for perusal as stated, and also Note 15 on assets and liabilities according to linkage terms.
For additional details on financial risk, see the “Disclosure according to the third pillar of Basel and additional information on 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 on Operational risks and the manner of management thereof, including in the matter of business continuity, see the 2022 Annual Report (pp. 102-103) and the document "Disclosure according to the third pillar of Basel and additional information on risks" available for perusal as stated.

Environmental and climate risks

For details regarding Environmental and climate risks, see the 2022 Annual Report (pp. 106-107).

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. Following extension, the indemnity letter and immunity letter are in effect until May 31, 2021.
On the background of the delay in the start of operation of the Correspondence Government Company, that had been established but has not yet begun operations for providing services for banks operating in areas of the Palestinian Authority, the validity of the letters of indemnity and immunity has been extended twice more, until March 31, 2023.
At the request of the Bank and MDB, an amended letter of indemnity was received on February 9, 2023, by which, inter alia, the State is committed to indemnify the Bank and MDB in an amount of up to NIS 2 billion, for each indemnifiable event. The commitment of the State to indemnify is subject to limits and terms that the banks have to abide with, similarly to the limits and terms stated in the original letter of indemnity. The power of the letter of indemnity and the letter of immunity was extended until March 31, 2024.
In light of the aforesaid, the Bank for the moment is continuing to provide services to banks operating in the Palestinian Authority.
For further details on compliance risks including Discount Group's activities with banks acting in the Palestinian Authority, see the 2022 Annual Report (pp. 108-109).

Other risks

For additional details on other risks, see 2022 Annual Report (including: Cross-border risks – p. 104; Information technology risks – p. 105; Strategic risk - p. 105; Reputation risk – p. 105; Data and cyber protection risks - p. 106; Legal risks – pp. 107-108; Conduct risks – p. 109).

Risk Factors Table

For details, see the 2022 Annual Report (pp. 110-112).

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, 2022, pp. 146-162) 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 2022 Annual Report (pp. 113-120).

Measurement of financial instruments according to their fair value

The credit risk. Adjustment of the credit risk involved in assets and liabilities regarding derivative instruments, resulted in the first quarter of 2023 in a profit of NIS 7 million, compared to a profit in a negligible amount in the corresponding period last year.

Adjustments made to assets and liabilities for derivative instruments

	March 31, 2023	December 31, 2022
	in NIS millions	
Assets for derivative instruments	11,961	11,423
Adjustment for credit risk regarding assets relating to derivative instruments	(53)	(61)
Liabilities for derivative instruments	10,016	9,356
Adjustment for credit risk regarding liabilities relating to derivative instruments	(4)	(5)

For additional details on the measurement of financial instruments according to their fair value, see the 2022 Annual Report (pp. 115-117).

Employee Rights

Updated actuarial opinion. The Bank has ordered an updated actuarial assessment as of March 31, 2023. For details on 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 2022 Annual Report.
Presenting the actuary's opinion for perusal. The opinion of the Actuary 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 2023 First Quarter Report (this Report).
The actuarial estimate as of March 31, 2023, as compared with the estimate of December 31, 2022, 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 first quarter of 2023, 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, Chairman of the Board of Directors

Uri Levin, President & Chief Executive Officer

May 16, 2023

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 March 31, 2023 (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

May 16, 2023

Certification

I, Joseph Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of March 31, 2023 (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

May 16, 2023

Condensed Financial Statements

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 March 31, 2023 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial data for this interim period according to Israeli GAAP regarding financial reporting for this interim period and according to the guidelines and directives of the Supervisor of Banks. Our responsibility is to express a conclusion on the financial information for this interim period based on our review.

Scope of Review

We have conducted our review according to 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 according to 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, according to Israeli GAAP regarding financial reporting for interim periods and according to 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 claims that cannot be estimated.

Somekh Chaikin
Certified Public Accountants (Isr.)
Ziv Haft
Certified Public Accountants (Isr.)
May 16, 2023

Condensed Consolidated statement of profit and loss

		Unaudited		Audited
		For the three months ended March 31,		For the year ended December 31,
	Notes	2023	2022	2022
		in NIS millions		
Interest income		4,693	2,084	11,700
Interest expenses		1,953	284	3,007
Net interest income	**2**	**2,740**	**1,800**	**8,693**
Credit loss expenses (expenses release)	6,14	204	(60)	407
Net interest income after credit loss expenses		**2,536**	**1,860**	**8,286**
Non-interest Income				
Non-interest financing income	3	329	45	417
Fees and commissions		887	825	3,404
Other income	20	301	416	430
Total non-interest income		**1,517**	**1,286**	**4,251**
Operating and other Expenses				
Salaries and related expenses		945	855	3,568
Maintenance and depreciation of buildings and equipment		324	303	1,232
Other expenses		693	549	2,417
Total operating and other expenses		**1,962**	**1,707**	**7,217**
Profit before taxes		2,091	1,439	5,320
Provision for taxes on profit		763	447	1,806
Profit after taxes		**1,328**	**992**	**3,514**
Bank’s share in profit of associates, net of tax effect		5	5	27
Net profit:				
Before attribution to non-controlling interests		1,333	997	3,541
Attributed to the non-controlling interests		(64)	(14)	(46)
Net Profit Attributed to the Bank's Shareholders	**3A**	**1,269**	**983**	**3,495**
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	**3A**	**1.03**	**0.84**	**2.87**

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

May 16, 2023

Condensed Consolidated statement of comprehensive Income

	Unaudited		Audited
	For the three months ended March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Net profit before attribution to non-controlling interests	1,333	997	3,541
Net profit attributed to non-controlling interests	(64)	(14)	(46)
Net profit attributed to the Bank's shareholders	**1,269**	**983**	**3,495**
Other comprehensive income (loss), before taxes:			
Net adjustments, for presentation of available-for-sale bonds at fair value[3]	3	(1,229)	(2,317)
Adjustments from translation of financial statements	132	77	484
Adjustments of liabilities for employee benefits[2]	24	253	548
Net income (loss) on cash flows hedge	5	(13)	(27)
Other comprehensive income (loss), before taxes	**164**	**(912)**	**(1,312)**
Related tax effect	(9)	321	578
Other comprehensive income (loss), before attribution to non-controlling interests, after taxes	155	(591)	(734)
Other comprehensive income , attributed to non-controlling interests	1	1	4
Other comprehensive income (loss), attributed to the Bank's shareholders, after taxes	**154**	**(592)**	**(738)**
Comprehensive income, before attribution to non-controlling interests	1,488	406	2,807
Comprehensive income, attributed to non-controlling interests	(65)	(15)	(50)
Comprehensive income, attributed to the Bank's shareholders[1]	**1,423**	**391**	**2,757**

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) As described in Note 12 M to the financial statements as of December 31, 2022.
The notes to the condensed financial statements are an integral part thereof.

Condensed Consolidated Balance Sheet

		Unaudited		Audited
	Note	March 31, 2023	March 31, 2022	December 31, 2022
		in NIS millions		
Assets				
Cash and deposits with banks		60,040	60,997	65,713
Securities				
Held-to-maturity bonds		13,582	10,161	14,847
Available- for- sale bonds		29,482	29,413	25,858
Not for trading shares		1,811	1,746	1,767
Trading securities		6,340	1,598	2,322
Total Securities (of which: 19,538, 12,441, 16,359 respectively, pledged to lenders)	**5**	**51,215**	**42,918**	**44,794**
Securities borrowed or purchased under agreements to resell		1,251	1,156	857
Credit to the public	6,14	252,845	220,733	244,288
Allowance for credit losses	6,14	(3,362)	(2,882)	(3,209)
Net credit to the public		**249,483**	**217,851**	**241,079**
Credit to Governments		2,912	2,553	2,599
Investments in Associates		491	455	486
Buildings and equipment		4,031	3,441	3,904
Intangible assets and goodwill		162	163	162
Assets for derivative instruments	11	11,959	5,732	11,420
Other assets		5,928	5,392	5,740
Total assets		**387,472**	**340,658**	**376,754**
Liabilities and Equity				
Deposits from the public	7	289,712	267,731	292,293
Deposits from banks		17,517	13,183	15,376
Deposits from the Government		131	159	117
Securities lent or sold under agreements to repurchase		7,787	-	3,739
Bonds and Subordinated debt notes		15,097	12,211	12,308
Liabilities for derivative instruments	11	10,005	5,892	9,348
Other liabilities [1]		20,473	17,773	18,095
Total liabilities		**360,722**	**316,949**	**351,276**
Equity attributed to the Bank's shareholders		26,096	23,027	24,880
Non-controlling rights		654	682	598
Total equity		**26,750**	**23,709**	**25,478**
Total Liabilities and Equity		**387,472**	**340,658**	**376,754**

Footnote:

(1) Of which NIS 444 million, NIS 452 million and NIS 424 million, as of March 31, 2023, March 31, 2022 and December 31, 2022, 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 in respect of 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 March 31, 2023 and 2022 (unaudited)										
Balance at December 31, 2022 (audited)	683	5,565	3	253	6,504	(2,012)	20,388	24,880	598	25,478
Adjustment to the opening balance, net of tax due to the effect of the initial application[2]	-	-	-	-	-	-	(21)	(21)	(10)	(31)
Net Profit for the period	-	-	-	-	-	-	1,269	1,269	64	1,333
Dividend paid	-	-	-	-	-	-	(188)	(188)	-	(188)
Minority share of capital instruments of a consolidated company	-	-	-	-	-	-	-	-	21	21
Benefit for share based payment transactions	-	-	2	-	2	-	-	2	1	3
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(21)	(21)
Other comprehensive income, net after tax effect	-	-	-	-	-	154	-	154	1	155
Balance at March 31, 2023	**683**	**5,565**	**5**	**253**	**6,506**	**(1,858)**	**21,448**	**26,096**	**654**	**26,750**
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	-	-	-	-	-	-	983	983	14	997
Dividend paid	-	-	-	-	-	-	(106)	(106)	-	(106)
Transactions with minority	-	-	-	-	-	-	-	-	2	2
Issue of Shares[3]	7	1,391	-	-	1,398	-	-	1,398	-	1,398
Other comprehensive loss, net after tax effect	-	-	-	-	-	(592)	-	(592)	1	(591)
Balance at March 31, 2022	**683**	**5,565**	**-**	**258**	**6,506**	**(1,866)**	**18,387**	**23,027**	**682**	**23,709**
B. For the year of 2022 (audited)										
Balance at December 31, 2021	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	-	-	-	-	-	-	3,495	3,495	46	3,541
Dividend paid	-	-	-	-	-	-	(617)	(617)	-	(617)
Transactions with minority	-	-	-	(5)	(5)	-	-	(5)	(2)	(7)
Issue of Shares[3]	7	1,391	-	-	1,398	-	-	1,398	-	1,398
Benefit for share based payment transactions	-	-	3	-	3	-	-	3	3	6
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(118)	(118)
Other comprehensive loss, net after tax effect	-	-	-	-	-	(738)	-	(738)	4	(734)
Balance at December 31, 2022	**683**	**5,565**	**3**	**253**	**6,504**	**(2,012)**	**20,388**	**24,880**	**598**	**25,478**

Footnotes:

(1) The effect of the initial implementation of US GAAP regarding allowances for current expected credit losses (CECL) is presented in Note 1(c)(5) to the financial statements as of December 31, 2022.

(2) ICC initially implemented the US GAAP with respect to allowances for current expected credit losses (CECL) as from January 1, 2023, see Note 1(e).

(3) As described in Note 24 a to the financial statements as of December 31, 2022.

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 March 31		For the year ended December 31
	2023	2022	2022
	in NIS millions		
Cash Flows from Operating (to Operating) Activities			
Net profit before attribution to non-controlling interests in consolidated companies	1,333	997	3,541
Adjustments necessary to present cash flows from current operations:			
Bank's share in undistributed (profits) loss of investee companies (consolidated – associates)	(5)	(5)	(27)
Depreciation of buildings and equipment (including impairment in value)	150	140	579
Provision for impairment in value of securities	29	2	60
Credit expenses (reducing expenses) release	204	(60)	407
Gain on sale of credit portfolio, net	-	-	(5)
Profit on sale of available-for-sale bonds and shares not for trading	(58)	(53)	(47)
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	11	(36)	(88)
Non realized loss (gain) on adjustment to fair value of shares no for trading	7	(18)	28
Gain from realization at an investment in investee companies (consolidated – associates)	-	(15)	(15)
Gain on realization of buildings and equipment	(297)	(414)	(421)
Benefit for share based payment transactions	3	-	6
Net deferred taxes	114	(283)	(433)
Severance pay – decrease in excess of provision over the deposits	(15)	(159)	(370)
Net change in current assets:			
Assets for derivative instruments	(538)	(213)	(5,898)
Trading securities	(4,028)	(469)	(1,142)
Other assets	(176)	259	908
Effect of changes in exchange rate on cash and cash equivalent balances	(31)	(14)	(282)
Accrual differences included in investment and financing activities	(307)	280	(1,252)
Net change in current liabilities:			
Liabilities for derivative instruments	656	(431)	3,025
Other liabilities	2,359	141	386
Adjustments for exchange rate differences on current assets and liabilities	125	163	68
Dividends received from investee companies (consolidated – associates)	10	8	26
Net Cash Flows to Operating Activities	**(454)**	**(180)**	**(946)**

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 March 31		For the year ended December 31
	2023	2022	2022
	in NIS millions		
Cash Flows to Investing Activities			
Net change in Deposits with banks	(606)	176	(99)
Net change in net credit to the public	(5,941)	(3,116)	(18,106)
Net change in Credit to the Governments	348	413	2,831
Net change in Securities borrowed or purchased under agreements to resell	(394)	51	350
Acquisition of held-to-maturity bonds	(457)	(433)	(1,143)
Proceeds from redemption of held-to-maturity bonds	1,521	283	1,033
Purchase of available-for-sale bonds and shares not for trading	(7,720)	(6,229)	(16,069)
Proceeds of sale of available-for-sale bonds and shares not for trading	4,449	6,616	12,981
Purchased credit portfolios	(4,315)	(2,670)	(14,165)
Gain on sale of credit portfolio	7	1,009	1,511
Proceeds of redemption of available-for-sale bonds	345	464	3,971
Purchase of shares in investee companies (consolidated – associates)	(2)	-	(24)
Proceeds of the sale of investments in associates	-	26	26
Acquisition of buildings and equipment	(308)	(252)	(1,064)
Proceeds from sale of buildings and equipment	248	507	521
Net Cash Flows to Investing Activities	**(12,825)**	**(3,155)**	**(27,446)**
Cash Flows from Financing Activities			
Net change in Deposits from banks	2,141	649	2,842
Net change in Deposits from the public	(1,657)	6,152	29,701
Net change in Deposits from the Government	14	(187)	(229)
Net change in Securities borrowed or purchased under agreements to resell	4,048	-	3,739
Issuance of subordinated debt notes	2,869	44	2,197
Redemption of subordinated debt notes	(238)	(3,001)	(5,220)
Issue of Shares	-	1,398	1,398
Dividend paid to the shareholders	(188)	(106)	(617)
Dividend to non-controlling interests	(21)	-	(118)
Net cash flows from Financing Activities	**6,968**	**4,949**	**33,693**
Increase (decrease) in cash	(6,311)	1,614	5,301
Cash balance at beginning of period	65,252	59,277	59,277
Effect of changes in exchange rate on cash and cash equivalent balances	32	(78)	675
Cash balance at end of period	**58,973**	**60,813**	**65,252**
Interest and taxes paid and/or received			
Interest received	4,482	1,792	10,318
Interest paid	(1,229)	(503)	(2,110)
Dividends received	11	9	41
Taxes on income paid	(446)	(369)	(1,480)
Taxes on income received	9	219	279

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 March 31		For the year ended December 31
	2023	2022	2022
	in NIS millions		
Recognition of a right-of-use asset in consideration for a leasing liability	19	64	588
Purchase (sale) of fixed assets	(85)	17	94
Lending of securities	(979)	71	330

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 March 31, 2023, 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, 2022 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, 2022 except as detailed in section E hereunder.

B. The interim financial statements were approved for publication by the Bank's Board of Directors on May 16, 2023.

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
Starting with the period beginning January 1, 2023, accounting standards and instructions are implemented as detailed hereunder:

(1) Allowances for current expected credit losses (CECL) (see section 1 below) – at ICC.
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 – at ICC
ICC implements the new rules as from January 1, 2023. The increase in the allowance for credit losses was recognized in retained earnings at January 1, 2023, and affected the current business results.

Details on the effect of the initial implementation at ICC are presented hereunder[1]:

	Audited	Unaudited	
	December 31, 2022	Effect of implemen-tation of CECL	January 1, 2023
	In NIS millions		
Balance			
Allowance for Credit Losses:	347	50	397
Of which: credit loss allowance – private individuals	320	34	354
Of which: credit loss allowance – commercial portfolio	24	16	40
Common equity			
Retained earnings balance, before the tax effect	2,133	(50)	2,083
Tax effect	-	16	16
Retained earnings balance, net of the tax effect	**2,133**	**(34)**	**2,099**

Footnote:
(1) As presented in ICC's financial reports.

1. Accounting Policies (continued)

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

Update of Standard ASU 2022-02 regarding Troubled Debt Restructurings and Vintage Disclosures. On March 31, 2022, the US Financial Accounting Standards Board (FASB) published ASU 2022-02 regarding the restructure of troubled debts and disclosure requirements in accordance with the year of granting the credit, in the matter of allowances for credit losses. The update eliminates the accounting guidance for troubled debt restructurings by creditors, while enhancing disclosure requirements for borrowers experiencing financial difficulties. Moreover, the update adds disclosure requirements regarding gross write-offs by year of granting the credit.

The provisions of the update apply to entities that have adopted the updated Standard 2016-13, starting with annual and interim periods beginning after December 15, 2022. At this stage, no date has as yet been set for the application of the provisions by banks in Israel.

The Bank is studying the requirements of the Standard as well as their effect on the financial statements.

2. Interest Income and Expenses

	Unaudited	
	For the three months ended March 31,	
	2023	2022
	in NIS millions	
A. Interest Income[2]		
Credit to the public	3,784	1,924
Credit to the Governments	35	16
Deposits with the Bank of Israel and cash	472	12
Deposits with Banks	50	3
Securities borrowed or purchased under resale agreements	11	-
Bonds[1]	335	124
Other assets	6	5
Total interest income	**4,693**	**2,084**
B. Interest Expenses[2]		
Deposits from the public	(1,677)	(153)
Deposits from the Government	(1)	-
Deposits from the Bank of Israel	(2)	(2)
Deposits from banks	(54)	(7)
Securities lent or sold under agreements to repurchase	(78)	-
Bonds and subordinated debt notes	(141)	(122)
Total interest expenses	**(1,953)**	**(284)**
Net interest income	**2,740**	**1,800**
C. Details of the net effect of hedge derivative instruments on interest income and expenses[3]:		
Interest Income	36	(6)
Interest expenses	(21)	5
D. Accrual basis, interest income from bonds:		
Held-to-maturity	54	35
Available-for-sale	231	83
Trading	50	6
Total included in interest income	335	124

Footnotes:

(1) Interest Income generated by mortgage backed securities (MBS) - in US $ millions.	12	9
Interest Income generated by mortgage backed securities (MBS) - in NIS millions.	43	29

(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 March 31,	
	2023	2022
	in NIS millions	
A. Non-interest financing income from operations not for trading purposes		
From operations in derivative instruments , net		
Net income for derivative instruments[4]	1,354	286
Total from operations in derivative instruments	**1,354**	**286**
From investments in bonds:		
Gains on sale of available-for-sale bonds[3]	7	43
Losses on sale of available-for-sale bonds[3]	(10)	(15)
Total from investments in bonds	**(3)**	**28**
Net exchange rate differences	**(1,137)**	**(418)**
Net profit (loss) from investments in shares:		
Gains on sale from non trading shares	61	26
Losses on sale from non trading shares	-	(1)
Provision for impairment of non trading shares	(29)	(2)
Dividends from non trading shares	1	-
Unrealized profits (losses) [7]	(7)	18
Profit on sale of shares and activities of Associates	-	15
Total from investment in shares	**26**	**56**
Total non-interest financing income (expenses) from operations not for trading purposes	**240**	**(48)**
B. Non-interest financing income from operations for trading purposes[5]:		
Net income for non trading derivative instruments	100	57
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value[1]	(4)	36
Net realized and non-realized losses on adjustment of trading securities to fair value[2]	(7)	-
Total from trading operations[6]	**89**	**93**
Details of non-interest financing income from operations for trading purposes, according to risk exposure:		
Interest rate exposure	31	51
Foreign currency exposure	65	41
Share exposure	(7)	1
Total according to risk exposure	**89**	**93**
Total non-interest financing income	**329**	**45**
Footnotes:		
(1) Of which, a part of the income (loss) relating to trading bonds that are still on hand at balance sheet date	1	(1)
(2) Of which, a part of the income relating to trading shares that are still on hand at balance sheet date	23	3
(3) Reclassified from accumulated other comprehensive income (loss), see Note 4: Of which, profit from investments in bonds, net	(3)	28

(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 March 31		For the year ended December 31
	2023	2022	2022
	in NIS millions		
Earnings per share			
Total net income attributed to bank's shareholders	1,269	983	3,495
	In Thousand		
Earnings per share:			
Weighted average of shares of NIS 0.1 par value:			
Balance at the beginning and end of the period	1,237,011	1,164,017	1,164,017
Shares issued during the year[1]	-	1,622	55,396
Weighted average of shares of NIS 0.1 par value, used for earnings per share	**1,237,011**	**1,165,639**	**1,219,413**
Earnings per share of NIS 0.1 (in NIS)	**1.03**	**0.84**	**2.87**

Footnote: (1) As described in Note 24 a to the financial statements as of December 31, 2022.

According to the rules, stock options issued to Officers and senior employees (as detailed in Note 24 to the financial statements as of December 31, 2022) 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 income (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 profit (loss) for cash flows hedge	Adjustments for employee benefits	Total		
	in NIS millions						
A. For the three months ended March 31, 2023 and 2022 (unaudited)							
Balance at December 31, 2022 (audited)	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the period	3	132	4	16	155	1	154
Balance at March 31, 2023	**(1,316)**	**(95)**	**(16)**	**(436)**	**(1,863)**	**(5)**	**(1,858)**
Balance at December 31, 2021 (audited)	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	(826)	77	(9)	167	(591)	1	(592)
Balance at March 31, 2022	**(583)**	**(634)**	**(10)**	**(648)**	**(1,875)**	**(9)**	**(1,866)**
B. For the year of 2022 (audited)							
Balance at December 31, 2021	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the year	[2](1,562)	484	(19)	363	(734)	4	(738)
Balance at December 31, 2022	**(1,319)**	**(227)**	**(20)**	**(452)**	**(2,018)**	**(6)**	**(2,012)**

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) As described in Note 12 M to the financial statements as of December 31, 2022.

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

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

	Unaudited						Audited		
	For the three months ended						For the year ended December 31		
	2023			2022			2022		
	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 other comprehensive income (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	(17)	4	(13)	(1,201)	394	(807)	(2,448)	797	(1,651)
loss (Income) on available-for-sale bonds reclassified to the statement of income[2]	20	(4)	16	(28)	9	(19)	131	(42)	89
Net change during the period[4]	**3**	**-**	**3**	**(1,229)**	**403**	**(826)**	**(2,317)**	**755**	**(1,562)**
Translation adjustments									
Adjustments from translation of financial statement [1]	132	-	132	77	-	77	484	-	484
Net change during the period	**132**	**-**	**132**	**77**	**-**	**77**	**484**	**-**	**484**
Cash flow hedging									
Net income (loss) for cash flow hedging	1	-	1	(12)	4	(8)	(31)	9	(22)
Net loss (income) for cash flow hedging reclassified to the statement of income	4	(1)	3	(1)	-	(1)	4	(1)	3
Net change during the period	**5**	**(1)**	**4**	**(13)**	**4**	**(9)**	**(27)**	**8**	**(19)**
Employee benefits									
Net actuarial income	13	(4)	9	231	(80)	151	437	(147)	290
loss reclassified to the statement of income[3]	11	(4)	7	22	(6)	16	111	(38)	73
Net change during the period	**24**	**(8)**	**16**	**253**	**(86)**	**167**	**548**	**(185)**	**363**
Total net change during the period	**164**	**(9)**	**155**	**(912)**	**321**	**(591)**	**(1,312)**	**578**	**(734)**
Changes in components of other comprehensive income attributed to non-controlling interests:									
Total net change during the period	**1**	**-**	**1**	**2**	**(1)**	**1**	**5**	**(1)**	**4**
Changes in components of other comprehensive income (loss) attributed to the Bank's shareholders:									
Total net change during the period	**163**	**(9)**	**154**	**(914)**	**322**	**(592)**	**(1,317)**	**579**	**(738)**

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) As described in Note 12 M to the financial statements as of December 31, 2022.

5. Securities

A. Composition

	Unaudited				
	March 31,2023				
	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)	9,921	9,921	-	898	9,023
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,597	3,597	4	371	3,230
Of others abroad(5)	64	64	-	2	62
Total held-to-maturity bonds	**13,582**	**(8)13,582**	**4**	**1,271**	**12,315**

A. Composition (Continued)

	Unaudited				
	March 31,2023				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value(1)
	In NIS millions				
(2) Available- for- sale bonds(7)					
Bonds and loans:					
Of the Israeli Government(9)	16,251	16,984	10	743	16,251
Of foreign governments	4,705	4,817	8	120	4,705
Of Israeli financial institutions	95	100	-	5	95
Of foreign financial institutions	499	505	3	9	499
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,837	6,439	3	605	5,837
Of others in Israel	370	407	-	37	370
Of others abroad(5)	1,725	1,728	15	18	1,725
Total Available- for- sale bonds	**(8)29,482**	**30,980**	**(2)39**	**(2)1,537**	**29,482**

A. Composition (Continued)

	Unaudited				
	March 31,2023				
	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	1,811	1,737	(4)84	(4)10	1,811
Of which: shares, the fair value of which is not readily available	1,683	1,649	34	-	1,683
Total not for trading securities	**44,875**	**46,299**			**43,608**

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Unaudited				
	March 31,2023				
	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	6,220	6,217	12	9	6,220
Of foreign governments	77	77	-	-	77
Of others in Israel	16	18	-	2	16
Total bonds	**[8]6,313**	**6,312**	**12**	**11**	**6,313**
Shares	27	4	25	2	27
Total trading securities	**6,340**	**6,316**	**[4]37**	**[4]13**	**6,340**
Total securities	**51,215**	**52,615**			**49,948**

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 March 31, 2023 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 March 31, 2023.

(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 759 million, from the available for sale portfolio with a market value of NIS 4,957 million and from trading portfolio with a market value of NIS 3,211 million.

(9) As described in Note 12 M to the financial statements as of December 31, 2022.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	March 31,2022				
	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	8,234	8,234	33	245	8,022
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,836	1,836	1	115	1,722
Of others abroad[5]	91	91	1	-	92
Total held-to-maturity bonds	**10,161**	**10,161**	**35**	**360**	**9,836**

A. Composition (continued)

	Unaudited				
	March 31,2022				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[1]
	In NIS millions				
(2) Available- for- sale bonds[7]					
Bonds and loans:					
Of the Israeli Government	15,893	16,274	69	450	15,893
Of foreign governments	4,323	4,427	-	104	4,323
Of Israeli financial institutions	115	114	2	1	115
Of foreign financial institutions	466	472	2	8	466
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,538	6,880	2	344	6,538
Of others in Israel	472	470	7	5	472
Of others abroad[5]	1,606	1,602	24	20	1,606
Total Available- for- sale bonds	**29,413**	**30,239**	**[2]106**	**[2]932**	**29,413**

A. Composition (continued)

	Unaudited				
	March 31,2022				
	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	1,746	1,632	[4]131	[4]17	1,746
Of which: shares, the fair value of which is not readily available	1,484	1,450	34	-	1,484
Total not for trading securities	**41,320**	**42,032**			**40,995**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Unaudited				
	March 31,2022				
	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	1,503	1,505	4	6	1,503
Of foreign governments	49	49	-	-	49
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	18	18	-	-	18
Of others in Israel	21	20	1	-	21
Total bonds	**1,591**	**1,592**	**5**	**6**	**1,591**
Shares	7	4	4	1	7
Total trading securities	**1,598**	**1,596**	**[4]9**	**[4]7**	**1,598**
Total securities	**42,918**	**43,628**			**42,593**

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 March 31, 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 March 31, 2022.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 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]	11,497	11,497	1	843	10,655
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,257	3,257	1	408	2,850
Of others abroad[5]	93	93	-	4	89
Total held-to-maturity bonds	**14,847**	**[8]14,847**	**2**	**1,255**	**13,594**

A. Composition (continued)

	Audited				
	December 31, 2022				
			Accumulated other comprehensive income		
	Book value	Amortized cost	Profits	Losses	Fair value[1]
	In NIS millions				
(2) Available- for- sale bonds[7]					
Bonds and loans:					
Of the Israeli Government[9]	12,625	13,251	57	683	12,625
Of foreign governments	5,375	5,507	3	135	5,375
Of Israeli financial institutions	89	94	-	5	89
Of foreign financial institutions	549	556	5	12	549
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,155	5,811	1	657	5,155
Of others in Israel	384	414	1	31	384
Of others abroad[5]	1,681	1,711	13	43	1,681
Total Available- for- sale bonds	**[8]25,858**	**27,344**	**[2]80**	**[2]1,566**	**25,858**

A. Composition (continued)

	Audited				
	December 31, 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	1,767	1,692	[4]85	[4]10	1,767
Shares	1,637	1,603	34	-	1,637
Total shares	**42,472**	**43,883**	**-**	**-**	**41,219**

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

	Audited				
	December 31, 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	2,206	2,218	-	12	2,206
Of foreign governments	76	76	-	-	76
Of others in Israel	14	15	-	1	14
Total bonds	**[8]2,296**	**2,309**	**-**	**13**	**2,296**
Shares	26	4	24	2	26
Total trading securities	**2,322**	**2,313**	**[4]24**	**[4]15**	**2,322**
Total securities	**44,794**	**46,196**			**43,541**

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 December 31, 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 December 31, 2022.
(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 808 million, from the available for sale portfolio with a market value of NIS 2,282 million and from trading portfolio with a market value of NIS 976 million.
(9) As described in Note 12 M to the financial statements as of December 31, 2022.

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

	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							
	Unaudited							
	March 31, 2023							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	7,075	471	-	471	1,920	183	244	427
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	566	16	-	16	2,717	332	23	355
Of others abroad	42	2	-	2	-	-	-	-
Total held-to-maturity bonds	**7,683**	**489**	**-**	**489**	**4,637**	**515**	**267**	**782**
	March 31, 2022							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	5,478	245	-	245	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,807	115	-	115	8	(1)-	-	-
Total held-to-maturity bonds	**7,285**	**360**	**-**	**360**	**8**	**-**	**-**	**-**
	Audited							
	December 31, 2022							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	8,825	456	13	469	1,802	352	22	374
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	1,407	152	21	173	1,714	175	60	235
Of others abroad	63	4	-	4	-	-	-	-
Total held-to-maturity bonds	**10,295**	**612**	**34**	**646**	**3,516**	**527**	**82**	**609**

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

	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							
	Unaudited							
	March 31, 2023							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	11,580	335	-	335	2,710	341	67	408
Of foreign governments	691	33	-	33	1,855	87	-	87
Of Israeli financial institutions	69	4	-	4	15	1	-	1
Of foreign financial institutions	158	4	-	4	116	5	-	5
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	2,108	97	-	97	3,246	323	185	508
Of others in Israel	299	36	-	36	3	1	-	1
Of others abroad	406	8	-	8	202	10	-	10
Total available-for-sale bonds	**15,311**	**517**	**-**	**517**	**8,147**	**768**	**252**	**1,020**
	March 31, 2022							
Available- for-sale bonds								
Bonds and loans:								
Of the Israeli Government	7,239	220	-	220	2,005	230	-	230
Of foreign governments	4,309	104	-	104	-	-	-	-
Of Israeli financial institutions	18	1	-	1	-	-	-	-
Of foreign financial institutions	282	8	-	8	-	-	-	-
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	5,157	230	-	230	1,056	114	-	114
Of others in Israel	217	5	-	5	-	-	-	-
Of others abroad	599	20	-	20	-	-	-	-
Total available-for-sale bonds	**17,821**	**588**	**-**	**588**	**3,061**	**344**	**-**	**344**

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 (continued)

	Audited							
	December 31, 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	5,576	431	49	480	1,588	186	17	203
Of foreign governments	2,018	57	-	57	1,419	78	-	78
Of Israeli financial institutions	89	5	-	5	-	-	-	-
Of foreign financial institutions	309	10	-	10	40	2	-	2
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,035	233	-	233	1,924	164	260	424
Of others in Israel	294	31	-	31	3	(1)-	-	-
Of others abroad	1,050	36	-	36	61	7	-	7
Total available-for-sale bonds	**12,371**	**803**	**49**	**852**	**5,035**	**437**	**277**	**714**

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

D. The securities portfolio, as of March 31, 2023, includes investments in asset backed securities, primarily investment in mortgage-backed-securities (MBS), which are held mainly by a consolidated subsidiary abroad. Details on 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, 2022.

E. The available-for-sale securities portfolio includes corporate bonds in a total amount of NIS 2,689 million (December 31, 2022: NIS 2,703 million). The balance of the said bonds included as of March 31, 2023, unrealized net losses in the amount of NIS 51 million (December 31, 2022: unrealized net gains of NIS 72 million).

F. Unrealized losses

Available-for-sale bonds. 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. 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. 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 March 31, 2023, the allowance for credit loss exists for other bonds is a negligible amount.

G. Fair value presentation. The balances of securities as of March 31, 2023, March 31, 2022, and December 31, 2022, include securities amounting to NIS 35,894 million, NIS 31,273 million and NIS 28,251 million, respectively, that are presented at fair value.

5. Securities (continued)

H. Additional details (consolidated) on mortgage and asset backed bonds

	Unaudited			
	March 31, 2023			
	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[(2)]				
Mortgage pass-through bonds:	242	-	15	227
of which:				
Bonds guaranteed by GNMA	185	-	8	177
Bonds issued by FHLMC and FNMA	57	-	7	50
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,578	3	550	4,031
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,578	3	550	4,031
Total available-for-sale MBS bonds	**4,820**	**3**	**565**	**4,258**
Held-to-maturity bonds[(2)]				
Mortgage pass-through bonds:	40	-	2	38
of which:				
Bonds guaranteed by GNMA	8	-	-	8
Bonds issued by FHLMC and FNMA	32	-	2	30
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,557	4	369	3,192
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,557	4	369	3,192
Total held-to-maturity MBS bonds	**3,597**	**4**	**371**	**3,230**
Total mortgage-backed bonds (MBS)	**8,417**	**7**	**936**	**7,488**
2.Total-Asset-backed available-for-sale bonds (ABS)[(3)]	1,619	-	40	1,579
Of which collateralized bonds CLO	1,618	-	40	1,578
Of which Asset-backed bond (ABS)	1	-	-	1
Total mortgage and asset-backed bonds	**10,036**	**7**	**976**	**9,067**

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, as stated, no such allowance was required as of March 31, 2023.

5. Securities (continued)

H. Additional details (consolidated) on mortgage and asset backed bonds (continued)

	Unaudited			
	March 31, 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(2)				
Mortgage pass-through bonds:	318	2	7	313
of which:				
Bonds guaranteed by GNMA	227	2	1	228
Bonds issued by FHLMC and FNMA	91	-	6	85
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	5,371	-	329	5,042
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	5,371	-	329	5,042
Total available-for-sale MBS bonds	**5,689**	**2**	**336**	**5,355**
Held-to-maturity bonds(2)				
Mortgage pass-through bonds:	10	1	-	11
of which:				
Bonds guaranteed by GNMA	8	1	-	9
Bonds issued by FHLMC and FNMA	2	-	-	2
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	1,826	-	115	1,711
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,826	-	115	1,711
Total held-to-maturity MBS bonds	**1,836**	**1**	**115**	**1,722**
Trading bonds				
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	18	-	-	18
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	18	-	-	18
Total mortgage-backed trading bonds (MBS)	**18**	**-**	**-**	**18**
Total mortgage-backed bonds (MBS)	**7,543**	**3**	**451**	**7,095**
2.Total-Asset-backed available-for-sale bonds (ABS)(3)	1,191	-	8	1,183
Of which collateralized bonds CLO	1,189	-	8	1,181
Of which Asset-backed bond (ABS)	2	-	-	2
Total mortgage and asset-backed bonds	**8,734**	**3**	**459**	**8,278**

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, as stated, no such allowance was required as of March 31, 2022.

5. Securities (continued)

H. Additional details (consolidated) on mortgage and asset backed bonds (continued)

	Audited			
	December 31 ,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(2)				
Mortgage pass-through bonds:	251	-	17	234
of which:				
Bonds guaranteed by GNMA	194	-	10	184
Bonds issued by FHLMC and FNMA	57	-	7	50
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	4,053	1	581	3,473
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	4,053	1	581	3,473
Total available-for-sale MBS bonds	**4,304**	**1**	**598**	**3,707**
Held-to-maturity bonds(2)				
Mortgage pass-through bonds:	39	-	2	37
of which:				
Bonds guaranteed by GNMA	8	-	-	8
Bonds issued by FHLMC and FNMA	31	-	2	29
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,218	1	406	2,813
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,217	1	406	2,812
Total held-to-maturity MBS bonds	**3,257**	**1**	**408**	**2,850**
Total mortgage-backed bonds (MBS)	**7,561**	**2**	**1,006**	**6,557**
2.Total-Asset-backed available-for-sale bonds (ABS)(3)	1,507	-	59	1,448
Of which collateralized bonds CLO	1,506	-	59	1,447
Of which Asset-backed bond (ABS)	1	-	-	1
Total mortgage and asset-backed bonds	**9,068**	**2**	**1,065**	**8,005**

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, as stated, no such allowance was required as of December 31, 2022.

5. Securities (continued)

I. Additional details (consolidated) on mortgage and asset backed securities

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

	Unaudited			
	March 31, 2023			
	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	173	8	4	(1)-
Bonds issued by FHLMC and FNMA	-	-	50	7
Total mortgage-backed pass-through bonds	**173**	**8**	**54**	**7**
B.Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,168	70	2,407	480
Total other mortgage-backed bonds	**1,168**	**70**	**2,407**	**480**
Total available-for-sale MBS	**1,341**	**78**	**2,461**	**487**
Held-to-maturity bonds				
A.Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	6	(1)-	-	-
Bonds issued by FHLMC and FNMA	-	-	28	2
Total mortgage-backed pass-through bonds	**6**	**-**	**28**	**2**
B. Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	544	16	2,334	353
Total other mortgage-backed bonds	**544**	**16**	**2,334**	**353**
Total held-to-maturity MBS bonds	**550**	**16**	**2,362**	**355**
Total mortgage-backed bonds (MBS)	**1,891**	**94**	**4,823**	**842**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	766	19	785	21
Of which Asset-backed bond (ABS)	1	(1)-	-	-
Total asset-backed available-for-sale bonds (ABS)	**767**	**19**	**785**	**21**
Total mortgage and asset-backed bonds	**2,658**	**113**	**5,608**	**863**

Footnote:
(1) Amount lower than NIS 1 million

5. Securities (continued)

I. Additional details (consolidated) on mortgage and asset backed securities (continued)

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

	Unaudited			
	March 31, 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	174	1	-	-
Bonds issued by FHLMC and FNMA	85	6	-	-
Total mortgage backed pass through bonds	**259**	**7**	**-**	**-**
B.Other mortgage backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,845	215	1,056	114
Total other mortgage backed bonds	**3,845**	**215**	**1,056**	**114**
Total available-for-sale MBS bonds	**4,104**	**222**	**1,056**	**114**
Held-to-maturity securities				
Other mortgage backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,692	115	8	(1)
Total other mortgage backed bonds	**1,692**	**115**	**8**	**-**
Total held-to-maturity MBS bonds	**1,692**	**115**	**8**	**-**
Trading bonds				
Other mortgage backed bonds(including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	15	(1)-	-	-
Total mortgage-backed trading bonds (MBS)	**15**	**-**	**-**	**-**
Total mortgage-backed bonds (MBS)	**5,811**	**337**	**1,064**	**114**
2. Asset-backed available-for-sale bonds (ABS)				
Of which Asset-backed bond (ABS)	1,053	8	-	-
Total asset backed available-for-sale bonds (ABS)	**1,053**	**8**	**-**	**-**
Total mortgage and asset backed bond	**6,864**	**345**	**1,064**	**114**

Footnote:

(1) Amount lower than NIS 1 million

5. Securities (continued)

I. Additional details (Consolidated) on mortgage and asset backed securities (continued)
Additional details on mortgage and asset backed securities in unrealized loss position (continued)

	Audited			
	December 31, 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	184	10	-	-
Bonds issued by FHLMC and FNMA	25	2	25	5
Total mortgage backed pass through bonds	**209**	**12**	**25**	**5**
B. Other Mortgage-Backed Securities (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,700	174	1,616	407
Total other mortgage-backed bonds	**1,700**	**174**	**1,616**	**407**
Total available-for-sale MBS bonds	**1,909**	**186**	**1,641**	**412**
Held-to-maturity bonds				
A.Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	6	(1)-	-	-
Bonds issued by FHLMC and FNMA	1	(1)-	28	2
Total mortgage-backed pass-through bonds:	**7**	**-**	**28**	**2**
Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,227	173	1,451	233
Total other mortgage-backed bonds	**1,227**	**173**	**1,451**	**233**
Total held-to-maturity MBS bonds	**1,234**	**173**	**1,479**	**235**
Total mortgage-backed bonds (MBS)	**3,143**	**359**	**3,120**	**647**
2.Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	1,125	47	283	12
Of which Asset-backed bond (ABS)	1	(1)-	-	-
Total asset-backed available-for-sale bonds(ABS)	**1,126**	**47**	**283**	**12**
Total mortgage and asset backed bonds	**4,269**	**406**	**3,403**	**659**

Footnote:
(1) Amount lower than NIS 1 million

J. Information on problematic bonds

	March 31, 2023	March 31, 2022	December 31, 2022
	In NIS millions		
Recorded amount of non accruing interest income problematic bonds	-	1	1

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

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					
	March 31, 2023					
	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	138,386	346	1,200	139,932	51,797	191,729
Examined on a group basis	[1]13,055	66,582	33,276	112,913	-	112,913
Total debts	**151,441**	**66,928**	**34,476**	**252,845**	**51,797**	**304,642**
Of which:						
Non-accruing debts	1,077	234	164	1,475	-	1,475
Debts in arrears of 90 days or more	81	-	41	122	-	122
Other problematic debts	4,967	86	646	5,699	-	5,699
Total Problematic debts	**6,125**	**320**	**851**	**7,296**	**-**	**7,296**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,981	6	4	1,991	31	2,022
Examined on a group basis	319	267	785	1,371	-	1,371
Total allowance for Credit Losses	**2,300**	**273**	**789**	**3,362**	**31**	**3,393**
Of which: For non-accruing debts	183	12	81	276	-	276
Of which: For other problematic debts	349	1	65	415	-	415

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 181 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

	Unaudited					
	March 31, 2022					
	Credit to the public					
	Commercial[1][2]	Private Individuals - Housing Loans[2]	Private Individuals - Other Loans[2]	Total[2]	Banks and Governments Held-to-maturity and available-for-sale-bonds[2]	Total[2]
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	121,155	238	1,800	123,193	46,559	169,752
Examined on a group basis	[1]10,683	56,513	30,344	97,540	-	97,540
Total debts	**131,838**	**56,751**	**32,144**	**220,733**	**46,559**	**267,292**
Of which:						
Non-accruing debts	1,142	251	80	1,473	-	1,473
Debts in arrears of 90 days or more	50	-	39	89	-	89
Other problematic debts	3,613	76	327	4,016	-	4,016
Total Problematic debts	**4,805**	**327**	**446**	**5,578**	**-**	**5,578**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,702	8	23	1,733	26	1,759
Examined on a group basis	299	202	648	1,149	-	1,149
Total allowance for Credit Losses	**2,001**	**210**	**671**	**2,882**	**26**	**2,908**
Of which: For non-accruing debts	241	9	24	274	-	274
Of which: For other problematic debts	180	1	106	287	-	287

Footnotes:

(1) The balance of commercial debts includes housing loans in the amount of NIS 266 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.

(2) Reclassified due to changes in the data.

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, 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	134,873	336	1,458	136,667	47,453	184,120
Examined on a group basis	[1]9,989	64,989	32,643	107,621	-	107,621
Total debts	**144,862**	**65,325**	**34,101**	**244,288**	**47,453**	**291,741**
Of which:						
Non-accruing debts	1,210	229	81	1,520	-	1,520
Debts in arrears of 90 days or more	70	-	45	115	-	115
Other problematic debts	4,592	84	392	5,068	-	5,068
Total Problematic debts	**5,872**	**313**	**518**	**6,703**	**-**	**6,703**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,909	13	22	1,944	29	1,973
Examined on a group basis	303	253	709	1,265	-	1,265
Total allowance for Credit Losses	**2,212**	**266**	**731**	**3,209**	**29**	**3,238**
Of which: For non-accruing debts	205	13	30	248	-	248
Of which: For other problematic debts	267	1	128	397	-	397

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 218 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	Total
	In NIS millions					
	Three months ended March 31, 2023					
Balance of allowance for credit losses, as at December 31, 2022 (audited)	2,525	285	821	3,631	31	3,662
Adjustment to the opening balance due to the effect of the initial application(1)	22	-	28	50	-	50
Expenses for credit loss	134	6	60	200	4	204
Accounting write-offs	(120)	-	(114)	(234)	(1)	(235)
Collection of debts written-off in previous years	74	-	74	148	-	148
Net accounting write-offs	(46)	-	(40)	(86)	(1)	(87)
Adjustments from translation of financial statements	7	1	-	8	-	8
Balance of allowance for credit losses, as at March 31, 2023	**2,642**	**292**	**869**	**3,803**	**34**	**3,837**
Of which: For off-balance sheet credit instruments	342	19	80	441	3	444
	Three months ended March 31, 2022					
Balance of allowance for credit losses, as at December 31, 2021 (audited)	2,258	258	773	3,289	22	3,311
Adjustment to the opening balance due to the effect of the initial application(2)	183	(32)	-	151	9	160
Expenses (expenses release) for credit loss	(84)	11	17	(56)	(4)	(60)
Accounting write-offs	(82)	(6)	(82)	(170)	-	(170)
Collection of debts written-off in previous years	51	-	62	113	-	113
Net accounting write-offs	(31)	(6)	(20)	(57)	-	(57)
Adjustments from translation of financial statements	6	-	-	6	-	6
Balance of allowance for credit losses, as at March 31, 2022	**2,332**	**231**	**770**	**3,333**	**27**	**3,360**
Of which: For off-balance sheet credit instruments	331	21	99	451	1	452

Footnotes:
(1) ICC initially implemented the US GAAP with respect to allowances for current expected credit losses (CECL) as from January 1, 2023, see Note 1(e).
(2) The effect of the initial implementation of US GAAP regarding allowances for current expected credit losses (CECL) is presented in Note 1(c)(5) to the financial statements as of December 31, 2022.

7. Deposits from the public

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

	Unaudited		Audited
	March 31		December 31
	2023	2022	2022
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	42,350	66,970	48,047
Interest bearing	64,079	59,923	69,432
Total demand deposits	**106,429**	**126,893**	**117,479**
Time deposits	146,165	105,976	139,379
Total deposits in Israel*	**252,594**	**232,869**	**256,858**
* Of which:			
Private individuals deposits	118,862	111,993	116,356
Institutional bodies deposits	26,505	25,159	29,655
Corporations and others deposits	107,227	95,717	110,847
Outside Israel			
Demand deposits:			
Non-interest bearing	5,530	7,228	6,622
Interest bearing	22,983	22,654	20,968
Total demand deposits	**28,513**	**29,882**	**27,590**
Time deposits	8,605	4,980	7,845
Total deposits outside Israel	**37,118**	**34,862**	**35,435**
Total deposits from the public	**289,712**	**267,731**	**292,293**

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

	Unaudited		Audited
	March 31		December 31
	2023	2022	2022
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	97,443	88,805	96,125
Over 1 up to 10	70,081	66,652	69,671
Over 10 up to 100	42,996	39,889	43,702
Over 100 up to 500	34,424	29,653	34,338
Over 500	44,768	42,732	48,457
Total	**289,712**	**267,731**	**292,293**

8. Employee Benefits

A. Details on the benefits

	Unaudited		Audited
	March 31		December 31
	2023	2022	2022
	in NIS millions		
Severance pay, retirement and pension:			
The liability amount	2,645	2,975	2,644
Fair value of the plan's assets	1,234	1,338	1,219
Excess liabilities over the plan's assets included in the item "other liabilities"	**1,411**	**1,637**	**1,425**
Amounts included in the other liabilities item:			
Post retirement benefits to retirees	553	619	562
Vacation	160	168	142
Illness	7	7	7
Total Excess liabilities of the program included in the item "other liabilities"	**2,131**	**2,431**	**2,136**
Of which – for benefits to employees abroad	31	31	30

B. Defined benefit plan

1. Commitment and financing status

1.1 Change in commitment for anticipated benefits

	Unaudited				Audited	
	For the three months ended March 31,				For the year ended December 31,	
	2023	2022	2023	2022	2022	
	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	2,644	3,180	562	677	3,180	677
Cost of service	24	31	1	2	117	8
Cost of interest	27	14	6	4	81	13
Actuarial profit	(7)	(233)	(7)	(56)	(542)	(106)
Changes in foreign currency exchange rates	-	-	1	1	-	3
Benefits paid	(43)	(17)	(10)	(9)	(172)	(33)
Other	-	-	-	-	(20)	-
Commitment at the end of the period for anticipated benefits	**2,645**	**2,975**	**553**	**619**	**2,644**	**562**
Commitment at the end of the period ifor accumulated benefits[1]	**2,273**	**2,533**	**553**	**619**	**2,272**	**562**

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 March 31,		For the year ended December 31,
	2023	2022	2022
	Severance pay, retirement and pension payments		
	in NIS millions		
Fair value of the plan's assets at the beginning of the period	1,219	1,384	1,384
Actual return on the plan's assets	14	(37)	(135)
Deposits to the plan	6	7	26
Benefits paid	(5)	(16)	(53)
An addition stemming from the merger of Municipal Bank	-	-	(3)
Fair value of the plan's assets at the end of the period	**1,234**	**1,338**	**1,219**
Financing status – net liability recognized at the end of the period	**(1,411)**	**(1,637)**	**(1,425)**

1.3 Amounts recognized in the consolidated balance sheet

	Unaudited				Audited	
	March 31				December 31	
	2023	2022	2023	2022	2022	
	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"	(1,411)	(1,637)	(553)	(619)	(1,425)	(562)
Net liability at the end of the period	**(1,411)**	**(1,637)**	**(553)**	**(619)**	**(1,425)**	**(562)**

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

	Unaudited				Audited	
	March 31				December 31	
	2023	2022	2023	2022	2022	
	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	(647)	(911)	(16)	(70)	(665)	(22)
Net cost for prior service	-	-	(1)	-	-	(1)
Closing balances of accumulated other comprehensive loss	**(647)**	**(911)**	**(17)**	**(70)**	**(665)**	**(23)**

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
	March 31		December 31
	2023	2022	2022
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for cumulative benefits	2,156	2,406	2,154
Fair value of the plan's assets	1,079	1,185	1,068

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

	Unaudited		Audited
	March 31		December 31
	2023	2022	2022
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for anticipated benefits	2,645	2,975	2,644
Fair value of the plan's assets	1,234	1,338	1,219

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 March 31,		For the year ended December 31,
	2023	2022	2022
	in NIS millions		
Severance pay, retirement and pension payments			
Cost of service	24	31	117
Cost of interest	27	14	81
Anticipated return on assets of the plan	(15)	(19)	(73)
Other	-	-	(20)
Amortization of unrecognized amounts:			
Net actuarial loss	12	21	67
Total amortization of unrecognized amounts	**12**	**21**	**67**
Other, including loss from reduction or settlement	-	-	46
Total net cost of benefits	**48**	**47**	**218**
Total expense regarding defined deposits pension plans	**54**	**51**	**210**
Total expenses included for Severance pay, retirement and pension payments	**102**	**98**	**428**
Of which: expenses included in salaries and related expenses	78	82	327
Of which: expenses included in other expenses	24	16	101
Post retirement retiree benefits			
Cost of service	1	2	8
Cost of interest	6	4	13
Amortization of unrecognized amounts:			
Net actuarial (income) loss	(1)	1	(1)
Cost of prior service	-	-	(1)
Total amortization of unrecognized amounts	**(1)**	**1**	**(2)**
Total net cost of benefits	**6**	**7**	**19**
Of which: expenses included in salaries and related expenses	1	2	8
Of which: expenses included in other expenses	5	5	11

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 March 31,				For the year ended December 31,	
	2023	2022	2023	2022	2022	
	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 income for the year	(6)	(177)	(7)	(56)	(331)	(106)
Amortization of actuarial income (loss)	(12)	(21)	1	(1)	(67)	1
Amortization of credit for prior service	-	-	-	-	-	1
Other, including loss from reduction or settlement	-	-	-	-	(46)	-
Total recognized in other comprehensive income	**(18)**	**(198)**	**(6)**	**(57)**	**(444)**	**(104)**
Total net cost of benefits(1)	**48**	**47**	**6**	**7**	**218**	**19**
Total amount recognized in net cost of benefits and in other comprehensive income (loss)	**30**	**(151)**	**-**	**(50)**	**(226)**	**(85)**

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
	March 31		December 31	March 31		December 31
	2023	2022	2022	2023	2022	2022
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.71%-1.87%	-0.04%-1.07%	1.64%-1.83%	1.84%-2.04%	-0.68%-1.35%	1.76%-2.00%

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

	Unaudited		Audited	Unaudited		Audited
	March 31		December 31	March 31		December 31
	2023	2022	2022	2023	2022	2022
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.64%-1.83%	-0.75%-0.53%	0.46%-1.29%	1.76%-2.00%	-1.18%-0.80%	0.04%-1.49%

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		
	March 31		December 31	March 31		December 31	March 31		December 31	March 31		December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
	in NIS millions											
Discount rate	(221)	(268)	(237)	(40)	(49)	(43)	229	278	228	40	49	43

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 March 31,		For the year ended December 31,
	2023	2023	2022	2022
	Severance pay, retirement and pension payments			
	in NIS millions			
Deposits	23	6	7	26

Footnote:
(1) Assessment of expected deposits with defined benefit pension plans the remainder of 2023.

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 2022 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 minimum equity capital requirement by approx. 0.19%. It is noted that in accordance 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 March 31, 2023 to NIS 17,871 million.

On December 27, 2021, within the framework of updating Proper Conduct of Banking Business Directive No. 329, “Limitations on granting 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”).

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)

(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 91 million have been amortized to March 31, 2023.

(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 93 million have been amortized to March 31, 2023.

(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 78 million have been amortized to March 31, 2023.

(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 20 million have been amortized to March 31, 2023.

D. Capital for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2023	2022	2022
	in NIS millions		
Common equity tier 1 after regulatory adjustments and deductions	(1)26,542	(1)23,473	(1)25,353
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	26,542	23,473	25,353
Tier 2 capital after deductions	7,003	6,132	6,878
Total capital	**33,545**	**29,605**	**32,231**

Footnote:
(1) See item "(c)" above and "G" below.

E. Weighted risk assets balance

	Unaudited		Audited
	March 31,		December 31,
	2023	2022	2022
	in NIS millions		
Credit risk[1]	234,601	201,893	225,052
Market Risk	4,747	3,677	3,633
CVA risk	2,428	1,489	2,077
Operational risk	18,012	15,460	16,685
Total weighted risk assets balance	**259,788**	**222,519**	**247,447**

Footnote:
(1) The total weighted balances of the risk assets have been reduced by NIS 227 million (March 31, 2022: NIS 325 million, December 31,2022: NIS 252 million) due to adjustments in respect to the efficiency plan and an amount of NIS 268 million (December 31, 2022: NIS 555 million) in respect of adjustments for higher capital requirements in respect of loans of increased risk, designated 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)

F. Ratio of capital risk assets

	Unaudited		Audited
	March 31,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Ratio of common equity tier 1 to risk assets	10.22	10.55	10.25
Ratio of total capital to risk assets	12.91	13.30	13.03
Ratio of minimum common equity tier 1 required by the Supervisor of Banks[(3)]	9.19	9.17	9.19
Minimum total capital adequacy ratio required by the Supervisor of Banks	12.50	12.50	12.50
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Ratio of common equity tier 1 to risk assets	11.27	10.85	11.07
Ratio of total capital to risk assets	13.75	12.78	13.66
Ratio of minimum common equity tier 1 required by the Supervisor of Banks[(4)]	9.22	9.19	9.22
Minimum total capital adequacy ratio required by the Supervisor of Banks	12.50	12.50	12.50
2. Discount Bancorp Inc. [(1)]			
Ratio of common equity tier 1 to risk assets	14.37	12.62	14.12
Ratio of total capital to risk assets	15.27	13.47	15.05
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	12.8	14.8	12.4
Ratio of total capital to risk assets	13.9	15.9	13.5
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.0	9.0	8.0
Minimum total capital adequacy ratio required by the Supervisor of Banks	11.5	12.5	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; 6.0% Tier 1 capital to risk-weighted assets; and 8.0% Total capital to risk-weighted assets.

(3) With an addition of 0.19% (March 31, 2022: 0.17%, December 31, 2022: 0.19%), according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

(4) With an addition of 0.22% (March 31, 2022: 0.19%, December 31, 2022: 0.22%), according to the additional capital requirements with respect to housing loans - see item 1 (b) 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)

G. Capital components for calculating ratio of capital

	Unaudited		Audited
	March 31,		December 31,
	2023	2022	2022
	in NIS millions		
A. Common Equity Tier 1			
Common equity	26,750	23,709	25,478
Difference between common equity and common equity tier 1	(306)	(346)	(262)
Total common equity tier 1 before supervisory adjustments and deductions	**26,444**	**23,363**	**25,216**
Supervisory adjustments and deductions			
Goodwill and other intangible assets	175	260	175
Supervisory adjustments and other deductions	23	36	25
Total supervisory adjustments and deductions before effect of adjustments for the efficiency plan and before effect of adjustment for expected credit losses	**198**	**296**	**200**
Total adjustments in respect to the efficiency plan	179	271	202
Total adjustments for expected credit losses	117	135	135
Total common equity tier 1 after supervisory adjustments and deductions	**26,542**	**23,473**	**25,353**
B. Additional tier 1 capital			
Additional tier 1 capital before supervisory adjustments and deductions	-	-	-
Total additional tier 1 capital after supervisory adjustments and deductions	**-**	**-**	**-**
C. Tier 2 capital			
Instruments before deductions	3,938	3,496	3,942
Allowance for credit losses before deductions	2,963	2,542	2,839
Minority interests in a subsidiary	102	94	97
Total tier 2 capital before deductions	7,003	6,132	6,878
Deductions	-	-	-
Total tier 2 capital	**7,003**	**6,132**	**6,878**

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

	Unaudited		Audited
	March 31,		December 31,
	2023	2022	2022
	In %		
Ratio of Common Equity Tier 1 to risk items before effect of adjustments	10.08	10.35	10.07
Effect of the adjustments in respect to the efficiency plan(1)	0.08	0.14	0.11
Effect of adjustments for expected credit losses(2)	0.05	0.06	0.05
Effect of adjustments for increased risk loans for the purchase of land(3)	0.01	-	0.02
Ratio of common equity tier 1 to risk assets after the effect of the adjustments	10.22	10.55	10.25

Footnote:
(1) See item "C" and "G" 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, 2025. See also item "G" 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

General. **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.**

Leverage ratio according to Directives of the Supervisor of Banks

	Unaudited		Audited
	March 31,		December 31,
	2023	2022	2022
	in NIS millions		
A. Consolidated			
Tier 1 capital[1]	26,542	23,473	25,353
Total exposures	427,263	374,412	412,180
	In %		
Leverage ratio	6.2	6.3	6.2
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	6.3	5.7	5.9
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
2. Discount Bancorp Inc.			
Leverage ratio	10.5	9.3	10.3
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	9.4	11.0	9.2
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5

Footnote:
(1) For the effect of the adjustments for the efficiency plans, see items 1 G, H.

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

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

Liquidity coverage ratio according to Directives of the Supervisor of Banks

	Unaudited		Audited
	For the three months ended		
	March 31,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Liquidity coverage ratio	137.3	124.8	130.5
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	158.9	135.6	145.4
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	138.2	137.9	134.2
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnote: (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%.

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

	Unaudited	Unaudited	Audited
	March 31,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Net stable funding ratio (NFSR)	124.8	127.3	124.8
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. Significant subsidiaries			
1. Mercantile Discount Bank LTD. and its consolidated companies			
Net stable funding ratio (NFSR)	122.9	122.3	125.6
Minimal Net stable funding ratio required by the Supervisor of Banks	100.0	100.0	100.0

10. Contingent liabilities and special commitments

Contingent liabilities and other special commitments

	Unaudited		Audited
	March 31		December 31
	2023	2022	2022
	in NIS millions		
1. Commitment to acquire buildings and equipment(1)	415	812	515
2. Commitment to invest in private investment funds and in venture capital funds	841	690	847

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, 2022, various actions are pending against the Bank and its consolidated subsidiaries, including class action suits and applications 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 687 million as of March 31, 2023.

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, 2022. 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, 2022.

Following is a summary of significant updates regarding material legal actions against the Bank and its subsidiaries:

3.1 Note 26 C 10.8 to the financial statements as of December 31, 2022, described a lawsuit filed on November 16, 2020, together with a motion for approval of the action as a class action suit with the Jerusalem District Court against the Bank, MDB and five additional banks. The Claimants argue that the banks are not acting according to the provisions of the Credit Data Law and the Regulations enacted under it, by incorrectly reporting data relating to cases where they have no authority to do so. It is also argued that the banks report legal proceedings for a debt even after a ruling had been given at the conclusion thereof, and this until repayment of the debt had been made in full, or until after a debt arrangement had been signed, date of granting exemption, or any other date following the rendering of a ruling.

It is further argued that the banks report also claims in determined amounts submitted to the Debt Execution Office, and this despite the fact that no legal proceedings had been instituted with a Court of Law. The Claimants claim a monetary damage of different amounts for the different class members and a nonmonetary damage for damaged autonomy in the amount of NIS 50,000, with no proof of damage.

A compromise agreement was submitted on December 15, 2022, for approval of the Court. A hearing of the motion for approval of the compromise agreement took place on March 5, 2023, and on March 9, 2023, a ruling was issued approving the compromise arrangement.

4. Class action suits and applications 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, 2022, described a statement of claim 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, Privat Bank, and the cause of action being fraud, embezzlement and deceit perpetrated by former controlling stockholders of the Plaintiff who are being sued in the statement of claim.

10. Contingent liabilities and special commitments (continued)

As argued in the statement of claim, 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 statement of claim, the said monetary transfers were made in the years from 2007 to 2011. According to the allegations 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.

Since the filing of the action, the hearing of the case concentrates mostly on preliminary issues. Included in the above, inter alia, proceedings continued during February to April 2023, regarding applications denying authority submitted by certain of the defendants, though the denial applications have not yet been decided.

5. Discount Campus. Details on the project are presented in Note 26 C 13 to the annual financial statements as of December 31, 2022. The investment in the project amounted at March 31, 2023, to NIS 1,362 million. The balance of the commitment for this project amounted at that date to NIS 211 million (all amounts do not include VAT).
6. Directors and officers liability insurance. On April 1, 2023, pursuant to the approval of the Compensation 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, Compensation 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, 2023 through March 31, 2024 (hereinafter: “the Insurance Period”). The liability limit insured within the framework of the Insurance Policy is US$175 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		
	March 31, 2023			March 31, 2022			December 31, 2022		
	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	7,155	26,918	34,073	6,728	20,614	27,342	7,022	28,910	35,932
Options written	-	642	642	11	2,450	2,461	1	1,152	1,153
Options purchased	-	642	642	11	2,100	2,111	1	1,011	1,012
Swaps[1]	43,859	154,514	198,373	18,797	112,664	131,461	35,073	153,515	188,588
Total[2]	**51,014**	**182,716**	**233,730**	**25,547**	**137,828**	**163,375**	**42,097**	**184,588**	**226,685**
Of which: Hedging derivatives[5]	14,125	-	14,125	4,634	-	4,634	10,109	-	10,109
Foreign currency contracts									
Forward and Futures contracts[3]	1,775	65,635	67,410	1,524	54,686	56,210	1,387	42,502	43,889
Options written	-	18,286	18,286	-	14,008	14,008	-	10,218	10,218
Options purchased	651	18,411	19,062	-	13,120	13,120	-	11,044	11,044
Swaps	47,226	110,319	157,545	27,891	94,432	122,323	34,032	105,180	139,212
Total	**49,652**	**212,651**	**262,303**	**29,415**	**176,246**	**205,661**	**35,419**	**168,944**	**204,363**
Contracts on shares									
Options written	9	8,088	8,097	84	12,398	12,482	27	7,661	7,688
Options purchased[4]	9	8,088	8,097	88	12,398	12,486	28	7,661	7,689
Swaps	-	2,090	2,090	-	798	798	-	925	925
Total	**18**	**18,266**	**18,284**	**172**	**25,594**	**25,766**	**55**	**16,247**	**16,302**
Commodities and other contracts									
Forward and Futures contracts	-	3,470	3,470	-	617	617	-	839	839
Options written	-	-	-	-	3	3	-	-	-
Options purchased	-	-	-	-	3	3	-	-	-
Total	**-**	**3,470**	**3,470**	**-**	**623**	**623**	**-**	**839**	**839**
Total stated amount	**100,684**	**417,103**	**517,787**	**55,134**	**340,291**	**395,425**	**77,571**	**370,618**	**448,189**

Footnotes:

	March 31, 2023	March 31, 2022	December 31, 2022
(1) Of which: swaps on which the Bank pays a fixed interest	33,181	26,907	30,891
(2) Of which: shekel/CPI swaps	17,557	16,762	18,610
(3) Of which: spot foreign currency swap contracts	3,380	3,099	2,272
(4) Of which: traded on the Stock Exchange	8,097	(6)12,486	(6)7,689

(5) The Bank conducts accounting hedge by way of IRS transactions.
(6) Reclassified – improvement in the classes of derivatives presented in this line.

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					
	March 31, 2023					
Interest rate contracts	919	4,085	5,004	695	4,082	4,777
Of which: Hedging	517	-	517	161	-	161
Foreign currency contracts	1,499	3,922	5,421	121	3,582	3,703
Contracts on shares	1	1,521	1,522	1	1,521	1,522
Commodities and other contracts	-	14	14	-	14	14
Total assets/liabilities for derivatives gross(1)	**2,419**	**9,542**	**11,961**	**817**	**9,199**	**10,016**
Balance sheet balance	2,419	9,542	11,961	817	9,199	10,016
Of which: not subject to net settlement arrangement or similar arrangements	54	933	987	21	1,444	1,465
	Unaudited					
	March 31, 2022					
Interest rate contracts	353	2,295	2,648	457	2,152	2,609
Of which: Hedging	215	-	215	86	-	86
Foreign currency contracts	584	2,059	2,643	587	2,254	2,841
Contracts on shares	3	444	447	3	444	447
Commodities and other contracts	-	-	-	-	-	-
Total assets/liabilities for derivatives gross(1)	**940**	**4,798**	**5,738**	**1,047**	**4,850**	**5,897**
Balance sheet balance	940	4,798	5,738	1,047	4,850	5,897
Of which: not subject to net settlement arrangement or similar arrangements	-	402	402	1	426	427
	Audited					
	December 31, 2022					
Interest rate contracts	947	4,986	5,933	671	4,930	5,601
Of which: Hedging	606	-	606	158	-	158
Foreign currency contracts	1,074	3,394	4,468	53	2,680	2,733
Contracts on shares	1	1,021	1,022	1	1,021	1,022
Commodities and other contracts	-	-	-	-	-	-
Total assets/liabilities for derivatives gross(1)	**2,022**	**9,401**	**11,423**	**725**	**8,631**	**9,356**
Balance sheet balance	2,022	9,401	11,423	725	8,631	9,356
Of which: not subject to net settlement arrangement or similar arrangements	55	516	571	21	969	990

Footnote:

(1) Of which: NIS 2 million (March 31, 2022: NIS 6 million, December 31, 2022: NIS 3 million) positive gross fair value of assets stemming from embedded derivative instruments.
Of which: NIS 11 million (March 31, 2022: NIS 5 million, December 31, 2022: NIS 8 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 March 31		For the year ended December 31
	2023	2022	2022
	Interest income (expenses)		
	In NIS millions		
Profit (loss) on fair value hedge			
Interest rate contracts			
Hedged items	134	(121)	(465)
Hedging derivatives	(115)	116	454

2. Items hedged by fair value hedge

	Unaudited						Audited		
	March 31, 2023			March 31, 2022			December 31, 2022		
	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	8,159	(284)	-	2,338	(128)	18	6,606	(407)	-
Deposits from the public	3,032	(88)	-	1,955	(61)	-	2,296	(109)	-
Bonds and subordinated debt notes	2,911	9	-	-	-	-	-	-	-

3. Effect of activity in derivative instruments in cash flow hedging

A. Amounts recognized in other comprehensive income for cash flow hedging

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Profit (loss) recognized in accumulated other comprehensive income for the derivative		
	In NIS millions		
Hedge contract			
Interest rate	5	(13)	(27)

11. Derivative Instruments Activity - volume, credit risk and due dates (continued)

B. Accounting hedge (continued)

3. Effect of activity in derivative instruments in cash flow hedging (continued)

B. Amounts reclassified from other comprehensive income to profit and loss

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Profit (loss) recognized in accumulated other comprehensive income for the derivative		
	In NIS millions		
Hedge contract			
Interest rate	5	(1)	4

4. Effect of Derivatives not designated as hedging instruments on statement of profit and loss

	Unaudited		Audited
	For the three months ended March 31		For the year ended December 31
	2023	2022	2022
	Profit (loss) recognized in income (expenses) from activity in derivative instruments[(1)]		
	In NIS millions		
Interest rate contracts	(100)	(123)	(289)
Foreign currency contracts	1,554	466	3,402
Contracts on shares	-	-	2
Total	**1,454**	**343**	**3,115**

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

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Institutional bodies	Others	Total
	In NIS millions						
	Unaudited						
	March 31, 2023						
Balance sheet balance of assets for derivative instruments[3]	80	3,498	51	-	2,737	5,595	5,595
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[6]	-	(1,993)	-	-	(368)	(3,158)	(3,158)
Credit risk mitigation for cash collateral received	-	(752)	(30)	-	(1,683)	(169)	(169)
Adjusting net balance sheet with balance sheet credit risk	-	(1)	(1)	-	-	(730)	(730)
Balance sheet credit risk for derivative instruments	**80**	**752**	**20**	**-**	**686**	**1,538**	**1,538**
Off-balance sheet credit risk for financial instruments[2]	1,764	1,957	422	45	2,211	1,577	1,577
Total credit risk for derivative instruments[5]	**1,844**	**2,709**	**442**	**45**	**2,897**	**3,115**	**3,115**
Balance sheet balance of liabilities for financial instruments[4]	1,388	3,484	26	220	529	4,369	4,369
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,993)	-	-	(368)	(3,158)	(3,158)
Pledged cash collateral	-	(903)	-	-	(67)	(172)	(172)
Net amount of liabilities for derivative instruments	**1,388**	**588**	**26**	**220**	**94**	**1,039**	**1,039**
	March 31, 2022						
Balance sheet balance of assets for derivative instruments[3]	84	2,207	12	34	34	2,939	2,939
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[6]	-	(1,445)	(2)	(3)	(3)	(1,686)	(1,686)
Credit risk mitigation for cash collateral received	-	(697)	(6)	-	-	-	-
Net amount of assets for derivative instruments	**84**	**65**	**4**	**31**	**31**	**1,253**	**1,253**
Off-balance sheet credit risk for derivative instruments[1]	385	276	48	39	39	716	716
Total credit risk for derivative instruments[5]	**469**	**2,483**	**60**	**73**	**73**	**3,655**	**3,655**
Balance sheet balance of liabilities in respect of derivative instruments[4]	347	1,983	3	3	3	2,621	2,621
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,445)	(2)	(3)	(3)	(1,686)	(1,686)
Pledged cash collateral	-	(492)	-	-	-	(66)	(66)
Net amount of liabilities in respect of derivative instruments	**347**	**46**	**1**	**-**	**-**	**869**	**869**

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)

	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Institutional bodies	Others	Total
	Audited						
	In NIS millions						
	December 31, 2022						
Balance sheet balance of assets for derivative instruments[3]	75	3,227	61	-	[7]2,381	[7]5,679	[7]5,679
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[6]	-	(1,728)	-	-	[7](207)	[7](3,680)	[7](3,680)
Credit risk mitigation for cash collateral received	-	(858)	(34)	-	[7](1,639)	[7](370)	[7](370)
Adjusting net balance sheet with balance sheet credit risk	-	-	-	-	-	(544)	(544)
Balance sheet credit risk for derivative instruments	**75**	**641**	**27**	**-**	**[7]535**	**[7]1,085**	**[7]1,085**
Off-balance sheet credit risk for derivative instruments[1]	1,533	1,737	125	34	[7]1,536	[7]1,357	[7]1,357
Total credit risk for derivative instruments[5]	**1,608**	**2,378**	**152**	**34**	**[7]2,071**	**[7]2,442**	**[7]2,442**
Balance sheet balance of liabilities for derivative instruments[4]	925	3,115	1	113	[7]277	[7]4,925	[7]4,925
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,728)	-	-	[7](207)	[7](3,680)	[7](3,680)
Pledged cash collateral	-	(660)	-	(94)	[7](54)	[7](134)	[7](134)
Net amount of liabilities for derivative instruments	**925**	**727**	**1**	**19**	**[7]16**	**[7]1,111**	**[7]1,111**

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 for 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 11,959 million included in the item assets for derivative instruments (March 31, 2022: NIS 5,732 million, December 31, 2021: NIS 11,420 million).

(4) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 10,005 million included in the item liabilities for derivative instruments (March 31, 2022: NIS 5,892 million, December 31, 2021: NIS 9,348 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 5,519 million (March 31, 2022: NIS 3,540 million, December 31, 2021: NIS 5,659 million).

(7) Reclassified due to changes in the data.

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		
			March 31, 2023		
Interest rate contracts					
Shekel/CPI	1,900	4,989	8,029	2,639	17,557
Other	24,549	72,429	81,553	37,642	216,173
Foreign currency contracts	148,531	85,346	21,990	6,436	262,303
Contracts on shares	16,370	1,845	69	-	18,284
Commodities and other contracts	172	3,298	-	-	3,470
Total	**191,522**	**167,907**	**111,641**	**46,717**	**517,787**
			Unaudited		
			March 31, 2022		
Total	**145,512**	**102,765**	**93,010**	**54,138**	**395,425**
			Audited		
			December 31, 2022		
Total	**164,753**	**121,580**	**107,975**	**53,881**	**448,189**

12. Regulatory Operating Segments

A. Details on the regulatory segments were brought in Note 29 A to the financial statements as of December 31, 2022. 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, 2022.

For details on administrative segments recognized by the Bank were brought in Note 30 A to the financial statements as of December 31, 2022.

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 on 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. It is noted however, that the volume of classified customers, based on an estimate, continues to decline over the years.

B. Information on regulatory operating segments, consolidated

	Unaudited				
	For the three months ended March 31, 2023				
	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	1,362	821	224	5	784
Interest expenses To external sources	245	-	-	147	195
Net interest income from external sources	1,117	821	224	(142)	589
Net interest income Intersegmental	40	(612)	(7)	239	83
Total net Interest income	1,157	209	217	97	672
Non-interest financing income from external sources	217	2	353	(311)	(166)
Non-interest financing income Intersegmental	272	-	-	334	318
Total Non-interest financing income	489	2	353	23	152
Total income	**1,646**	**211**	**570**	**120**	**824**
Credit loss expenses (expenses release)	68	15	55	(1)	73
Operating and other expenses	925	62	434	32	351
Profit before taxes	**653**	**134**	**81**	**89**	**400**
Provision for taxes on profit	220	46	25	31	142
Profit after taxes	**433**	**88**	**56**	**58**	**258**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	433	88	56	58	258
Net Profit from ordinary operations Attributed to the non-controlling interests	(10)	-	(10)	-	(3)
Net Profit Attributed to the bank's shareholders	**423**	**88**	**46**	**58**	**255**
Balance of Average Assets	96,094	64,788	15,879	553	41,488
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	95,639	65,293	15,455	485	40,964
Balance of credit to the public at the period end(3)	99,458	(4)66,203	18,607	(4)474	42,085
Balance of impaired non-accruing	398	234	122	-	638
Balance of debts in arrear for over ninety days	41	-	-	-	61
Balance of Average Liabilities	98,606	100	2,957	22,364	55,316
Of which - Balance of Average Deposits from the public	94,456	-	11	22,233	44,674
Balance of deposits from the public at the period end	95,659	-	11	23,203	47,437
Balance of Average Risk-assets(1)	70,794	37,179	17,180	836	41,097
Balance of Risk-assets at the period end(1)	71,532	37,586	17,255	900	41,655
Balance of Average assets under management(2)	36,606	380	-	25,062	54,664
Net interest income:					
Margin from credit activity to the public	589	209	217	2	397
Margin from deposits activity from the public	568	-	-	95	275
Other	-	-	-	-	-
Total net interest income	**1,157**	**209**	**217**	**97**	**672**

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 4,071 million.

B. Information on regulatory operating segments, consolidated (continued)

	Unaudited						
	For the three months ended March 31, 2023						
	Domestic operations					International operations	
	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	in NIS millions						
Interest income from external sources	294	866	6	774	4,091	602	4,693
Interest expenses To external sources	112	418	283	289	1,689	264	1,953
Net interest income from external sources	182	448	(277)	485	2,402	338	2,740
Net interest income Intersegmental	(12)	(94)	298	(554)	-	-	-
Total net Interest income	170	354	21	(69)	2,402	338	2,740
Non-interest financing income from external sources	(65)	(25)	(127)	1,941	1,464	53	1,517
Non-interest financing income Intersegmental	103	144	127	(1,298)	-	-	-
Total Non-interest financing income	38	119	-	643	1,464	53	1,517
Total income	**208**	**473**	**21**	**574**	**3,866**	**391**	**4,257**
Credit loss expenses (expenses release)	1	74	-	4	219	(15)	204
Operating and other expenses	72	187	17	141	1,725	237	1,962
Profit before taxes	**135**	**212**	**4**	**429**	**1,922**	**169**	**2,091**
Provision for taxes on profit	47	79	1	195	715	48	763
Profit after taxes	**88**	**133**	**3**	**234**	**1,207**	**121**	**1,328**
Bank's share in profits of Associates, net of tax effect	-	-	-	5	5	-	5
Net Profit from ordinary operations before Attributed to the non-controlling interests	88	133	3	239	1,212	121	1,333
Net Profit from ordinary operations Attributed to the non-controlling interests	(1)	(4)	-	(46)	(64)	-	(64)
Net Profit Attributed to the bank's shareholders	**87**	**129**	**3**	**193**	**1,148**	**121**	**1,269**
Balance of Average Assets	17,571	60,498	539	123,589	340,332	42,748	383,080
Of which - Investment in Associates	-	-	-	482	482	-	482
Of which - Balance of Average credit to the public(3)	17,623	60,223	505	-	215,439	29,304	244,743
Balance of credit to the public at the period end(3)	18,186	62,431	551	-	223,185	29,660	252,845
Balance of impaired non-accruing	173	204	-	-	1,413	62	1,475
Balance of debts in arrear for over ninety days	-	19	-	745	866	1	867
Balance of Average Liabilities	17,025	53,169	24,836	46,430	317,746	37,950	355,696
Of which - Balance of Average Deposits from the public	14,293	37,308	24,791	-	237,755	35,245	273,000
Balance of deposits from the public at the period end	15,507	44,283	26,505	-	252,594	37,118	289,712
Balance of Average Risk-assets(1)	17,770	67,849	991	19,541	218,878	34,740	253,618
Balance of Risk-assets at the period end(1)	18,458	70,030	1,097	21,132	224,804	34,984	259,788
Balance of Average assets under management(2)	8,206	49,346	66,439	537	240,860	16,225	257,085
Net interest income:							
Margin from credit activity to the public	118	288	1	-	1,395	162	1,557
Margin from deposits activity from the public	52	66	20	-	1,076	167	1,243
Other	-	-	-	(69)	(69)	9	(60)
Total net interest income	**170**	**354**	**21**	**(69)**	**2,402**	**338**	**2,740**

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 4,071 million.

B. Information on regulatory operating segments, consolidated (continued)

	Unaudited				
	For the three months ended March 31, 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	839	492	165	3	396
Interest expenses To external sources	43	-	-	9	14
Net interest income from external sources	796	492	165	(6)	382
Net interest income Intersegmental	(239)	(322)	(5)	23	(9)
Total net Interest income	557	170	160	17	373
Non-interest financing income from external sources	322	3	316	(112)	15
Non-interest financing income Intersegmental	121	-	-	132	136
Total Non-interest financing income	443	3	316	20	151
Total income	**1,000**	**173**	**476**	**37**	**524**
Credit loss expenses (expenses release)	29	13	-	1	(4)
Operating and other expenses	807	69	346	21	333
Profit before taxes	**164**	**91**	**130**	**15**	**195**
Provision for taxes on profit	30	28	45	4	54
Profit after taxes	**134**	**63**	**85**	**11**	**141**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	134	63	85	11	141
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(18)	-	(18)	-	(1)
Net Profit Attributed to the bank's shareholders	**116**	**63**	**67**	**11**	**140**
Balance of Average Assets	83,887	54,911	13,433	516	39,889
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	82,728	54,852	13,038	466	39,206
Balance of credit to the public at the period end(3)	86,962	(4)56,109	15,860	(4)510	40,299
Balance of impaired non-accruing	404	247	105	-	482
Balance of debts in arrear for over ninety days	39	-	-	-	49
Balance of Average Liabilities	95,171	125	2,791	19,606	53,655
Of which - Balance of Average Deposits from the public	90,899	-	13	19,499	48,541
Balance of deposits from the public at the period end	91,885	-	12	20,108	47,276
Balance of Average Risk-assets(1)	61,819	31,166	15,299	597	38,324
Balance of Risk-assets at the period end (1)	62,739	32,007	15,433	626	38,917
Balance of Average assets under management(2)	(5)36,404	363	-	(5)26,429	(5)33,665
Net interest income:					
Margin from credit activity to the public	489	170	160	2	341
Margin from deposits activity from the public	68	-	-	15	32
Other	-	-	-	-	-
Total net interest income	**557**	**170**	**160**	**17**	**373**

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.
(5) Improvement of the classification of managed assets in the different segments.

B. Information on regulatory operating segments, consolidated (continued)

	Unaudited						
	For the three months ended March 31, 2022						
	Domestic operations					International operations	
	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	in NIS millions						
Interest income from external sources	123	306	-	162	1,829	255	2,084
Interest expenses To external sources	8	24	18	147	263	21	284
Net interest income from external sources	115	282	(18)	15	1,566	234	1,800
Net interest income Intersegmental	(14)	(71)	24	286	-	-	-
Total net Interest income	101	211	6	301	1,566	234	1,800
Non-interest financing income from external sources	(43)	5	(43)	1,095	1,239	47	1,286
Non-interest financing income Intersegmental	79	99	46	(613)	-	-	-
Total Non-interest financing income	36	104	3	482	1,239	47	1,286
Total income	**137**	**315**	**9**	**783**	**2,805**	**281**	**3,086**
Credit loss expenses (expenses release)	(8)	(47)	(6)	(4)	(39)	(21)	(60)
Operating and other expenses	70	158	14	121	1,524	183	1,707
Profit before taxes	**75**	**204**	**1**	**666**	**1,320**	**119**	**1,439**
Provision for taxes on profit	22	62	-	234	406	41	447
Profit after taxes	**53**	**142**	**1**	**432**	**914**	**78**	**992**
Bank's share in profits of Associates, net of tax effect	-	-	-	5	5	-	5
Net Profit from ordinary operations before Attributed to the non-controlling interests	53	142	1	437	919	78	997
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	-	(1)	-	6	(14)	-	(14)
Net Profit Attributed to the bank's shareholders	**53**	**141**	**1**	**443**	**905**	**78**	**983**
Balance of Average Assets	16,384	48,909	826	108,346	298,757	38,549	337,306
Of which - Investment in Associates	-	-	-	460	460	-	460
Of which - Balance of Average credit to the public(3)	16,300	48,297	786	-	187,783	27,292	215,075
Balance of credit to the public at the period end(3)	16,677	48,538	176	-	193,162	27,571	220,733
Balance of impaired non-accruing	379	199	-	-	1,464	82	1,546
Balance of debts in arrear for over ninety days	-	-	-	292	380	1	381
Balance of Average Liabilities	14,754	41,072	20,279	35,719	280,256	34,793	315,049
Of which - Balance of Average Deposits from the public	13,780	37,507	20,232	-	230,458	34,450	264,908
Balance of deposits from the public at the period end	13,165	35,276	25,159	-	232,869	34,862	267,731
Balance of Average Risk-assets(1)	15,816	52,917	557	17,764	187,794	31,126	218,920
Balance of Risk-assets at the period end (1)	16,679	52,520	297	19,130	190,908	31,611	222,519
Balance of Average assets under management(2)	(5)9,368	(5)59,798	88,526	304	254,494	(5)13,302	267,796
Net interest income:							
Margin from credit activity to the public	95	202	1	-	1,130	172	1,302
Margin from deposits activity from the public	6	9	5	-	135	40	175
Other	-	-	-	301	301	22	323
Total net interest income	**101**	**211**	**6**	**301**	**1,566**	**234**	**1,800**

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 3,438 million.
(5) Improvement of the classification of managed assets in the different segments.

B. Information on regulatory operating segments, consolidated (continued)

	Audited				
	For the year ended December 31, 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	4,151	2,533	725	18	2,094
Interest expenses To external sources	380	-	-	176	246
Net interest income from external sources	3,771	2,533	725	(158)	1,848
Net interest income Intersegmental	(690)	(1,784)	(17)	359	107
Total net Interest income	3,081	749	708	201	1,955
Non-interest financing income from external sources	1,086	12	1,373	(854)	(269)
Non-interest financing income Intersegmental	799	-	-	933	869
Total Non-interest financing income	1,885	12	1,373	79	600
Total income	**4,966**	**761**	**2,081**	**280**	**2,555**
Credit loss expenses	222	60	95	1	89
Operating and other expenses	3,393	259	1,482	111	1,371
Profit before taxes	**1,351**	**442**	**504**	**168**	**1,095**
Provision for taxes on profit	435	148	179	56	368
Profit after taxes	**916**	**294**	**325**	**112**	**727**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	916	294	325	112	727
Net Profit from ordinary operations Attributed to the non-controlling interests	(67)	-	(67)	-	(6)
Net Profit(Loss) Attributed to the bank's shareholders	**849**	**294**	**258**	**112**	**721**
Balance of Average Assets	89,445	59,251	14,704	614	40,563
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	88,604	59,389	14,450	546	40,085
Balance of credit to the public at the period end(3)	97,457	(4)64,593	17,917	(4)490	41,185
Balance of impaired non-accruing	310	229	42	-	600
Balance of debts in arrear for over ninety days	45	-	-	-	67
Balance of Average Liabilities	97,253	167	2,935	19,631	54,086
Of which - Balance of Average Deposits from the public	93,478	-	12	19,503	48,853
Balance of deposits from the public at the period end	94,036	-	11	22,319	47,752
Balance of Average Risk-assets(1)	65,601	33,758	16,130	665	39,641
Balance of Risk-assets at the period end (1)	70,055	36,773	17,105	772	40,541
Balance of Average assets under management(2)	36,229	368	-	23,664	33,570
Net interest income:					
Margin from credit activity to the public	2,115	749	708	8	1,471
Margin from deposits activity from the public	966	-	-	193	484
Other	-	-	-	-	-
Total net interest income	**3,081**	**749**	**708**	**201**	**1,955**

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.

B. Information on regulatory operating segments, consolidated (continued)

	Audited						
	For the year ended December 31, 2022						
	Domestic operations					International operations	
	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	in NIS millions						
Interest income from external sources	710	1,946	9	1,250	10,178	1,522	11,700
Interest expenses To external sources	141	558	445	686	2,632	375	3,007
Net interest income from external sources	569	1,388	(436)	564	7,546	1,147	8,693
Net interest income Intersegmental	(66)	(263)	501	52	-	-	-
Total net Interest income	503	1,125	65	616	7,546	1,147	8,693
Non-interest financing income from external sources	(411)	(62)	(527)	5,087	4,050	201	4,251
Non-interest financing income Intersegmental	556	513	539	(4,209)	-	-	-
Total Non-interest financing income	145	451	12	878	4,050	201	4,251
Total income	**648**	**1,576**	**77**	**1,494**	**11,596**	**1,348**	**12,944**
Credit loss expenses	35	70	(2)	-	415	(8)	407
Operating and other expenses	281	703	59	465	6,383	834	7,217
Profit before taxes	**332**	**803**	**20**	**1,029**	**4,798**	**522**	**5,320**
Provision for taxes on profit	110	270	6	387	1,632	174	1,806
Profit after taxes	**222**	**533**	**14**	**642**	**3,166**	**348**	**3,514**
Bank's share in profits of Associates, net of tax effect	-	-	-	27	27	-	27
Net Profit from ordinary operations before Attributed to the non-controlling interests	222	533	14	669	3,193	348	3,541
Net Profit from ordinary operations Attributed to the non-controlling interests	(1)	(5)	-	33	(46)	-	(46)
Net Profit(Loss) Attributed to the bank's shareholders	**221**	**528**	**14**	**702**	**3,147**	**348**	**3,495**
Balance of Average Assets	16,400	53,485	630	117,756	318,893	40,776	359,669
Of which - Investment in Associates	-	-	-	466	466	-	466
Of which - Balance of Average credit to the public(3)	16,432	52,872	599	-	199,138	28,146	227,284
Balance of credit to the public at the period end(3)	17,224	58,407	416	-	215,179	29,109	244,288
Balance of impaired non-accruing	190	339	-	-	1,439	81	1,520
Balance of debts in arrear for over ninety days	1	-	-	664	777	2	779
Balance of Average Liabilities	15,908	45,147	26,545	39,769	298,339	36,562	334,901
Of which - Balance of Average Deposits from the public	14,775	41,171	26,515	-	244,295	35,024	279,319
Balance of deposits from the public at the period end	15,093	48,002	29,655	-	256,857	35,436	292,293
Balance of Average Risk-assets(1)	16,549	57,782	767	18,279	199,284	33,370	232,654
Balance of Risk-assets at the period end (1)	17,082	65,667	886	17,950	212,953	34,494	247,447
Balance of Average assets under management(2)	9,276	54,756	87,877	461	245,833	14,252	260,085
Net interest income:							
Margin from credit activity to the public	405	988	4	-	4,991	727	5,718
Margin from deposits activity from the public	98	137	61	-	1,939	384	2,323
Other	-	-	-	616	616	36	652
Total net interest income	**503**	**1,125**	**65**	**616**	**7,546**	**1,147**	**8,693**

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 March 31, 2023									
Net interest income	1,569	247	419	(25)	11	317	194	7	1	2,740
Non-interest income	308	36	148	241	38	52	724	20	(50)	1,517
Total income	**1,877**	**283**	**567**	**216**	**49**	**369**	**918**	**27**	**(49)**	**4,257**
Credit loss expenses (expenses release)	40	-	136	-	-	(13)	41	-	-	204
Operating and other expenses	826	92	164	98	14	239	542	36	(49)	1,962
Income(loss) before taxes	1,011	191	267	118	35	143	335	(9)	-	2,091
Provision for taxes on income	347	66	92	45	11	49	149	4	-	763
Income (loss) after taxes	664	125	175	73	24	94	186	(13)	-	1,328
Bank's share in profits of Associates, net of tax effect	1	-	-	1	4	-	-	-	(1)	5
Net income (loss) before attributed to the non-controlling interests	665	125	175	74	28	94	186	(13)	(1)	1,333
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(74)	9	1	(64)
Net income (loss) attributed to the Bank's shareholders	**665**	**125**	**175**	**74**	**28**	**94**	**112**	**(4)**	**-**	**1,269**
Balance of Assets	112,422	32,139	71,950	125,959	2,594	46,379	19,437	13,860	(37,268)	387,472
Balance of credit to the public	111,064	32,298	66,226	-	97	29,660	18,389	-	(4,889)	252,845
Balance of deposits from the public	166,375	26,903	59,949	11,599	-	37,124	11	688	(12,937)	289,712
	For the three months ended March 31, 2022									
Net interest income	692	166	247	297	2	234	161	-	1	1,800
Non-interest income	302	34	108	56	98	47	393	256	(8)	1,286
Total income	**994**	**200**	**355**	**353**	**100**	**281**	**554**	**256**	**(7)**	**3,086**
Credit expenses (loss expenses)	22	(19)	(41)	-	-	(21)	(1)	-	-	(60)
Operating and other expenses	727	87	149	84	19	183	439	26	(7)	1,707
Income before taxes	245	132	247	269	81	119	116	230	-	1,439
Provision for taxes on income	31	40	75	134	28	41	44	54	-	447
Income) after taxes	214	92	172	135	53	78	72	176	-	992
Bank's share in profits of Associates, net of tax effect	1	-	-	1	4	-	-	-	(1)	5
Net income (loss) before attributed to the non-controlling interests	215	92	172	136	57	78	72	176	(1)	997
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(23)	8	1	(14)
Net income attributed to the Bank's shareholders	**215**	**92**	**172**	**136**	**57**	**78**	**49**	**184**	**-**	**983**
Balance of Assets	104,420	28,985	57,152	111,624	2,396	41,222	16,867	12,644	(34,650)	340,660
Balance of credit to the public	99,900	29,366	53,678	-	17	27,571	15,809	-	(5,608)	220,733
Balance of deposits from the public	154,840	28,535	50,349	10,723	-	34,862	12	385	(11,975)	267,731

Footnote:
(1) The contribution to the Bank's business results.

13. Managerial Operating Segments (continued)

	Audited									
	For the year ended December 31, 2022									
	Retail banking[2]	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	In NIS millions									
Net interest income	4,087	809	1,284	656	16	1,151	680	5	4	8,692
Non-interest income	1,192	152	463	257	138	199	1,753	317	(220)	4,251
Total income	**5,279**	**961**	**1,747**	**913**	**154**	**1,350**	**2,433**	**322**	**(216)**	**12,943**
Credit (expenses) loss expenses	183	90	43	-	1	(8)	98	-	-	407
Operating and other expenses	3,197	370	623	329	54	837	1,895	128	(216)	7,217
Income before taxes	1,899	501	1,081	584	99	521	440	194	-	5,319
Provision for taxes on income	600	168	360	239	36	174	166	62	-	1,805
Income after taxes	1,299	333	721	345	63	347	274	132	-	3,514
Bank's share in profits of Associates, net of tax effect	1	-	-	5	22	-	2	-	(3)	27
Net income (loss) before attributed to the non-controlling interests	1,300	333	721	350	85	347	276	132	(3)	3,541
Net income(loss) attributed to the non-controlling interests	-	-	-	-	-	-	(86)	37	3	(46)
Net income attributed to the Bank's shareholders	**1,300**	**333**	**721**	**350**	**85**	**347**	**190**	**169**	**-**	**3,495**
Balance of Assets	110,962	31,144	68,081	125,777	2,572	44,031	18,546	13,671	(38,031)	376,753
Balance of credit to the public	109,647	31,278	62,953	-	94	29,109	17,421	-	(6,214)	244,288
Balance of deposits from the public	163,533	29,652	64,238	11,562	-	35,436	11	534	(12,673)	292,293

Footnote:
(1) The contribution to the Bank's business results.

14. Additional information on credit risk, credit to the public and allowance for credit losses

General. 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.

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 and Governments Held-to-maturity and available-for-sale-bonds	Total
	In NIS millions					
	Three months ended March 31, 2023					
Balance of allowance for credit losses, as at December 31, 2022	2,525	285	821	3,631	31	3,662
Adjustment to the opening balance due to the effect of the initial application(1)	22	-	28	50	-	50
Expenses for credit loss	134	6	60	200	4	204
Accounting write-offs	(120)	-	(114)	(234)	(1)	(235)
Collection of debts written-off in previous years	74	-	74	148	-	148
Net accounting write-offs	(46)	-	(40)	(86)	(1)	(87)
Adjustments from translation of financial statements	7	1	-	8	-	8
Balance of allowance for credit losses, as at March 31, 2023	**2,642**	**292**	**869**	**3,803**	**34**	**3,837**
Of which: For off-balance sheet credit instruments	342	19	80	441	3	444
	Three months ended March 31, 2022					
Balance of allowance for credit losses, as at December 31, 2021	2,258	258	773	3,289	22	3,311
Adjustment to the opening balance due to the effect of the initial application(2)	183	(32)	-	151	9	160
Expenses (expense release) for credit loss	(84)	11	17	(56)	(4)	(60)
Accounting write-offs	(82)	(6)	(82)	(170)	-	(170)
Collection of debts written-off in previous years	51	-	62	113	-	113
Net accounting write-offs	(31)	(6)	(20)	(57)	-	(57)
Adjustments from translation of financial statements	6	-	-	6	-	6
Balance of allowance for credit losses, as at March 31, 2022	**2,332**	**231**	**770**	**3,333**	**27**	**3,360**
Of which: For off-balance sheet credit instruments	331	21	99	451	1	452

Footnotes:
(1) ICC initially implemented the US GAAP with respect to allowances for current expected credit losses (CECL) as from January 1, 2023, see Note 1(e).
(2) The effect of the initial implementation of US GAAP regarding allowances for current expected credit losses (CECL) is presented in Note 1(c)(5) to the financial statements as of December 31, 2022.

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public

1. Credit quality and arrears - consolidated

	Unaudited					
	March 31, 2023					
		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	23,564	852	131	24,547	12	26
Construction and Real Estate - Real Estate Activity	14,641	82	304	15,027	-	10
Financial Services	15,190	3	1	15,194	3	-
Commercial - Other	62,241	1,429	522	64,192	65	116
Total Commercial	**115,636**	**2,366**	**958**	**118,960**	**80**	**152**
Private Individuals - Housing Loans	66,172	86	234	66,492	-	311
Private Individuals - Other Loans	32,725	395	164	33,284	41	138
Total Public - Activity in Israel	**214,533**	**2,847**	**1,356**	**218,736**	**121**	**601**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	10,967	1,232	24	12,223	-	-
Commercial - Other	18,713	1,450	95	20,258	1	2
Total Commercial	**29,680**	**2,682**	**119**	**32,481**	**1**	**2**
Private Individuals	1,336	292	-	1,628	-	-
Total Public - Activity Abroad	**31,016**	**2,974**	**119**	**34,109**	**1**	**2**
Total public	**245,549**	**5,821**	**1,475**	**252,845**	**122**	**603**

For footnotes see p. 149.

14. Additional information on 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					
	March 31, 2022					
		Problematic[1]			Unimpaired debts – additional information	
	Performing	Accruing[4]	Non-accruing[4]	Total	In Arrears of 90 Days or More[2]	In Arrears of 30 to 89 Days[3][4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	20,217	208	116	20,541	7	25
Construction and Real Estate - Real Estate Activity	12,139	223	110	12,472	1	15
Financial Services	12,835	48	-	12,883	1	-
Commercial - Other	54,457	1,227	638	56,322	40	102
Total Commercial	**99,648**	**1,706**	**864**	**102,218**	**49**	**142**
Private Individuals - Housing Loans	56,102	76	247	56,425	-	348
Private Individuals - Other Loans	30,362	358	80	30,800	39	175
Total Public - Activity in Israel	**186,112**	**2,140**	**1,191**	**189,443**	**88**	**665**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	9,303	665	69	10,037	-	-
Commercial - Other	18,082	1,292	209	19,583	1	4
Total Commercial	**27,385**	**1,957**	**278**	**29,620**	**1**	**4**
Private Individuals	1,658	8	4	1,670	-	-
Total Public - Activity Abroad	**29,043**	**1,965**	**282**	**31,290**	**1**	**4**
Total public	**215,155**	**4,105**	**1,473**	**220,733**	**89**	**669**

For footnotes see next page.

14. Additional information on 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, 2022					
		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	21,741	872	240	22,853	10	25
Construction and Real Estate - Real Estate Activity	13,731	100	218	14,049	2	15
Financial Services	14,139	4	1	14,144	-	5
Commercial - Other	59,761	1,397	622	61,780	56	227
Total Commercial	**109,372**	**2,373**	**1,081**	**112,826**	**68**	**272**
Private Individuals - Housing Loans	64,578	84	229	64,891	-	309
Private Individuals - Other Loans	32,388	397	81	32,866	45	151
Total Public - Activity in Israel	**206,338**	**2,854**	**1,391**	**210,583**	**113**	**732**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,446	941	26	12,413	-	-
Commercial - Other	18,172	1,348	103	19,623	2	7
Total Commercial	**29,618**	**2,289**	**129**	**32,036**	**2**	**7**
Private Individuals	1,629	40	-	1,669	-	-
Total Public - Activity Abroad	**31,247**	**2,329**	**129**	**33,705**	**2**	**7**
Total public	**237,585**	**5,183**	**1,520**	**244,288**	**115**	**739**

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 219 million, were classified as problematic debts (March 31, 2022 - NIS 236 million, December 31, 2022 - NIS 229 million).
(4) Reclassified due to changes in the data.

14. Additional information on 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								
	March 31, 2023								
	Recorded amount of fixed-time credit to the public								
	2023	2022	2021	2020	2019	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
1.1 Credit quality according to years of granting the credit									
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**6,730**	**12,837**	**8,104**	**2,307**	**1,412**	**1,747**	**6,437**	**-**	**39,574**
Credit performance rating	6,712	12,447	7,423	2,110	1,353	1,594	6,029	-	37,668
Non problematic credit having no credit performance rating	4	263	59	49	18	23	121	-	537
Accruing problematic credit	-	43	580	113	27	98	73	-	934
Non-accruing credit	14	84	42	35	14	32	214	-	435
Total commercial - Other	**11,186**	**15,513**	**9,379**	**6,273**	**3,291**	**8,022**	**25,719**	**3**	**79,386**
Credit performance rating	11,005	14,660	8,720	5,932	3,118	7,670	24,695	3	75,803
Non problematic credit having no credit performance rating	159	464	168	140	67	77	553	-	1,628
Accruing problematic credit	8	254	456	120	71	178	345	-	1,432
Non-accruing credit	14	135	35	81	35	97	126	-	523
Total private Individuals - Housing Loans	**2,495**	**16,704**	**15,988**	**8,467**	**5,713**	**17,125**	**-**	**-**	**66,492**
LTV up to 60%	1,709	8,596	9,599	5,334	3,734	11,448	-	-	40,420
LTV over 60% up to 75%	785	8,081	6,323	3,060	1,947	5,160	-	-	25,356
LTV over 75%	1	27	66	73	32	517	-	-	716
Credit not in arrears and in credit performance rating	2,465	16,593	15,866	8,391	5,647	16,630	-	-	65,592
Credit not in arrears and not in credit performance rating	18	53	54	26	18	186	-	-	355
In arrears of 30 to 89 days	12	50	53	32	27	137	-	-	311
Non-accruing credit	-	8	15	18	21	172	-	-	234
Total private Individuals - Other Loans	**7,191**	**9,399**	**3,940**	**1,450**	**971**	**532**	**7,042**	**2,759**	**33,284**
Credit not in arrears and in credit performance rating	6,942	8,682	3,537	1,292	853	445	6,515	2,440	30,706
Credit not in arrears and not in credit performance rating	194	635	355	139	103	72	458	279	2,235
In arrears of 30 to 89 days	9	38	21	8	6	5	41	10	138
In arrears of 90 days or over	-	5	4	2	2	-	28	-	41
Non-accruing credit	46	39	23	9	7	10	-	30	164
Total Credit to the public - Activity in Israel	**27,602**	**54,453**	**37,411**	**18,497**	**11,387**	**27,426**	**39,198**	**2,762**	**218,736**
Total Credit to the public - Activity Abroad	**2,441**	**5,162**	**5,396**	**2,169**	**2,073**	**3,081**	**13,245**	**542**	**34,109**
Non-problematic credit	2,425	4,999	5,146	1,864	1,461	2,726	11,946	449	31,016
Accruing problematic credit	16	139	242	292	579	355	1,258	93	2,974
Non-accruing credit	-	24	8	13	33	-	41	-	119
Total Credit to the public	**30,043**	**59,615**	**42,807**	**20,666**	**13,460**	**30,507**	**52,443**	**3,304**	**252,845**

14. Additional information on 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 (continued)

	Unaudited								
	March 31, 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								
1.1 Credit quality according to years of granting the credit[(1)(2)]									
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**4,993**	**13,365**	**4,436**	**2,045**	**975**	**1,529**	**5,670**	**-**	**33,013**
Credit performance rating	4,940	13,179	4,298	1,948	923	1,382	5,271	-	31,941
Non problematic credit having no credit performance rating	44	117	66	46	31	35	76	-	415
Accruing problematic credit	-	44	28	30	15	95	219	-	431
Non-accruing credit	9	25	44	21	6	17	104	-	226
Total commercial - Other	**11,384**	**14,224**	**8,912**	**5,391**	**2,963**	**7,576**	**20,449**	**-**	**70,899**
Credit performance rating	11,085	13,544	8,325	5,063	2,726	7,282	19,642	-	67,667
Non problematic credit having no credit performance rating	156	311	235	122	57	119	319	-	1,319
Accruing problematic credit	105	305	181	153	161	107	263	-	1,275
Non-accruing credit	38	64	171	53	19	68	225	-	638
Total private Individuals - Housing Loans	**5,085**	**16,591**	**9,033**	**6,224**	**4,832**	**14,660**	**-**	**-**	**56,425**
LTV up to 60%	3,219	10,285	5,833	4,181	3,281	8,230	-	-	35,029
LTV over 60% up to 75%	1,854	6,252	3,130	2,009	1,533	5,900	-	-	20,678
LTV over 75%	12	54	70	34	18	530	-	-	718
Credit not in arrears and in credit performance rating	5,035	16,488	8,954	6,145	4,723	14,194	-	-	55,539
Credit not in arrears and not in credit performance rating	3	50	41	32	52	113	-	-	291
In arrears of 30 to 89 days	46	48	30	32	34	158	-	-	348
Non-accruing credit	1	5	8	15	23	195	-	-	247
Total private Individuals - Other Loans	**1,909**	**5,115**	**2,267**	**1,651**	**746**	**536**	**6,251**	**-**	**18,475**
Credit not in arrears and in credit performance rating	1,783	4,848	2,005	1,447	649	449	5,931	-	17,112
Credit not in arrears and not in credit performance rating	121	225	230	182	86	77	253	-	1,174
In arrears of 30 to 89 days	3	23	13	11	6	5	41	-	102
In arrears of 90 days or over	1	4	3	2	2	1	26	-	39
Non-accruing credit	1	15	16	9	3	4	-	-	48
Total Credit to the public - Activity in Israel	**23,371**	**49,295**	**24,648**	**15,311**	**9,516**	**24,301**	**32,370**	**-**	**178,812**
Total Credit to the public - Activity Abroad	**1,582**	**6,472**	**2,777**	**3,044**	**1,217**	**2,829**	**12,788**	**581**	**31,290**
Non-problematic credit	1,406	6,160	2,614	2,323	1,015	2,491	12,453	581	29,043
Accruing problematic credit	148	286	86	643	185	300	317	-	1,965
Non-accruing credit	28	26	77	78	17	38	18	-	282
Total Credit to the public	**24,953**	**55,767**	**27,425**	**18,355**	**10,733**	**27,130**	**45,158**	**581**	**210,102**

Footnotes:

(1) The data does not include the subsidiary ICC, which initially applied the new rules as from January 1, 2023.

(2) Reclassified following improvement of data.

14. Additional information on 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 (continued)

	Audited								
	December 31, 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								
1.1 Credit quality according to years of granting the credit[(1)(2)]									
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**15,667**	**8,917**	**2,547**	**1,588**	**690**	**1,173**	**6,320**	**-**	**36,902**
Credit performance rating	15,510	8,245	2,412	1,523	664	1,046	5,899	-	35,299
Non problematic credit having no credit performance rating	37	33	21	15	8	16	43	-	173
Accruing problematic credit	-	585	86	39	11	91	160	-	972
Non-accruing credit	120	54	28	11	7	20	218	-	458
Total commercial - Other	**24,153**	**10,069**	**6,919**	**3,607**	**2,112**	**6,414**	**24,724**	**-**	**77,998**
Credit performance rating	23,356	9,439	6,523	3,422	1,912	6,187	23,504	-	74,343
Non problematic credit having no credit performance rating	433	183	150	69	40	55	713	-	1,643
Accruing problematic credit	156	432	149	75	145	78	366	-	1,401
Non-accruing credit	208	15	97	41	15	94	141	-	611
Total private Individuals - Housing Loans	**16,522**	**16,278**	**8,576**	**5,818**	**4,423**	**13,274**	**-**	**-**	**64,891**
LTV up to 60%	8,426	9,855	5,431	3,822	2,936	8,991	-	-	39,461
LTV over 60% up to 75%	8,070	6,360	3,074	1,962	1,470	3,775	-	-	24,711
LTV over 75%	26	63	71	34	17	508	-	-	719
Credit not in arrears and in credit performance rating	16,412	16,170	8,503	5,751	4,337	12,814	-	-	63,987
Credit not in arrears and not in credit performance rating	60	55	27	21	28	175	-	-	366
In arrears of 30 to 89 days	46	45	31	30	41	116	-	-	309
Non-accruing credit	4	8	15	16	17	169	-	-	229
Total private Individuals - Other Loans	**5,688**	**3,376**	**1,385**	**952**	**397**	**265**	**6,911**	**-**	**18,974**
Credit not in arrears and in credit performance rating	5,178	3,027	1,222	834	346	213	6,362	-	17,182
Credit not in arrears and not in credit performance rating	480	316	146	104	47	41	476	-	1,610
In arrears of 30 to 89 days	19	17	8	7	2	2	43	-	98
In arrears of 90 days or over	6	5	2	2	-	-	30	-	45
Non-accruing credit	5	11	7	5	2	9	-	-	39
Total Credit to the public - Activity in Israel	**62,030**	**38,640**	**19,427**	**11,965**	**7,622**	**21,126**	**37,955**	**-**	**198,765**
Total Credit to the public - Activity Abroad	**5,955**	**5,635**	**2,443**	**2,304**	**862**	**2,419**	**13,559**	**528**	**33,705**
Non-problematic credit	5,745	5,340	2,300	1,515	755	2,184	12,972	436	31,247
Accruing problematic credit	183	287	118	757	107	235	550	92	2,329
Non-accruing credit	27	8	25	32	-	-	37	-	129
Total Credit to the public	**67,985**	**44,275**	**21,870**	**14,269**	**8,484**	**23,545**	**51,514**	**528**	**232,470**

Footnotes:

(1) The data does not include the subsidiary ICC, which initially applied the new rules as from January 1, 2023.

(2) Reclassified following improvement of data.

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information on non-accruing debts

	Unaudited					
	March 31, 2023					
	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	357	45	78	435	1,306	2
Commercial - Other	415	132	108	523	2,175	3
Total Commercial	**772**	**177**	**186**	**958**	**3,481**	**5**
Private Individuals - Housing Loans	234	12	-	234	275	-
Private Individuals - Other Loans	164	81	-	164	201	-
Total Public - Activity in Israel	**1,170**	**270**	**186**	**1,356**	**3,957**	**5**
Lending Activity Abroad						
Total Public - Activity Abroad	**41**	**6**	**78**	**119**	**301**	**-**
Total Public	**1,211**	**276**	**264**	**1,475**	**4,258**	**5**
Of which:						
Measured specifically according to present valued of cash flows	535	128	47	582	734	
Measured specifically according to fair value of collateral	232	46	216	448	2,953	
Measured on a group basis	444	102	1	445	571	

For footnotes see p. 155.

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information on non-accruing debts (continued)

	Unaudited					
	March 31, 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	146	29	80	226	1,088	-
Commercial - Other	545	185	93	638	2,241	2
Total Commercial	**691**	**214**	**173**	**864**	**3,329**	**2**
Private Individuals - Housing Loans	213	9	34	247	300	-
Private Individuals - Other Loans	[5]79	[5]24	1	80	[5]105	-
Total Public - Activity in Israel	**983**	**247**	**208**	**1,191**	**3,734**	**2**
Lending Activity Abroad						
Total Public - Activity Abroad	**187**	**27**	**95**	**282**	**662**	**1**
Total Public	**1,170**	**274**	**303**	**1,473**	**4,396**	**3**
Of which:						
Measured specifically according to present valued of cash flows	570	205	48	618	2,905	
Measured specifically according to fair value of collateral	244	25	220	464	998	
Measured on a group basis	[5]356	[5]44	35	391	[5]493	

For footnotes see next page.

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

3. Additional information on non-accruing debts (continued)

	Audited					
	December 31, 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	394	40	64	458	1,339	10
Commercial - Other	514	164	109	623	2,263	10
Total Commercial	**908**	**204**	**173**	**1,081**	**3,602**	**20**
Private Individuals - Housing Loans	229	13	-	229	273	1
Private Individuals - Other Loans	81	30	-	81	121	-
Total Public - Activity in Israel	**1,218**	**247**	**173**	**1,391**	**3,996**	**21**
Lending Activity Abroad						
Total Public - Activity Abroad	**33**	**1**	**96**	**129**	**313**	**3**
Total public	**1,251**	**248**	**269**	**1,520**	**4,309**	**24**
Of which:						
Measured specifically according to present valued of cash flows	591	140	82	673	871	
Measured specifically according to fair value of collateral	304	57	187	491	2,965	
Measured on a group basis	356	51	-	356	473	

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 19 million would have been recorded for the period of three months ended March 31, 2023 (March 31, 2022 - NIS 11 million, December 31, 2022 - NIS 60 million).
(4) Additional information: the total average recorded amount of the debt of non-accruing debts in the period of three months ended March 31, 2023, amounts to NIS 1,634 million (March 31, 2022 - NIS 1,584 million, December 31, 2022 - NIS 2,020 million).
(5) Reclassified due to changes in the data.

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

4. Additional information on debts which undergone troubled debt restructurings

	Unaudited				
	March 31, 2023				
	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	184	-	-	22	206
Commercial - Other	182	-	3	115	300
Total Commercial	**366**	**-**	**3**	**137**	**506**
Private Individuals - Housing Loans	3	-	1	12	16
Private Individuals - Other Loans	70	-	2	58	130
Total Public - Activity in Israel	**439**	**-**	**6**	**207**	**652**
Lending Activity Abroad					
Total Public - Activity Abroad	**76**	**-**	**-**	**201**	**277**
Total	**515**	**-**	**6**	**408**	**929**

Footnotes:
(1) Accruing interest income.
(2) As at March 31, 2023, restructured troubled debts amounting to NIS 829 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 March 31, 2023, to NIS 12 million (March 31, 2022 - NIS 20 million; December 31, 2022 – NIS 21 million).

4. Additional information on debts which undergone troubled debt restructurings

	Unaudited				
	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				
	March 31, 2022				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	64	-	2	21	87
Commercial - Other	306	-	3	158	467
Total Commercial	**370**	**-**	**5**	**179**	**554**
Private Individuals - Housing Loans	9	-	1	7	17
Private Individuals - Other Loans	50	-	1	102	153
Total Public - Activity in Israel	**429**	**-**	**7**	**288**	**724**
Lending Activity Abroad					
Total Public - Activity Abroad	**190**	**-**	**-**	**188**	**378**
Total	**619**	**-**	**7**	**476**	**1,102**

Footnotes:
(1) Accruing interest income.
(2) As at March 31, 2022, restructured troubled debts amounting to NIS 1,052 million, were classified as problematic debts.

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

4. Additional information on debts which undergone troubled debt restructurings (continued)

	Audited				
	December 31, 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	161	-	1	27	189
Commercial - Other	198	-	2	133	333
Total Commercial	**359**	**-**	**3**	**160**	**522**
Private Individuals - Housing Loans	4	-	-	11	15
Private Individuals - Other Loans	42	-	2	92	136
Total Public - Activity in Israel	**405**	**-**	**5**	**263**	**673**
Lending Activity Abroad					
Total Public - Activity Abroad	**91**	**-**	**-**	**195**	**286**
Total	**496**	**-**	**5**	**458**	**959**

Footnotes:
(1) Accruing interest income.
(2) As at December 31, 2022, restructured troubled debts amounting to NIS 863 million, were classified as problematic debts.

4. Additional information on debts which undergone troubled debt restructurings (continued)

	Unaudited					
	Three months ended March 31					
	2023			2022		
	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	66	34	34	57	25	25
Commercial - Other	548	16	16	202	40	39
Total Commercial	**614**	**50**	**50**	**259**	**65**	**64**
Private Individuals - Housing Loans	4	-	-	3	2	2
Private Individuals - Other Loans	1,154	24	22	1,599	26	26
Total Public - Activity in Israel	**1,772**	**74**	**72**	**1,861**	**93**	**92**
Lending Activity Abroad						
Total Public - Activity Abroad	**-**	**-**	**-**	**1**	**-**	**-**
Total	**1,772**	**74**	**72**	**1,862**	**93**	**92**

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

4. Additional information on debts which undergone troubled debt restructurings (continued)

	Unaudited			
	Three months ended March 31			
	2023		2022	
	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	23	4	14	1
Commercial - Other	73	9	67	5
Total Commercial	**96**	**13**	**81**	**6**
Private Individuals - Housing Loans	1	-	-	-
Private Individuals - Other	346	2	543	4
Total Public - Activity in Israel	**443**	**15**	**624**	**10**
Lending Activity Abroad				
Total Public - Activity Abroad	**1**	**-**	**-**	**-**
Total	**444**	**15**	**624**	**10**

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 on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

5. Additional information on non-accruing credit in arrears

	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									
	Unaudited									
	March 31, 2023									
Commercial	140	69	47	127	30	54	15	482	595	1,077
Private Individuals - Housing Loans	-	107	59	35	11	8	13	233	1	234
Private Individuals - Other Loans	3	94	-	-	-	-	-	97	67	164
Total	**143**	**270**	**106**	**162**	**41**	**62**	**28**	**812**	**663**	**1,475**
	Unaudited									
	March 31, 2022									
Commercial	32	42	128	63	28	48	19	360	782	1,142
Private Individuals - Housing Loans	-	89	72	54	13	11	12	251	-	251
Private Individuals - Other Loans(1)	3	30	-	-	-	-	-	33	47	80
Total	**35**	**161**	**200**	**117**	**41**	**59**	**31**	**644**	**829**	**1,473**
	Audited									
	December 31, 2022									
Commercial	93	78	24	116	32	48	14	405	805	1,210
Private Individuals - Housing Loans	-	96	63	32	16	7	13	227	2	229
Private Individuals - Other Loans	3	39	-	-	-	-	-	42	39	81
Total	**96**	**213**	**87**	**148**	**48**	**55**	**27**	**674**	**846**	**1,520**

Footnote:
(1) Reclassified due to changes in the data.

6. Additional disclosure on 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;
- Rising interest rates, on the background of a high inflationary environment, both in Israel and globally, make it difficult for households and the business sector to access financing sources, and weigh heavily on the performance of the economy;
- Geopolitical tension, both in Europe and in US-China relations, might lead to a decline in scope of production and in global trading and to the continuation of the rise in prices of finished goods.

  The said macro-economic and geo-political events increase the level of risk in the short-medium term.

(2) Credit to private individuals – housing loans

- Loans having a high financing rate coupled with a high repayment to free income ratio comprise a risk center upon a decline in value of the collateral below the loan balance, and upon rising unemployment rates. The Bank's underwriting policy limits the rate of exposure upon the granting of the credit;

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

6. Additional disclosure on the quality of credit (continued)

- High exposure to variable interest may increase the risk of repayment ability of borrowers, in view of the rising cost of interest in the economy. The Bank's underwriting policy coupled with regulation hedge against such risk.

(3) Credit to private individuals – other

- Exposure to retail credit is affected by macro-economic factors;
- 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.

(B) Indication of credit quality

	Unaudited				Audited			
	March 31, 2023				December 31, 2022			
		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	96.0%	99.6%	97.5%	97.1%	96.0%	99.5%	98.5%	97.3%
Ratio of accruing credit to balance of credit to the public	3.3%	0.1%	2.0%	2.3%	3.2%	0.1%	1.3%	2.1%
Ratio of non-accruing credit to balance of credit to the public	0.7%	0.3%	0.5%	0.6%	0.8%	0.4%	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%	2.3%	1.3%	1.5%	0.4%	2.1%	1.3%
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)	35.0%	85.6%	91.7%	43.3%	33.6%	83.4%	85.0%	41.4%

The number of days in which a debt is in arrears is a central factor in determining the classification of the Bank's debts, and accordingly affects the allowance for credit losses and the accounting write-offs. Notwithstanding the above, during the Corona crisis, in view of the outline for the deferral of loan repayments that had been granted to many borrowers, additional parameters have been taken into account for the classification of borrowers, such as: condition of the borrower, exposure to the crisis, impairment to income, and more.

A central indication on the quality of the credit portfolio is the ratio of performing debts to the problematic debts at the Bank.

14. Additional information on credit risk, credit to the public and allowance for credit losses (continued)

B. Credit to the public (continued)

7. Additional information on 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			
		March 31, 2023			
First degree pledge: financing ratio	Up to 60%	40,420	364	23,629	614
	Over 60%	24,931	144	14,713	409
Second degree pledge or without pledge		1,577	128	782	6,909
Total		**(2)66,928**	**636**	**39,124**	**7,932**
		Unaudited			
		March 31, 2022			
First degree pledge: financing ratio	Up to 60%	35,089	321	20,718	730
	Over 60%	20,236	141	11,996	518
Second degree pledge or without pledge		1,426	166	676	10,339
Total		**(2)56,751**	**628**	**33,390**	**11,587**
		Audited			
		December 31, 2022			
First degree pledge: financing ratio	Up to 60%	39,677	365	23,305	554
	Over 60%	24,076	144	14,263	370
Second degree pledge or without pledge		1,572	151	787	7,425
Total		**(2)65,325**	**660**	**38,355**	**8,349**

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 181 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 (March 31, 2022 - NIS 266 million, December 31, 2022 - NIS 218 million).

C. Information on the purchase and sale of debts

Details on 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 March 31, 2023					For the three months ended March 31, 2022				
Loans acquired	3,654	-	-	661	4,315	2,368	-	-	302	2,670
Loans sold	7	-	-	-	7	56	953	-	-	1,009

14. Additional information on 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]
	March 31, 2023		March 31, 2022		December 31, 2022	
			in NIS millions			
Transactions in which the balance represents credit risk:						
Letters of credit	1,478	4	1,524	3	1,437	4
Credit guarantees	2,907	35	2,613	30	2,846	37
Guarantees for home purchasers	18,380	6	16,166	4	18,426	6
Other guarantees and obligations	14,092	53	11,358	62	14,163	51
Unutilized facilities for transactions in derivative instruments	7,238	-	4,724	-	5,755	-
Unutilized facilities credit line for credit cards	39,928	68	35,697	62	39,402	70
Unutilized current loan account facilities and other credit facilities in on-call accounts	10,244	64	10,117	61	10,370	65
Irrevocable commitments to extend credit approved but not yet granted[3]	33,916	203	33,975	225	30,850	184
Commitment to issue guarantees	17,677	11	13,372	5	15,095	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						
	March 31, 2023						
	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	52,307	18	6,722	451	542	-	60,040
Securities	26,989	3,207	18,093	1,087	1	1,838	51,215
Securities borrowed or purchased under agreements to resell	1,251	-	-	-	-	-	1,251
Net credit to the public	185,801	25,514	34,629	2,921	618	-	249,483
Credit to the Government	643	214	1,233	822	-	-	2,912
Investments in Associates	2	-	-	-	-	489	491
Buildings and equipment	-	-	-	-	-	4,031	4,031
Intangible assets and goodwill	-	-	-	-	-	162	162
Assets for derivative instruments	2,367	492	6,983	535	125	1,457	11,959
Other assets	2,473	27	1,357	51	106	1,914	5,928
Total assets	**271,833**	**29,472**	**69,017**	**5,867**	**1,392**	**9,891**	**387,472**
Liabilities							
Deposits from the public	188,982	4,508	87,343	6,995	1,884	-	289,712
Deposits from banks	14,687	-	2,685	117	28	-	17,517
Deposits from the Government	40	1	90	-	-	-	131
Securities lent or sold under agreements to repurchase	-	-	7,787	-	-	-	7,787
Bonds and Subordinated debt notes	4,072	8,114	2,911	-	-	-	15,097
Liabilities for derivative instruments	2,646	542	4,721	540	100	1,456	10,005
Other liabilities	17,885	708	1,597	19	25	239	20,473
Total liabilities	**228,312**	**13,873**	**107,134**	**7,671**	**2,037**	**1,695**	**360,722**
Difference	43,521	15,599	(38,117)	(1,804)	(645)	8,196	26,750
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(42,640)	(886)	41,592	1,198	736	-	-
Net options in the money (in terms of underlying asset)	(460)	-	(252)	751	(39)	-	-
Net options out of the money (in terms of underlying asset)	(174)	-	363	(178)	(11)	-	-
Total	**247**	**14,713**	**3,586**	**(33)**	**41**	**8,196**	**26,750**
Net options in the money (discounted par value)	(469)	-	(333)	851	(49)	-	-
Net options out of the money (discounted par value)	(1,994)	-	2,273	(216)	(63)	-	-

Footnote: (1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Unaudited						
	March 31, 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	54,612	21	5,602	375	387	-	60,997
Securities	21,594	2,188	16,377	1,005	1	1,753	42,918
Securities borrowed or purchased under agreements to resell	1,156	-	-	-	-	-	1,156
Net credit to the public	161,767	21,751	31,986	1,751	596	-	217,851
Credit to the Government	609	235	1,058	651	-	-	2,553
Investments in Associates	2	-	-	-	-	453	455
Buildings and equipment	-	-	-	-	-	3,441	3,441
Intangible assets and goodwill	-	-	-	-	-	163	163
Assets for derivative instruments	2,443	494	2,071	139	160	425	5,732
Other assets	2,457	17	996	89	105	1,728	5,392
Total assets	**244,640**	**24,706**	**58,090**	**4,010**	**1,249**	**7,963**	**340,658**
Liabilities							
Deposits from the public	184,786	4,210	71,023	5,931	1,781	-	267,731
Deposits from banks	11,360	-	1,715	106	2	-	13,183
Deposits from the Government	64	2	93	-	-	-	159
Bonds and Subordinated debt notes	3,969	8,238	-	4	-	-	12,211
Liabilities for derivative instruments	2,651	651	1,858	144	163	425	5,892
Other liabilities	15,835	867	570	24	25	452	17,773
Total liabilities	**218,665**	**13,968**	**75,259**	**6,209**	**1,971**	**877**	**316,949**
Difference	25,975	10,738	(17,169)	(2,199)	(722)	7,086	23,709
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(18,745)	(3,861)	19,760	2,144	702	-	-
Net options in the money (in terms of underlying asset)	(165)	-	147	22	(4)	-	-
Net options out of the money (in terms of underlying asset)	(343)	-	244	101	(2)	-	-
Total	**6,722**	**6,877**	**2,982**	**68**	**(26)**	**7,086**	**23,709**
Net options in the money (discounted par value)	(190)	-	55	145	(10)	-	-
Net options out of the money (discounted par value)	(2,033)	-	1,367	666	-	-	-

Footnote: (1) Includes those linked to foreign currency.

15. Assets and liabilities according to linkage terms - consolidated (continued)

	Audited						
	December 31, 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	59,087	18	5,827	367	414	-	65,713
Securities	21,961	2,494	17,484	1,061	1	1,793	44,794
Securities borrowed or purchased under agreements to resell	857	-	-	-	-	-	857
Net credit to the public	179,846	24,334	34,013	2,362	524	-	241,079
Credit to the Government	596	222	1,172	609	-	-	2,599
Investments in Associates	2	-	-	-	-	484	486
Buildings and equipment	-	-	-	-	-	3,904	3,904
Intangible assets and goodwill	-	-	-	-	-	162	162
Assets for derivative instruments	2,180	430	7,102	625	83	1,000	11,420
Other assets	2,305	27	1,357	74	99	1,878	5,740
Total assets	**266,834**	**27,525**	**66,955**	**5,098**	**1,121**	**9,221**	**376,754**
Liabilities							
Deposits from the public	196,945	4,188	82,869	6,512	1,779	-	292,293
Deposits from banks	13,622	-	1,646	83	25	-	15,376
Deposits from the Government	28	1	88	-	-	-	117
Securities lent or sold under agreements to repurchase	-	-	3,739	-	-	-	3,739
Bonds and Subordinated debt notes	4,050	8,258	-	-	-	-	12,308
Liabilities for derivative instruments	2,377	546	4,886	465	74	1,000	9,348
Other liabilities	15,661	761	1,387	12	25	249	18,095
Total liabilities	**232,683**	**13,754**	**94,615**	**7,072**	**1,903**	**1,249**	**351,276**
Difference	34,151	13,771	(27,660)	(1,974)	(782)	7,972	25,478
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(31,603)	(1,525)	30,354	1,846	928	-	-
Net options in the money (in terms of underlying asset)	(56)	-	119	(32)	(31)	-	-
Net options out of the money (in terms of underlying asset)	(491)	-	388	124	(21)	-	-
Total	**2,001**	**12,246**	**3,201**	**(36)**	**94**	**7,972**	**25,478**
Net options in the money (discounted par value)	246	-	(113)	(85)	(48)	-	-
Net options out of the money (discounted par value)	(2,936)	-	2,509	494	(67)	-	-

Footnote: (1) Includes those linked to foreign currency.

16. Balances and fair value estimates of financial instruments

A. Composition - consolidated

	Unaudited				
	March 31, 2023				
	Book value	Fair value			
		Level 1[1]	Level 2[1]	Level 3[1]	Total
	in NIS millions				
Financial assets					
Cash and deposits with banks	60,040	26,785	-	33,062	59,847
Securities[2]	51,215	34,040	14,169	1,739	49,948
Securities borrowed or purchased under agreements to resell	1,251	-	-	1,252	1,252
Net credit to the public	249,483	3,223	-	243,632	246,855
Credit to Governments	2,912	-	-	2,911	2,911
Assets for derivative instruments	11,959	1,483	5,978	4,498	11,959
Other financial assets	1,922	5	2	1,915	1,922
Total financial assets	**[3]378,782**	**65,536**	**20,149**	**289,010**	**374,694**
Financial liabilities					
Deposits from the public	289,712	31,785	175,107	82,401	289,293
Deposits from banks	17,517	662	7,829	8,706	17,197
Deposits from the Government	131	-	42	88	130
Securities lent or sold under agreements to repurchase	7,787	-	-	7,718	7,718
Bonds and Subordinated debt notes	15,097	10,849	41	3,148	14,038
Liabilities for derivative instruments	10,005	1,495	7,949	561	10,005
Other financial liabilities [4]	16,728	1,332	11	15,385	16,728
Total financial liabilities	**[3]356,977**	**46,123**	**190,979**	**118,007**	**355,109**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	164	-	-	164	164

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 78,499 million and NIS 155,347 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 for leasing.

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

A. Composition - consolidated (continued)

	Unaudited				
	March 31, 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	60,997	24,122	-	36,870	60,992
Securities[2]	42,918	[5]28,003	12,998	[5]1,592	42,593
Securities borrowed or purchased under agreements to resell	1,156	-	-	1,156	1,156
Net credit to the public	217,851	4,112	-	[5]215,110	219,222
Credit to Governments	2,553	-	-	2,568	2,568
Assets for derivative instruments	5,732	433	3,581	1,718	5,732
Other financial assets	1,816	238	6	1,572	1,816
Total financial assets	**[3]333,023**	**56,908**	**16,585**	**260,586**	**334,079**
Financial liabilities					
Deposits from the public	267,731	32,455	196,138	39,418	268,011
Deposits from banks	13,183	487	2,050	10,638	13,175
Deposits from the Government	159	-	76	84	160
Securities lent or sold under agreements to repurchase	-	-	-	-	-
Bonds and Subordinated debt notes	12,211	11,420	55	825	12,300
Liabilities for derivative instruments	5,892	433	4,799	660	5,892
Other financial liabilities[4]	13,733	1,339	5	12,389	13,733
Total financial liabilities	**[3]312,909**	**46,134**	**203,123**	**64,014**	**313,271**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	144	-	-	144	144

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 67,686 million and NIS 174,856 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 for leasing.

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

A. Composition - consolidated (continued)

	Audited				
	December 31, 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	65,713	28,753	-	36,779	65,532
Securities[2]	44,794	29,006	12,839	1,696	43,541
Securities borrowed or purchased under agreements to resell	857	-	-	857	857
Net credit to the public	241,079	4,211	-	234,091	238,302
Credit to Governments	2,599	-	-	2,592	2,592
Assets for derivative instruments	11,420	1,006	6,578	3,836	11,420
Other financial assets	1,669	20	3	1,646	1,669
Total financial assets	**[3]368,131**	**62,996**	**19,420**	**281,497**	**363,913**
Financial liabilities					
Deposits from the public	292,293	31,284	178,641	80,886	290,811
Deposits from banks	15,376	763	3,533	10,665	14,961
Deposits from the Government	117	-	29	88	117
Securities lent or sold under agreements to repurchase	3,739	-	-	3,747	3,747
Bonds and Subordinated debt notes	12,308	11,032	51	364	11,447
Liabilities for derivative instruments	9,348	1,004	7,779	565	9,348
Other financial liabilities [4]	14,500	690	8	13,802	14,500
Total financial liabilities	**[3]347,681**	**44,773**	**190,041**	**110,117**	**344,931**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	165	-	-	165	165

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 72,065 million and NIS 159,904 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 for 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

	Audited				
	March 31, 2023				
	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	13,770	2,481	-	-	16,251
Foreign Governments bonds	4,648	57	-	-	4,705
Israeli financial institutions bonds	83	12	-	-	95
Foreign financial institutions bonds	-	499	-	-	499
Bonds backed by assets (ABS) or by mortgage (MBS)	1	5,836	-	-	5,837
Bonds of others in Israel	193	121	-	-	314
Bonds of others abroad	-	1,725	-	-	1,725
Shares not for trading	128	-	-	-	128
Total available-for-sale bonds and shares not for trading	**18,823**	**10,731**	**-**	**-**	**29,554**
Trading Securities					
Israeli Government bonds	6,148	72	-	-	6,220
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	16	-	-	-	16
Bonds of others abroad	-	-	-	-	-
Trading Shares	2	25	-	-	27
Total trading securities	**6,243**	**97**	**-**	**-**	**6,340**
Credit to the public for securities loaned	3,223	-	-	-	3,223
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	488	-	488
Other Interest Rate Contracts	1	4,371	144	-	4,516
Foreign Currency Contracts	12	1,541	3,866	-	5,419
Shares Contracts	1,456	66	-	-	1,522
Commodity and other Contracts	14	-	-	-	14
Total assets for derivative instruments	1,483	5,978	4,498	-	11,959
Other	-	2	-	-	2
Assets for the "Maof" market operations	5	-	-	-	5
Total assets	**29,777**	**16,808**	**4,498**	**-**	**51,083**
Liabilities					
Deposits from the public for securities borrowed	3,266	-	-	-	3,266
Deposits from banks for securities borrowed	12	-	-	-	12
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	453	-	453
Other Interest Rate Contracts	11	4,313	-	-	4,324
Foreign Currency Contracts	14	3,575	108	-	3,697
Shares Contracts	1,456	61	-	-	1,517
Commodity and other Contracts	14	-	-	-	14
Total liabilities for derivative instruments	1,495	7,949	561	-	10,005
Other	-	11	-	-	11
Commitments for the "Maof" market operations	5	-	-	-	5
Short sales of securities	1,327	-	-	-	1,327
Total liabilities	**6,105**	**7,960**	**561**	**-**	**14,626**

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				
	March 31, 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	13,736	2,157	-	-	15,893
Foreign Governments bonds	4,308	15	-	-	4,323
Israeli financial institutions bonds	107	8	-	-	115
Foreign financial institutions bonds	-	466	-	-	466
Bonds backed by assets (ABS) or by mortgage (MBS)	1	6,537	-	-	6,538
Bonds of others in Israel	(1)235	129	-	-	364
Bonds of others abroad	-	1,606	-	-	1,606
Shares not for trading	262	-	-	-	262
Total available-for-sale bonds and shares not for trading	**18,649**	**10,918**	**-**	**-**	**29,567**
Trading Securities					
Of the Israeli Government	1,309	194	-	-	1,503
Of foreign governments	49	-	-	-	49
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	18	-	-	18
Of others in Israel	21	-	-	-	21
Of others abroad	-	-	-	-	-
Shares	4	3	-	-	7
Total trading securities	**1,383**	**215**	**-**	**-**	**1,598**
Credit to the public for securities loaned	4,112	-	-	-	4,112
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	403	-	403
Other Interest Rate Contracts	1	2,143	101	-	2,245
Foreign Currency Contracts	8	1,415	1,214	-	2,637
Shares Contracts	424	23	-	-	447
Commodity and other Contracts	-	-	-	-	-
Total assets for derivative instruments	433	3,581	1,718	-	5,732
Other	-	6	-	-	6
Assets for the "Maof" market operations	238	-	-	-	238
Total assets	**24,815**	**14,720**	**1,718**	**-**	**41,253**
Liabilities					
Deposits from the public for securities borrowed	2,573	-	-	-	2,573
Deposits from banks for securities borrowed	173	-	-	-	173
CLN deposits	-	-	4	-	4
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	404	-	404
Other Interest Rate Contracts	-	2,205	-	-	2,205
Foreign Currency Contracts	9	2,575	256	-	2,840
Shares Contracts	424	19	-	-	443
Commodity and other Contracts	-	-	-	-	-
Total liabilities for derivative instruments	433	4,799	660	-	5,892
Other	-	5	-	-	5
Commitments for the "Maof" market operations	238	-	-	-	238
Short sales of securities	1,101	-	-	-	1,101
Total liabilities	**4,518**	**4,804**	**664**	**-**	**9,986**

Footnote:

(1) Reclassified following improvement of data.

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, 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	10,447	2,178	-	-	12,625
Foreign Governments bonds	5,306	69	-	-	5,375
Israeli financial institutions bonds	86	3	-	-	89
Foreign financial institutions bonds	-	549	-	-	549
Bonds backed by assets (ABS) or by mortgage (MBS)	-	5,155	-	-	5,155
Bonds of others in Israel	(1)201	124	-	-	325
Bonds of others abroad	-	1,681	-	-	1,681
Shares not for trading	130	-	-	-	130
Total available-for-sale bonds and shares not for trading	**16,170**	**9,759**	**-**	**-**	**25,929**
Trading Securities					
Of the Israeli Government	2,136	70	-	-	2,206
Of foreign governments	76	-	-	-	76
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	-	-	-	-
Of others in Israel	14	-	-	-	14
Of others abroad	-	-	-	-	-
Shares	2	24	-	-	26
Total trading securities	**2,228**	**94**	**-**	**-**	**2,322**
Credit to the public for securities loaned	4,211	-	-	-	4,211
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	423	-	423
Other Interest Rate Contracts	2	5,355	153	-	5,510
Foreign Currency Contracts	4	1,201	3,260	-	4,465
Shares Contracts	1,000	22	-	-	1,022
Commodity and other Contracts	-	-	-	-	-
Total assets for derivative instruments	1,006	6,578	3,836	-	11,420
Other	-	3	-	-	3
Assets for the "Maof" market activity	20	-	-	-	20
Total assets	**23,635**	**16,434**	**3,836**	**-**	**43,905**
Liabilities					
Deposits from the public for securities borrowed	3,693	-	-	-	3,693
Deposits from banks for securities borrowed	11	-	-	-	11
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	1	415	-	416
Other Interest Rate Contracts	-	5,185	-	-	5,185
Foreign Currency Contracts	4	2,574	150	-	2,728
Shares Contracts	1,000	19	-	-	1,019
Commodity and other Contracts	-	-	-	-	-
Total liabilities for derivative instruments	1,004	7,779	565	-	9,348
Other	-	8	-	-	8
Commitments for the "Maof" market operations	20	-	-	-	20
Short sales of securities	670	-	-	-	670
Total liabilities	**5,398**	**7,787**	**565**	**-**	**13,750**

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

	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the three months ended March 31, 2023
	In NIS millions				
	Unaudited				
	March 31, 2023				
Problematic credit, the collection of which is collateral dependent	-	-	448	448	21
Not for trading shares	-	-	210	210	(27)

	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the three months ended March 31, 2022
	Unaudited				
	March 31, 2022				
	In NIS millions				
Problematic credit, the collection of which is collateral dependent	-	-	464	464	2
Not for trading shares	-	-	21	21	(2)

	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the year ended December 31, 2022
	Audited				
	December 31, 2022				
	In NIS millions				
Problematic credit, the collection of which is collateral dependent	-	-	491	491	(21)
Not for trading shares	-	-	105	105	(14)

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	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 March 31, 2023							
Net Assets (Liabilities) for derivative instruments								
Shekel/CPI Interest Rate Contracts	8	(1)7	-	20	-	-	35	(1)7
Other Interest Rate Contracts	153	(1)8	-	(19)	(1)	3	144	(1)3
Foreign Currency Contracts	3,110	(1)2,590	(169)	(1,747)	(9)	(17)	3,758	(1)2,407
Total	**3,271**	**2,605**	**(169)**	**(1,746)**	**(10)**	**(14)**	**3,937**	**2,417**
Liabilities								
CLN Deposits	-	-(2)	-	-	-	-	-	-(2)
	Unaudited							
	For the three months ended March 31, 2022							
Net Assets (Liabilities) in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	33	(1)(52)	-	18	-	-	(1)	(1)(51)
Other Interest Rate Contracts	125	(1)4	-	(18)	(23)	13	101	(1)6
Foreign Currency Contracts	827	(1)336	(85)	(118)	(1)	(1)	958	(1)409
Total	**985**	**288**	**(85)**	**(118)**	**(24)**	**12**	**1,058**	**364**
Liabilities								
CLN Deposits	(10)	-(2)	-	6	-	-	(4)	-(2)
	Audited							
	For the year ended December 31, 2022							
Net Assets (Liabilities) for derivative instruments								
Shekel/CPI Interest Rate Contracts	33	(1)(47)	-	22	-	-	8	(1)(26)
Other Interest Rate Contracts	125	(1)85	-	(9)	(87)	39	153	(1)104
Foreign Currency Contracts	827	(1)2,588	(173)	(125)	(2)	(5)	3,110	(1)2,957
Total	**985**	**2,626**	**(173)**	**(112)**	**(89)**	**34**	**3,271**	**3,035**
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".

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first quarter of 2023, 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 on significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3

1. Quantitative information on the measurement of fair value at level 3

	Unaudited								
	Fair value as at March 31, 2023	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	448	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs						
Not for trading shares	210	Evaluation	Company value						
B. Items measured at fair value on a recurring basis									
Net Assets for derivative instruments									
Shekel/CPI Interest Rate Contracts	35	Discounted cash flow	Inflationary expectations	From	2.44%	to	8.58%	(2.22%)	
			Counterparty credit risk (CVA)	From	0.00%	to	21.97%	(4.53%)	
Other Interest Rate Contracts	144	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	8.25%	(0.08%)	
Foreign Currency Contracts	3,758	Discounted cash flow	Inflationary expectations	From	2.44%	to	8.58%	(2.60%)	
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	4.57%	(0.11%)	
Liabilities									
CLN Deposits	-	Discounted cash flow	Credit risk of the underlying asset						

1. Quantitative information on the measurement of fair value at level 3 (continued)

	Unaudited								
	Fair value as at March 31, 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	464	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs						
Not for trading shares	21	Evaluation	Company value						
B. Items measured at fair value on a recurring basis									
Net Assets in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	(1)	Discounted cash flow	Inflationary expectations	From	2.06%	to	17.51%	(3.43%)	
			Counterparty credit risk (CVA)	From	0.00%	to	6.32%	(4.04%)	
Other Interest Rate Contracts	101	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	0.71%	(0.10%)	
Foreign Currency Contracts	958	Discounted cash flow	Inflationary expectations	From	2.06%	to	17.51%	(3.37%)	
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	3.09%	(0.23%)	
Liabilities									
CLN Deposits	4	Discounted cash flow	Credit risk of the underlying asset						

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

E. Additional details on significant unobservable inputs and valuation techniques used for the measurement of fair value of items classified to level 3 (continued)

1. Quantitative information on the measurement of fair value at level 3 (continued)

	Audited							
	Fair value as at December 31, 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	491	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	105	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets for derivative instruments								
Shekel/CPI Interest Rate Contracts	8	Discounted cash flow	Inflationary expectations	From	2.28%	to	4.84%	(2.74%)
			Counterparty credit risk (CVA)	From	0.00%	to	6.23%	(3.98%)
Other Interest Rate Contracts	153	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	33.33%	(0.20%)
Foreign Currency Contracts	3,110	Discounted cash flow	Inflationary expectations	From	2.28%	to	4.84%	(2.66%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	35.52%	(0.42%)
Liabilities								
CLN Deposits	-	Discounted cash flow	Credit risk of the underlying asset					

2. Qualitative information on 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, 2022.
2. 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 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 stood at an average rate that shall not exceed 0.55%;
   - from January 1, 2022, through December 31, 2022, the issuer's fee stood at an average rate that shall not exceed 0.525%;
   - from January 1, 2023, the issuer's fee stands 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 on 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 stands 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), 5779-2018.

B. 1. The separation of ICC. On January 31, 2017, the Increase in Competition and Reduction of Centralization in the Israeli Banking Market Law (Legislation amendments), 5777-2017, was published on the Official Gazette ("the Law"). Within the framework of implementation of the Law, in the first stage, the credit card companies, IsraCard and MAX (formerly LeumiCard) were separated from Hapoalim Bank and Bank Leumi, respectively, due to the fact that they held assets of a value exceeding 20%, and therefore defined as "a bank with Wide-Ranging Activity". Accordingly, at that stage, there was no duty to sell ICC.

With respect to ICC, on January 31, 2021, started a period of two years that ended on January 31, 2023, during which, the Minister of Finance, with consent of the Governor of the Bank of Israel and approval by the Finance Committee of the Knesset, was empowered to instruct the separation of ICC from Discount Bank upon existence of certain terms stated in Section 11B(d) of the Banking Law (Licensing), 5741-1981 ("the Banking Law").

According to the provisions of Section 12(b)(3) of the Law, a committee had even been established, among the duties of which was recommending to the Minister in the matter of applying his authority to enforce the duty to sell ICC, as stated. On December 21, 2022, the committee published its recommendation to the Minister of Finance, as accepted by the majority of the committee members, which stated the position that the Minister should apply the said authority. The recommendation document contained also the minority opinion of the Supervisor of Banks, who was not a party to the opinion of the other committee members. On January 18, 2023, after obtaining the consent of the Governor of the Bank of Israel, the Minister applied to the Chairman of the Finance Committee of the Knesset, requesting approval of the Committee to the draft Banking Regulations (Licensing)(A bank with Wide-Ranging Activity), 5783-2023. As part of the application, the Minister referred also to the possibility of acquisition of a charge card company by institutional bodies, and noted that on the background of developments in the market and the provisions of Section 10 of the Law, he had instructed the formation of a designated team at the Ministry of Finance to study this issue.

On January 30, 2023, the Finance Committee of the Knesset approved the Banking Regulations (Licensing) (A bank with Wide-Ranging Activity), 5783-2023, ("the Regulations").

According to the Regulations, the Bank was bound to sell the means of control of Israel Credit Card Company Ltd., held by it, within a period of three years from the effective date (date of publication of the Regulations in the Official Gazette), or until the end of four years in certain circumstances, to the extent that a public offer outline would be decided upon. Furthermore, the provisions stated in the Law would apply with respect to the sale.

In addition, the following instructions, inter alia, apply:

17. Credit Card Activity (continued)

- During the period from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank has to conduct the operation of issue of charge cards issued by it, by means of an operating company, and to enable it to be a party to the charge card agreement;
- As from the end of one year from the effective date and until the end of a period of the later of five years or three years from date of separation, the Bank is not permitted to conduct by means of one operating company, the issue of more than 52% of the total new credit cards issued to Bank customers;
- A fixed mechanism for the distribution of income derived from the issue operation of charge cards and from use of charge cards by customers, between the Bank and the charge card company, so that the said distribution of income would be in accordance with an agreement signed by the parties in 2022;
- Restriction to approaches made to customers regarding renewal of credit cards.

It is noted that the restrictions relating to the duty to enable the credit card company to become a party to the agreement, the forbiddance to conduct through one operating company the issue operation of more than 52% of total new credit cards, and restrictions on approaches to customers regarding the renewal of credit cards, apply also to some of the other banks.

The Regulations entered into effect on January 31, 2023. It is noted that at that date the Minister of Finance issued an open call for the public's positions in which he announced, as part of his decision in the matter of amending the definition of a bank with Wide-Ranging Activity, the formation of a team at the Ministry of Finance headed by the Officer in Charge of Budgeting, the Legal Counsel of the Ministry of Finance and the Commissioner of the Capital Market, Insurance and Savings, for studying the issue of the differentiation existing in the Law between the acquisition of a charge card company from a bank with Wide-Ranging Activity (primary acquisition) and the acquisition of a charge card company from an entity which had purchased such a company from such a bank (secondary acquisition), and whether it is just and equitable to leave such a differentiation intact. The question of the possible effects of large institutional bodies controlling charge card companies is also supposed to be studied.

On May 11, 2023, the team for the examination of the holdings by institutional bodies of charge cards companies ("the Team") published its recommendations.

The central recommendation of the Team is the amendment of Section 10 of the Law, whereby a large institutional body shall no longer be debarred from acquiring means of control of a charge card company from a bank with wide-ranging activity (applying also to a primary acquisition). The practical significance of this recommendation, if implemented, is that the Bank would be able to sell its holdings in ICC also to a large institutional body. In addition, as a complementary act, the Team, inter alia, recommended a clear structural separation between the charge card company and the institutional body holding it, as well as stating restrictions in respect of material operational interfaces between institutional bodies and banks.

Following the decision of the Minister of Finance and approval of the Regulations, the Bank has decided to record a provision for the balance of taxes due on its share in the profits of ICC, which in accordance with accounting principles, had not been provided for in the past, in the amount of NIS 50 million. The said provision was included in the report for the first quarter of 2023.

Within the framework of a joint distribution agreement with El-Al Company, El-Al was, inter alia, granted a "phantom" type option, entitling it to economic rights in ICC (of a value equal to 8.75% of the appreciation in value of ICC, exceeding the amount of NIS 1,800 million). The option would be exercisable only in the event of sale or issuance of ICC, in accordance with the terms stated in the related agreement, and would be settled in cash. (The equity capital of ICC as of March 31, 2023, amounts to NIS 2,278 million).

According to an assessment in the hands of ICC, the fair value of the "phantom" option (within the meaning of the term in accepted accounting principles), based on data regarding transactions for the acquisition of the credit card companies Isracard and MAX (being published information only, regarding the agreement, within the framework of which, Harel Investments is expected to acquire all the shares in Isracard, and the agreement, within the framework of which, CLAL Insurance Enterprises Holdings acquired all the shares in MAX, based on their reports to the public), and on the assumption that ICC will utilize to the options of the distribution of dividends, according to the option agreement, within the framework of the future negotiations to formulate the terms of sale of the holdings in ICC at an amount of approx. NIS 58 million (approx. NIS 40 million after tax effect). ICC recognized in the first quarter of 2023 a liability in respect of the said option. Considering the tax effect and after deduction of the share of the First International Bank in the profit of ICC, the recording of the option in the said amount reduced the net profit of the Bank in the first quarter of 2023 by a net amount of approx. NIS 24 million.

17. Credit Card Activity (continued)

It is emphasized that at this stage, the Bank is in the midst of the primary preparation phases for the separation from ICC, and that decisions with respect to the separation outline have not as yet been taken. This issue relates to a transaction of a scope expected to be significant, where the acquisition price to be determined might be affected by the dynamics in the market, as would exist at the time proximate to the date of the transaction, by the path of development of ICC in comparison to its competitors, by the outline for the execution of the separation, by possible competition between potential buyers and by different macro-economic variables. In light of the abovesaid, the acquisition price might be very materially different from the price of ICC seemingly grossed up in the fair value assessment of the option. For details regarding the data for the "ICC" segment, within the framework of Managerial Operating Segments, see above in Note 13.

2. Arrangements following the Strum Law. The arrangements were described in Note 36 B to the financial statements as of December 31, 2022.

C. A joint issuance agreement between ICC and Discount Bank. The agreements for the joint issue of charge cards between ICC, Diners and Discount Bank and between ICC, Diners and MDB expired on December 31, 2022. At this stage, the joint activity of ICC and Diners with the Bank and with MDB continues according to the provisions of the agreements, which were in effect until December 31, 2022, while the parties have started negotiations for the renewal of the issuing agreements. According to the Regulations enacted under the "Strum Law", fixation applies to the income distribution mechanism between ICC and Discount, and the distribution of income shall be made according to the issue operating agreement that was in effect on January 1, 2022 until the end of three years from date of separation, or until the end of five years from date of publication of the Regulations (January 30, 2023), whichever is later.

D. Acquisition of the minority interest in Diners. A monetary action was filed against ICC on September 24, 2019, with the Tel Aviv-Jaffa District Court, by which the Court was plead to charge the company to pay to the Claimants (Alon Blue Square Israel Ltd. and Dor Alon Finance Ltd.) an amount of approx. NIS 21 million, in respect of the transaction for the sale of "Diners" shares to ICC. The Claimants have to submit principal evidence declarations until May 2, 2023, and ICC has to submit principal evidence declarations until November 12, 2023. A pretrial is set for February 21, 2024.

E. Extension of the clearing license of ICC and Diners. On March 15, 2023, the provisional clearing permit of ICC and Diners was extended to March 31, 2024, or until a permanent permit is obtained, the earlier of the two.

18. Dividends

Details on the Bank's dividend policy, were presented in Note 24 C to the financial statements to December 31, 2022.

Dividends

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 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
November 23, 2022	December 13, 2022	178.6	20	14.44
March 13, 2023	March 30, 2023	187.8	20	15.18

On May 16, 2023 the Bank's Board of Directors decided to make a dividend distribution at the rate of 30% of the profits of the first quarter of 2023 (compared with 20% up until and including the fourth quarter of 2022), in an amount of approx. NIS 380.7 million, representing approx. 30.78 Agorot per ordinary A share of NIS 0.1 par value.

19. Taxation

Note 8 D to the financial statements as of December 31, 2022, described appeal proceedings on VAT assessments, conducted at the Tel Aviv District Court in the matter of the company and additional credit card companies. ICC is preparing to submit a summing-up brief in the case.

On February 12, 2023, ICC received VAT assessments for the years 2018-2022 in a total amount of NIS 192 million, including interest and linkage differences. The issues in the aforesaid assessments are the same in principle as those in the assessments issued for the previous taxable periods.

ICC estimates the amount of exposure, for which no provision has been recorded in its financial statements, at approx. NIS 207 million.

20. Realization of assets as part of the preparations for the relocation of the Head Offices and operation of the Bank and its main subsidiaries in Israel 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 fourth quarter of 2021. 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. In view of the conclusion of the transaction, on March 30, 2023, ICC has recognized a net of tax gain of NIS 231 million (the Bank's share in this amount is approx. NIS 142 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 was expected by June 30, 2023. MDB has an option to defer the date of transferring possession by 180 days, until December 31, 2023 (including in the number of deferrals), and, after that date, the bank also has an option to rent the property for up to two years. On April 30, 2023, MDB informed the purchasers as to the exercise of the option for deferral of the delivery date, thus the delivery date is expected to be no later than August 15, 2023. As assessed by it, MDB expects to recognize a gain of approx. NIS 80 million, net of the tax effect. The gain will be recognized in accordance with the date of completing the transfer of possession in the property.

21. Issue of debt instruments within the framework of an international private placement

On January 26, 2023, the Bank completed an international private placement of US dollar bonds, issued to institutional investors. The gross proceeds of the issue amounted to approx. US$799.48 million.

22. Pledges, Restrictive Terms and Collateral

a. In the first quarter of 2023, the Bank registered in favor of the Bank of Israel, pledges on its rights with respect of mortgage backed loans (including all receipts and income derived there from). All this, within the framework and as part of a project pledging rights involving mortgages in favor of the Bank of Israel, in order to improve the Bank's liquidity (by releasing government bonds pledged to the Bank of Israel at the beginning of the Corona crisis). As part of the process, the Bank is required to abide by strict covenants (in connection with the pledged loan portfolio) as determined by the Bank of Israel procedures in the matter. The balance of the pledged assets within the framework of this pledge, as of March 31, 2023, amounted to NIS 6,512 million.

b. In the first quarter of 2023, the Bank deposited funds in a deposit account opened in the name of BCC in the RTGS system at the Bank of Israel. This, in the framework of the clearing default arrangement, the purpose of which is to ensure the timely conclusion of the daily clearing operation. A similar deposit was effected by MDB. The balance of the funds deposited as above as of March 31, 2023, amounts to NIS 328 million.

Corporate Governance, Audit and Additional details on 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 Directors. Mr. Danni Yamin, took office on February 1, 2023, as a Director of the Bank, replacing Ms. Miriam (Miri) Katz, who terminated her office on this date. All as detailed in immediate reports dated February 1, 2023 (Ref. Nos. 2023-01-013368 and 2023-01-013359) the information in the above matters detailed therein is presented hereby by way of reference.
The Chairman of the Board, the Board of Directors and the President & CEO thank Ms. Katz for her activity and contribution during her period of office at the Bank and wish Mr. Yamin success in fulfilling his office.

Termination of office of the President & CEO

On April 15, 2023, the President & CEO, Mr. Uri Levin announced his intention to terminate her office, following nine years in which he had officiated in senior positions at the Bank and at the Group, of which some 3.5 years as President and CEO. The date of termination of office has not yet been fixed. The Bank's Board of Directors has appointed a search committee headed by the Chairman of the Board Mr. Shaul Kobrinsky.

Meetings of the Board of Directors and its committees

In the first three months of 2023, the Board of Directors held 8 meetings. In addition, 18 meetings of committees of the Board of Directors were held.

The Internal Audit in the Group

Details on 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 2022 Annual Report (pp. 328-331).
Updates. During the first quarter of 2023 the following periodic reports were submitted and discussed:
- The report on the activities of the internal audit in the fourth quarter of 2022 was submitted on February 5, 2023, and discussed in the Audit Committee on March 29, 2023;
- The annual report on the activities of the internal audit in 2022 was submitted on March 21, 2023, discussed by the Audit Committee on March 29, 2023 and in the Board of Directors on May 14, 2023;
- The quarterly report on the activities of the internal audit in the first quarter of 2023 was submitted on April 23, 2023, and discussed by the Audit Committee on May 8, 2023.

Transactions with Interested and Related Parties

On April 1, 2023, 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.

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 allegation (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).

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. 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.

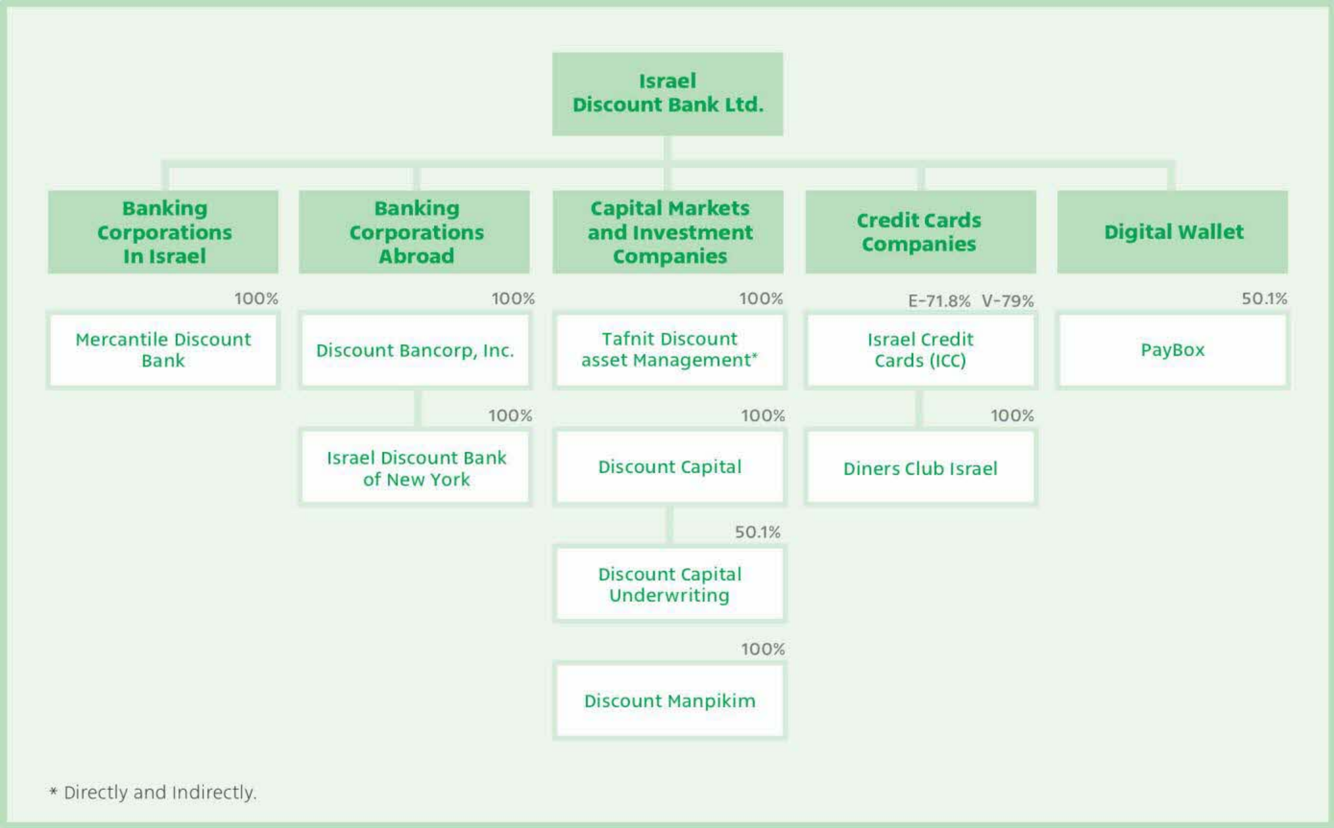
According to information in the hands of the Bank, the Committee had completed the gathering of material and the hearing of Officers and employees appearing before it, and is now forming its conclusions and recommendations.

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 on the business of the banking corporation and management thereof

Discount Group Structure



Fixed Assets and Installations

Buildings and Equipment

Establishment of the Discount Campus. For details, see the 2022 Annual Report (p. 342-343) 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 20 to the condensed financial statements.

Information and Computer Systems

For details, see the 2022 Annual Report (pp. 344-345).

The human capital

Principal Activities in the first quarter of 2023

Transfer to the Discount Campus. Completion of preparations from the aspect of human resources regarding the transfer to the Discount Campus location, including formation and integration of a culture and work environment intended to provide employees with a better and advanced work experience.

Rating of Liabilities of the Bank and some of its Subsidiaries

For details on the rating determined for the Bank and some of its subsidiaries by different rating agencies, see the 2022 Annual Report (p. 359).
Credit rating of the State of Israel. On August 1, 2022, the Fitch rating agency ratified the credit rating of the State of Israel at a level of A+, with a stable outlook. On November 24, 2022, the rating agency Moody's ratified the credit rating of the State of Israel at a level of A1 with a positive outlook. On May 11, 2022 S&P rating company ratified the State of Israel's credit rating at a level of AA- with a stable outlook.
In the beginning of March the Fitch rating agency has ratified the credit rating of the State of Israel at a level of "A+", with a "Stable" rating outlook. Fitch noted, inter alia, that a number of countries that had undergone a significant institutional reform, have reached even a decline in their credit rating, and that at this stage it is unclear whether the proposed reform in Israel will have a similar extensive effect.
On April 14, 2023, Moody's rating agency published the credit rating of the State of Israel, leaving it at "A1". However, Moody's graded down the rating outlook from "Positive" to "Stable" due to its estimates that the events related to the implementation of the Legal Reform indicate the weakening of the institutional solidity of Israel.
On May 12, 2023, the S&P rating agency published the credit rating of the State of Israel leaving it unchanged at "AA-" with a "Stable" rating outlook, on the background of the assumption that an agreement would be reached regarding the legal reform.
It is noted, that in recent months, discussions are being held at the State President's House, with a view of reaching a wide consent regarding the actions for changes in the legal system.
For details regarding the direct effect on the Bank's capital adequacy, in the event that the credit rating of the State of Israel would be reduced, see "Capital and Capital Adequacy" above.

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 first quarter of 2023, the Discount Group has 172 branches in operation in Israel (99 branches of the Bank and 73 branches of MDB). An extension of the Nathaniya Branch was opened in Kfar Yonah in the first quarter of 2023.

For additional details, see the 2022 Annual Report (pp. 360-362).

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

	March 31, 2023	March 31, 2022	Change in %
	in NIS millions		
Total housing loans granted by the banks, excluding internal recycling of loans	18,871	34,622	(45.5)
Loans from State funds	83	99	(16.2)

New loans and recycled loans granted for the purchase of a residential unit and secured by a mortgage on a residential unit

	For the three months ended March 31, 2023	For the three months ended March 31, 2022	Change in %	For the year ended December 31, 2022
	In NIS millions			In NIS millions
From bank funds[1]	3,012	5,306	(43.2)	17,765
From Treasury funds[2]	13	11	18.2	48
Total of new loans	**3,025**	**5,317**	**(43.1)**	**17,813**
Recycled loans	473	586	(19.3)	1,534
Total granted[3]	**3,498**	**5,903**	**(40.7)**	**19,347**

Footnotes:

(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 122 million in the first three months of 2023, compared to NIS 56 million as at March 31, 2022 and NIS 270 million in 2022.

(2) Including standing loans in the amount of NIS 9 million in the first three months of 2023, compared to NIS 6 million as at March 31, 2022 and NIS 19 million in 2022.

(3) At the Bank and MDB.

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

Draft amendment of Proper Conduct of Banking Business Directive No. 451 in the matter of housing loans. A Draft amendment of Proper Conduct of Banking Business Directive No. 451 was published on February 8, 2023, whereby guidelines are proposed intended to facilitate early repayment of a housing loan, including by way of refinancing. The proposed amendment would allow online submission of an application for premature repayment of the loan, or by telephone, as well as receiving the bank's response online. In addition, banks would be required to determine procedures and operations by which the documents required for a refinancing of a loan would be transferred between them. The Directive will apply also in the case of refinancing of a loan by way of a loan extended by an institutional lender which is not a banking corporation.

Large businesses Segment (Domestic operations) - additional details

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of March 31, 2023, no deviations existed from the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as March 31, 2023, 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.

Developments in the debt of the business sector

The debt of the business sector (excluding banks and insurance companies) amounted at the end of February 2023[2] to NIS 1,255 billion, an increase of 2.0% compared with the end of December 2022 (all the rates of change are in nominal terms and are affected by changes in exchange rates and in the CPI).
The growth in total debt is in the larger part derived from the increase in the debts to banks (2.5%), as well as to foreign residents (approx. 5%). In addition, a moderate increase was recorded in the debt to institutional bodies (1%), due to the rise in the balance of bonds held by institutional bodies (1.5%), and a marginal increase in the balance of loans. The said trends have led to a slight increase in the weight of banks in total debt of the business sector, from 53.8% to 54.1%.
During the first quarter the business segment, excluding banks and insurance companies, raised bonds in an amount of approx. NIS 11 billion (on the Tel-Aviv Stock Exchange and by means of non-listed bonds), compared to NIS approx. 10 billion in the corresponding period last year.
The margin between corporate bonds (included in the Tel-Bond 60 Index) and government bonds as of the end of March 2023 was 1.92%, compared with 1.78% at the end of 2022 and 1.17% at the end of the corresponding quarter last year.
The margin between corporate bonds (included in the shekel Tel-Bond) and government bonds as of the end of March 2023, was 2.23%, as compared to 1.66% at the end of 2022, and 1.29% at the end of the corresponding quarter last year.
The rise in margins during the past year is in line with the steep rise in yields on government bonds, alongside the negative momentum in the market, mainly as from the end of 2022.

Developments in the Segments' Markets

Worsening economic conditions have led to a rise in the level of economic activity risk and to a decline in the value of marketable assets. In recent months, a modest rise in unemployment has been observed, as well as a decline in the number of vacant positions, particularly in the high-tech sector.
Following our development directions in the principal economic sectors:
- The high-tech sector is coping with a substantial downturn in the scope of capital raisings. This has led, inter alia, to a reduction in manpower and to a reduction in the scope of employee recruitment;
- Commercial sector – The sector's performance aligns with consumer purchasing power, which is derived – inter alia – from the unemployment rate;
- Real estate sector – For details, see below "Construction and real estate activity".

2 The most updated data available at the time of submitting the report to print.

Anticipated Developments in the Segments' Markets

In its last interest decision, the Bank of Israel raised the interest to 4.5%. The scope and pace of future interest hikes, in Israel and overseas, is expected to have a significant impact on the economy's growth in the coming year.

For details on the "Large businesses Segment", see the 2022 Annual Report (pp. 371-374).

Construction and Real Estate Activity

Developments in markets of the activity

Residential property. On the background of the rise in interest rates and the high inflation, a slowdown has taken place in the residential property market in the past months. It is noted that the pace of sales has slowed down and that constructors are offering various benefits within the framework of focused marketing campaigns with payment terms of 20-80.
Income producing office premises. No significant developments were recorded in this sector during the quarter.
Income producing commercial real estate. The growth potential is coordinated with the performance of retail trading, and within the larger circle, with the buying power of the Israeli consumer and may be exposed to impairment in a scenario of economic slowdown.

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 17.04% as of March 31, 2023, compared with 17.03% at the end of 2022.
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 2022 Annual Report (pp. 375-377).

Financial Management Segment (Domestic operations) - additional details

Non-Financial Companies

Legislative restrictions, regulations and special constraints applicable to the sub-segment

With respect to an immaterial investment in a corporation operating in the financial sector, made by a subsidiary of the Bank, the controlling shareholder of that corporation reported in March 2023, the crossing of the monetary upper limit relating to the classification of the controlling shareholder and corporations under its control as significant nonfinancial corporations. In accordance with the provisions of the Banking Law (Licensing), a banking corporation is not allowed to hold over 10% of the equity of more than one significant nonfinancial corporation and over 1% of a certain class of control means in additional significant nonfinancial corporations. Notwithstanding the above, and in view of the recommendations, issued in September 2022, by the team examining Chapter "D" of the Concentration Law, the Bank applied to the Bank of Israel with a request to allow a sufficient stay to complete legislative procedures concerning the adoption of the team's conclusions, if at all adopted, and to the extent required, for the sale of the holdings in that corporation, if required.

As of March 31, 2023, there was no violation of the restriction on investment in non-financial corporations pursuant to Section 23 A (A) of the Banking Law (Licensing). For further details, see the 2022 Annual Report (p. 381-382).

Non-financial investments portfolio – principal data

Scope of the portfolio. The total value of the non-financial investments portfolio of Discount Capital amounted at March 31, 2023 to NIS 2,150 million. The outstanding investment commitments of Discount Capital amounted on March 31, 2023, to NIS 839 million (US$232.1 million) most of which in Funds the investment period of which has not yet expired.
Income. Discount Capital recorded in the first quarter of 2023 net income from non-financial investments in a total amount of approx. NIS 82 million. This, compared to net income in a total amount of approx. NIS 46 million in the first quarter of 2022.

For additional details, see the 2022 Annual Report (pp. 380-382).

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 March 31, 2023, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 13.47% of total risk assets, as compared with 13.91% on December 31, 2022. 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 (restriction of the exposure rate, as stated, was 25% on December 31, 2022). The Bank monitors the development of the risks assets for its operations in overseas extensions.
IDB Bank - Risk Based and Leverage Capital Ratios. Beginning on January 1, 2015, IDB Bank became subject to new Basel III capital rules based on the final rules published by the FRB in July 2013 (the “Basel III Capital Rules”). The new rules establish a new comprehensive capital framework for U.S. banking organizations.
The rules apply to all depository institutions and banks holding companies with total consolidated assets of $500 million or more, Among other things, the new rules establish a new common equity tier 1 ("CET1") minimum capital requirement and a higher minimum tier 1 capital requirement, and assign higher risk weightings (150%) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real estate. The rules also limit dividend distributions by certain banking organizations as well as discretionary bonus payments if the banking organization does not hold a “capital conservation buffer”, consisting of a specified amount of common equity tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer came into effect in 2016.

The Basel III Capital Rules became effective on January 1, 2015, subject to a phase-in period. The minimum capital ratios required as of January 1, 2016 are as follows:
- 4.5% CET1 to risk assets;
- 6.0% Tier 1 capital to risk assets;
- 8.0% Total capital to risk assets; and
- 4.0% Leverage ratio.

IDB Bank complies with the requirements.

U.S. legislation. Following the crossing of the US$10 billion threshold of total assets in 2020, IDB Bank has been defined as a "Large bank" to which different regulatory requirements apply. With the crossing of the threshold, the activity of IDB Bank is also 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 reviews of IDB Bank, performed by the FDIC and the NYDFS (collectively, the "US Regulators"), making them more extensive and sequential in a way that presents a higher supervisory anticipation. 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, US Regulators may order different measures, including measures to correct deficiencies or the discontinuation of certain practices, as well as increasing capital, limiting growth, restricting profit distributions, termination of office of Officers, and assessing civil fines or penalties.

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 as part of ongoing oversight by the US Regulators, IDB Bank expects that it will enter into parallel consent orders with the US Regulators (collectively, the "Consent Order"). Such Consent Order will require IDB Bank, among other things, to make further enhancements and adjustments in its policies, procedures, controls and in the staffing levels, and a review of prior transactions. IDB Bank is already in the process of taking the actions and enhancing the processes that it expects to be required under the Consent Order. As a result, there has been an increase in IDB Bank's staffing levels and operational costs.

IDB Bank expects that that the Consent Order will not impose fines or penalties and further expects that it will not require additional capital or impose any other restrictions on IDB Bank's ongoing business activity or on the implementation of its strategic plan. However, the issuance of a Consent Order may limit IDB Bank’s ability to obtain regulatory approvals for new business initiatives that require such approval and could negatively influence reputation. Non-compliance with the Consent Order could subject IDB Bank to enforcement actions. Once issued, the Consent Order will remain in effect and be enforceable until it is modified, suspended, terminated or set aside by the US Regulators. The Bank believes that the Consent Order will 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 content, timing and potential implications of the Consent Order.

For additional details, see the 2022 Annual Report (pp. 382-384).

Additional Segments

For additional details on the Private Banking Segment (Domestic operations), see the 2022 Annual Report (pp. 365-367). For additional details on the Small and minute businesses segment (Domestic operations), see the 2022 Annual Report (pp. 367-369). For additional details on the Medium businesses segment (Domestic operations), see the 2022 Annual Report (pp. 369-370). For additional details on the Institutional bodies segment (Domestic operations), see the 2022 Annual Report (p. 377-378).

Credit Card Operations

Developments in operations

An agreement for cooperation with Electra Consumer Products and Hapoalim Bank. On August 9, 2022, ICC signed a tripartite agreement with Electra Consumer Products (1970) Ltd. ("ECP") 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-CAL 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.
On April 30, 2023, approval of the Competition Authority was received for the merger of the consumer clubs of BIT-ICC and of Electra, also issued was a conditional exemption from the duty to obtain approval of the Court for the agreement (including a condition instructing the parties to verify that the essence of the agreement is not to reduce competition and that it would not limit or significantly impair competition). The exemption is granted for a period of twelve years, but the Competition Commissioner may terminate it on a date determined by her. In continuation of the discussions held with the Competition Authority and of the terms determined in the exemption, including with respect to credit, the parties are negotiating the updating of certain of the commercial consents stated in the agreement. No certainty exists that the parties would reach consents, as stated. Consummation of the engagement is subject to fulfillment of additional conditions precedent.

For additional details see the 2022 Annual Report (p. 386).

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.
Open banking. The open banking field has been defined by the Bank as a strategic field and accordingly, the Bank continues to develop the partners avenue for private and business customers, as well as adding business partners that have added value services for our customers, and would also expand the services provided within the framework of the platform.
Strategic cooperation for the establishment of a new fintech company granting digital credit. For details see "Management's handling of current material issues" above.
For additional details see the 2022 Annual Report (p. 394).

Direct channels

The following innovations and updates took place during the current activity in the first quarter of 2023:

Current accounts and foreign currency

Transfers to the crypto exchange. The Bank allows customers to transfer funds in Israeli and in foreign currencies to accounts engaged in the virtual currencies field. Each customer trying to transfer funds to an account identified as active in the virtual currencies field, would be presented with a notice informing him of the policy of the Bank regarding everything related to transfers to such beneficiaries.

Opening of new accounts – supporting new identity cards issued as from the year 2022. Support has been added regarding the scanning of new identity cards in a new format, issued by the Ministry of Interior as from 2022.
Effected transfers and standing orders – extending the search range to one year. The search range for queries regarding prior transfers has been extended to one year, instead of six months up to now.
Details of guarantees. Added to the Application is the possibility of watching the details of existing guarantees in a customer's account by means of the information menu.
Pension consulting – signing a power of attorney to the Bank. A possibility has been added of obtaining remotely a signature on a power of attorney for customers receiving pension consultation, without them having to visit the Bank. Customers receiving pension consultation, whose power of attorney is about to expire in the coming year, will be presented with a digital notice inviting them to renew their signature on the power of attorney in order to continue receiving the consulting services.
Saving references to Excel files. A possibility has been added for saving references at the end of operations to Excel files.
Issue of confirmation reference upon establishment of an authorization to charge an account. A possibility has been added for the issue of a confirmation reference, similarly to that issued at the Branch office, once an authority to charge an account had been established. The confirmation reference is issued in a PDF format, including a digital signature.
Issue of year-end withholding tax confirmations – investments and securities for 2022 (Form 867). A possibility has been added for obtaining via the website or the Application, the annual withholding tax confirmation (Form867) and save it to an accessible PDF file.
Changing the due date of postdated checks. Customers who wish to change the date of a postdated check to a different due date (applies only to postdated checks for collection and not to checks held as security or discounted checks) may now do so through the digital. Limited to three changes in respect of each postdated check.

Digital for business

Bank authorized payment of invoices – customers are not stuck on the digital. In cases where it is not possible to effect payment of an invoice through the digital (due to insufficient funds or exceeding an amount limitation), the customer will be prompted with the option to transfer the confirmation of the operation to the banker. At this stage, it is possible to request a banker's approval for invoice payments of up to NIS 1 million only.
A website in English for business customers – opening a gap vis-a-vis competitors. A possibility has been added whereby all banking transactions (except for foreign currency transactions) effected by business customers, may now be effected on the website in English: a single transfer approved by a banker – permanent beneficiaries; a single transfer approved by a banker – first party; transfers in accordance with authorization; establishing authorization to charge an account; cancellation of authorization to charge an account; temporary discontinuation of authorization to charge an account, reinstatement of authorization to charge an account; withdrawal of cash without a charge card – signing on a transaction established on the Application; recurring transfers and submission of an application for a bank guarantee.
Determination of a default account – being attentive to customer needs. In examining the practice of customers on the website it was found that approx. 20% of customers change the requested account immediately upon entering the website. Accordingly, a separate screen has been structured wherein it is possible to define the default account, including a designated entry on the menu.
Connecting the business website to the work order in the business CRM. Reflecting the work order of the banker - transactions requiring authorization of a banker would now be transferred for treatment by the work order of the business CRM.

Customer experience

Follow Up of approaches to the Bank. This service (Stage "A") was introduced at the end of 2022, and included presentation of all approaches of the customer to the Bank. Stage "B" of the project includes the following contents:
- The approach had been concluded but the customer is not satisfied with the treatment? A button has been added allowing renewal of the approach within 24 hours of closure. The approach is no longer relevant? A button has been added allowing self closure of the approach (so long as a banker has not started dealing with it).
- The types of SMS notices sent to customers upon changes in the status of an approach have been expanded.
- Transparency regarding dates for treatment of an approach and expected delays: Already upon entering an approach, the customer is presented with an SLA for the end-to-end treatment of his approach (until now the expected time for a primary response only was presented); was there a delay in the expected SLA? An indication would be presented to the customer and further notices would be delivered.
- Expansion of approach channels available on the service: approaches received by telephone or personally at the Branch, would also be reflected through the service.

Expansion of the population allowed using the digital service:
- A minor up to the age of 14, customer in a joint account with a deceased customer (with no "long life" proviso), and protected customer – may join the digital for information purposes only.
- Customer in a joint account with a deceased customer (with a "long life" proviso), trust account (with a known beneficiary).
- Guardian in a protected account – may act using the digital and effect transfers according to a designated schedule of limits (excluding loans and securities).
- Minors of age 14-16 may conduct transactions and transfers in amounts of up to NIS 400 per day (excluding loans and securities).

Capital market

Follow up of securities – Rearranging the menu following an examination of customer conduct. It transpired that the item "securities follow up" in the menu is of great demand. Accordingly, it has been moved to the top of the menu in order to facilitate the daily navigation in the world of the capital markets.
Yields on the securities portfolio. Updated calculation of the yield model for holders of a securities portfolio according to the TWR model, as required by Proper Conduct of Banking Business Directive No. 460.
Smart Invest. The Smart Invest service is expanding and will allow delivering of investment recommendations to customers attached to this service, including also foreign securities.

Open banking

Open banking - Extending the service to small corporations. Also small corporations with only a single signatory may approve the transfer of information and effect payments using the open banking infrastructure.

Credit cards

Credit cards – expanding the information regarding transactions originating in the payments Application. As part of the requirements of Proper Conduct of Banking Business Directive No. 427, the Bank is preparing for the presentation of detailed information on credit card transactions originating in payment applications (BIT, PayBox). The Directive defines the contents of the information required to be presented at the current account level of the transaction and at the credit card level of the transaction (name of beneficiary, reason for the transfer, payment application, etc.). These fields would be presented at the transaction level on the website and on the Application under upcoming billing or prior billing transactions and under online transactions.

Main developments in the Israeli economy and around the world in the first three months of 2023

Developments in the Global economy

General. The global economy continues to grow and activity pace are higher than expected. At the same time, the labor markets have remained tight, unemployment rates are at low levels and wages continue to rise, though it is moderated. Nevertheless, the US data for the first quarter of 2023 indicated slow growth, lower by 1.1% than anticipated, while the Eurozone recorded growth of 0.4% only. Globally, inflation is continuing to slow down, though it still remains at a high level. Concurrently, the core inflation in the US and in the Eurozone remained at a high level. A crisis broke out in the American banking system during the reported quarter, with the collapse of two US regional banks. The FED reacted by rescuing the deposit holders, providing liquidity to the banking system. However, despite concern regarding the financial stability and the prevailing high uncertainty, central banks around the world continue to raise interest rates, in order to move back the inflation to the target range. The FED raised the interest to 4.75%-5%, and the ECB raised it to 3%.
Financial markets. Equity indices throughout the world were traded at higher prices in light of the economic recovery and investors' expectations that the period of interest hikes was nearing its end, and that interest rates would start to fall rapidly.

The changes in selected share indices recorded in the first three months of the years 2022 and 2023

Index	2023	2022
S&P500	7.0%	(5.0%)
DAX	12.2%	(11.2%)
MSCI Emerging Markets	3.5%	(7.3%)

Concerns of the financial stability being harmed as a result of the crisis at the banks, and the subsequent calm lead to volatility in the yields on US government bonds. In addition, the bond market was impacted by investors' concerns for entering into a recession and, as a consequence, a rapid fall in interest rates. As a result of the aforesaid, 10-year US government bonds were traded at the end of the quarter at a yield of approx. 3.5%, a fall of 40 basis points since the start of the year. In Germany, the yield on 10-year bonds fell by approx. 30 basis points, and traded at a level of 2.56%.

The returns on government bonds

10Y Government Bond Yields	March 31, 2023	December 31, 2022
U.S.A.	3.5%	3.9%
Germany	2.29%	2.56%

The dollar basket ("Dollar Index") weakened by 1% during the first quarter, against a background of concerns of a recession and a fall in interest.

Changes in the U.S. dollar against selected currencies in the first three months of the years 2022 and 2023

Exchange rate	2023	2022
EUR	1.8%	3.9%
JPY	1.3%	6.6%
GBP	2.1%	(1.1%)

Prices of oil and of commodities declined in the first quarter, on the background of concerns for a recession. On the other hand, the price of gold increased, it being a protection against inflation.

Changes in selected commodities indexes in the first three months of the years 2022 and 2023

	2023	2022
The commodities index - GSCI	(6.4%)	14.2%
The oil price (BRENT)	(7.1%)	22.7%
The oil price (WTI)	(5.7%)	21.9%
Gold	8.0%	9.6%

Main Developments in the Israeli Economy

General

Economic data indicate a slow growth in the domestic economy. The integrated Index of the Bank of Israel rose in the first quarter of 2023 at an annual rate of 1%, as against the last quarter of last year. Notwithstanding the above, the labor market continued to demonstrate strength, while the unemployment rate in March amounted to 3.8%, reflecting decline when compared with December (4.2%). On the other hand, the rate and volume of available positions continued to decline, with a steep decrease in the Hi-Tech industry.

Developments in economic sectors

The turnover data of the economic sectors indicate slow growth in recent months, as compared to growth at the end of 2022. This trend is particularly noticeable in a large number of sectors, including: wholesale and retail trading, hotel services and food, information and communication and in real estate transactions.

Developments in the activity of the Israeli economy with overseas markets

Decline was recorded in the months of January-February 2023, in direct investments in Israel (through banks) by foreign residents, as compared to the first quarter of the previous year, as well as a sharp regression took place in financial investments by foreign residents in marketable securities. Investment by foreigners in government bonds and short-term loans (MAKAM) has shrunk, from a moderate investment at the beginning of 2022 to a net negative investment, and the investment in equities was significantly reduced. At the same time, during the said period, Israeli residents reduced at a sharp rate their investments in equities abroad.

Changes recorded in investments of the Israeli economy abroad

	January-February 2023	January-March 2022
	US$ billion	
Investments in Israel by foreign residents		
Total direct investments through banking system	1,909	5,071
Total financial investments	933	2,560
Of which: Government bonds and MAKAM	(855)	151
Shares	509	2,237
Investments abroad by Israeli residents		
Total direct investments through banking system	100	173
Total financial investments	885	101

Developments in inflation and foreign exchange rates

In common with the global trend, inflation in Israel stands at a level above the target range - 5%, with core inflation standing at 5.2% and struggles to slow down. Furthermore, inflation is evident over a broad number of items, with the price of items affected primarily by local demands continuing to rise at a fast pace of 5.3%.
An increase was recorded in the first quarter in the short-term inflationary expectations, from approx. 2.8% to 3.1% at the end of the quarter.
The shekel weakened in the first quarter by approx. 4% and approx. 5% as against the US dollar and the currencies basket, respectively. This, in view of the progress made in the implementation of the Legal Reform during this period.

Fiscal and monetary policy

Fiscal policy. A deficit was recorded in March, following nine months of recorded surplus in the State budget, and in total for the past twelve months ended in March the State budget was balanced out, as compared to a surplus of 0.2% in February and of 0.6% of the GDP in January. In the period from January to March, tax revenues declined by approx. 9% in real terms, compared to the corresponding period last year, with the trend data showing clearly a decline in tax revenues starting as from the middle of 2022.
Monetary policy. Similarly to the central banks globally, the Bank of Israel continued to raise the interest at a fast rate, raising it by 1% during the first quarter from 3.25% to 4.25%. At the same time, the Bank of Israel increased the pace of MAKAM (short-term loan) issues.
The interest rate embedded in contracts as of the end of the quarter, amounted to 4.05% for another year.
Change in the monetary base. In view of the monetary contraction and the steep rise in interest, a decrease of 10% was recorded during the first quarter of 2023, in the M1 money supply (cash held by the public together with shekel current account deposits), as compared to growth of approx. 1% in this supply in the corresponding period last year. This decrease stems from current account deposits, which declined by approx. 13%.
An increase of approx. NIS 2 billion was recorded in the monetary base during the first quarter of 2023, stemming from absorption by the Government, alongside a steep rise in MAKAM (short-term loan) issues, being offset by a reduction in tenders by the Bank of Israel for shekel deposits.

Sources for the change in the monetary base

	January-March 2023	January-March 2022
	In NIS billion	
Operations on the Capital Market	(60.4)	(11.1)
The Shekel deposits tender	102.0	43.0
Foreign currency conversion	-	1.1
Government activity	(39.2)	(33.9)

Capital market

In contrast to the global trend, the local capital market recorded a decline in prices, with the real estate sector negatively conspicuous. In total for the first quarter, the TA 125 Index dropped by approx. 4%.

The changes recorded in selected share indices in the first three months of 2022 and 2023

Index	2023	2022
TA 35	(2.4%)	2.2%
TA 125	(4.2%)	2.0%
TA banks	(3.6%)	2.6%
TA Global-Blutech	(1.0%)	(12.1%)
Real-estate 15	(13.3%)	(0.9%)

Differently from the global trend, the trading in Israel in government bonds was marked by rising yields. During the quarter, volatility was observed in the market, when on top of the events at US banks, yields were affected by the progress made with respect to the Legal Reform. In total for the quarter, an increase of 20 basis points was recorded in yields for ten year, and the difference between Israeli bonds and US bonds, which had been negative, turned around, so that at the end of the quarter, the difference in yields for ten year between Israel and the US amounted to 34 basis points.

The changes recorded in selected bond indices in the first three months of 2022 and 2023

Index	2023	2022
General bonds	-	(3.4%)
General Government bonds	0.1%	(4.3%)
Shekel Government bonds	(0.4%)	(4.5%)
Linked Government bonds	0.7%	(3.9%)
General Corporate bonds	0.1%	(2.3%)
Linked Corporate bonds	0.3%	(2.2%)
Shekel Tel-Bond	(0.7%)	(3.5%)

During the first quarter of 2023, the corporate bond market recorded a decrease of approx. 1% in the shekel Tel-Bond.
In the first quarter, the business sector, excluding banks and insurance companies, raised funds by way of bond issues, to the tune of approx. NIS 11 billion (through the Tel Aviv Stock Exchange and by way of nonmarketable bonds), as against approx. NIS 10 billion in the corresponding period last year.

The asset portfolio held by the public

The value of the financial asset portfolio held by the public remained almost unchanged during January-February of 2023, as compared to December 2022, amounting at the end of the period to approx. NIS 4.85 trillion.
A slight decline in the value of the portfolio is explained by a decrease in the component of Israeli equities (approx. 6%), in the non-linked component (approx. 2%) and in the CPI linked component. On the other hand, growth was recorded in foreign equities and foreign currency linked components.

Distribution of the asset portfolio held by the public

	February 28, 2023	December 31, 2022
Shares	24.0%	23.9%
Non-linked assets	38.6%	39.3%
CPI linked assets	24.9%	25.1%
Foreign currency linked assets	12.6%	11.8%

Principal economic developments in April and May 2023[3]

The high uncertainty and concerns regarding impairment of the stability of the regional banks in the US continue to impact the markets since the beginning of the quarter. However, at this stage, no effect on the economy is as yet noticed. Concurrently, the maximum debt crisis in the US is gaining momentum.
The FED raised the interest rate by 25 basis points to 5%-5.25%, and signaled the discontinuation of the consecutive raising of the interest. The ECB slowed down the pace of interest hikes, raising the interest by 25 basis points to 3.25%. In Israel, the Bank of Israel raised the interest by 0.25% to a level of 4.5%.

3 All data relate to the period from April 1, 2023 and until May 15, 2023.

The rate of inflation in the US has slowed down to an annual rate of 4.9%, while in the Eurozone it increased to 7%. The core inflation amounts to 5.5% and 5.6%, respectively. In Israel, the CPI for April rose steeply by 0.8%, with the annual inflation rate remaining at a level of 5%. The core inflation (excluding energy, fruit and vegetables, and Government intervention) accelerated to 5.3%, compared to 5.2% in March.
The unemployment rate in Israel continued to decline reaching 3.6% in April, as compared to 3.8% in March.
The budgetary deficit continues to rise to a level of 0.3% of the GDP in April, compared to being balanced in March (on a cumulative basis for the past twelve months).
Yields on US government bonds for ten years remained at a level of approx. 3.5%, while yields on Israeli government bonds dropped since the beginning of the quarter by approx. 10 basis points to approx. 3.7%.
In the same period, price increases were recorded in the share market, with the TA-125 Index rising by approx. 5%, while the S&P500 Index rising by approx. 1%.

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

Increase in Competition and Reduction in Concentration in the Banking Market in Israel (legislation amendments) Law, 5777-2017

The recommendations of the Committee for the increase in competition in banking and financial services ("the Strum Committee") were published on September 1, 2016. In continuation thereof, the Increase in Competition and Reduction in Concentration in the Banking Market in Israel Law (legislation amendments), 5777-2017, ("the Law" or "the Strum Law") was published on the Official Gazette on January 31, 2017. The major part of its provisions is based upon the recommendations of the Strum Committee.
The Law enters into effect on date of its publication ("the beginning date"); however, certain of the provisions have later effective dates.
Following are the principal issues of the Law:

1.1 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. This instruction does not derogate from the possibility of a bank having a Wide-Ranging Activity to engage with another entity for the purpose of operating the issue of debit cards or to engage with a clearing agent as a supplier. The prohibition takes effect at the end of three years from the beginning date, and with respect to a large banking corporation, which had sold at least 60% of the shares held by it in a credit card company and on condition that at least 25% of its shares had been offered to the public – at the end of four years from the beginning date. At the time of publishing the Strum Law, the Bank was not defined as a "Bank with wide-ranging activity", as this term was defined in the law.

1.2 In the period that began on February 1, 2021 and ending on January 31, 2023, 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.

In accordance with this, the Banking Licensing (Bank with Wide-Ranging Activity) Regulations, 5783-2023 were published in the Official Gazette on January 31, 2023 ("the Bank with Wide-Ranging Activity Regulations" or "the Regulations"), which reduced the assets value percentage in the definition of a "Bank with wide-ranging activity" to a rate in excess of 10% of the value. Therefore, the Bank is subject to an obligation to sell the means of control that it holds in ICC, with this to be done by the end of three years from the publication date of the Regulations or by the end of four years in certain circumstances, should an outline for a public offering be decided upon.

1.3 Various instructions applying to banking corporations were set, with the aim of ensuring increased competition in the granting of financial services, as detailed below:

1.3.1 A banking corporation shall not change to the worse the terms of engagement with a customer, only due to the fact that the customer has engaged or intends to engage with another financial body in an agreement for the provision of financial services.

1.3.2 A banking corporation is prohibited from preventing, either by an act of commission or omission, from a financial body engaged in operating the issue of debit cards issued by the banking corporation ("an operating body"), the granting of financial services, including the granting of credit, to customers of the banking corporation. A banking corporation shall also not restrict an operating body in providing of services, as stated above.

1.3.3 A banking corporation shall not prevent, either by commission or omission an operating body which is supervised under statutory provisions, the making use of information reaching the operating body while issuing or conducting the issue operation of debit cards, for the purpose of granting services as an issuer, for the purpose of granting credit, and for the purpose of operations related to the granting of services as an issuer or for the granting of credit, this on condition that the customer gave his consent in advance to the said use.

1.3.4 Starting with the end of two years from the beginning date, the banking corporation shall, at the request of the customer, present, on a daily basis or at longer intervals, the balance of the current account of the customer to a financial body supervised by law.

For the implementation of this directive, on December 25, 2017, the Amendment of Proper Conduct of Banking Business Directive No. 367 regarding online banking was published, deals with the transmission of information regarding the current account balance of a customer by a banking corporation to a financial body for the purpose of granting credit, made at the request of the customer. The Amendment took effect on July 31, 2018.

1.3.5 Starting with the end of two years from the beginning date, where a customer approached a banking corporation requesting entry into an agreement for the issue of a credit card, or where the banking corporation has approached a customer offering to engage in a credit card agreement, the banking corporation shall be required to distribute also credit cards of issuers engaged with the banking corporation in a distribution agreement (for details regarding the draft Proper Conduct of Banking Business Directive in the matter of distribution, see below).

1.3.6 A banking corporation shall not unreasonably refuse to engage with an issuer in a distribution agreement. In this respect it is proposed that stating unreasonable terms would be considered an unreasonable refusal.

1.3.7 Starting with the end of two years from the beginning date, the banking corporation shall present, at the request of the customer, starting with the end of two years from the beginning date, the banking corporation shall present, at the request of the customer, information regarding transactions made by means of a debit card of the customer (including transactions made using debit cards issued by another issuer, which is not the banking corporation) and that the payment therefore is settled by way of charging the current account of the customer at the banking corporation. On January 31, 2019, an order was published that deferred the application date of the aforesaid directive to January 31, 2020.

On November 13, 2018, an amendment to Proper Conduct of Banking Business Directive No. 470, "Debit Cards", was published, within the framework of which provisions regarding the presentation of the aforesaid information were added. In addition, on February 3, 2019 the Banking Regulations (Customer Service) (Transfer of Information from an Issuer to a Banking Corporation), 2019 were published which prescribe the obligations to which issuers are subject in relation to the types of information and the dates for transferring the information from the issuers to the banking corporations.

1.3.8 Starting with the end of two months from the beginning date, a banking corporation is not permitted to unreasonably refuse a request of the borrower for consent to register an additional pledge on an asset, a subordinate pledge on an asset, in favor of another creditor. It is also determined that the realization of a pledge in favor of another creditor shall be effected only with the consent of the banking corporation. The banking corporation shall not withhold such consent, unless on reasonable grounds.
These instructions do not apply to a pledge registered prior to the termination of two months from the beginning date.

1.4 It was established 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 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. Under the Bank with Wide-Ranging Activity Regulations, an additional transition period is prescribed that will commence on the publication date of the Regulations and will terminate at the end of five years from the aforesaid date and, with regard to a bank with wide-ranging activity – by the end of three years from the separation date or by the end of five years from the date of the Regulations taking effect, whichever is the later (“the Additional Transition Period”). With regard to the transition periods, the following restrictions have been prescribed:

1.4.1 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.

1.4.2 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 and also from the end of one year from the publication date of the Regulations through to the end of the additional transition 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.

1.5 During the transitional period and the additional transition period, 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 (see below).

1.6 From the termination of one year from the beginning date and until a date to be determined by the Minister of Finance, and also from the end of one year from the publication date of the Regulations through to the date to be prescribed by the Minister of Finance, an operating company shall not unreasonably refuse to engage with a bank or with a license holder under the Supervision over Regulated Financial Services Law, in order to operate the issue of charge cards for the Bank or for the license holder.

1.7 During the transitional period and the additional transition period, a charge card company is entitled to make use of the engagement details of a customer, which had legally reached it prior to date of publication of the Law or during the transitional period, while conducting issue operations of a debit card on behalf of a bank, in order to approach a customer offering service as an issuer or for the purpose of offering credit, even without obtaining the consent of the customer.

1.8 Instructions have been determined with respect to the prohibition on the acquisition of means of control in a credit charge cards company. Thus, among other things, a bank may not acquire from a bank with Wide-Ranging Activity, means of control in a charge card company. In addition, a person holding over 5% of a certain class of means of control in a single charge card company, shall not control another charge card company and shall not hold over 5% of a certain class of means of control therein. In this respect, charge card companies, which at eve of the beginning date were controlled by the same person, shall be considered as one charge card company.

1.9 Instructions have been determined in matters of control, the holding of means of control, and the appointment of directors in an interface system operator between the issuer and the clearing agent for confirming of charge card transactions – it is determined that one factor shall not control and shall not hold over 10% of a certain class of means of control in an interface system operator as stated. The Governor, under conditions specified in the Law, is entitled to determine a rate different than that stated above. Whoever was the owner of means of control in the operator at the beginning date, shall be permitted to hold such means of control until the end of four years from date of publication, provided that the means of control held by him exceeding 10%, shall not entitle him to any voting rights and the right to appoint directors in the operator as from June 1, 2017.

(Due to these restrictions, the Bank is required to sell its holdings in Automatic Banking Services Ltd. that exceed 10%, with this having to be done by June 1, 2021. Accordingly, the Bank sold within the framework of a public offering of shares of ABS, completed on June 5, 2019, shares comprising approx. 9.3% in ABS. On September 4, 2019, the Bank transferred to Mizrahi Tefahot Bank Ltd. shares comprising 0.7% of ABS. Following the said sale and transfer, the rate of holdings of the Bank in ABS was reduced to 10%).

1.10 Within the framework of the Law, amendments were made to the Supervision over Financial Services Law (Regularized Financial Services) Law, 5776-2016, and a chapter was added thereto in the matter of service for comparing financial costs. The Bank of Israel informed on August 6, 2018 that it had started the project of regularizing the API Standard for open banking in Israel, which allows third parties, with the consent of the customer, to receive from the banks financial information regarding the customer (see below).

1.11 Prohibition on the unreasonable refusal of engagement between a clearing entity and an aggregator or the prevention of engagement between an aggregator and a supplier.

1.12 By January 31, 2018, the Ministry of Finance is to implement one of these: to publish, in consultation with the Bank of Israel, a tender for establishing a technological infrastructure to provide and operate computerization services to financial bodies; to prescribe criteria for conferring grants, loans or guarantees that will enable the provision and operation of computerization services to financial bodies (see hereunder "Letter of principles for increasing the competition in the financial system" regarding the provision of assistance for establishing a banking service and computerization bureau).

1.13 At the end of eighteen months from the beginning date, if certain conditions determined in the Law are fulfilled, the Minister of Finance, in consultation with the Governor and the Antitrust Commissioner, is entitled to determine that a bank not having a narrow-ranging activity (bank having a narrow-ranging activity - a bank, the value of balance sheet assets of which on a consolidated basis does not exceed 10% of the total value of balance sheet assets of the banking industry), is obligated to sell and operate computer services in use mostly by this bank, and rent out property in use by the bank for this purpose, to financial bodies.

In the Economic Plan Bill (Legislative Amendments for Implementing the Economic Policy for 2023 and 2024), 5783-2023, which was published on March 23, 2023, a number of proposals for additional legislative amendments on this matter were included. It is proposed to cancel the directive that requires a bank with wide-ranging activity that issues charge cards to reduce the credit facilities on the credit card it issues to its customers with effect from February 1, 2024 (see below); it is also proposed that a banking corporation be required to allow the operational charge card issuing body, to obtain the customer's consent to make use of the information received by the operational body incidental to issuing the card or to the issuing operation, for the purpose of providing services to the customer in respect of which the operational body is supervised, within the framework of the agreement entered into between the banking corporation and the customer for whose benefit the card is issued. In addition, it is proposed that a banking corporation should not be able to prevent the operational body, either by an act of commission or omission, from obtaining the customer's consent as stated. For further details regarding the draft Bills, see below.

Regulation of Dealings in Payment Services and Initiated Payments Bill Memorandum, 5783-2023. On March 23, 2023, the memorandum was published as part of the draft Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for the 2023 and 2024 budget years), 5783-2023. The bill memorandum is based on the memorandum published in January 2022 and seeks to regulate the granting of licenses for payment services and/or for initiated payment services, states mechanisms for the mode of operation of license holders, and states also instructions relating to the granting to a provider of a payment initiation service access to a payment account of a customer, for the purpose of issuing payment orders by means of an interface system for the issue of payment orders.

Credit facilities provided by bank cards. The Strum Law prescribes that as from the end of four years since the Law took effect and up to seven years since the Law took effect, credit facilities provided by credit cards held by customers of the major banks shall not exceed 50% of the total credit facilities provided by credit cards of those banks, as existed in 2015. In November 2020, with the consent of the Governor of Bank of Israel and with the approval of the Economic Committee of the Knesset, The Minister of Finance issued an Order, in effect for a limited period of one year, within the framework of which it was determined that the total of all credit facilities provided by credit cards held by customers of a bank with Wide-Ranging Activity, which issues debit cards during that year, shall not exceed 55% of the total credit facilities provided by credit cards held by customers of that bank, as existed in 2015; in computing the total credit facilities , as stated above, only credit facilities of the bank's customers exceeding NIS 7,500 , should be taken into account; and the credit facility of a customer shall not be reduced to less than NIS 7,500, only because of that stated in this Section.

On January 31, 2022, the Minister of Finance, with the agreement of the Governor and with the approval of the Knesset Economic Affairs Committee, issued an additional order on this subject. The order extends the validity of the previous order’s provisions by one additional year.

In accordance with the Bank Having Wide-Ranging Activity Regulations, which were published on January 31, 2023, the period of this provision has been extended so as to commence from the end of four years from the publication date of the Regulations through to the end of seven years from their publication date.

On February 1, 2023, a further order was published in this matter. According to this order, the total of the credit card facilities of customers of a bank with wide-ranging activity that issues charge cards, in any year, shall not exceed 75% of the total credit card facilities of the bank’s customers as of 2015. In calculating the aforesaid total credit facilities, credit facilities of the bank’s customers exceeding NIS 10,000 are to be taken into account. A customer’s credit facility is not to be reduced to an amount below NIS 10,000, purely to take advantage of the contents of this section. As detailed above, there is a proposal within the framework of the Economic Plan Bill for the cancellation of the provision that requires a bank with wide-ranging activity that issues charge cards to reduce the credit facilities on the credit card it issues to its customers.

Economic Plan Bill (Legislative Amendments for Implementing the Economic Policy for the 2023 and 2024 budget years), 5783-2023. On March 23, 2023, the bill was published, referring to various areas, including fields that have implications for the banking system. In addition to the proposals described above, the draft also relates to the reform of the payments market and the reform of the credit market for small and medium businesses. It is proposed to amend the Banking Law (Customer service) in a way that a banking corporation that refuses to open a shekel account for entities holding licenses in the financial field, or where no such service had been provided after three months, would have the duty of submitting to the Supervisor of Banks a reasoned notice in the matter; to require banks to deliver to customers a monthly notice regarding commissions and interest charged by the bank in the preceding month, and to require a banking corporation to inform its customers with respect to the full pricelist and the condensed pricelists, that the bank is permitted to charge lower amounts than those stated in the pricelists. In addition, it is proposed to prohibit a banking corporation charging commission not in accordance with the pricelists of the banking corporation, or not in accordance with an agreement with the customer as well as in respect of a service that had not been provided; and to amend the penalties chapter, inter alia, in relation to the above amendments.

Directives of the Supervisor of Banks

Proper Conduct of Banking Business Directive No. 501 in the matter of management of the customers' service and support layout. The Directive that was published on March 26, 2023, 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 Directive 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 Directive 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, inter alia, concerning the termination of engagement, ways of fixing appointments and service-level agreements (SLA) regarding service and support for particular matters. Most of the sections of the Directive take effect one year from date of publication, except for several sections, which take effect three months from date of publication. One instruction (the duty of quarterly reporting the actual waiting time regarding each of the service channels) takes effect two years after publication date. The Bank is preparing for the implementation of the Directive.

Amendment to Proper Conduct of Banking Business Directive No. 422 – Opening and Managing a Current Account with Credit Balances. On March 26, 2023, an updated version of the directive was published. Within the framework of the amendment, it is stated that no sweeping rules are to be prescribed to block a customer’s activity on his account or prevention of basic payment means solely due to the customer belonging to a certain population group, and that every application should be assessed on its own merits, with discretion being exercised. In addition, the basic payment services stated in the directive have been broadened for which no unreasonable refusal should be made. It is prescribed that, generally, customers should be allowed to make payments and receive services and information on their accounts, including by means of E-Banking channels. The content of the directive has been broadened, beyond the management of a current account with a credit balance, to also include the management of a current account with a debit balance that does not exceed the approved credit facility on the account. The Bank is preparing for the implementation of the Directive.

Draft Proper Conduct of Banking Business Directive regarding the activity of a banking corporation as a broker-dealer. An updated draft of the Directive was distributed on March 19, 2022. The Draft regularizes the activity of banking corporations in the field of financial brokerage, in the matter of receipt and transfer of instructions with respect to securities transactions on behalf of customers, both in their role as brokers and by way of trading for their own account (broker-dealers). The Directive is expected to replace Proper Conduct of Banking Business Directives Nos. 461 and 419.

Legislation and Standards in the matter of Debt Collection

The Insolvency and Economic Recovery Law, 5778-2018. The Insolvency and Economic Rehabilitation Law (Amendment No. 4 – Provisional instruction) (Amendment – Extension of power), 5783-2023, was published on February 28, 2023, and the power of which was extended to March 17, 2024. The extension is intended to allow formation of long-term recommendations regarding everything related to the need for an exclusive course encouraging debt arrangements.

Privacy protection

Privacy Protection Regulations (Instructions regarding information supplied to Israel by the Economic Eurozone), 5783-2023. On May 7, 2023, the Regulations were published, which impose various duties to owners of data bases storing personal information (as defined in the Regulations) received from the Economic Eurozone, excluding personal information supplied by the subject matter of the information himself. The duties are: to allow the person to whom the information relates, to request erasure of the information, if it had been collected illegally, or it is no longer required for the purpose for which it had been collected, limiting the keeping of information which is no longer required, maintenance and accuracy of the information saved in the data base, and informing the subject matter of the information as to the receipt and transfer thereof. The above duties apply to data base managers in cases stated in the Regulations and subject to exceptions stated therein. As to new information received from the Eurozone after the publication of the Regulations, the Regulations will take effect three months after their publication date, whereas, information already existing in data bases in Israel that had been received from the Eurozone, the Regulations will apply as from the end of one year from date of publication. As to information already existing in the data bases in Israel, received from sources outside the Eurozone but saved in the data base together with information received from the Eurozone, the Regulations will take effect on January 1, 2023.

Corporate governance

Proposal for the amendment of Regulations regarding diversity in membership of boards of directors of reporting corporations, of trust funds and of large portfolio management corporations. In its meeting of February 28, 2023, the Plenum of the Securities Authority approved a proposal for the amendment of Regulations with respect to gender diversity in boards of directors of reporting corporations, of trust funds and of large portfolio management corporations. Within the framework of the proposal, it is proposed to impose a duty of disclosure regarding gender diversity in boards of directors as well as formation of policy with respect to diversity of the human capital.

For further details on "Legislation and Supervision", see the 2022 Annual Report (pp. 401-422) and the “Disclosure according to the third pillar of Basel and additional information on 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 2022 Annual Report (pp. 233-242) and Note 10 to the condensed financial statements.

Additional Legal Proceedings

1. On March 26, 2017, a claim was filed with the Central-Lod District Court, together with an application for its approval as a class action, against the Bank. In the application, it is alleged that the Bank charges customers with a correspondent fee, but it does not credit customers with benefits should any be received from the correspondent; It is stated that the total damages for all members of the group amount to more than NIS 2.5 million. Similar applications have been filed against MDB, as well as against Bank Hapoalim, Bank Leumi, Bank Mizrahi-Tefahot, Union Bank, and FIBI. On February 16, 2023, a decision was given approving the claims against all the banks to be conducted as class-actions. Within the framework of an application for a stay of execution of the ruling, the banks have notified the court that it is their intention to file an application for leave of appeal against the ruling. On March 20, 2023, the District Court ordered a stay in execution, as stated.
2. **Motion for disclosure of documents under Section 198A of the Companies Law in the matter of compensation to senior officers of the Bank.** A motion against the Bank, under Section 198A of the Companies Law, 5759-1999, was submitted on March 28, 2023, to the Economic Department of the Tel Aviv District Court. It is, inter alia, argued in the motion that the Bank had adopted a widened interpretation of the provisions of the Compensation of Officers of Financial Corporations Law (Special approval and disallowance for tax purposes of exceptional compensation), 5776-2016, thus violating the relevant directives of Proper Conduct of Banking Business, and that the required approvals for engagement with officers had not been obtained. Similar motions had also been submitted against two other banks.

For additional details, see the 2022 Annual Report (pp. 423-425).

Material Legal Proceedings settled in the first quarter of 2023

For details regarding an application for approval of an action as a class action, for which on March 9, 2023 a ruling was issued confirming the compromise arrangement between the parties, see Note 10, section 3.1, to the condensed financial statements.

Proceedings regarding Authorities

1. **Demand for data – The Competition Authority.** In June 2022, the Bank received a request for data relating to an investment transaction that a subsidiary performed in another company. In February 2023, a further demand for data was received on this subject. In March 2023, the Bank and MDB received additional demands for information regarding deposits.
2. **Privacy Protection Authority.** Further to the notice submitted to the Bank by the Privacy Protection Authority regarding the initiation of administrative supervisory proceedings under the provisions of the Privacy Protection Law, for the examination of the circumstances of a PayBox event (see the 2020 Annual Report, p. 97), the Authority informed the Bank on April 16, 2023, that it had admitted certain of the arguments raised by the Bank in the hearing being held, but stated that, as opposed to the position of the Bank, certain of the Privacy Protection Regulations (Data protection), 5777-2017, had been violated. On April 30, 2023, the Bank responded to the Authority, stating that in the opinion of the Bank the Authority's standpoint and arguments are erroneous and requesting reconsideration of the Authority's decisions. The Authority has not yet replied to the approach.
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.
   On March 2, 2023, the Competition Authority submitted the agreed order to the Competition Tribunal for approval.
4. **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.
5. For details regarding proceedings concerning certain matters relating to IDB Bank’s compliance plan, see above "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details".

For additional details, see the 2022 Annual Report (p. 426).

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 March 31					
	2023			2022		
	Average balance[2]	Interest income	Rate of income	Average balance[2]	Interest income	Rate of income
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:[3]						
In Israel	207,775	3,280	6.31	181,058	1,711	3.78
Abroad	29,303	504	6.88	27,292	213	3.12
Total credit to the public	**237,078**	***3,784**	**6.38**	**208,350**	***1,924**	**3.69**
Credit to the Government:						
In Israel	2,692	35	5.20	2,633	16	2.43
Total credit to the Government	**2,692**	**35**	**5.20**	**2,633**	**16**	**2.43**
Deposits with banks:						
In Israel	5,861	49	3.34	3,208	3	0.37
Abroad	197	1	2.03	272	-	-
Total deposits with banks	**6,058**	**50**	**3.30**	**3,480**	**3**	**0.34**
Deposits with central banks:						
In Israel	47,527	459	3.86	44,954	12	0.11
Abroad	1,622	13	3.21	1,589	-	-
Total deposits with central banks	**49,149**	**472**	**3.84**	**46,543**	**12**	**0.10**
Securities borrowed or purchased under agreements to resell:						
In Israel	1,097	11	4.01	1,363	-	-
Total securities borrowed or purchased under agreements to resell	**1,097**	**11**	**4.01**	**1,363**	**-**	**-**
Bonds held for redemption and available for sale:[4][5]						
In Israel	34,066	220	2.58	31,413	81	1.03
Abroad	9,747	65	2.67	9,072	37	1.63
Total bonds held for redemption and available for sale	**43,813**	**285**	**2.60**	**40,485**	**118**	**1.17**
Trading bonds:[5]						
In Israel	4,274	49	4.59	977	6	2.46
Abroad	77	1	5.19	69	-	-
Total trading bonds	**4,351**	**50**	**4.60**	**1,046**	**6**	**2.29**
Other assets:						
Abroad	877	6	2.74	766	5	2.61
Total other assets	**877**	**6**	**2.74**	**766**	**5**	**2.61**
Total interest bearing assets	**345,115**	**4,693**	**5.44**	**304,666**	**2,084**	**2.74**
Debtors of credit card operations	7,656			6,584		
Other non-interest bearing assets[6]	30,309			26,056		
Total assets	**383,080**			**337,306**		
Of which: Total interest bearing assets attributable to operations abroad	41,823	590	5.64	39,060	255	2.61
* Fees and commissions included in interest income from credit to the public		84			77	

For footnotes see page 215.

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 March 31					
	2023			2022		
	Average balance[2]	Interest expenses	Rate of expense	Average balance[2]	Interest expenses	Rate of expense
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	66,362	196	1.18	59,280	2	0.01
In Israel - Time deposits	144,846	1,215	3.36	104,211	131	0.50
Total deposits from the public in Israel	**211,208**	**1,411**	**2.67**	**163,491**	**133**	**0.33**
Abroad - On call	20,807	194	3.73	22,529	16	0.28
Abroad - Time deposits	8,115	72	3.55	4,712	4	0.34
Total deposits from the public outside Israel	**28,922**	**266**	**3.68**	**27,241**	**20**	**0.29**
Total deposits from the public	**240,130**	**1,677**	**2.79**	**190,732**	**153**	**0.32**
Deposits from the Government:						
In Israel	48	-	-	235	-	-
Abroad	76	1	5.26	67	-	-
Total deposits from the Government	**124**	**1**	**3.23**	**302**	**-**	**-**
Deposits from central banks:						
In Israel	9,732	2	0.08	9,725	2	0.08
Total deposits from central banks	**9,732**	**2**	**0.08**	**9,725**	**2**	**0.08**
Deposits from banks:						
In Israel	5,305	45	3.39	3,007	5	0.67
Abroad	1,107	9	3.25	552	2	1.45
Total deposits from banks	**6,412**	**54**	**3.37**	**3,559**	**7**	**0.79**
Securities lent or sold under agreements to repurchase:						
In Israel	4,751	78	6.57	-	-	-
Abroad	-	-	-	-	-	-
Total securities lent or sold under agreements to repurchase	**4,751**	**78**	**6.57**	**-**	**-**	**-**
Bonds and subordinated debt notes:						
In Israel	14,370	141	3.92	13,084	122	3.73
Total bonds and subordinated debt notes	**14,370**	**141**	**3.92**	**13,084**	**122**	**3.73**
Other liabilities:						
In Israel	71	-	-	73	-	-
Total other liabilities	**71**	**-**	**-**	**73**	**-**	**-**
Total interest bearing liabilities	**275,590**	**1,953**	**2.83**	**217,475**	**284**	**0.52**
Non-interest bearing deposits from the public	50,466			74,176		
Creditors for credit card operations	12,155			11,103		
Other non-interest bearing liabilities[7]	17,485			12,295		
Total liabilities	**355,696**			**315,049**		
Total capital resources	**27,384**			**22,257**		
Total liabilities and capital resources	**383,080**			**337,306**		
Interest spread		**2,740**	**2.61**		**1,800**	**2.22**
Net return on interest bearing assets:[8]						
In Israel	303,292	2,426	3.20	265,606	1,567	2.36
Abroad	41,823	314	3.00	39,060	233	2.39
Total net return on interest bearing assets	**345,115**	**2,740**	**3.18**	**304,666**	**1,800**	**2.36**
Of which: Total interest bearing liabilities attributable to operations abroad	30,105	276	3.67	27,860	22	0.32

For footnotes see page 215.

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 on interest bearing assets and liabilities attributed to operations in Israel

	For the three months ended March 31					
	2023			2022		
	Average balance(2)	Interest income (expense)	Rate of income (expense)	Average balance(2)	Interest income (expense)	Rate of income (expense)
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	250,043	3,349	5.36	222,055	1,330	2.40
Total interest bearing liabilities	(183,102)	(910)	(1.99)	(153,721)	(69)	(0.18)
Interest spread		**2,439**	**3.37**		**1,261**	**2.22**
CPI-linked shekels:						
Total interest bearing assets	28,065	459	6.54	23,103	415	7.19
Total interest bearing liabilities	(12,523)	(153)	(4.89)	(13,012)	(165)	(5.07)
Interest spread		**306**	**1.65**		**250**	**2.12**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	25,184	295	4.69	20,448	84	1.64
Total interest bearing liabilities	(49,860)	(614)	(4.93)	(22,882)	(28)	(0.49)
Interest spread		**(319)**	**(0.24)**		**56**	**1.15**
Total operations in Israel:						
Total interest bearing assets	303,292	4,103	5.41	265,606	1,829	2.75
Total interest bearing liabilities	(245,485)	(1,677)	(2.73)	(189,615)	(262)	(0.55)
Interest spread		**2,426**	**2.68**		**1,567**	**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 "D" – Analysis of changes in interest income and expenses

	For the three months ended March 31		
	2023 Compared to 2022		
	Increase (decrease) due to change[9]		
	Quantity	Price	Net change
	In NIS millions		
Interest bearing assets:			
Credit to the public:			
In Israel	422	1,147	1,569
Abroad	35	256	291
Total credit to the public	**457**	**1,403**	**1,860**
Other interest bearing assets:			
In Israel	95	610	705
Abroad	5	39	44
Total other interest bearing assets	**100**	**649**	**749**
Total interest income	**557**	**2,052**	**2,609**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	319	959	1,278
Abroad	15	231	246
Total deposits from the public	**334**	**1,190**	**1,524**
Other interest bearing liabilities:			
In Israel	63	74	137
Abroad	5	3	8
Total other interest bearing liabilities	**68**	**77**	**145**
Total interest expenses	**402**	**1,267**	**1,669**
Net interest income	**155**	**785**	**940**

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 deducted (added) the average balance of profits (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 395 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 (13) million and NIS (1,490) million, respectively; 2022 – NIS 8 million and NIS 2,225 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.

Appendix no. 2 - Additional details - securities portfolio

1. Available-for-sale bonds - data according to economic sectors

Details on to the distribution of bonds in the available-for-sale portfolio according to economic sectors

	March 31, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non government bonds				
Various sectors*	2,135	2,095	15	55
Financial services[1]	7,044	6,431	6	619
Total non government bonds	**9,179**	**8,526**	**21**	**674**
Government bonds				
U.S. government	4,603	4,512	7	98
Israel Government	16,984	16,251	10	743
Other Governments	214	193	1	22
Total government bonds	**21,801**	**20,956**	**18**	**863**
Total bond in the available-for-sale portfolio	**30,980**	**29,482**	**39**	**1,537**

* Including the investment of IDB Bank in the U.S. municipal bonds. Of which, the three largest investments are in the amount of NIS 86-159 million, each, in municipal bonds of Washington state, in bonds of Texas state and in bonds of the New York state .

(1) Details on bonds in the financial services sector in the available-for-sale portfolio

	March 31, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies[2]	427	417	2	12
Ginnie Mae	4,709	4,158	3	554
Freddie Mac	50	44	-	6
Fannie Mae	61	56	-	5
Other	1,797	1,756	1	42
Total financial services	**7,044**	**6,431**	**6**	**619**

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

	March 31, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Western Europe[3]	204	198	1	7
Israel	89	85	-	4
Australia	134	134	1	1
Total banks and banking holding companies	**427**	**417**	**2**	**12**

(3) Details by countries of investment in bonds of banks and banking holding companies in the available-for-sale portfolio in Western Europe

	March 31, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Britain	34	33	-	1
France	121	116	-	5
Netherlands	49	49	1	1
Total	**204**	**198**	**1**	**7**

Appendix no. 2 - Additional details - securities portfolio (continued)

2. Held-to-maturity securities - data according to economic sectors

Details on the distribution of bonds in the held-to-maturity securities portfolio according to economic sectors

	March 31, 2023			
	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	64	62	-	2
Financial services*	3,597	3,230	4	371
Total non government bonds	**3,661**	**3,292**	**4**	**373**
Total Government bonds	**9,921**	**9,023**	**-**	**898**
Total bonds in the held-to-maturity portfolio	**13,582**	**12,315**	**4**	**1,271**
***Following are details of Held-to-maturity bonds in the financial services sector:**				
Ginnie Mae	3,457	3,098	4	363
Freddie Mac	59	55	-	4
Fannie Mae	81	77	-	4
Total financial services	**3,597**	**3,230**	**4**	**371**

Appendix no. 2 - Additional details - securities portfolio (continued)

3. Trading Bonds - data according to economic sectors

Details on the distribution of bonds in the trading securities portfolio according to economic sectors

	March 31, 2023			
	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	18	16	-	2
Total non government bonds	**18**	**16**	**-**	**2**
Total government bonds	**6,294**	**6,297**	**12**	**9**
Total bonds in the trading portfolio	**6,312**	**6,313**	**12**	**11**

Appendix no. 3 - Additional details

1. Activity in derivative financial instruments

Credit risk involved in financial instruments. The Bank's activity in derivative 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 on 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 on data presented in part B of the aforementioned Note.

Appendix no. 3 - Additional details (continued)

1. Activity in derivative 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 March 31	As of December 31
	2023	2022
	In NIS million	
Balance-sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA- rating	216	228
With an A+ rating	214	259
With an A rating	32	5
With an A- rating	181	148
With a BBB+ rating	4	-
With a B+ rating	2	-
Not rated	2	1
Total against foreign banks	**651**	**641**
Total against Israeli banks	**101**	**-**
Total Balance-sheet balances of assets deriving from derivative instruments	**752**	**641**

(2) Details according to rating of off balance sheet credit risk for transactions in derivative instruments where the counterparty is a bank

	As of March 31	As of December 31
	2023	2022
	In NIS million	
Off balance sheet balances of assets deriving from derivative instruments against foreign banks		
With an AA- rating	193	269
With an A+ rating	909	893
With an A rating	343	186
With an A- rating	214	118
With an BBB+ rating	31	5
Not rated	9	8
Total against foreign banks	**1,699**	**1,479**
Total against Israeli banks	**258**	**258**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**1,957**	**1,737**

Appendix no. 3 - Additional details (continued)

1. Activity in derivative 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 March 31, 2023	As of March 31, 2022	As of December 31, 2022
	in NIS million		
Agriculture	3	1	3
Industry:			
Machines, electrical and electronic equipment	425	38	287
Mining, chemical industry and oil products	249	71	173
Other	54	24	39
Total industry	729	133	499
Construction and real estate:			
Acquisition of real estate for construction	135	170	151
Real estate holdings	66	75	43
Other	6	12	8
Total Construction and real estate	207	257	202
Electricity and water	545	539	569
Commerce	276	376	253
Hotels, hotel services and food	98	12	68
Transportation and storage	93	36	93
Communications and computer services	47	15	51
Financial services:			
Financial institution (excluding banks)	595	1,547	226
Private customers active on the capital market	2,790	604	2,067
Financial holding institutions	574	640	424
Insurance and provident fund services	-	-	-
Total financial services	3,959	2,791	2,717
Business and other services	15	41	21
Public and community services	38	29	29
Private individuals - housing loans	-	-	-
Private individuals - other	6	3	8
Total credit risk in respect of derivative instruments	**6,012**	**4,233**	**4,513**
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received.	-	(2,132)	-
Total credit risk in respect of derivative instruments (after deduction of financial instruments and in respect of a cash collateral received)	**6,012**	**2,101**	**4,513**

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 on 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

	March 31, 2023		December 31, 2022	
	Book value	Fair value(1)	Book value	Fair value(1)
	In NIS millions			
Of the Israeli Government	32,392	31,494	26,328	25,486
U.S. government	4,590	4,590	5,254	5,254
Other governments	192	192	197	197
Total	**37,174**	**36,276**	**31,779**	**30,937**

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

Term	Description
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 requiring Management's special attention, which – if not dealt with – might result in deterioration of the chances of the credit being repaid or in the Bank's status 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.
Non-accruing 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.
Liquidity Coverage Ratio (LCR)	The ratio between the high-quality liquid assets and the net cash outflows for the next 30 days in a stress scenario. The ratio serves as a measure of the Bank's ability to meet its liquidity needs for a future 30-day period.
Net Stable Funding Ratio (NSFR)	The ratio between all the stable funding sources, which are expected with a high likelihood, that are available to the Bank in the coming year, and all the applications that the Bank expects to continue to fund in the coming year.
Leverage Ratio	The ratio (as a percentage) between the "capital measure" and the "exposure measure".
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 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.

Appendix no. 4 – Glossary (continued)

Term	Description
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. 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

Bank's main office - Tel Aviv, 23 Yehuda Halevi street;
Subsidiaries in Israel:
Banking - Mercantile Discount Bank;
Capital Market and investments – Tafnit Discount Asset Management;
Discount Capital;
Discount Capital Underwriting;
Discount Manpikim.
Credit cards –
Israeli Credit Cards; Diners Club.
Digital Wallet - PayBox.
Subsidiary Bank abroad –
Israel Discount Bank of New York, USA
Head office: 1114 6^{th} avenue, New York
Staten Island, NY branch:
201 Edward curry avenue, suite 204
Brooklyn, NY branch:
705 Avenue U
Short Hills, NJ NY branch:
150 JFK Parkway
Beverly hills, CA NY branch:
9401 Wilshire boulevard, suite 600
Downtown Los Angeles, CA branch:
Aventura, FL branch:
Harbour Centre, 18851 NE 29th Avenue, suite 600
Representative offices: Israel/Chile/Uruguay/Local representative office in Long Island