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KEREN OR

An aid fund for children and youth at the frontline.

Q1

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2023

CONDENSED FINANCIAL STATEMENTS

ISRAEL DISCOUNT BANK

The actuarial valuation of employee rights, the document "Disclosure requirements detailed in the third Pillar of Basel and additional disclosure regarding risks", and the document "Additional regulatory disclosures" are available for perusal at the Magna site of the Israeli Securities Authority: www.magna.isa.gov.il

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

Discount Group,
the Board of Directors, Management and employees, bow their heads in memory of the people murdered on the October 7 disaster and those who have fallen in the Iron Swords War, praying for the wellbeing and speedy return of the hostages and missing and for the recovery of the wounded in body and soul.

The Group supports, accompanies and embraces all citizens of Israel, victims of the disaster, those evacuated from the south and the north, and soldiers of the IDF performing regular and reserve duty, and will continue to be a central partner in the rehabilitation and regrowth of the economy and society in Israel.

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Chapter "A" - General overview, goals and strategy

At the meeting of the Board of Directors held on November 26, 2023, the unaudited consolidated interim financial statements of Israel Discount Bank Ltd. and its subsidiaries for September 30, 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

	Nine months		Year
	2023	2022	2022
	In %		
Main performance indicators:			
Return on equity[(1)]	16.6	15.0	15.1
Return on assets[(1)]	1.13	0.98	0.99
Ratio of net credit to the public to deposits from the public	86.6	81.5	82.5
Ratio of common equity tier 1 to risk assets	10.36	10.17	10.25
Ratio of total capital to risk assets	13.13	12.79	13.03
Leverage ratio	6.4	6.0	6.2
Liquidity coverage ratio[(2)]	135.9	125.3	130.5
Net Stable Funding Ratio	120.8	121.4	124.8
Efficiency ratio	48.4	56.5	55.8
Main credit quality indicators[(1)]:			
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.54	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	0.89	0.68	0.67
Ratio of net accounting write-offs for credit to the public to the average balance of credit to the public	0.15	0.07	0.11
Ratio of credit loss expenses to the average balance of credit to the public	0.58	0.10	0.18
	In NIS millions		
Principal statements of profit and loss data for the reporting period:			
Net Profit Attributed to the Bank's Shareholders	**3,273**	**2,556**	**3,495**
Net interest income	8,381	6,153	8,693
Credit loss expense	1,112	177	407
Non-financing income	3,904	3,137	4,251
Of which: Fees and commissions	2,674	2,547	3,404
Non-financing expenses	5,944	5,250	7,217
Of which: salaries and related expenses	2,871	2,580	3,568
Comprehensive income, attributed to the Bank's shareholders	**3,680**	**1,812**	**2,757**

For footnotes see next page.

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

	Nine months		Year
	2023	2022	2022
	In NIS millions		
Total earnings per share attributed to Bank's shareholders (in NIS)	2.65	2.11	2.87
Principal balance sheet data for the end of the reporting period:			
Total assets	**399,202**	**379,074**	**376,754**
Of which:			
Cash and deposits with banks	57,552	71,510	65,713
Securities	52,380	42,633	44,794
Net credit to the public	258,429	236,881	241,079
Total liabilities	**370,811**	**354,356**	**351,276**
Of which:			
Deposits from the public	298,435	290,646	292,293
Deposits from banks	14,551	16,719	15,376
Bonds and Subordinated debt notes	16,225	13,491	12,308
Shareholders' equity	27,621	24,112	24,880
Total equity	**28,391**	**24,718**	**25,478**
Additional data:			
Share price	2,059	1,816	1,848
Dividend per share (in Agorot)	74.74	24.45	49.88
Ratio of fees and commissions to total assets(1)	0.93	0.98	0.96

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

For details regarding the decision of the Bank's Board of Directors, on November 26, 2023, to distribute a dividend in the amount of approx. 9.91 Agorot per share, see below "Dividends distribution" and Note 18 to the condensed financial statements.

Data excluding ICC

	Nine months of 2023		Year 2022	
	Actual	Excluding ICC(1)	Actual	Excluding ICC(1)
	In NIS millions			
Net Profit Attributed to the Bank's Shareholders	3,273	3,062	3,495	3,305
	in percentage			
Return on equity	16.6	(2)16.1	15.1	(2)14.8
Efficiency ratio	48.4	44.8	55.8	51.5
Ratio of balance of allowance for credit losses for credit to the public, to balance of credit to the public	1.54	1.43	1.31	1.23
Ratio of credit loss expenses to the average balance of credit to the public	0.58	0.51	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 June 30, 2023, published by the Bank of Israel, the Discount Bank Group's share in the total of the five largest banking groups in Israel was as follows

	June 30, 2023	December 31, 2022
	In %	
Total assets	16.4	15.9
Net credit to the public	16.9	16.8
Deposits from the public	15.6	15.4
Net interest income	18.2	17.6
Total non-interest income	26.1	22.7

Development of the Discount share

	Closing price at end of the trading day			Change in the first nine months of 2023 in %
	November 23, 2023	September 30, 2023	December 31, 2022	
Discount share	1,995	2,059	1,848	11.4
The TA 5 Banks index	3,535.61	3,781.44	3,280.79	15.3
The TA 35 index	1,797.16	1,844.61	1,796.92	2.7
Discount market value (in NIS billions)	24.18	25.47	22.86	11.4

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.
In view of developments since approval of the program, the Bank is considering changes and updates to the program.

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[1];
- 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.

1 For details regarding the establishment of Greenlend, see hereunder.

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[2] 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. Included in that stated above, the economic impact of the "Iron Swords" War, in particular when considering the duration of the fighting and its force, which at this stage cannot be assessed, may materially affect the Bank's ability to carry out its plans, at least in the near future. 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 its 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.

In May 2023, the Bank's Board of Directors approved goals and performance indices for the year 2030[3].

2 For details regarding the decision taken on August 13, 2023 to update the policy, see "Dividends Distribution" below.
3 The goals are presented in the Bank's ESG Report for 2022.

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 10.36% and the liquidity coverage ratio amounts to 135.9%. This is the capital and financial infrastructure that allows the Group to continue growing.
The central challenges and issues in the first nine months of 2023 were:

The "Iron Swords" War

General. The "Iron Swords" War broke out on October 7, 2023, following a surprise attack by the Hamas terror organization and its collaborators on the communities surrounding the Gaza Strip, during which the terror organization and its collaborators murdered 1,200 Israeli and foreign civilians taking hostage approx. 240 Israeli and foreign civilians. The surprise attack started under cover of a heavy barrage of rocket fire directed at the regions surrounding the Gaza Strip and additional areas. The attack was conducted as a massacre campaign against the civil population of the said region and included also infiltrating IDF bases, abduction of military personnel and civilians, including women, children and elderly persons as well as foreign civilians, while committing atrocities against humanity and war crimes, including the massacre of participants in a trance nature party held near Kibbutz Re'im.
Following the attack, the State of Israel entered into a national emergency situation and a state of war has been declared. Some 360 thousand reserve service personnel have been called for active service, the largest mobilization of the reserve force in the annals of the State.
In the days following the outbreak of the War, the terror organization Hezbollah and its collaborators initiated different events of aggression on the Northern border, both on the Lebanese and the Syrian borders (firing rockets, penetration attempts, launching of unmanned aerial vehicles (UAV) and more), developing into low-key conflicts. Following these events, tens of areas in the South and the North have been evacuated and over 100 thousand inhabitants have turned into refugees within their home country.
Workplaces have shut down; many workers were compelled to stay away from their workplaces, inter alia due to the shutdown of large parts of the education system and the reserve recruitment, and many other workers were put on unpaid leave.
The ground entry of the IDF forces into the Gaza Strip started on October 28, 2023, being part of a wide scope ground maneuver, which continues also presently, as well as missile rocket barrages fired at wide areas in Israel, both from the Gaza Strip and from across the northern border.
Preparations made by the Bank. The Bank's Board of Directors and Management, hold frequent discussions regarding the War situation and its implications upon different aspects of the Bank, including business continuity of the Bank's activity, preparedness of the Bank for different scenarios, as well as readiness for the "day after". Since the outbreak of the War, Management of the Bank directs its full managerial attention towards the War and its implications. Cross-organization work teams, headed by the Bank's President & CEO, managed the different layers of the Bank's operations under the crisis, while closely following developments and adopting measures for the reduction of the different risks and the maintenance of business continuity. The business divisions increased monitoring and control operations over the condition of the credit portfolio and of the financial assets portfolio of the Bank.
Concurrently, immediately following the outbreak of the War, the Bank has made preparations for the support of customers, suppliers, the community and employees (see hereunder).

Operations and business continuity. The Bank has been defined by the Government of Israel as an essential service provider for the economy, and as such, has maintained continuous operations, but in an emergency format, in accordance with the guidelines of the Home Front Command and the Banking Supervision Department.
The Bank has been working to ensure business continuity and to continue providing services to the Bank's customers, including in the conflict zones, through the Bank's branches, by increasing direct channel activity and dedicated lines for residents of the conflict zones, by providing banking services in the areas of evicted people through a mobile branch, and more. The Bank has adjusted its activity in accordance with the Home Front Command guidelines and is responding to risks through a large-scale transition to hybrid working, while allowing employees to work from home.
A rise in the level of risk. The challenges of the macro-economic environment including the effect of the War on the level of inflation, on the interest rate outline, the rate of exchange and the level of employment in the economy, may materially affect revenues and profitability of the banking system, leading to higher risk, with particular impact upon credit risk and business and market models risks.
The inherent risk in credit has risen to a high level. However, at this stage it is still too early to update the residual risk assessments that serve as the basis for assessing the risks presented in the risk factors table. The Group closely follows developments and exposure, including close monitoring of the development of exposures, inter alia, through the use of scenarios at different severity levels.
Credit risks. For details see "Credit Risks" in "Chapter "C" - Risks review". For details on debts, the terms of which have been changed subsequently to the date of the Report, see "Support of customers during the Iron Swords War period".
Interest and foreign currency risks. For details see "Market Risks" and "Inflation and exchange rate risk" in "Chapter "C" - Risks review".
Growth in credit losses. It is estimated by the Bank that the "Iron Swords" War will have an impact on the financial condition of borrowers and on their repayment ability, though uncertainty still exists regarding the length of the War period and its force, and respectively, regarding its impact upon the borrowers, as stated. On the background of the above stated, the Bank has decided to increase the collective allowance in the third quarter of 2023, in order to reflect the growth in the estimated credit losses for the period, in respect of borrowers harmed or may be harmed by the crisis, which as yet have not been identified (namely, borrowers, the information in respect of whom does not, at this stage, require the creation of a specific allowance for credit losses in their respect).
Expenses for credit losses in the amount of NIS 596 million were recognized in the third quarter of 2023, as compared to expenses of NIS 106 million in the corresponding period last year, an increase of 462.3%, and compared to expenses of NIS 312 million in the second quarter of 2023, an increase of 91.0%. This increase stems, mostly, from the implications of the War, and in particular from the increase in the collective allowance for credit losses.
See below "Credit loss expenses" in the section "Developments in income and expenses ". Within the framework of this section, see, inter alia, details regarding "work assumptions employed in determining the collective allowance" and details regarding "sensitivity analyses".
Capital adequacy, liquidity and leverage. The financial basis and the capital infrastructure of the Bank continue stability and are being strictly managed. The capital adequacy indices, liquidity ratio and the leverage ratio as of September 30, 2023, are adequate and exceed the minimum level required by directives of the Supervisor of Banks, exceeding also the internal goals set by the Bank's Board of Directors. In accordance with current data held by the Bank, there has been no substantive change in the liquidity ratio as of date proximate to the report's publication date. As assessed by the Bank, there has been no substantive change in capital adequacy and in the leverage ratio as of date proximate to the report's publication date.
Dividend distribution. For details regarding the decision of the Bank's Board of Directors on November 26, 2023 to distribute a dividend of 15% of the third quarter of 2023 profits (this, compared to a dividend at the rate of 30% of the profits for the second quarter of 2023), see "Dividends distribution".
Forward looking information. The Bank's estimates regarding the possible implications of the "Iron Swords" War, comprise forward looking information, based upon the information existing in the hands of the Bank at date of preparation of this report. Such estimates may not materialize or may materialize in a different manner than that estimated by the Bank.
Customer support. In view of the security situation, immediately after the outbreak of the War, to Bank took action in order to assist customers in this difficult time. The Bank has approved a series of relief measures in the credit and financial solutions applying to all its customers in the household segment and small business segment, and specifically to customers who are residents of the conflict zone in the South, in the North and to different security forces.

Additionally, the Bank has formed a support and relief package for customers both within the framework of the outline published by the Bank of Israel, as well as within the framework of additional relief measures determined by the Bank in addition to the said outline and especially the extension of the outline period to 6 months, instead of 3 months in the Bank of Israel's outline. Inter alia, exceptionally, waiver was approved for six months of housing loan repayments (principal and interest) applying to the Bank's customers who are residents of the communities surrounding the Gaza Strip (0-7 km), increasing credit facilities for households and small businesses, designated loans, deferral of loan repayments, reduced fees and more. For additional details, see "Support of customers during the Iron Swords War period".

Support for suppliers. Proximate to the outbreak of the War, the Bank has decided to advance payment dates to suppliers in respect of supplied products and rendered services, in order to support providers of services to the Bank.

Support for the community. Soon after the outbreak of the War the Bank and its employees came to the assistance of the community in general and to residents of the South in particular. A designated team was formed, composed of employees of the Human Resources and Strategy Divisions, to handle requests for assistance together with the different factors, as well as to direct contributions and volunteers to the different activities. Alongside the specific and immediate assistance provided to the different factors, the Bank has transferred significant contributions to the resilience centers in the communities surrounding the Gaza Strip, for hospitals, for their communities, for IDF units that the Bank has adopted, and for others. In addition, the Bank has funded hotel rooms in central Israel for families that had been evacuated from the South.

Alongside the financial assistance provided by the Bank, employees of the Bank volunteered for different and various voluntary activities. For additional details, see "Support of the community during the Iron Swords War period".

The central support project is the establishment of the "Keren Or" Foundation – designated to assist children and youth of the conflict zone harmed during the War. The Foundation, established by Discount Bank and MDB, will have a capital of NIS 50 million, and will operate to provide a wide scope and long-range holistic response to the needs of children and youth, recuperating their young bodies and souls, with a view of recovering their personal and communal sense of security. For additional details, see "Support of the community during the Iron Swords War period".

Support for employees. A human resources center and a supporting welfare team of the Bank, which includes social workers, has been put at the disposal of Bank employees and their families. Managers at the Bank have extensive judgment in employing, during these difficult War days, a comprehensive and enveloping policy, particularly as regards aspects of physical presence at the premises of the Bank. Including in the above, allowing work from home to all employees in the conflict zones, employees having small children and more. Moreover, Managers had been given authority to consider full payment of salary to those employees who, due to circumstances, were unable to work even from their home. The Bank has also assisted families of employees residing in the communities surrounding the Gaza Strip by funding hotel rooms for them in central Israel.

The total cost of supporting Discount's customers and supporting community commitments is estimated at approx. NIS 340-350 million (for details of the assumptions used in the estimate and of forward-looking information aspects, "Support of customers during the Iron Swords War period").

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. At a date proximate to the date of publication of this Report, a Memorandum for the amendment of the said section has not yet been published.

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.

The Bank is preparing for effecting the separation, and, inter alia, has retained the services of a foreign investment bank to assist in the process.
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 September 30, 2023, amounts to NIS 2,444 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.
It is noted that at this stage it is not possible to assess the duration of the "Iron Swords" War and its force, and accordingly it is not possible to assess its impact on the sale process, if at all.
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 "Legislation and Supervision" in Chapter "Corporate Governance, Audit and Additional details on the business of the banking corporation and management thereof". For details regarding the contribution of ICC to the profits of the Discount Group see below "Main Investee Companies. 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.

The rise in the CPI and in the interest rate 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. In September 2023 the inflationary environment in Israel moderated to an annual rate of 3.8%. 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 March 2022 to a level of 4.75% (as from May 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 nine months of 2023, in relation to the corresponding period last year, rose by approx. 3.9%, and according to the Bank's assessments, the Bank's financing income increased by approx. NIS 2.3 billion as a result of the rise in interest, in the first nine months of 2023, compared to the corresponding period last year.
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 17 billion, at the end of the first nine months

of 2023. The rise in the CPI contributed approx. NIS 538 million to the Bank's income in the first nine months 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 collective 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 collective allowance, a macro-economic model was utilized, intended to provide a response to a rise in the macro-economic risks. In the third quarter, the impact of macro components on the allowance has been calculated using a central war scenario formulated at the Bank. The scenario presents severe damage to growth and employment in the fourth quarter of 2023 and followed by a gradual recovery in GDP and unemployment. In addition, the rising interest rate and inflation scenario and its effect on the economy, continues to be used, similar to previous quarters.

Concurrently, at the level of activity vis-à-vis its customers, the Bank takes the following steps:

- 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 six 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;
- Offering the option of a full/partial pause in mortgage repayments together with extension/no extension of the mortgage repayment period;
- Extension of the "prime" mortgage track;
- Internal recycling of the mortgage;
- In addition, the Bank offers its customers deposits bearing interest.

For details regarding relief measures granted to customers as a result of the "Iron Swords" War, see "Support of customers during the "Iron Swords" War period".

For details regarding credit and deposit margins, see below "Composition of the net financing income". See also Note 12 to the condensed financial statements and Appendix no.1 to this Report.

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").

On August 1, 2023, the Bank received the approval of the Supervisor of Banks for the control in full and for the direct holding of means of control in the auxiliary company Greenlend Financial Solutions Ltd., which will engage in the granting of consumer credit and credit to small and middle size businesses, as well as in any other operation ancillary to the above operations, or which is required for their performance, under the conditions specified in the Supervisor's approval.

On September 18, 2023, the Bank, the company and Ezbob signed a binding shareholder agreement. In addition, the company and Ezbob signed a binding license and services agreement, according to which the company is expected to extend and manage credit by means of Ezbob's innovative technological systems. As of the said date, all conditions precedent relating to the agreements had been fulfilled.

70% of the company's ordinary shares are held by the Bank and 30% are held by Ezbob. According to the shareholders agreement, the Bank is providing the company with capital of NIS 163 million, and Ezbob is granting the company a perpetual technology usage license, worth approx. NIS 70 million. In addition, the Bank is providing the company with a credit line of NIS 100 million. The Bank has granted the company an option for an additional NIS 100 million, against the allocation of preferred shares, which will accumulate interest that will be paid only after the ordinary shareholders receive a return of 15% per year on their initial investment (amounting to NIS 233 million). The Bank has also pledged to provide the company with credit facilities at market terms.

Discount Campus

The finishing work at the Campus concluded during the reported period, and, as of date proximate to the report's publication date. the relocation of all the units planned to move to the campus had been completed in accordance with the original plan.
For additional details, see Note 10 section 5 to the condensed financial statements and "Fixed assets and installations" below.
During 2024, the Bank will examine the continuation of the process of selling the remaining assets in Tel Aviv, all in accordance with market conditions.
In view of the expected separation of ICC from Discount Bank, the Boards of Directors of ICC and of the Bank approved in July 2023, the sale by ICC of its share in the Discount Campus to the Bank or one of its subsidiaries. The transaction is not yet consummated and, consummation thereof is expected in the upcoming months. The Bank is examining alternatives for the occupancy of the areas designated for ICC by additional units of the Bank and/or MDB. The Bank estimates that the said change will have no material effect.

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 issuances

Issue of subordinate debt notes having a loss absorption mechanism (Coco). On June 15, 2023, the Bank, through Manpikim, completed an issue of subordinate debt notes having a loss absorption mechanism (expansion of Series "I"), in a total amount of approx. NIS 385 million, at an effective margin of 2.66%.
Issue of bonds. On June 15, 2023, the Bank, through Manpikim, completed an issue of bonds (expansion of Series "O"), in a total amount of approx. NIS 1,568 million, at a margin of 0.98% over Government bonds.

PayBox

During the reported period, the Bank of Israel updated the operation permit of PayBox, in a way that allows it to engage in the acceptance of monetary deposits. In addition, PayBox obtained the consent of the Supervisor of Banks for the company's engagement in the business of credit brokerage. At the beginning of the third quarter, the company began to pay eligible customers holding a PayBox card interest on the personal balance held through the Application. For additional details, see the 2022 Annual Report (pp. 23-24 and 320-321). For details regarding the increase in the permitted volume of operations on payments Applications, see Proper Conduct of Banking Business Directive No. 251, in the Chapter "Legislation and Supervision".
According to information provided to the Bank, Shufersal is considering a transaction for the sale of its holdings in PayBox, whether by way of admitting a partner or an investor to the financial operations of Shufersal or in another way. At this stage, there is no certainty that any transaction for the realization of the holdings of Shufersal in PayBox would in fact materialize, including with respect to its scope, timing, manner of realization and its terms.

Additional issues

- **Termination of office of the President & CEO and additional changes in the Bank's Management and in its organizational structure.** 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;
- **Striving for a winning customer experience.** For additional details, see the 2022 Annual Report (pp. 24-25).

Principal economic developments

Presented below are the main economic developments that impacted the economic environment in which the Israeli banking sector, including the Bank, operated in the first nine months of 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.
On July 24, 2023, within the framework of the legal reform move, the Knesset passed the Reduction of the Reasonableness Cause Law. Moody's rating agency published on the next day a special report regarding Israel, following the passing of the Law. In this report, Moody's indicates the risks following the political and social tension in Israel and the impact on its economy that is becoming apparent.
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.
It should be noted that, against the background of the establishment of an emergency government, it is believed that the further progress of the reform will be put on hold until the end of the war.
For details regarding how the international rating agencies have related to the above developments and to the possible implications of the "Iron Swords" War, see "Rating of Liabilities of the Bank and some of its Subsidiaries" below.
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 has continued to expand, with very high variability between countries. In the United States, there has been further rapid growth, at an annual rate of 4.9% in the third quarter, and as a result, there has been significantly less concern regarding the American economy going into recession. In contrast, in the Eurozone, there was stagnation in the second quarter and third quarters of the year, and zero growth earlier. Inflation in the world is moderating, but still remains higher than central banks' targets.
The Israeli economy grew in the third quarter of 2023 at an annualized rate of 2.8%, compared to 3.5% in the first half of the year, with continuing weakness in private consumption.
On the other hand, the labor market continued to demonstrate strength, with the rate of unemployment declining to 3.2% in September, as compared to 3.6% in June and 4.2% in December 2022. Notwithstanding the above, the rate and scope of available positions continued to decline, though at a more moderate rate.
Exchange rates. The shekel continued to weaken also during the third quarter of the year, by 3.1% against the dollar and by 1.5% against the basket of currencies, respectively, and in aggregate since the beginning of the year by 8.4% and 5%, respectively. The weakening of the shekel during the third quarter is against the background of progress in implementing the legal reform, the strengthening of the dollar worldwide and the declines on the NASDAQ.
Inflation. Similar to the global trend, inflation in Israel is on a downward trend, although still higher than the target. Inflation and core inflation stood at 3.8% in September 2023. Annual inflation expectations were around the 2.85% range during the third quarter.

Monetary policy. Given that inflation has remained higher than central bank targets, central banks around the world have continued to raise interest rates. The Fed raised the interest rate to 5.25%-5.5%, while the ECB raised it to 4%. However, the Bank of Israel left the interest rate unchanged during the third quarter, after raising it during the first half of the year from 3.25% to 4.75%.

Financial markets. In contrast to the first half of the year, since August, there have been price declines in the world's leading equity indices, against the background of concerns that the process of raising interest rates has not yet come to an end, in view of messages from the US Fed. As a result, the third quarter ended with a decline in equity prices.

Despite this, the Israeli stock exchange recorded price rises during the third quarter, following declines during the first half in light of progress on the legal reform legislation.

Trade in Israel in government bonds was affected by the global trend and, as a result, yields on government bonds rose during the third quarter of the year, albeit at a moderate rate compared to US bonds. Hence, yields on 10-year Israeli government bonds at the end of September stood at 4.3%, a level 30 basis points lower compared to US bonds.

The fourth quarter of 2023[4]. The US labor market data for October reflected a negative surprise, with the rate of unemployment rising to 3.9% and the wage rate being moderated to 4.1%. Inflation slowed to an annual rate of 3.2% and core inflation to 4%. In Israel, the "Iron Swords" War broke out in the South of the country, following a murderous attack carried out by the Hamas Organization against the communities surrounding the Gaza Strip, on October 7, 2023. As a result thereof, a significant decline was recorded in the scope of economic activity, with a focus on the tourism sector, private consumption, mostly consumption of services, and on the real estate sector. On the other hand, government expenditure increased steeply as a result of the wide scope mobilization of military reservists, alongside a steep rise in procurement by the defense system and in the civilian expenditure. In consequence thereof, the budget deficit recorded a steep increase in the period of twelve months ended in October 2023 to a level of 2.6% of GDP, compared to 1.5% of GDP in September.

On the background of the War, Moody's and Fitch rating agencies have put the State of Israel on the watchlist, while S&P rating agency announced the reduction of the rating outlook from stable to negative.

In view of the steep devaluation of the shekel, the Bank of Israel announced a plan for intervention in the foreign currency market – sale of up to US$30 billion out of the foreign currency reserves at its disposal, and for the supply of liquidity to the market, by means of SWAP transactions in a volume of up to US$15 billion. Concurrently, the Central Bank announced a series of relief measures applying to households and businesses. In addition, it has renewed the monetary loan to the commercial banks to the tune of up to NIS 10 billion, intended for the granting of credit to small businesses at preferred terms. On the other hand, the level of interest remained unchanged. Within the framework of intervention in the foreign currency market, the Bank of Israel sold during October approx. US$8 billion.

The Government has also announced support measures for the population, including relief in the payment of taxes.

The Bank estimates, in the central scenario, on the background of the War, that a steep regression is expected in the GDP in the last quarter of 2023, and as a result thereof, it is expected that the average growth rate for 2023 would amount to 2.3%, compared to 6.5% in 2022. In this scenario, growth recovery is foreseen during 2024, though the rate of growth in 2024 is expected to indicate a further slowdown to 1.8%. The slowdown will be accompanied by an increase in unemployment to 5% an average for 2024, compared with 4.4% in 2023 and 3.8% in 2022.

10-year US government bond yields continued their upward trend and, toward the end of October, had reached a level of approx. 5%. However, following the publication of economic data that indicated a moderation in economic activity, along with messages from the Fed that no further interest rate hikes are expected, a downward trend in yields began. Thus, yields fell by approx. 50 basis points to a level of approx. 4.4%. Concurrently with the global trend and combined with the war, the yields on Israel government bonds rose sharply and, toward the end of October, the negative margin against the US bonds had closed. As of the date of writing this, the margin stands at approx. (-)10 basis points.

At the same time, the shekel depreciated by approx. 7%, to a level of NIS 4.08 to the dollar, toward the end of October but, since then, the shekel has strengthened by approx. 9% against the dollar, to approx. NIS 3.73 to the dollar, as a result of the Bank of Israel's intervention, positive market sentiment and the weakening of the dollar worldwide.

On the local equities market, prices had fallen by the end of October, but have since risen. Thus, an increase of approx. 12% was recorded, from the lowest point, and overall, compared to the end of the quarter - a decrease of approx. 4%. The S&P500 Index has risen by approx. 6% since the end of the quarter.

The Israeli government's CDS premium rose from approx. 60 basis points on the eve of the war to approx. 140 basis points, but over the past few weeks it has dropped back to approx. 119 basis points.

4 All data relate to the period from October 1, 2023 and until November 23, 2023.

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 half 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) and above "a rise in the level of risk" in the section "The "Iron Swords" War".

Review by the independent auditors

In their review report of the interim consolidated condensed unaudited financial statements for the three and nine months periods ended on September 30, 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 nine months of 2023 totaled NIS 3,273 million, compared with NIS 2,556 million in the corresponding period last year, an increase of 28.1%.
Return on equity net attributed to the Bank's shareholders for the first nine months of 2023 reached a rate of 16.6%, on an annual basis, compared with a rate of 15.0% 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 nine months of 2023, compared with the corresponding period last year:

a. An increase in net interest income in an amount of NIS 2,228 million (36.2%), 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.
b. An increase in credit losses expenses in the amount of NIS 935 million. The expenses in the first nine months of 2023 stemmed mainly from expenses on a collective basis mostly due to worsening in the macro-economic components. The expenses have also been affected by accounting write-offs, changes in the components of the qualitative adjustments, and changes in the balances.
c. An increase in the total non-interest income, of NIS 767 million (24.5%), which was affected, mostly, by an increase of NIS 754 million in non-interest financing income, mostly an increase in income from adjustments to fair value of derivative instruments, from an increase of NIS 127 million in fees and commissions (5.0%), mainly from an increase in credit card fees and commissions and from a decrease of NIS 114 million in other income, principally a decline in capital gains on sale of buildings.
d. An increase of NIS 694 million in operating and other expenses (13.2%), affected, mainly, from an increase of NIS 291 million in salaries (11.3%), from a NIS 115 million rise in maintenance and depreciation of buildings and equipment (12.5%) and from an increase of NIS 288 million in other expenses (16.4%).

e. Tax provision of NIS 1,846 million on earnings in the first nine months of 2023, compared with NIS 1,290 million in the corresponding period last year.

Additional details and explanations are presented below.

Net profit attributable to the Bank's shareholders amounted in the third quarter of 2023 to NIS 817 million, compared to NIS 1,187 million in the second quarter of the year, a decrease at the rate of 31.2%, and compared to NIS 893 million in the third quarter of 2022, a decrease at the rate of 8.5%.

Net return on equity attributable to the Bank's shareholders reached in the third quarter of 2023 an annualized rate of 12.0%, compared to 18.0% in the second quarter of the year and compared to 15.0% in the third quarter of 2022.

The principal factors affecting the Group's business results in the third quarter of 2023, compared to the previous quarter, are:

a. A decrease in net interest income in the amount of NIS 227 million (7.7%).
b. An increase in credit loss expenses in the amount of NIS 284 million (91.0%).
c. An increase in non-interest income in the amount of NIS 85 million (7.4%).
d. An increase in operating and other expenses in the amount of NIS 104 million (5.4%).
e. A provision for taxes on income in the amount of NIS 457 million was recorded in the third quarter of 2023, compared to an amount of NIS 626 million in the preceding quarter.

Developments in Income and Expenses

Developments in certain income statement items in the first nine months of 2023, compared with the first nine months of 2022

	For the nine months ended September 30,		
	2023	2022	Change
	In NIS millions		in %
Interest income	15,449	7,770	98.8
Interest expenses	7,068	1,617	337.1
Net interest income	**8,381**	**6,153**	**36.2**
Credit loss expenses	1,112	177	528.2
Net interest income after credit loss expenses	**7,269**	**5,976**	**21.6**
Non-interest Income			
Non-interest financing income	923	169	446.2
Fees and commissions	2,674	2,547	5.0
Other income	307	421	(27.1)
Total non-interest income	**3,904**	**3,137**	**24.5**
Operating and other Expenses			
Salaries and related expenses	2,871	2,580	11.3
Maintenance and depreciation of buildings and equipment	1,034	919	12.5
Other expenses	2,039	1,751	16.4
Total operating and other expenses	**5,944**	**5,250**	**13.2**
Profit before taxes	5,229	3,863	35.4
Provision for taxes on profit	1,846	1,290	43.1
Profit after taxes	**3,383**	**2,573**	**31.5**
Bank's share in profits (losses) of Associates, net of tax effect	(21)	30	(170.0)
Net profit attributed to the non-controlling interests in consolidated companies	(89)	(47)	89.4
Net Profit attributed to Bank's shareholders	**3,273**	**2,556**	**28.1**
Return on shareholders' equity, in %(1)	16.6	15.0	
Efficiency ratio in %	48.4	56.5	
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**3,205**	**2,232**	**43.6**
Return on shareholders' equity , in %(1)- excluding certain components (see below)	16.2	13.1	
Efficiency ratio in % (see below)	49.1	59.2	

Footnote:
(1) On an annual basis.

Profitability - excluding certain components

	For the nine months ended September 30		
	2023	2022	
	in NIS millions		Change in %
Net Profit Attributed to the Bank's Shareholders - as reported	3,273	2,556	28.1
Excluding[1]:			
Profit from the sale of rights in Visa Europe	-	(20)	
Realization of assets	(142)	(315)	
Effect of settlement	-	11	
Provisions stemming from the separation of ICC	74	-	
Net Profit Attributed to the Bank's Shareholders - excluding the above components	**3,205**	**2,232**	**43.6**

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

Developments in certain income statement items in the third quarter of 2023, compared with the second quarter of 2023 and compared with the third quarter of 2022

	2023		2022	Change Q3 2023 compared to	
	Q3	Q2	Q3	Q2 2023	Q3 2022
	In NIS millions			in %	
Interest income	5,422	5,334	3,113	1.6	74.2
Interest expenses	2,715	2,400	833	13.1	225.9
Net interest income	**2,707**	**2,934**	**2,280**	**(7.7)**	**18.7**
Credit loss expenses	596	312	106	91.0	462.3
Net interest income after credit loss expenses	**2,111**	**2,622**	**2,174**	**(19.5)**	**(2.9)**
Non-interest Income					
Non-interest financing income	312	282	151	10.6	106.6
Fees and commissions	918	869	871	5.6	5.4
Other income	6	-	5	100.0	20.0
Total non-interest income	**1,236**	**1,151**	**1,027**	**7.4**	**20.4**
Operating and other Expenses					
Salaries and related expenses	972	954	881	1.9	10.3
Maintenance and depreciation of buildings and equipment	384	326	309	17.8	24.3
Other expenses	687	659	637	4.2	7.8
Total operating and other expenses	**2,043**	**1,939**	**1,827**	**5.4**	**11.8**
Profit before taxes	1,304	1,834	1,374	(28.9)	(5.1)
Provision for taxes on profit	457	626	472	(27.0)	(3.2)
Profit after taxes	**847**	**1,208**	**902**	**(29.9)**	**(6.1)**
Bank's share in profits (losses) of Associates, net of tax effect	(17)	(9)	11	88.9	(254.5)
Net profit attributed to the non-controlling interests in consolidated companies	(13)	(12)	(20)	8.3	(35.0)
Net Profit attributed to Bank's shareholders	**817**	**1,187**	**893**	**(31.2)**	**(8.5)**
Return on shareholders' equity, in %[1]	12.0	18.0	15.0		
Efficiency ratio in %	51.8	47.5	55.2		
Net Profit attributed to Bank's shareholders - excluding certain components (see below)	**817**	**1,187**	**884**	**(31.2)**	**(7.6)**
Return on shareholders' equity, in %[1] - excluding certain components (see below)	12.0	18.0	14.9		
Efficiency ratio in % (see below)	51.8	47.5	55.5		

Footnote:
(1) On an annual basis.

Profitability - excluding certain components

	2023		2022	Q3 2023 compared to	
	Q3	Q2	Q3	Q2 2023	Q3 2022
	in NIS millions			Change in %	
Net income attributed to the Bank's shareholders - as reported	817	1,187	893	(31.2)	(8.5)
Excluding[1]:					
Profit from the sale of rights in Visa Europe	-	-	(20)		
Effect of settlement	-	-	11		
Net income attributed to the Bank's shareholders - excluding the above components	**817**	**1,187**	**884**	**(31.2)**	**(7.6)**

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.
Allowances deriving from the separation of ICC. For details, see Note 17 B 1 to the condensed financial statements.
Gain on sale of the VISA Inc. shares. Gain on a part of the shares received by ICC and the Bank in 2016, with respect to the merger transaction between VISA Europe and VISA Inc. (see Note 12 K to the financial statements as of December 31, 2022, p. 189).
Effect of settlement. Acceleration of the amortization of "actuarial profits and losses" (a charge to profit and loss) following the expected payment of severance pay to retirees within the framework of the retirement plans and by natural retirement (see the 2021 Annual Report, pp. 222-223 and Note 8 to the condensed financial statements).

Details on material changes in statement of profit and loss items

Net interest income. In the first nine months of 2023, net interest income amounted to NIS 8,381 million compared with NIS 6,153 million in the corresponding period last year, an increase of 36.2%. The rise in the net interest income in the amount of NIS 2,228 million, is explained by a positive price impact of NIS 2,265 million, and a negative quantitative effect in the amount of NIS 37 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 2.21% in the first nine months of 2023, compared with 2.18% in the corresponding period last year.
The average balance of interest bearing assets has increased by a rate of approx. 10.9%, from an amount of NIS 317,611 million to NIS 352,129 million, and the average balance of interest bearing liabilities increased by a rate of approx. 29.6%, from an amount of NIS 199,647 million to NIS 258,813 million.

Net interest income according to linkage segments

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

	For the nine months ended September 30							
	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	72.0	91.9	7,701	2.95	72.9	71.9	4,424	[2]2.30
CPI-linked shekels	8.6	11.7	983	1.68	7.8	14.1	869	1.69
Foreign Currency	19.4	(3.6)	(303)	0.82	19.3	14.0	860	1.79
Net interest income and the interest spread	**100.0**	**100.0**	**8,381**	**2.21**	**100.0**	**100.0**	**6,153**	**2.18**

Footnotes:
(1) According to the average balance of the interest bearing assets.
(2) Recalculated following the reclassification of the average balance – see Note 7 A to the condensed financial statements.

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.
The decrease in the interest margin in the foreign currency sector stems from the surplus of liabilities over assets in the foreign currency sector, mainly from activity in Israel. This decrease was offset by an increase in derivatives income (recorded in non-interest financing income).
Non-interest financing income amounted in the first nine months of 2023 to NIS 923 million, compared to NIS 169 million in the corresponding period last year.
The increase in non-interest financing income stems, mostly, from an increase in income from adjustments to fair value of derivative instruments (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			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Interest income	5,422	5,334	4,693	3,930	3,113	2,573	2,084
Interest expenses	2,715	2,400	1,953	1,390	833	500	284
Net interest income [1][2][3]	2,707	2,934	2,740	2,540	2,280	2,073	1,800
Non-interest financing income (expense)	312	282	329	248	151	(27)	45
Total net financing income	**3,019**	**3,216**	**3,069**	**2,788**	**2,431**	**2,046**	**1,845**
Footnotes:							
(1) Of which, margin from credit activity to the public	1,609	[4]1,604	[4]1,443	[4]1,469	[4]1,421	[4]1,367	[4]1,297
(2) Of which, margin from deposits activity from the public	1,225	1,294	1,243	1,086	704	358	175
(3) Average prime interest rate	6.25%	6.07%	5.42%	4.37%	3.01%	1.97%	1.60%

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

The margin on granting credit to the public operations and the margin on acceptance of deposits from the public comprise the gap between the interest stated on credit/deposits and the internal pricing by the Bank for the particular product. The internal pricing by the Bank is based on market interest data for the relevant periods. It is emphasized that in determining the internal pricing, as stated, the Bank exercises judgment and applies an internal model;

therefore, in determining the pricing, as stated, a subjective measure is involved. Accordingly, care should be taken when comparing the margins of different banking corporations.

The rate of the margin on granting credit to the public operations to the average balance of credit to the public, increased from 2.4% in the first quarter of 2022, to a rate of 2.5% in the third quarter of 2023.

The rate of the margin on accepting deposits from the public operations to the average balance of deposits from the public, increased from 0.3% in the first quarter of 2022, to a rate of 1.6% in the third quarter of 2023.

The average prime rate of interest for the third quarter of 2023, increased by 4.7 percentage points as against the average prime rate of interest for the first quarter of 2022.

Most of the growth in margin on accepting deposits from the public operations stemmed from the household segment (growth from a rate of 0.3% in the first quarter of 2022, to a rate of 2.7% in the third quarter of 2023), and from the small businesses segment (growth from a rate of 0.3% in the first quarter of 2022, to a rate of 2.3% in the third quarter of 2023). See Note 12 to the condensed financial statements.

The margin on accepting deposits from the public operations is affected by the current account deposits that bear no interest. Upon eliminating the current account deposits, the rate of the margin on accepting deposits from the public operations would have reached approx. 2.1% in the third quarter of 2023 (as against 1.6%).

The Bank estimates that the margin on accepting deposits from the public operations would shrink to the extent that the transfer of funds from current account deposits to interest bearing deposits continues.

Forward looking information. The above stated reflects the assumptions of the Bank's Management regarding the conduct of customers, noticing, inter alia, the trend observed already. The power of the transfer of funds, as stated, and its persistence, depends on behavioral components and on the magnitude of the incentive for the said transfer of funds, as well as on changes in the interest environment in the economy.

Analysis of the total net financing income

	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	in NIS millions						
Financing Income from current operations	2,771	2,908	2,715	2,513	2,265	1,965	1,730
Effect of CPI on net interest income	141	227	170	111	151	230	134
Effect of CPI on derivative instruments	(6)	(12)	(8)	(15)	(39)	(65)	(37)
Net Profits (losses) from realization and adjustment to fair value of bonds(1)	(55)	(95)	(10)	(96)	(11)	16	60
Profits (losses) from investments in shares(2)	73	30	19	2	41	(15)	56
Adjustment to fair value of derivative instruments	43	116	70	210	(50)	(186)	(144)
Exchange rate differences, options and other derivatives(1)	52	42	113	62	71	100	46
Net profit on the sale of loans	-	-	-	1	3	1	-
Total net financing income	**3,019**	**3,216**	**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	-	2	3	3	(3)	19	4
(2) Of which: income from realizations in Discount Capital in deduction of provision for impairment	14	14	32	(2)	5	15	39

For details regarding CPI linked credit to the public, see below "Composition of credit to the public by linkage segments", for details regarding balances of CPI linked credit for mortgages, see below "Development of housing credit balances according to linkage segments".

Net financing income, amounted in the first nine months of 2023 to NIS 9,304 million, compared to NIS 6,322 million in the corresponding period last year, an increase of 47.2%. The increase in financing income stemmed mostly from an increase in financing income from current operations, from the impact of the rise in the CPI, 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 2.05% in the first nine months of 2023, compared with 2.01% in the corresponding period last year.

Net financing income amounted in the third quarter of 2023 to NIS 3,019 million, compared to NIS 2,431 million in the corresponding quarter last year, an increase at the rate of 24.2%, and compared to NIS 3,216 million in the second quarter of 2023, a decrease at the rate of 6.1%. The increase in net financing income in relation to the corresponding quarter last year, stemmed mostly from the rise in the Bank of Israel interest between the two periods. The reduction in net financing income in relation to the preceding quarter stemmed from the CPI rising at a lower rate during the reported quarter in relation to the preceding quarter, as well as from the rise in the interest rate paid on deposits.

Interest margin, including derivatives not for trading reached a rate of 2.19% in the third quarter of 2023, compared to 2.09% in the corresponding quarter last year and compared to 2.05% in the second quarter of 2023.

Development of the net interest income by regulatory operating segments

	For the three months ended September 30,			For the nine months ended September 30,		
	2023	2022		2023	2022	
	In NIS millions		Change in %	In NIS millions		Change in %
Domestic operations:						
Households	1,301	832	56.4	3,726	2,032	83.4
Private banking	97	63	54.0	298	113	163.7
Small and minute businesses	687	529	29.9	2,094	1,329	57.6
Medium businesses	191	135	41.5	552	348	58.6
Large businesses	367	287	27.9	1,138	757	50.3
Institutional bodies	26	19	36.8	68	41	65.9
Financial management	(274)	99	(376.8)	(449)	709	(163.3)
Total Domestic operations	**2,395**	**1,964**	**21.9**	**7,427**	**5,329**	**39.4**
Total International operations	**312**	**316**	**(1.3)**	**954**	**824**	**15.8**
Total	**2,707**	**2,280**	**18.7**	**8,381**	**6,153**	**36.2**

Credit loss expenses. In the first nine months of 2023 credit loss expenses in the amount of 1,112 million were recorded, compared with expenses of NIS 177 million in the corresponding period last year.

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

- Expenses on a collective basis (excluding housing loans) in the amount of NIS 907 million, compared expenses of NIS 188 million, in the corresponding period last year. The expenses in the first nine months of 2023 were affected mostly due to growth in the macro-economic components. The expenses have also been affected by accounting write-offs, changes in the components of the qualitative adjustments, and changes in the balances;
- Expenses on a specific basis in the amount of NIS 178 million, compared to expenses release in the amount of NIS 57 million in the corresponding period last year. The expenses in the first nine months of 2023 were affected mainly by the more stringent classification of a number of borrowers and from the recording of accounting write-offs;
- Expenses for housing loans in the amount of NIS 27 million, compared to expenses in the amount of NIS 46 million, in the corresponding period last year.

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.

Working assumptions used in determining the collective allowance. Within the framework of calculating the collective allowance for credit losses, as well as within the framework of processes carried out by the Bank for the purpose of capital allocation and stress testing, a systematic methodology is used that connects macro indices to the financial losses of the Bank. This is based on a formula that relies on a long-term statistical correlation between the Bank’s allowances and the macro indices. This methodology has also been used to carry out the sensitivity analyses on a collective allowance (see below). As part of these tests, the Bank has analyzed the impact on the loss of macroeconomic factors, the principal of which are unemployment and GDP. The assumptions used in calculating the collective allowance are unemployment at an average rate of 5.7% and GDP growth at a rate of 1.1% in the coming year (namely, the average rate from the fourth quarter of 2023 to the third quarter of 2024. The rate of growth for the fourth quarter of 2023 is the one with the most impact). This is, compared to the assessments made by macro-economic factors prior to the outbreak of the War: unemployment at the rate of 4.2% and growth of the GDP at a rate of 2.0%.

Sensitivity analyses. The sensitivity analyses are intended to give quantitative expression to the effect of changes in the working assumptions presented above on the estimate of the collective allowance. The sensitivity analysis is presented in relation to the effect of permanent hypothetical changes in the aforementioned principal work assumptions.

The Bank assesses that a 1.0% rise in the unemployment rate and a 1.0% fall in GDP would lead to an increase of approx. NIS 150-160 million in the collective allowance (namely, unemployment at a rate of 6.7% and GDP growth at a rate of 0.7% in the coming year).

The Bank assesses that a 1.0% fall in the unemployment rate and a further 1.0% rise in GDP would lead to a decrease of approx. NIS 95-105 million in the collective allowance. (namely, unemployment at a rate of 4.7% and GDP growth at a rate of 2.7% in the coming year).

It should be emphasized that, in practice, the allowance is affected by many different variables, both sectorial and macroeconomic, as well as by subjective assessments. Furthermore, sensitivity analyses are designed to examine changes in common and normal situations, and their validity is reduced in situations of acute uncertainty, such as in wartime. In light of the above, the predictive ability of calculating the sensitivity of the allowance that will be required in practice, given the economic parameters at the rates mentioned above is limited. It should also be emphasized that these effects are not linear and therefore it is not possible to extrapolate from the assessments presented above the effect that a different change in the aforementioned principal economic parameters would have.

In this context, it should be noted that the basic assumption regarding the security situation is a high-intensity war situation over several months, as well as extensive maneuvering on the southern front and relatively low-intensity security events on the northern front. A significant extension of the duration of the war and/or the development of a multi-front conflict might necessitate a re-examination of the working assumptions.

It should also be emphasized that in the absence of a defined and uniform model for assessing the collective allowance that would be required in the circumstances described above, and in light of the fact that, in such circumstances, the process of determining the allowance would involve subjective estimates and assessments, it is necessary to exercise twice as much caution in examining the sensitivity analyses presented above and in making a comparison between the banks with regard to this.

Details of the quarterly development in the credit loss expenses (expenses release)

	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
On a specific basis							
Change in allowance	44	94	(3)(36)	(30)	30	(36)	(71)
Gross Accounting Write-offs	54	31	81	111	53	50	58
Collection	(36)	(15)	(39)	(24)	(70)	(49)	(22)
Total on a specific basis	**62**	**110**	**6**	**57**	**13**	**(35)**	**(35)**
On a collective basis							
Change in allowance	440	130	(3)153	128	55	126	(46)
Gross Accounting Write-offs	189	168	154	132	124	138	112
Collection	(95)	(96)	(109)	(87)	(86)	(98)	(91)
Total on a collective basis	**534**	**202**	**198**	**173**	**93**	**166**	**(25)**
Total	**596**	**312**	**204**	**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)0.92%	(2)0.49%	(2)0.33%	(2)0.38%	(2)0.18%	(2)0.23%	(2)(0.11%)
Cumulative rate since the beginning of the year:	(2)0.58%	(2)0.41%	(2)0.33%	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.
(3) Reclassified following improvement of data.

Development in the credit loss expenses

	For the nine months ended September 30,		For the year
	2023	2022	2022
	In NIS millions		
On a specific basis			
Change in allowance	102	(77)	(107)
Gross accounting write-offs	166	161	272
Collection	(90)	(141)	(165)
Total on a specific basis	**178**	**(57)**	**-**
On a collective basis			
Change in allowance	723	135	263
Gross accounting write-offs	511	374	506
Collection	(300)	(275)	(362)
Total on a collective basis	**934**	**234**	**407**
Total	**1,112**	**177**	**407**
Rate of credit loss expenses (expenses release) to the average balance of credit to the public	(1)(2)0.58%	(1)(2)0.10%	0.18%

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

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

Fees and commissions in the first nine months of 2023 amounted to NIS 2,674 million, compared to NIS 2,547 million in the corresponding period last year, an increase of 5.0%. The increase was mainly affected by credit card fees and commissions, ledger fees, exchange differences and handling credit, partly offset by a decrease in fees and commissions earned on operations in securities and in certain derivative instruments and from fees and commissions on financing activities.

Distribution of the fees and commissions

	For the three months ended September 30,			For the nine months ended September 30,		
	2023	2022	Change	2023	2022	Change
	in NIS millions		in %	in NIS millions		in %
Account Management fees	125	120	4.2	374	350	6.9
Credit cards	500	447	11.9	1,407	1,268	11.0
Operations in securities and in certain derivative instruments	82	88	(6.8)	239	283	(15.5)
Fees and commissions from the distribution of financial products	37	39	(5.1)	111	120	(7.5)
Handling credit	57	52	9.6	184	169	8.9
Conversion differences	44	42	4.8	137	119	15.1
Foreign trade services	13	15	(13.3)	42	46	(8.7)
Fees and commissions on financing activities	38	48	(20.8)	115	133	(13.5)
Other fees and commissions	22	20	10.0	65	59	10.2
Total fees and commissions	**918**	**871**	**5.4**	**2,674**	**2,547**	**5.0**

Salaries and related expenses amounted to NIS 2,871 million in the first nine months of 2023, compared with NIS 2,580 million in the corresponding period last year, an increase of 11.3%. 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 9.0% would have been recorded.

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

	2023			2022			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	In NIS millions						
Salaries and Related Expenses - as reported	972	954	945	988	881	844	855
Awards	(115)	(138)	(117)	(210)	(106)	(95)	(85)
Salaries and Related Expenses - excluding certain components	**857**	**816**	**828**	**778**	**775**	**749**	**770**

Maintenance and depreciation of buildings and equipment amounted to NIS 1,034 million in the first nine months of 2023, compared to NIS 919 million in the corresponding period last year, an increase of 12.5%. The rise was mainly affected by the move to the Campus.

Other expenses amounted to NIS 2,039 million in the first nine months of 2023, compared to NIS 1,751 million in the corresponding period last year, an increase of 16.4%. The increase was affected, mainly, by an increase in expenses from fees and commissions (NIS 130 million), as a result of an increase in credit card activity, computer expenses (NIS 62 million), expenses for pension (NIS 42 million) and marketing and advertising expenses (NIS 34 million).

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 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						
For the nine months ended September 30, 2023 and 2022 (unaudited)							
Balance at December 31, 2022	(1,319)	(227)	(20)	(452)	(2,018)	(6)	(2,012)
Net change during the period	(95)	404	5	95	409	2	407
Balance at September 30, 2023	**(1,414)**	**177**	**(15)**	**(357)**	**(1,609)**	**(4)**	**(1,605)**
Balance at December 31, 2021	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	[(2)](1,611)	512	(19)	380	(738)	6	(744)
Balance at September 30, 2022	**(1,368)**	**(199)**	**(20)**	**(435)**	**(2,022)**	**(4)**	**(2,018)**

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.

The comprehensive income amounted in the first nine months of 2023 to NIS 3,680 million, as compared with NIS 1,812 million in the first nine months of 2022. The difference between the comprehensive income for the first nine months of 2023 and the net profit, stemmed mostly from unrealized losses on available-for-sale bonds in the amount of NIS 95 million, from profits in the amount of NIS 404 million on translation adjustments and profits of NIS 95 million on adjustments relating to employee benefits.

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

Development of Assets and Liabilities

Total assets as at September 30, 2023, amounted to NIS 399,202 million, compared with NIS 376,754 million at the end of 2022, an increase of 6.0%.

Developments in the principal balance sheet items

	September 30, 2023	December 31, 2022	Rate of change
	in NIS millions		in %
Assets			
Cash and deposits with banks	57,552	65,713	(12.4)
Securities	52,380	44,794	16.9
Net credit to the public	258,429	241,079	7.2
Liabilities			
Deposits from the public	298,435	292,293	2.1
Deposits from banks	14,551	15,376	(5.4)
Subordinated debt notes	16,225	12,308	31.8
Shareholders' equity	27,621	24,880	11.0
Total equity	28,391	25,478	11.4

Explanation of changes in certain balance sheet items

Cash and deposits with banks. Cash and deposits with banks decreased in the first nine months of 2023 by approx. 12.4%, comprising a decrease of approx. NIS 8.2 billion. The decline stemmed mostly from the growth in the credit portfolio and from the purchase of short-term bonds.

Deposits from the public increased by approx. NIS 6.1 billion in the first nine months, as part of the Bank's financing strategy for continued growth and expansion of the credit to the public portfolio.

Bonds and subordinated debt notes. The balance increased by approx. NIS 3.9 billion, mostly as a result of an international issuance of U.S. dollar terms bonds in the amount of approx. US$800 million and local issues of bonds in the amount of approx. NIS 1.6 billion, and of subordinated debt noted having a loss absorption mechanism, in the amount of approx. NIS 0.4 billion. This amount was offset by the redemption of commercial securities Series 2 in the amount of approx. NIS 700 million. For additional details see Note 21 to the condensed financial statements.

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

Credit to the public

General. Net credit to the public (after allowance for credit losses) as of September 30, 2023 totaled NIS 258,429 million, compared with NIS 241,079 million at the end of 2022, an increase of 7.2%.
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

	September 30, 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	189,260	73.2	179,846	74.6	5.2
CPI-linked shekels	27,812	10.8	24,334	10.1	14.3
Foreign currency and foreign currency-linked shekels	41,357	16.0	36,899	15.3	12.1
Total	**258,429**	**100.0**	**241,079**	**100.0**	**7.2**

Credit to the public denominated in foreign currency and in Israeli currency linked thereto increased by 12.1% 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$329 million, an increase of 3.1% 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 5.8% 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

	September 30, 2023				December 31, 2022	
	Unlinked shekels	CPI-linked shekels	Foreign Currency linked shekels & Foreign Currency	Total	Total	Change
			In NIS millions			in %
Domestic operations:						
Households*	83,068	18,898	262	102,228	97,457	4.9
Private banking*	387	63	26	477	490	(2.7)
Small and minute businesses	39,967	1,385	634	41,986	41,185	1.9
Medium businesses	16,914	1,432	956	19,302	17,224	12.1
Large businesses	51,582	6,247	7,965	65,794	58,407	12.6
Institutional bodies	537	-	162	698	416	67.8
Total Domestic operations	**192,454**	**28,025**	**10,005**	**230,485**	**215,179**	**7.1**
Total International operations*	**47**	**-**	**31,931**	**31,978**	**29,109**	**9.9**
Total credit to the public	**192,501**	**28,025**	**41,936**	**262,463**	**244,288**	**7.4**
Credit loss expenses	(3,241)	(213)	(580)	(4,034)	(3,209)	25.7
Total net credit to the public	**189,260**	**27,812**	**41,357**	**258,429**	**241,079**	**7.2**
*Of which - Mortgages	49,725	19,081	226	69,032	65,325	5.7

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

	December 31, 2022			
	Unlinked shekels	CPI-linked shekels	Foreign Currency linked shekels & Foreign Currency	Total
	In NIS millions			
Domestic operations:				
Households*	79,445	17,913	100	97,457
Private banking*	405	58	27	490
Small and minute businesses	39,227	1,099	858	41,185
Medium businesses	15,168	1,205	852	17,224
Large businesses	47,795	4,223	6,386	58,407
Institutional bodies	366	-	50	416
Total Domestic operations	**182,406**	**24,499**	**8,273**	**215,179**
Total International operations*	**46**	**-**	**29,064**	**29,109**
Total credit to the public	**182,452**	**24,499**	**37,336**	**244,288**
Credit loss expenses	(2,607)	(165)	(438)	(3,209)
Total net credit to the public	**179,846**	**24,334**	**36,899**	**241,079**
*Of which - Mortgages	47,840	17,035	451	65,325

The increase in credit to the public in the first nine months of 2023 reflects growth in the focus points determined in the updated strategic plan. Credit to households excluding housing loans grew by NIS 1,081 million (3.3%). Credit to medium businesses grew by NIS 2,078 million (12.1%). Credit to large businesses grew by NIS 7,387 million (12.6%) and housing credit grew by NIS 3,707 million (5.7%).
As seen from the above table, IDB Bank recorded during the reporting period growth regarding the credit balances.

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

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

	September 30, 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	25,235	6.1	22,904	6.1	10.2
Construction and real estate - construction	54,249	13.3	49,371	13.1	9.9
Construction and real estate - real estate activity	33,318	8.2	30,507	8.1	9.2
Commerce	42,069	10.3	37,998	10.0	10.7
Financial services	44,423	10.9	35,968	9.6	23.5
Private individuals - housing loans	75,721	18.6	73,674	19.7	2.8
Private individuals - other	78,954	19.4	74,956	19.9	5.3
Other sectors	54,039	13.2	50,837	13.5	6.3
Total overall credit to the public risk	**408,008**	**100.0**	**376,215**	**100.0**	**8.5**

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

The data presented above indicates that in the first nine months of 2023, the overall risk regarding credit to the public increased by 8.5% compared with the end of 2022. This growth applied mostly to financial services, construction and real estate – construction, commerce and private individuals - other 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 interest) amounted at September 30, 2023, to NIS 8,703 million, as compared to NIS 6,703 million at December 31, 2022, an increase of 29.8%.
Problematic credit not accruing interest. The problematic credit to the public that does not accrue interest income amounted at September 30, 2023, to NIS 2,209 million, as compared to NIS 1,520 million at December 31, 2022, an increase of 45.3%.

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

	September 30, 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	25,235	753	3.0	22,904	739	3.2
Construction and real estate - construction	54,249	1,129	2.1	49,371	1,219	2.5
Construction and real estate - real estate activity	33,318	2,208	6.6	30,507	1,361	4.5
Commerce	42,069	1,905	4.5	37,998	931	2.5
Financial services	44,423	23	0.1	35,968	5	0.0
Private individuals - housing loans	75,721	337	0.4	73,674	313	0.4
Private individuals - other	78,954	719	0.9	74,956	529	0.7
Hotels, Hotel Services and Food	4,052	474	11.7	3,842	466	12.1
Transportation and Storage	8,280	129	1.6	7,434	271	3.6
Other Sectors	41,707	1,541	3.7	39,561	1,382	3.5
Total Public	**408,008**	**9,218**	**2.3**	**376,215**	**7,216**	**1.9**
Banks	9,394	-	-	7,136	-	-
Governments	42,710	-	-	36,055	-	-
Total	**460,112**	**9,218**	**2.0**	**419,406**	**7,216**	**1.7**

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

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

The balances of the allowance for credit losses

The balance of the allowance for credit losses. The balance of the allowance for credit loss, including the allowance on a specific basis and the allowance on a collective basis, but not including allowance for off-balance sheet credit risk, totalled NIS 4,034 million as of September 30, 2023. The balance of this allowance constituted 1.5% 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 September 30, 2023 to NIS 435 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 September 30, 2023 to NIS 3,599 million (of which for accruing problematic debts – NIS 538 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 397 million).

The risk characterization of the credit to the public portfolio

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

	For the nine months ended September 30			
	2023		2022	
	Credit loss expense	Rate of expense	Credit loss expense (expenses release)	Rate of expense (expenses release)
sectors	In NIS millions	%	In NIS millions	%
Industry	75	0.7	(8)	(0.1)
Construction and real estate - construction	176	0.9	112	0.7
Construction and real estate - real estate activity	168	0.8	7	0.0
Commerce	188	0.8	(43)	(0.2)
Hotels, hotel services and food	3	0.1	(52)	(1.9)
Transportation and storage	20	0.5	(30)	(0.6)
Financial services	66	0.5	(15)	(0.1)
Other Business Services	33	0.7	(26)	(0.5)
Public and Community Services	13	0.1	30	0.3
Other Sectors	68	1.0	25	0.5
Total Commercial	**810**	**0.7**	**-**	**-**
Private Individuals - Housing Loans	27	0.1	46	0.1
Private Individuals - Other	273	1.0	129	0.5
Total credit loss expenses to the public.	**1,110**	**0.6**	**175**	**0.1**
Total Banks and Governments	2	0.0	2	0.1
Total credit loss expenses.	**1,112**	**0.6**	**177**	**0.1**

Securities

General. Securities in the Nosrto portfolio totaled NIS 52,380 million as of September 30, 2023, compared with NIS 44,794 million at the end of 2022, an increase of 16.9%. the security included in the Nostro portfolio of the Discount Group, the investment in which as of September 30, 2023, amounted to 5% or over of the total amount of the portfolio: "government variable 1130" security type, which amounted to approx. 9.7% of the total portfolio.
As of September 30, 2023, approx. 71.2% of the portfolio is invested in Government bonds, and approx. 16.2% 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. 0.4% 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).
Changes in the markets subsequent to the balance sheet date. Subsequent to the balance sheet date, securities prices fluctuated in the markets. On an ongoing basis, the Bank tracks the value of the marketable securities held by the Group. As of November 23, 2023, the examination revealed that the price of most of the bonds that the Bank holds had fallen. Notwithstanding, the effect on the capital fund is not material.

Composition of the securities portfolio by linkage segments

Composition of the securities portfolio by linkage segments

	September 30, 2023	December 31, 2022	Rate of change in %
	In NIS millions		
Non-linked shekels	26,583	21,961	21.0
CPI-linked shekels	3,998	2,494	60.3
Foreign currency and foreign currency-linked shekels	19,806	18,546	6.8
Shares - non-monetary items	1,993	1,793	11.2
Total	**52,380**	**44,794**	**16.9**

Securities in foreign currency and in Israeli currency linked to foreign currency increased by 6.8%, 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 decreased by US$91 million, a decrease of 1.7% 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 13.4% 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

	September 30,2023			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	13,826	12,264	13,826	14,847	13,594	14,847
Available for sale	31,562	29,907	29,907	27,344	25,858	25,858
Trading	6,680	6,654	6,654	2,309	2,296	2,296
Shares						
Available for sale	1,793	1,934	1,934	1,692	1,767	1,767
Trading	37	59	59	4	26	26
Total Securities	**53,898**	**50,818**	**52,380**	**46,196**	**43,541**	**44,794**

Corporate bonds (excluding mortgages and assets backed bonds). Discount Group's available-for-sale bonds portfolio as of September 30, 2023, includes investments in corporate bonds in the amount of NIS 2,783 million (of which an amount of NIS 394 million is held by IDB Bank), compared with NIS 2,703 million as of December 31, 2022, an increase of 3.0%. 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 September 30, 2023, in respect of the said bonds, amounted to a pre-tax amount of NIS 356 million.

Investments in mortgage and asset backed securities

General. Discount Group's securities portfolio as of September 30, 2023 includes investment in mortgage-backed and asset-backed securities, in the amount of NIS 10,221 million, compared to an amount of NIS 8,412 million as at December 31, 2022, an increase of 21.5%. The amount includes investment in mortgage backed securities in the amount of NIS 9,291 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 22.4%. Approx. 82.8% of the mortgage backed securities portfolio is comprised of bonds of various federal agencies (Ginnie Mae, Fannie Mae, Freddie Mac) with an AAA rating in the U.S.. The investment in the said bonds does not include exposure to the subprime market.

As of September 30, 2023, the portfolio of mortgage and assets backed securities included unrealized net losses of NIS 1,376 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 Bank holds secured bonds of the CLO class in a total amount of approx. NIS 826 million. The said securities are rated AA-AAA, by at least one rating agency. The Bank holds secured bonds of the CLO class in a total amount of NIS 930 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 the US in yields to maturity in the recorded in the bond market in the first nine months of 2023, unrealized losses, included in the portfolio of available-for-sale bonds, were recorded in the first half, which as of September 30, 2023 amounted to a total of NIS 1,708 million (before tax), representing approx. 5.7% of the portfolio balance (December 31, 2022 - losses in the amount of NIS 1,566 million, approx. 6.1% of the portfolio balance). As assessed by the Management, these losses are due to an increase in yields in the capital market, 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 nine months 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 September 30, 2023, to NIS 2,071 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 September 30, 2023, totalled NIS 298,435 million, compared with NIS 292,293 million at the end of 2022, an increase of 2.1%.

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

	September 30, 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	194,071	65.0	196,945	67.4	(1.5)
CPI-linked shekels	5,105	1.7	4,188	1.4	21.9
Foreign currency and foreign currency-linked shekels	99,259	33.3	91,160	31.2	8.9
Total	**298,435**	**100.0**	**292,293**	**100.0**	**2.1**

Deposits from the public in foreign currency and in Israeli currency linked to foreign currency increased at the rate of 8.9%, 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$52 million, an increase of 0.2% 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 0.6%, compared with December 2022.

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

	September 30, 2023	December 31, 2022	Change in %
	In NIS millions		
Domestic operations:			
Households	94,829	94,036	0.8
Private banking	23,775	22,319	6.5
Small and minute businesses	47,007	47,752	(1.6)
Medium businesses	17,876	15,093	18.4
Large businesses	45,107	48,002	(6.0)
Institutional bodies	32,222	29,655	8.7
Total Domestic operations	**260,816**	**256,857**	**1.5**
Total International operations	**37,619**	**35,436**	**6.2**
Total deposits from the public	**298,435**	**292,293**	**2.1**

The ratio of total net credit to the public to deposits from the public was 86.6% as at September 30, 2023, compared with 82.5% at the end of 2022.

Deposits from the public of the three largest depositor groups amounted as of September 30, 2023, to NIS 11,991 million.

Securities held for customers. On September 30, 2023, the balance of the securities held for customers at the Bank amounted to approx. NIS 226.76 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. 5.2%. For details as to income from security activities, see "Distribution of the fees and commissions" above. In addition, the balance of securities held on behalf of customers at the MDB as of September 30, 2023, amounted to NIS 12.27 billion, compared with NIS 11.45 billion in December 31, 2022, an increase of 7.16%.

Pension advisory services. The total cumulative assets of customers receiving pension consulting services from the Bank as at September 30, 2023, amounting to approx. NIS 21.6 billion, compared with NIS 21.65 billion as of December 31, 2022, a decrease of 0.2%.

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. 0.11%, in terms of September 30, 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 September 30, 2023, net of the tax effect).

Issuance of subordinated debt notes (expansion of Series I). On June 15, 2023, the Bank completed one issuance process of subordinated debt notes (Coco) through Manpikim, in a total amount of approx. NIS 385 million. The said issuance increased the total capital ratio by 0.16%.

Effect of the credit rating of the State of Israel. The credit rating of the State 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 September 30, 2023 terms.

Effect of the decrease in the exchange rate. As estimated by the Bank, a decrease of 1% in the exchange rate would reduce the Common Equity Tier 1 ratio by approx. 0.001%, in terms of September 30, 2023.

Effect of the decrease in the inflation rate. As estimated by the Bank, a decrease of 1% in the inflation rate would reduce the Common Equity Tier 1 ratio by approx. 0.03%, in terms of September 30, 2023.

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[5].

On November 22, 2021, the Bank's Board of Directors decided to establish 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 regarding the Corona virus. On the basis of the ICAAP and the SREP procedures as stated, including the latest uniform stress tests performed, the Board decided to establish the said goal at a rate of 9.75% as well as reduce the minimal total capital goal fixing it at the rate of 12.6%.

5 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.

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.

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$1,169 million exists as of September 30, 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 September 30, 2023, totalled NIS 28,391 million, compared with NIS 25,478 million at the end of 2022, an increase of 11.4%.
Shareholders' equity as at September 30, 2023, totalled NIS 27,621 million, compared with NIS 24,880 million at the end of 2022, an increase of 11.0%. The change in Shareholders' equity in the first nine months of 2023 was affected, among other things, by the net earnings during the period, from a decline of NIS 95 million in the "Net adjustments, for presentation of available-for-sale bonds at fair value", from an increase of NIS 404 million in financial statements transactions adjustments and from the net actuarial gain in the amount of NIS 95 million and from a dividend that was distributed during the period.
The ratio of total capital, to total assets as at September 30, 2023, stood at 7.1%, compared with 6.8% on December 31, 2022.

Components of the regulatory capital as of September 30, 2023

Ratio of common equity tier 1 as of September 30, 2023, amounted to 10.36%, compared with 10.25% on December 31, 2022.
Total capital ratio as of September 30, 2023, amounted to 13.13%, compared with 13.03% on December 31, 2022.

Components of the regulatory capital as of September 30, 2023

	September 30, 2023	September 30, 2022	December 31, 2022
	in NIS millions		
1. Capital for Calculating ratio of capital			
Total common equity tier 1 after supervisory adjustments and deductions	28,065	24,653	25,353
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	**28,065**	**24,653**	**25,353**
Tier 2 capital	7,498	6,360	6,878
Total capital	**35,563**	**31,013**	**32,231**
2. Weighted risk assets balance			
Credit risk(2)	243,711	220,019	225,052
Market risk	5,079	4,294	3,633
CVA risk	2,514	2,154	2,077
Operational risk	19,601	15,979	16,685
Total weighted risk assets balance	**270,905**	**242,446**	**247,447**
3. Ratio of capital to risk assets			
Ratio of common equity tier 1 to risk assets	10.36	10.17	10.25
Ratio of total capital to risk assets	13.13	12.79	13.03
Ratio of minimum capital required by the Supervisor of Banks			
Ratio of common equity tier 1(1)	9.19	9.19	9.19
Total capital ratio	12.50	12.50	12.50

Footnotes:

(1) With an addition of 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 179 million (September 30, 2022: NIS 276 million, December 31,2022: NIS 252 million) due to adjustments in respect to the efficiency plan and in respect of adjustments for higher capital requirements in respect of loans of increased risk, designated for the purchase of land (September 30, 2022: NIS 963 million, December 31, 2022: NIS 555 million).

Raising of resources

The Bank may raise additional regulatory capital instruments according to the Bank's work plan for 2023 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 August 13, 2023, the Bank's Board of Directors approved an update to the Bank's dividend policy, according to which, the Bank may distribute in each quarter, a dividend of up to 40% of the distributable net earnings according to the consolidated financial statements for the previous quarter, instead of a distribution rate of up to 30%. The updating of the dividend policy was approved following attainment of the capital outline of the Bank and the consistent improvement in the business results of the Group.

It is clarified that this policy should not be deemed a commitment by the Bank for a dividend distribution or regarding the rate of dividend to be distributed, and that each dividend distribution in practice shall be subject to approvals required by the law, including a specific approval by the Board of Directors for a dividend distribution based on its judgment and subject to compliance with the provisions of the law applying to dividend distribution, inter alia, according to the Companies Law and directives of the Bank of Israel. It is further noted that the actual distribution of a dividend is subject to compliance with the capital adequacy goals prescribed by the Supervisor of Banks and the internal capital goals, as determined or would be determined by the Bank's Board of Directors. The Board of Directors may examine from time to time the dividend distribution policy and decide at any time, taking into account business considerations and the provisions of the law and regulation applying to the Bank, on changes in the dividend policy, including in the rate of dividend to be distributed. The Board may also decide that no dividend should be distributed at all.

In a letter dated November 12, 2023, the Supervisor of Banks asked the banking corporations to reexamine their policy of dividend distribution and the execution of share buybacks for the near future, against the background of the increase in uncertainty regarding the duration of the war and the extent of its impact on the economy.

In light of the aforesaid, and in light of the Bank's commitment to continue supporting customers and their credit needs, both during the war and on the "day after", the Bank's Board of Directors, at its meeting of November 26, 2023, decided to distribute a dividend of 15% of the third quarter of 2023 profits, totaling approx. NIS 122.6 million, which constitutes approx. NIS 9.91 per ordinary "A" share of NIS 0.1 par value (this, compared to a dividend at the rate of 30% of the profits for the second quarter of 2023).

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).

Administrative Structure

Responsibility for pension consulting was transferred in July 2023 from the Strategy and Finance Division to the Banking Division.

Household Segment (Domestic operations)

Scale of Operations and Net Profit of the Segment

The net profit in the first nine months of 2023 amounted to NIS 1,393 million, compared to an amount of 489 million in the corresponding period last year, an increase of 184.9%. The growth in profits was, mostly, affected by growth in income. The growth in income is mainly explained by the growth in net interest income, attributed mainly to the increase in margin income from deposit operations due to the rise in the Bank of Israel interest.
The credit loss expenses in the first nine months of 2023 recorded expenses of NIS 310 million, compared to expenses of NIS 173 million in the corresponding period last year, an increase of 79.2%. The increase in expenses is due, mostly, from the collective allowance.

Principal data on the household segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	1,830	1,319	5,243	3,432	4,966
Credit loss expenses	138	61	310	173	222
Total Operating and other expenses	917	847	2,730	2,475	3,393
Net Profit Attributed to the bank's shareholders	480	254	1,393	489	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 nine months of 2023 amounted to NIS 177 million, compared to NIS 64 million in the corresponding period last year, an increase of 176.6%. 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 September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	117	83	364	175	280
Credit loss expenses (expenses release)	(1)	-	(1)	1	1
Total Operating and other expenses	33	31	96	79	111
Net Profit Attributed to the bank's shareholders	56	35	177	64	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 nine months of 2023 amounted to 767 million, compared to an amount of NIS 529 million in the corresponding period last year, an increase at a rate of 45.0%. The growth in profits was mostly affected by growth in income. The growth in income is mainly explained by the growth in net interest income, attributed mainly to the increase in margin income from deposit operations due to the rise in the Bank of Israel interest.

The credit loss expenses in the first nine months of 2023 expenses were recorded of NIS 282 million, compared to expenses release of NIS 8 million in the corresponding period last year. The increase in expenses is due, mostly, to the increase in the collective allowance.

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

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	837	683	2,553	1,782	2,555
Credit loss expenses (expenses release)	168	(22)	282	(8)	89
Total Operating and other expenses	376	339	1,080	992	1,371
Net Profit Attributed to the bank's shareholders	186	240	767	529	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 nine months of 2023 amounted to NIS 209 million, compared to an amount of 157 million in the corresponding period last year, an increase at a rate of 33.1%.

The credit loss expenses in the first nine months of 2023 amounted to expenses of NIS 129 million, compared to expenses of NIS 12 million in the corresponding period last year.

Principal data on the Medium businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	235	172	672	454	648
Credit loss expenses	68	17	129	12	35
Total Operating and other expenses	77	70	221	205	281
Net Profit Attributed to the bank's shareholders	60	55	209	157	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 nine months of 2023 amounted to NIS 303 million, compared to an amount of NIS 383 million in the corresponding period last year, a decrease at a rate of 20.9%.

The credit loss expenses in the first nine months of 2023 amounted to expenses of NIS 375 million, compared to expenses of NIS 7 million in the corresponding period last year. The increase in expenses is due, mostly, to the increase in the collective allowance.

Principal data on the Large businesses segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	501	403	1,501	1,092	1,576
Credit loss expenses	206	26	375	7	70
Total Operating and other expenses	228	178	609	506	703
Net Profit Attributed to the bank's shareholders	28	129	303	383	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 nine months of 2023 amounted to NIS 17 million, compared with NIS 4 million in the corresponding period last year.

Principal data on the Institutional bodies segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	27	22	74	50	77
Credit loss expenses (expenses release)	2	5	2	2	(2)
Total Operating and other expenses	13	15	46	43	59
Net Profit Attributed to the bank's shareholders	9	1	17	4	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 nine months of 2023 amounted to NIS 754 million, compared to NIS 1,312 million in the corresponding period last year, a decrease at a rate of 42.5%. The decrease in income was, inter alia, impacted by the decrease in the realization of assets compared with the corresponding period last year (see Note 20 to the condensed financial statements), 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.
The net profit in the first nine months of 2023 amounted to NIS 185 million, compared to an amount of NIS 670 million in the corresponding period last year, a decrease at a rate of 72.4%.

Principal data on the Financial management segment (Domestic operations)

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	16	259	754	1,312	1,494
Credit loss expenses (expenses release)	(4)	2	2	2	-
Total Operating and other expenses	127	113	389	333	465
Net Profit (Loss) Attributed to the bank's shareholders	(61)	103	185	670	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 nine months of 2023 amounted to NIS 222 million, compared to NIS 260 million in the corresponding period last year, a decrease at a rate of 14.6%.
Operating and other expenses in the first nine months of 2023 amounted to NIS 773 million, compared to NIS 617 million, an increase at a rate of 25.3%, which stemmed from the rise in payroll expenses, stemming from the increase in the manpower force, from temporary manpower inputs and from provisions for bonuses, and an increase in consulting expenses in issues relating to compliance and risk management, which was partially offset by a decrease in other expenses.
The credit loss expenses in this segment in the first nine months of 2023 amounted to expenses of NIS 13 million, compared to expenses release of NIS 12 million in the corresponding period last year.

Principal data on the International operations segment

	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	In NIS millions				
Total income	380	366	1,124	993	1,348
Credit loss expenses (expenses release)	19	17	13	(12)	(8)
Total Operating and other expenses	272	234	773	617	834
Net Profit Attributed to the bank's shareholders	59	76	222	260	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”.

Support of customers during the "Iron Swords" War period

In view of the security situation, immediately after the outbreak of the War, to Bank took action in order to assist customers in this difficult time. The Bank has approved a series of relief measures in the credit and financial solutions applying to all its customers in the household segment and small business segment, and specifically to customers who are residents of the conflict zone in the South, in the North and to different security forces.
Additionally, the Bank has formed a support and relief package for customers both within the framework of the outline.

The Bank of Israel outline

On October 15, 2023, the Banking Supervision Department published the outline aimed at easing the burden of credit and commissions for households and businesses located and operating within 30 km of the Gaza Strip, civilians evacuated from their homes by an authorized party, reservists and those called-up under a compulsory callup order (“Tzav 8”), or first-degree relatives of those killed in the war, kidnapped or missing (hereafter: “the First Circle”). The outline refers to: (1) Deferral of loan repayments for three months without charging interest and without charging fees, in three activity segments: mortgages (in relation to first home and home renovations); consumer credit (in an aggregate amount of up to NIS 100 thousand); and business credit (a business with an operating turnover of up to NIS 25 million per year, not including loans in commercial cooperation with a third party; in an aggregate amount of up to NIS 2 million); (2) not charging interest on a debit balance of up to NIS 10 thousand for customers whose account immediately prior to the outline’s publication was in debit (this does not apply to reservists and those called up with a “Tzav 8”); and, (3) a three-months’ exemption from commissions and fees in certain areas of activity. The remaining customers (hereafter: the “Second Circle”) will be given the option to defer their loan repayments as stated without being charged commissions for 3 months, with the deferred repayments bearing interest at a rate not exceeding the interest rate in the loan contract and the payments being added at the end of the loan term. The outline is to go into effect on October 31, 2023, at the latest. On October 23, 2023, the Banking Supervision Department published an additional outline, which dealt with reliefs for customers in the First and Second Circles of credit card companies, with the repayment of loans and with exemption from commissions. The outlines prescribe a minimum condition for reliefs, and each bank and credit card company may offer additional favorable terms. On November 8, 2023, the Supervisor of Banks announced the expansion of the application of the outlines, so as to apply also to households and businesses situated and operating in communities located in Northern Israel (evacuees or those appearing on lists published on the Bank of Israel website).

Assistance to Discount customers

Assistance to all customers. Upon the outbreak of the War, the Bank extended to all its customers (private individuals and small businesses) a series of benefits regarding the management of their bank account, inter alia, increasing the overdraft limit by NIS 2,000 or up to 10% of the customer’s existing overdraft limit, the higher of the two. The amount of the addition, if at all exercised, will bear no interest or commission charges. This update was initiated by the Bank with no need for an application on the part of the customer, and was in effect until November 9, 2023. The period of the increased overdraft limit has been extended to December 30, 2023 in respect of customers who took advantage of this benefit. Deferral of repayment of principal of existing loans for a period of three months, applying to all customers, at no charge of commission.
Immediate assistance to customers residing in Southern Israel. Bank customers residing in the South (up to 40 km away from the Gaza Strip) have the option of taking a loan of up to twice the amount of their salary or of their business turnover, up to a total amount of NIS 24,000, free of interest or commission charges, by applying to the Bank’s call center. Repayment of the loan will be spread over 24 months. In continuation of the above, the customer

population entitled to such assistance has been expanded to include the remaining customers in the first circle. Furthermore, the Bank has setup a call center providing designated service and assistance.

The Discount outline. Following the publication of the Bank of Israel outline, the Bank has decided to prolong the period of the Bank of Israel assistance outline, from a period of three months to a period of six months, applying to Discount customers of the first circle population, as defined in the Bank of Israel outline (residents of areas situated at a distance of up to 30 km from the Gaza Strip border, residents of evacuated communities in Northern Israel, hostages and missing persons (based upon a declaration), reserve servicemen on active service under Order 8 (based upon a declaration), having a first degree kinship with murdered persons).

Following are the principal items of the Bank's outline:

- Waiver of repayments of housing loans (principal and interest) applying to residents of the communities surrounding the Gaza Strip within a distance of up to 7 km from the Gaza border, and Sderot, for a period of six months. The waiver takes effect automatically, with no need for application to the Bank by the customer.
- Deferral of repayments of housing loans (principal and interest), of consumer credit loans in amounts of up to NIS 100 thousand, and of business credit loans in amounts of up to NIS 2 million (hereinafter: "entitled customers of the first circle"), for a period of six months, at no cost and with no charge of interest on the deferred amount.
- Exemption from principal commission payments (as defined) for entitled customers of the first circle, for a period of six months.
- No interest charge on overdraft up to an amount of NIS 10,000 in current accounts of entitled customers of the first circle, for a period of six months (except for reserve servicemen on active service under Order 8 populations).

MDB. MDB has also joined the Bank of Israel outline, when it too joined in waiving housing loan repayments (principal and interest) for 6 months for residents of the communities surrounding the Gaza strip, that are within 7 km of the Gaza Strip border, and of communities that were evacuated in the north of the country. The waiver went into effect automatically, without the customer needing to apply to the Bank. In addition, MDB offers customers being local authorities, or corporations related to activities of local authorities, to defer repayments of loans for a period of three months with no commission charges but with loan interest charged on the amount deferred.

ICC. ICC grants customers residing in Southern and Northern Israel and additional customer population exemption from credit card fees as well as deferral of payments with no interest charge. Furthermore, ICC has joined the relief outline published by the Bank of Israel in relation to credit card companies. In addition, ICC allows deferral of loan repayments and the spreading of charges at no cost to private customers, for a period of three months as well as making advance payments at no cost to business customers.

Estimate of the cost of support of customers

Most of the benefits have been granted to customers in the fourth quarter of 2023; therefore, they are not reflected in the business results for the third quarter. The effect of the benefits is expected to reduce commission income and interest income in an estimated amount of approx. NIS 270-280 million. The said amount estimates the future adverse effect on income.

The main assumptions used in the estimate. In accordance with guidelines of the Supervisor of Banks, the Bank has made an estimate of the maximum cost of the benefits. The estimate was computed according to the outline adopted by the Bank, which, as stated, is wider than the outline of the Bank of Israel. With regards to part of the benefits, the estimate is made on the actual number of customers in the relevant sector/zone was taken. Regarding part of the benefits, the number of customers was estimated on the basis of the share of the Bank in activity of the banking sector in the particular segment and the rate of credit consumers of the relevant products. Estimate of the cost of benefits was computed on the basis of the average cost per customer based on the average volume in the relevant segment. In estimating the cost of commission benefits, the Bank took into account that part of commission income of the Bank to which exemption applies according to the outline, equal to the ratio of customers entitled to the benefits (part of whom in accordance with the estimate, as stated) to the total number of customers of the Bank. The cost of waiver of mortgage repayments was computed on the basis of the actual cost in the first month of employing the benefit.

Forward looking information. Estimates made by the Bank regarding the cost of benefits granted to customers, are considered forward looking information, based upon the information in the hands of the Bank at date of preparation of this Report and on the main assumptions, as detailed above. Included in the above, the Bank assumed, in accordance with guidelines of the Supervisor of Banks, that all entitled customers would exercise their right to the benefits offered by the Bank. Furthermore, the estimate makes use of different average data. These assumptions may not become realized or may be realized differently than assumed by the Bank; therefore, actual cost may be materially different than that estimated by the Bank.

Debts whose terms have been changed within the framework of coping with the "Iron Swords" War and its implications

	Debts with deferred repayments as of November 17, 2023[1]					
Regulatory segment	Number of borrowers[2]	The amount of credit for which a deferral was performed	Of which: non-interest-bearing deferrals of credit	Total deferred payments	Breakdown of credit for which a deferral was performed by duration of the deferral[3]	
					up to 3 months	4 to 6 months
				In NIS millions		
Big businesses	157	2,530	-	111	2,522	8
Medium businesses	591	1,621	1	122	1,611	10
Small businesses	1,305	1,246	10	146	1,204	42
Minute businesses	14,237	3,098	95	313	2,904	194
Private Individuals- without Housing Loans	23,054	950	155	87	816	134
Housing Loans[2]	5,239	4,317	2,174	128	1,470	2,847
Total	**44,583**	**13,762**	**2,435**	**907**	**10,527**	**3,235**

Footnotes:
(1) Including deferrals at the Bank, at MDB and at ICC.
(2) For housing loans – number of transactions.
(3) Including deferrals for a period exceeding 6 months, in negligible amounts.

Loans to small businesses

Loans to adversely affected businesses. The Supervisor of Banks announced on November 6, 2023, a focused monetary program, according to which, the Bank of Israel will provide banks with monetary loans bearing Bank of Israel variable interest rate less 1.5%, in an amount of up to NIS 10 billion, against loans granted by the banks to small and minute businesses which had suffered loss of revenues of at least 25% as a result of the War. This, on condition that the average rate of interest charged on the loans to such businesses shall not exceed the "prime" rate of interest.
The allocation of the monetary loan is made on the basis of a request that the banking corporation submits after the loan to the customer is set up.
State guaranteed loan Fund. On November 5, 2023, an "Iron Swords" track was introduced by the State guaranteed Loan Fund for small and middle market businesses, in which the banks participate as providers of credit. Within the framework of this track, it has been decided that the average rate of interest applicable to the loans would be at a margin that would not exceed 1.5% over the "prime" rate of interest.
On November 12, 2023, the Accountant General at the Ministry of Finance issued a letter to CEOs of the banks, requesting that the small and middle market businesses taking loans under the said "Iron Sward" track of the State guaranteed Loan Fund, would enjoy the terms applicable to the Bank of Israel monetary loans, so that the weighted average of the interest margin regarding these loans would not exceed the "prime" rate of interest.
In the first stage, the Bank received an allocation of NIS 360 million from the fund.

Main Investee Companies

Distribution of Net profit by the Group's structure

	Contribution to the Group's profit				
	For the nine months ended September 30				
	2023		2022		
	In NIS millions	% of Net profit	In NIS millions	% of Net profit	Change in %
Banking Activity:					
Commercial banks:					
In Israel - the Bank	2,088	63.8	1,605	62.8	30.1
Mercantile Discount Bank	692	21.1	450	17.6	53.8
Overseas - Discount Bancorp	230	7.0	258	10.1	(10.9)
Other Activities:					
Israel Credit Cards	210	6.4	166	6.5	26.5
Discount Capital	65	2.0	90	3.5	(27.8)
Other financial services	(12)	(0.3)	(13)	(0.5)	7.7
Net profit	**3,273**	**100.0**	**2,556**	**100.0**	**28.1**

The total contribution of both domestic and overseas investee companies to the Bank's business results amounted to earnings of NIS 1,185 million in the first nine months of 2023, compared to NIS 951 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 only American bank fully under Israeli ownership, and the largest Israeli bank operating overseas. The data presented hereunder in this section have been taken from Bancorp's financial statements.

Discount Bancorp, Inc. – principal data

	Third Quarter		Nine Months		Year
	2023	2022	2023	2022	2022
	In US$ millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	17	25	69	82	114
Net interest income	82	92	255	243	335
Credit loss expenses (expenses release)	5	5	3	(4)	(3)
Non-financing income	21	17	55	55	68
Non-financing expenses	74	71	215	191	255
Principal balance sheet data for the end of the reporting period:					
Total assets	12,443	12,369	12,443	12,369	12,512
Credit to the public, net	8,236	8,455	8,236	8,455	8,154
Securities	2,714	2,571	2,714	2,571	2,460
Deposits from the public	10,318	10,462	10,318	10,462	10,479
Total equity	1,169	1,081	1,169	1,081	1,121
	In %				
Main performance indicators:					
Return on equity	5.9	8.9	7.9	9.8	10.2
Efficiency ratio	71.8	65.1	69.4	64.1	63.4
Ratio of total capital to risk assets	15.4	14.4	15.4	14.4	15.1
Ratio of credit loss expenses (expenses release) to the average balance of credit to the public	0.25	0.23	0.06	(0.06)	(0.03)
Total net return on interest bearing assets	2.86	3.10	2.95	2.68	2.80

The main factors affecting the results of the first nine months, compared to the corresponding period last year, are: an increase in net interest income (US$12.5 million; 5.2%) effected from improvement in Return on Assets, an increase in credit loss expenses (US$7.3 million), and the increase in total operating and other expenses (US$24.1 million; 12.6%) stemming, mostly, from the rise in payroll expenses (approx. US$18 million; 19.3%), which stemmed from the increase in the manpower force, from temporary manpower inputs and from provisions for bonuses, an increase in consulting expenses (approx. US$5.3 million; 39%) in issues relating to compliance and risk management, which was partially offset by a decrease in other expenses (approx. US$4.1 million).

The contribution of Bancorp to the Bank's net results reached a profit of NIS 230 million in the first nine months of 2023 (after deducting a provision for taxes of NIS 25 million), compared with NIS 258 million in the first nine months of 2022 (after deducting a provision for taxes of NIS 34 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

	Third Quarter		Nine Months		Year
	2023	2022	2023	2022	2022
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	197	185	692	450	601
Net interest income	577	452	1,748	1,225	1,746
Credit loss expenses	111	16	227	77	155
Non-financing income	104	101	324	279	376
Non-financing expenses	275	253	796	741	1,051
Principal balance sheet data for the end of the reporting period:					
Total assets	61,388	65,485	61,388	65,485	64,786
Credit to the public, net	45,081	42,325	45,081	42,325	42,569
Securities	6,881	6,911	6,881	6,911	6,988
Deposits from the public	48,788	51,507	48,788	51,507	51,047
Total equity	4,725	3,928	4,725	3,928	4,055
	In %				
Main performance indicators:					
Return on equity	17.1	19.3	21.2	15.9	15.7
Efficiency ratio	40.4	45.8	38.4	49.3	49.5
Ratio of total capital to risk assets	14.55	13.68	14.55	13.68	13.60
Ratio of credit loss expenses to the average balance of credit to the public	0.68	0.25	0.98	0.15	0.38
Total net return on interest bearing assets	3.83	2.90	3.79	2.76	2.92

The principal factors affecting the business results. The profit in the first nine months of 2023, compared to the corresponding period last year, was mainly affected by the following factors: an increase of NIS 150 million in credit loss expenses; an increase of NIS 523 million in net interest income (an increase of 42.7%), which stemmed mainly from the rise at an average rate of 3.73% in the Bank of Israel interest, from the rise at a rate of 4.1% in the average balance of the income producing assets and from a rise at the rate of 0.56 basis points in the interest margin, an increase of NIS 45 million in non-interest income (an increase of 16.1%) and an increase of NIS 55 million in the base of operating expenses (an increase of 7.4%).

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

For details on lawsuits and applications 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, sections 3.5 and 4.6.

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

Israel Credit Cards Ltd.

Israel Credit Cards Ltd. ("ICC") is a subsidiary of the Bank. As of September 30, 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

	Third Quarter		Nine Months		Year
	2023	2022	2023	2022	2022
	In NIS millions				
Principal statements of profit and loss data for the reporting period:					
Net profit attributed to the shareholders	79	109	424	270	309
The contribution to the Bank's business results(1)	48	67	210	166	190
Income from credit card transactions	480	434	1,350	1,223	1,651
Net interest income	212	170	609	502	680
Non-interest Income	9	61	310	109	102
Non-financing expenses	595	510	1,714	1,451	1,992
Of which: Credit loss expenses	93	28	187	54	97
Principal balance sheet data for the end of the reporting period:					
Total assets	20,454	18,564	20,454	18,564	18,547
Interest bearing credit to the public	9,103	7,831	9,103	7,831	8,183
Total equity	2,444	2,091	2,444	2,091	2,120
	In %				
Main performance indicators:					
Return on equity	13.2	20.9	25.0	16.5	14.3
Efficiency ratio	71.6	72.5	67.3	76.2	77.9
Ratio of total capital to risk assets	14.1	13.6	14.1	13.6	13.5
Turnover of credit card transactions – in NIS millions	44,511	39,406	124,954	111,081	149,851
Number of active cards – in thousands	3,491	3,300	3,491	3,300	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 169 million, 9.4%), stemming mostly from the increase in income from credit card transactions (NIS 127 million, 10.4%), which mostly stemmed from the growth in the issuance rounds of the company and in particular from the growth of transactions abroad, and from an increase in net interest income (NIS 107 million, 21.4%),which mostly stemmed from growth at the rate of 16.2% in the credit portfolio of the company compared to September 30, 2022. On the other hand, expenses of the company increased (NIS 263 million, 18.1%), which mostly stemmed from growth of the volume of operations of the company and in credit loss expenses (NIS 133 million, 248.2%).
Profits in the first nine months 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). The growth is mostly explained by the growth in scope of accounting write-offs and the reduction in the collective allowances made last year, following the recovery of the economy from the Corona crisis, and from the growth in the allowance during the reported quarter following the possible impact of the War on the economic condition.
Strategic plan. For details, see the 2022 Annual Report (p. 62).
Common Equity Tier 1 Goal. On July 16, 2023, ICC's Board of Directors approved that the Common Equity Tier 1 goal would be 10.0%.
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 applications 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) and Note 10 to the condensed financial statements, section 3.1.
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 nine Months:	2023	2022	Change in %
Net profit attributed to the shareholders	71	(2)109	(34.9)
The contribution to the Bank's business results(1)	65	90	(27.9)

Principal balance sheet data for the end of the reporting period:	September 30, 2023	December 31, 2022	Change in %
Total assets	2,653	2,579	2.9
Total equity	1,377	1,293	6.5

Footnotes:
(1) Differences between net income and the contribution to the Bank's business results is derived from differences in the implementation of generally accepted accounting principles and from current tax liability for the investment on the company.
(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 nine months of 2023, Discount Capital participated, via its subsidiary, in 27 public offerings, and in 16 private transactions, of which 1 public offering and 1 private offering for the Discount Group, amounting to approx. NIS 18.3 billion. This, compared with 30 public offerings, of which 2 for the Discount Group and 11 private transactions, amounting to approx. NIS 21.9 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 third 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).

Preparations by the Bank in the wake of the "Iron Swords" War – credit risk

As part of the Bank's arrangements for coping with the "Iron Swords" War, the Bank is keeping in regular contact with borrowers for the purpose of assisting them.
This situation requires increased alertness, risk assessment and quick response ability, and therefore the Bank has put into action a business continuity plan, and reports, controls and monitors with increased frequency, exposure of borrowers in all lines of business of the Bank, while following regulatory developments. Furthermore, the Bank applies stress tests as part of the strategy for the preparation and management of credit risk.
The Bank is prepared to assist its customers, in accordance with the outline published by the Bank of Israel, and to even go beyond this. See "Support of customers during the Iron Swords War period".

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 continuing 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			
	September 30, 2023			
Credit risk in Credit Granting Rating[1]				
Balance sheet credit risk	161,153	68,385	32,499	262,037
Off-balance sheet credit risk[3]	77,716	6,638	42,971	127,325
Total credit risk in Credit Granting Rating	**238,869**	**75,023**	**75,470**	**389,362**
Credit risk not in Credit Granting Rating:				
1. Not problematic	4,291	310	1,960	6,561
2. Accruing problematic	5,897	94	504	6,495
3. Problematic non-accruing	1,783	243	183	2,209
Total balance sheet credit risk	**11,971**	**647**	**2,647**	**15,265**
Off-balance sheet credit risk[3]	**2,493**	**51**	**837**	**3,381**
Total credit risk not in Credit Granting Rating	**14,464**	**698**	**3,484**	**18,646**
Of which: Accruing debts in arrears of 90 days or more	83	-	47	130
Total overall credit risk of the public[2]	**253,333**	**75,721**	**78,954**	**408,008**
Additional information concerning nonperforming assets:				
Non-accruing credit risk	1,815	243	183	2,241
	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**	**[5]56**	**303**	**1,734**
Total credit risk not in Credit Granting Rating	**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[2]	**[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 following improvement of data.

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

	Three months ended September 30							
	2023				2022			
	Commercial	Housing Loans	Private	Total	Commercial	Housing Loans	Private[2]	Total
	In NIS millions							
Changes in non-accruing debts (for credit to the public only)								
Balance of non-accruing credit to the public at beginning of period	**1,727**	**239**	**177**	**2,143**	**1,483**	**243**	**119**	**1,845**
Credit classified as non-accruing during the period	283	45	95	423	131	24	49	204
Credit resuming accruing interest income	(26)	(29)	(12)	(67)	(261)	(21)	-	(282)
Credit written off accounting wise	(46)	-	(63)	(109)	(26)	(1)	(47)	(74)
Repaid credit	(158)	(12)	(14)	(184)	(149)	(12)	(11)	(172)
Other	3	-	-	3	2	-	-	2
Balance of non-accruing debts at end of the period	**1,783**	**243**	**183**	**2,209**	**1,180**	**233**	**110**	**1,523**
Of which: changes in restructured non-accruing credit								
Balance of restructured non-accruing credit at beginning of period	**422**	**3**	**72**	**497**	**618**	**10**	**82**	**710**
Restructure of debts made during the period	132	1	22	155	74	1	7	82
Debts reclassified as non-impaired due to following restructure	(5)	-	(5)	(10)	(148)	-	-	(148)
Restructured debts written off	(7)	-	(4)	(11)	(9)	(1)	(7)	(17)
Restructured debts repaid	(132)	-	(14)	(146)	(26)	-	(8)	(34)
Other	1	-	-	1	-	-	-	-
Balance of restructured non-accruing credit at end of the period	**411**	**4**	**71**	**486**	**509**	**10**	**74**	**593**
Changes in allowances for credit losses for non-accruing debts								
Balance of allowance for credit losses as of the beginning of the period	282	12	90	384	216	8	45	269
Increase in allowances	133	3	35	171	68	2	29	99
Collection of debts and accounting write-offs	(87)	(2)	(31)	(120)	(38)	(1)	(31)	(70)
Balance of allowance for credit losses as of end of the period	**328**	**13**	**94**	**435**	**246**	**9**	**43**	**298**

For footnote see next page.

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

	Nine months ended September 30							
	2023				2022			
	Commercial	Housing Loans	Private	Total	Commercial	Housing Loans	Private[2]	Total
	In NIS millions							
Movement in non-accruing debts (for credit to the public only)								
Balance of impaired debts at December 31, 2022	1,210	229	81	1,520	-	-	-	-
Adjustment to non-accruing credit at January 1, 2023[1]	1	-	70	71	-	-	-	-
Balance of non-accruing credit to the public at beginning of period	**1,211**	**229**	**151**	**1,591**	**1,184**	**275**	**106**	**1,565**
Credit classified as non-accruing during the period	1,233	124	227	1,584	866	91	166	1,123
Credit resuming accruing interest income	(81)	(77)	(35)	(193)	(399)	(79)	(15)	(493)
Credit written off accounting wise	(126)	(1)	(124)	(251)	(120)	(10)	(118)	(248)
Repaid credit	(453)	(32)	(36)	(521)	(363)	(44)	(29)	(436)
Other	(1)	-	-	(1)	12	-	-	12
Balance of non-accruing debts at end of the period	**1,783**	**243**	**183**	**2,209**	**1,180**	**233**	**110**	**1,523**
Of which: changes in restructured non-accruing credit								
Balance of restructured troubled debt as of December 31, 2022	450	4	42	496				
Adjustment to restructured non-accruing credit as of January 1, 2023[1]	(2)	-	26	24				
Balance of restructured non-accruing credit at beginning of period	**448**	**4**	**68**	**520**	**552**	**7**	**78**	**637**
Restructure of debts made during the period	235	1	58	294	361	4	39	404
Debts reclassified as non-impaired due to following restructure	(52)	(1)	(21)	(74)	(233)	-	(15)	(248)
Restructured debts written off	(20)	-	(15)	(35)	(17)	(1)	(11)	(29)
Restructured debts repaid	(203)	-	(19)	(222)	(154)	-	(17)	(171)
Other	3	-	-	3	-	-	-	-
Balance of restructured non-accruing credit at end of the period	**411**	**4**	**71**	**486**	**509**	**10**	**74**	**593**
Changes in allowances for credit losses on impaired debts:								
Balance of allowance for credit losses as of December 31, 2022	205	13	30	248				
Adjustment to allowance for credit losses as of January 1, 2023[1]	1	-	43	44				
Balance of allowance for credit losses as of the beginning of the year	**206**	**13**	**73**	**292**	**277**	**9**	**39**	**325**
Increase in allowances	337	6	155	498	201	12	83	296
Collection of debts and accounting write-offs	(215)	(6)	(134)	(355)	(232)	(12)	(79)	(323)
Balance of allowance for credit losses as of end of the period	**328**	**13**	**94**	**435**	**246**	**9**	**43**	**298**

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) Reclassified following improvement of data.

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
	September 30, 2023			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	1.13%	0.35%	0.52%	0.84%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	1.18%	0.35%	0.65%	0.89%
Ratio of problematic credit to balance of credit to the public	4.85%	0.49%	1.95%	3.32%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	9.14%	1.01%	9.91%	7.10%
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)	0.71%	0.05%	1.05%	0.58%
Ratio of net accounting write-off to the average balance of credit to the public (in annualized terms)	0.11%	-	0.63%	0.15%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.81%	0.43%	2.50%	1.54%
Ratio of credit loss allowance to balance of non-accruing credit to the public	160.57%	120.99%	479.23%	182.62%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	153.43%	120.99%	381.30%	172.47%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	17.89	110.25	4.01	10.58
	September 30, 2022			
Quality analysis of credit to the public				
Ratio of non-accruing credit to balance of credit to the public	0.83%	0.37%	(1)0.33%	0.63%
Ratio of non-accruing credit or which is in arrears for 90 days or over to balance of credit to the public	0.87%	0.37%	(1)0.44%	0.68%
Ratio of problematic credit to balance of credit to the public	3.33%	0.48%	1.47%	2.31%
Ratio of credit risk that has no credit granting rating to balance of credit to the public	7.46%	(1)1.26%	7.96%	5.89%
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)	-	0.10%	0.53%	0.10%
Ratio of net accounting write-off to the average balance of credit to the public (in annualized terms)	0.04%	0.02%	0.28%	0.07%
Analysis of credit loss allowance for credit to the public				
Ratio of credit loss allowance to balance of credit to the public	1.51%	0.39%	2.19%	1.31%
Ratio of credit loss allowance to balance of non-accruing credit to the public	183.39%	106.01%	(1)672.73%	206.89%
Ratio of credit loss allowance to balance of non-accruing or in arrears for 90 days or over credit to the public	173.26%	106.01%	(1)493.33%	193.08%
Ratio of credit loss allowance to net accounting write-offs (in annualized terms)	37.74	26.46	8.04	19.86
	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

Footnote:
(1) Reclassified following improvement of data.

Credit risk by economic sectors

Credit risk by economic sectors – consolidated

	September 30, 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	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	18,867	17,991	613	263	91	77	9	298
Construction and Real Estate - Construction'[6]	54,003	52,243	1,129	631	822	175	16	653
Construction and Real Estate - Real Estate Activity	17,186	16,783	309	94	233	83	20	411
Commerce	29,795	28,346	816	633	154	177	46	462
Financial Services[7]	31,356	31,204	23	129	22	62	(4)	160
Other Business Services	43,384	41,693	867	824	301	126	43	764
Total Commercial	**194,591**	**188,260**	**3,757**	**2,574**	**1,623**	**700**	**130**	**2,748**
Private Individuals - Housing Loans	75,256	74,562	337	357	243	36	2	306
Private Individuals - Other	76,797	73,452	633	2,712	183	273	164	958
Total Public	**346,644**	**336,274**	**4,727**	**5,643**	**2,049**	**1,009**	**296**	**4,012**
Banks in Israel and Government of Israel	38,409	38,409	-	-	-	1	-	2
Total Lending Activity in Israel	**385,053**	**374,683**	**4,727**	**5,643**	**2,049**	**1,010**	**296**	**4,014**
Total Public - Lending Activity Outside of Israel	**61,364**	**53,088**	**4,491**	**3,785**	**192**	**101**	**(10)**	**517**
Banks and Governments Outside of Israel	13,695	13,695	-	-	-	1	1	30
Total Lending Activity Outside of Israel	**75,059**	**66,783**	**4,491**	**3,785**	**192**	**102**	**(9)**	**547**
Total	**460,112**	**441,466**	**9,218**	**9,428**	**2,241**	**1,112**	**287**	**4,561**

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 272,476 million, NIS 50,387 million, NIS 1,150 million, NIS 2,699 million, NIS 133,400 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 428 million.

(7) Including mortgage backed securities in the amount of NIS 8,238 million, issued by GNMA and in the amount of NIS 227 million, issued by FNMA and FHLMC.

(8) Including credit facilities guaranteed by banks outside the Group in the amount of NIS 10,765 million.

(9) The balance of commercial debts includes housing loans in the amount of NIS 112 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)

	September 30, 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 (expenses release)	Net Accounting Write-Offs (Collection) Recognized during the Period	Balance of Allowance for Credit Losses
	in NIS millions							
Industry	16,461	15,685	472	304	184	(7)	14	265
Construction and Real Estate - Construction'[6]	46,950	45,942	562	446	289	112	10	466
Construction and Real Estate - Real Estate Activity	16,296	15,737	348	211	213	56	2	320
Commerce	25,137	24,004	444	689	130	(49)	21	298
Financial Services[7]	22,793	22,425	48	320	26	(13)	-	107
Other Business Services	39,999	37,811	1,028	1,160	235	(4)	25	635
Total Commercial	**167,636**	**161,604**	**2,902**	**3,130**	**1,077**	**95**	**72**	**2,091**
Private Individuals - Housing Loans	72,174	[10]71,383	306	[10]485	233	45	7	254
Private Individuals - Other	73,195	70,638	449	2,108	76	129	69	828
Total Public	**313,005**	**303,625**	**3,657**	**5,723**	**1,386**	**269**	**148**	**3,173**
Banks in Israel and Government of Israel	28,808	28,808	-	-	-	-	-	1
Total Lending Activity in Israel	**341,813**	**332,433**	**3,657**	**5,723**	**1,386**	**269**	**148**	**3,174**
Total Public - Lending Activity Outside of Israel	**55,273**	**50,519**	**2,254**	**2,500**	**150**	**(94)**	**(29)**	**360**
Banks and Governments Outside of Israel	14,573	14,573	-	-	-	2	-	32
Total Lending Activity Outside of Israel	**69,846**	**65,092**	**2,254**	**2,500**	**150**	**(92)**	**(29)**	**392**
Total	**411,659**	**397,525**	**5,911**	**8,223**	**1,536**	**177**	**119**	**3,566**

Footnotes:

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

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

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

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

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

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

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

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

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

(10) 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 (expenses release)	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 September 30						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)(7)	Off-balance sheet(2)(3)(7)	Total	balance sheet(2)(7)	Off-balance sheet(2)(3)(7)	Total
	In NIS millions								
United States	18,025	11,671	29,696	16,345	8,527	24,872	18,431	9,748	28,179
Other	7,360	(5)11,128	18,488	7,262	(5)8,163	15,425	6,191	(5)(8)9,876	16,067
Total exposure to foreign countries(1)	**25,385**	**22,799**	**48,184**	**23,607**	**16,690**	**40,297**	**24,622**	**19,624**	**44,246**
Of which - Total exposure to the PIGS countries(4)	25	182	207	24	123	147	9	(8)244	253
Of which - Total exposure to LDC countries(6)	451	224	675	479	156	635	413	162	575
Of which - Total exposure to countries having liquidity problems	18	27	45	32	23	55	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 September 30, 2023 in the following countries: Switzerland – an amount of NIS 3,197 million and Germany – an amount of NIS 3,160 million, as of September 30, 2022 in the following countries: Switzerland – an amount of NIS 2,638 million and Germany – an amount of NIS 2,259 million, 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 September 30, 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 September 30, 2023, is to financial institutions rated "A-" rating or higher, similar to December 31, 2022.

During the first nine months, 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 September 30, 2023, include, inter-alia, the United States and Britain.

As of September 30, 2023, exposure to Russia and to the Ukraine is at a negligible scope (a mere few millions of NIS).

In the first nine months 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 September 30, 2023		
Present credit exposure to foreign financial institutions(1)(6)			
External credit rating(7)			
AAA to AA-	868	14	882
A+ to A-	4,508	488	4,996
BBB+ to BBB-	55	5	60
BB+ to B-	1	35	36
Not rated	2	37	39
Total present credit exposure to foreign financial institutions	**5,434**	**579**	**6,013**
	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 September 30, 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 1,444 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 367 million as of September 30, 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, 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 nine months 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, decline in the comprehensive residential units price Index was observed in recent months, as well as moderation in the rate of increase in prices of residential units, in annual terms. Due to the "Iron Swords" War, a significant slowdown in the real estate market is expected and, in light of the Bank of Israel's outline, a significant increase in the freezing of mortgages is expected.

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 September 30, 2023, amounted to NIS 69,144 million (December 31, 2022 - NIS 65,543 million).

Certain risk characteristics of the Group's housing loans portfolio

	September 30, 2023	December 31, 2022
	%	
Rate of housing loans financing over 75% of the value of the property	0.6	0.8
Rate of housing loans, the monthly repayment amount of each exceeds 35% of the income of the borrower	14.2	12.4
Rate of housing loans carrying variable interest rate of the total amount of the housing loan portfolio(1)	58.0	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

	For the nine months ended September 30,2023	December 31, 2022
Average amount of loan (in NIS thousands)	948	993
Average financing ratio for housing loans (in %)	54.3	56.7
Average financing ratio for general purpose loans (in %)	24.0	30.3

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

Credit limit net[1][2] (in NIS thousands)	September 30, 2023 In NIS millions	September 30, 2023 % of total Housing Credit	December 31, 2022 In NIS millions	December 31, 2022 % of total Housing Credit
Up to 1,200	43,748	63.5	42,342	64.9
Between 1,200 and 4,000	23,617	34.3	21,554	33.0
Over 4,000	1,483	2.2	1,379	2.1
Total	**68,848**	**100.0**	**65,275**	**100.0**
Of which:				
Housing loans that were granted abroad	361		323	

Footnotes:
(1) The balance of credit is after deduction of allowance for credit losses in the amount of NIS 296 million (31.12.2022: NIS 268 million).
(2) The outstanding balance of credit to the public includes housing loans in the amount of NIS 112 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	Balance of problematic credit: Non-accruing	Balance of problematic credit: Total	Balance of allowances for credit losses	Ratio of problematic debt
	In NIS millions					Change in %
September 30, 2023	69,144	94	243	337	296	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 112 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 nine months ended September 30,				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%	2,638	33.4	3,602	24.8	4,493	25.3
Between 45% and 60%	2,161	27.3	4,900	33.7	5,800	32.6
Over 60%	3,107	39.3	6,020	41.5	7,472	42.1
Total	**7,906**	**100.0**	**14,522**	**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 nine months of 2023, was 23.5 years, compared with 23.8 years in the industry. The amount of credit for a period of over twenty years amounted to 56.9% of the whole credit portfolio of housing loans at the Bank.
The data on the distribution of extended credit as of September 30, 2023, by period of loan shows that the granting of loans for periods of over twenty years reached a rate of 76.1% 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 September 30, 2023	21,944	27,778	72.3	6,702	12,322	27.6	26	76	0.1	68,848
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 112 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 296 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 September 30, 2023 of the housing loans portfolio according to the present period to maturity of over 20 years, amount to NIS 12,451 million, comprising 18.1% 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 nine months ended September 30,				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%	7,126	99.9	13,718	99.4	16,713	99.4
Over 40%	9	0.1	79	0.6	100	0.6
Total	**7,135**	**100.0**	**13,797**	**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				
	September 30, 2023				
Level of income to the account					
Excluding permanent income to the account	1,123	82	1,205	523	1,728
Less than NIS 10 thousand	3,327	637	3,964	2,931	6,895
Greater than NIS 10 thousand, but less than NIS 20 thousand	4,420	1,460	5,880	3,808	9,688
Greater than NIS 20 thousand	4,858	3,017	7,875	6,358	14,233
Total	**13,728**	**5,196**	**18,924**	**13,620**	**32,544**
	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

	September 30, 2023	December 31, 2022
	Balance of loans in NIS millions	
Fixed maturity date		
Up to 1 year	1,273	1,277
Over 1 year and up to 3 years	4,599	4,748
Over 3 years and up to 5 years	3,645	3,984
Over 5 years	3,037	2,996
Total	**12,554**	**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

Balance sheet credit upper limit (NIS thousands)	September 30, 2023	December 31, 2022
	in NIS million	
Up to 40	4,869	5,132
Between 40 and 150	9,138	9,563
Over 150	4,917	4,271
Total	**18,924**	**18,966**

Distribution by exposure to changes in interest rates

	September 30, 2023	December 31, 2022
	in NIS million	
Fixed interest credit	5,652	5,714
Variable interest credit	13,272	13,252
Total	**18,924**	**18,966**

Distribution of collateral securing the credit

Type of collateral	September 30, 2023	December 31, 2022
	Total collateral in NIS millions	
Liquid financial assets	909	1,047
Other collateral	882	1,050
Total	**1,791**	**2,097**

Development of problematic credit risk for private individuals

	September 30, 2023	December 31, 2022	Change in	Rate from total balance-sheet to credit to the public September 30, 2023	2022
	in NIS million		%	%	
Problematic credit risk	178	179	(0.8)	0.9	0.9
Of which: Non-accruing credit risk	38	39	(1.8)	0.2	0.2
Debts in arrears of 90 days or more	47	45	4.4	0.2	0.2
Net accounting write-offs	37	14	(1)251.7	0.3	0.1
Balance of allowance for credit losses	504	459	9.8	2.7	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 1,188 million at September 30, 2023, compared with NIS 1,491 million as of December 31, 2022, a decrease at a rate of 20.3%.

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 nine months of 2023, as well as the reduction in volume of tax collection contributed to a higher evaluation of the credit risk. In view of the rising inflation and interest rate and the anticipated slowdown in economic activity in the market, a rise in credit risk is expected. The main reason for such a rise is a heavier burden of debt imposed on borrowers as a result of higher interest and inflation.
It is noted that the development of the risk is directly connected to additional economic indices, in particular, the growth rate, employment and private consumption. Developments in such indices in the coming period have a material impact upon the credit risk level.
As part of the Bank's preparations for dealing with the consequences of the "Iron Swords" War, the Bank is performing heightened monitoring to identify signs of distress among retail borrowers. The monitoring is performed both at the micro level – specific identification of borrowers in difficulties, and also at the macro level – identifying trends and changes in the credit portfolio and the credit risk.
As of date of publication of this Report, no household customers have as yet been identified as being unable to honor their obligations due to the effect of the War, though it is possible that the effect of the support that had been granted to customers and the Deferral of Due Dates Law are being manifested. For details on support of customers, see "Support of customers during the "Iron Swords" War period".

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. Emphasis is being applied in this period to an in-depth examination of the credit risk level in respect of exposure of customers in their bank and nonbank activity.

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 10.3% was recorded in the first nine months 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 September 30, 2023, to NIS 7,770 million, and comprises 60.8% 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 5,011 million, as compared to NIS 4,788 million as of December 31, 2022 (an increase of approx. 4.7%), 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 nine months to NIS 190 million, compared to an expense in the amount of NIS 58 million in the corresponding period last year. The growth in credit loss expenses stems, mostly, from a decrease in the collective allowance for credit losses recognized in prior periods, from growth in scope of accounting write-offs, from growth in the credit portfolio, from allowances made due to the “Iron Swords” War 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 Subdivision in the Corporate Division, which possesses a high level of expertise and considerable experience in this field.

With the outbreak of the “Iron Swords” War, there was a marked slowdown in the progress of construction at building sites, and the sale of the new apartments reached a low. The war has major potential to have a negative impact on the financial situation of real estate developers, with an emphasis on borrowers who have experienced an increase in their leverage level due to the increases in the interest rate since April 2022. The decrease in activity scopes in the economy may also harm commercial real estate performance, as a result of reliefs granted to tenants.

The Bank is following the exposure and is closely monitoring the exposure and the effects of the war and the macro conditions, including the high interest rate level, on the financial strength of borrowers and on property prices.

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. The said reliefs enabled the banks to 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. In addition, the Bank operates according to a series of relief measures published by the Supervisor of Banks since the outbreak of the War.

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 third quarter of 2023, there was a significant slowdown in the construction and real estate sector, while the trend that began in the second quarter of the year intensified. 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 collective 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 September 30, 2023, a total of approx. NIS 31.2 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 decreased as of September 30, 2023 to 16.87%, compared with 17.03% at the end of 2022.

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 2021 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 collective 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 collective 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 was allowed to 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, shows that in the first nine months of 2023, the scope of new transactions decreased compared to the corresponding period last year.

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

	September 30, 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	13,642	257	2,235	16,134	277	(1)13,176	242	(1)1,475	14,893	328	8.3
Construction – general building contracting	984	321	502	1,807	48	739	835	352	1,926	39	(6.2)
Residential projects financing	7,186	6,249	13,582	27,017	91	5,310	6,655	11,724	23,689	139	14.0
Acquisition of building land	13,390	424	702	14,516	780	(1)12,841	356	(1)214	13,411	859	8.2
Subcontracting	1,558	1,142	671	3,371	83	1,519	1,159	607	3,285	99	2.6
Civil engineering work	1,941	2,728	924	5,593	73	1,855	2,329	1,067	5,251	43	6.5
Other	1,634	505	639	2,778	86	1,462	550	682	2,694	(1)74	3.1
Total	**40,335**	**11,626**	**19,255**	**71,216**	**1,438**	**(1)36,902**	**12,126**	**(1)16,121**	**65,149**	**(1)1,581**	**9.3**

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

The credit risk relating to the construction and real estate sector grew in the first nine months of 2023 at a rate of 9.3%, in continuation to an increase at a rate of 13.5% in 2022. Most of the growth is in residential projects financing, income generating real estate and in acquisition of building land fields.

Breakdown by quality of credit portfolio

	September 30, 2023	December 31, 2022	
	in NIS million		Change in %
Non-accruing debts	1,055	496	112.7
Impaired debts in Arrears of 90 Days or More	14	12	16.7
Other problematic debts	369	(1)1,073	(65.6)
Total problematic debts	**1,438**	**1,581**	**(9.0)**
Non-problematic debts ranked as "performing"	69,053	(1)63,188	9.3
Non-problematic debts not ranked as "performing"	725	(1)380	90.8
Total Credit	**71,216**	**65,149**	**9.3**

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 increased in the first nine months of 2023 by approx. 112.7%, as a result of intensification in the reclassification of certain borrowers. Other problematic debts decreased by 65.6% and performing credit which is not at credit rated for granting increased by approx. 90.8%.

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

	September 30, 2023	December 31, 2022	
	in NIS million		Change in %
Housing construction	41,601	38,389	8.4
Industrial and commercial construction	15,141	12,460	21.5
Without real estate collateral	14,474	14,300	1.2
Total	**71,216**	**65,149**	**9.3**

Breakdown by type of collateral

	September 30, 2023	December 31, 2022	
	in NIS million		Change in %
"Gross" land	14,325	13,294	7.8
Real estate under construction	26,638	22,175	20.1
Constructed real estate	15,779	15,380	2.6
Without real estate collateral	14,474	14,300	1.2
Total	**71,216**	**65,149**	**9.3**

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 September 30, 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

	September 30, 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	922	215	1,137	-	1,041	181	1,222	-
Commerce	152	-	152	-	181	-	181	-
Public and Community Services	244	5	249	-	258	5	263	-
Total	**1,318**	**220**	**1,538**	**-**	**1,480**	**186**	**1,666**	**-**

Exposure to leveraged finance as of September 30, 2023 amounted to NIS 1,318 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 September 30, 2023, amounted to NIS 220 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 September 30, 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 collective 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).
Effects of the Iron Swords War. Following the outbreak of the war, there has been considerable volatility in the interest rate curves in Israel. As of the date of publishing the financial statements, the expectations inherent in the interest rate market embody a faster decline than that embodied in the markets as of the date of the financial statements. Regarding the effect of a decrease in the interest rate on the Bank's financing income, see "The impact of scenarios of changes in interest rates on net interest income and on non-interest financing income", below.

Quantitative information on interest risk – sensitivity analysis

Net adjusted fair value of financial instruments

	September 30, 2023			September 30, 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]	17,785	7,936	25,721	[4]19,098	5,029	24,127	[4]16,876	5,099	21,975
Of which: the banking book	18,522	5,724	24,246	[4]19,426	3,274	22,700	[4]16,743	4,038	20,781

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.
(4) Improvement in the calculations at a subsidiary.

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

	September 30, 2023			September 30, 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%	(361)	(37)	(398)	(6)(136)	87	(49)	(3)	170	167
Of which: the banking book	(288)	(18)	(306)	(6)(124)	136	12	-	186	186
A parallel decrease of 1%	345	14	359	(6)105	(123)	(18)	7	(202)	(195)
Of which: the banking book	270	(2)	268	(6)91	(172)	(81)	9	(217)	(208)
Non-parallel changes									
Curving(2)	(737)	(15)	(752)	(6)(601)	63	(538)	(649)	55	(594)
Flattening(3)	642	-	642	(6)558	(59)	499	631	(28)	603
Interest rise in the short-term	462	(169)	293	(6)470	(27)	443	585	52	637
Interest decline in the short-term	(515)	37	(478)	(6)(504)	47	(457)	(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 - Improvement in the calculation of the data.

In the first nine months of the year, exposure to interest rate increases rose by NIS 565 million. Most of the change in the exposure arose from the shekel and foreign currency segments. In the foreign currency segment, the increase in exposure was due to the lengthening of the bond portfolio. In the shekel segment, most of the change arose from a shortening of the average period to maturity of deposits.

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

	September 30, 2023			September 30, 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%	510	(24)	486	648	(190)	458	521	(44)	477
Of which: the banking book	484	(43)	441	633	(181)	452	509	(41)	468
A parallel decrease of 1%	(842)	25	(817)	(1,167)	184	(983)	(1,033)	35	(998)
Of which: the banking book	(816)	46	(770)	(1,152)	176	(976)	(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 September 30, 2023, the estimated effect of a parallel increase of 1% on interest income amounted to an increase of NIS 510 million, whereas the estimated effect of a parallel decrease of 1% amounted to a decrease of NIS 842 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 September 30, 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 2 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 Shekel segment, by NIS 102 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 3.76 years on September 30, 2023, compared to 3.36 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 119 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 2.65 years on September 30, 2023, compared to 2.57 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		
		For the third quarter ended on September 30, 2023			
An increase of 100BP in interest rates	(64)	(671)	(69)	33	(772)
A decrease of 100BP in interest rates	115	620	51	(35)	751
		For the fourth quarter ended on 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)

The Bank has implemented the transition to new interest indices in relation to each of the relevant currencies.
On June 30, 2023, the LIBOR interest quotation for the US dollar was discontinued; the Bank replaced 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 were delivered to the relevant customers and in publications of the Bank. Interest SWAP derivative transactions have been changed in accordance with the definitions of the international ISDA organization, to an alternative interest rate benchmark based on the SOFR graph with the addition of a compensating margin, as determined by the organization.
The Bank had various contracts that continued beyond June 30, 2023 which related to LIBOR interests. All contracts were exchanged on the transition date to an alternative benchmark interest with the addition of a compensating margin.
The Discount Group is no longer exposed to the LIBOR interest after June 30, 2023.

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.
Effects of the Iron Swords War. The war has led to high volatility in the exchange rate of the shekel relative to the dollar. At the outbreak of the war, the Bank of Israel intervened in the foreign currency market but, despite this, the exchange rate depreciated during October, with the exchange rate reaching a level of NIS 4.08 to the dollar. This trend has since reversed and, as of the date of publishing the financial statements, the exchange rate had appreciated such that the exchange rate is now lower than that it was on the eve of the war. The Bank has no significant exposure to changes in exchange rates except for the investment in New York, which has been recognized as a structural position. For further details, see "Effect of hedging relations and transactions in derivative instruments on the exposure" below.
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 September 30, 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 IDB Bank, was canceled several years ago, in order to reduce the sensitivity of the capital ratio to changes in exchange rates (see above "Exposure regarding the investment in Discount Bancorp Inc." in section "Capital and capital adequacy").

The Bank's capital sensitivity of changes in exchange rates

	September 30, 2023			
	in NIS millions			
Segment	10%	5%	-5%	-10%
USD	644	322	(322)	(644)
EUR	27	13	(13)	(27)
Other Foreign Currencies	47	23	(23)	(47)

This effect has been computed on the basis of the expected change in the fair value of the Group in the various currencies, given the scenario determined by the Supervisor of Banks.
Sensitivity of the capital to changes in the CPI. The sensitivity of the capital to changes in the CPI is presented in the following Table, which details the effect of a 3% change on the capital as of September 30, 2023.

Sensitivity of the capital to changes in the CPI

	September 30, 2023	
	in NIS millions	
Scenario	Increase of 3%	Decrease of 3%
	544	(544)

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 third 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 third quarter of 2023, the liquidity coverage ratio of the Discount Group, on the basis of 74 observations average, stood as of September 30, 2023, at 135.9%, compared with 130.47% as of December 31, 2022, higher than the minimum requirements according to the instructions.
Effects of the Iron Swords War. Subsequent to the balance sheet date, the Iron Swords War broke out. Since the outbreak of the war through the date of publishing the financial statements, there have been no significant changes in the Bank's liquidity ratios.
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 nine months of 2023, mainly as a result of debt issues made by the Bank during the first half in the amount of approx. NIS 4 billion, due to the pledging of the mortgage portfolio and the positive effect of the dollar exchange rate on the liquidity balances. This impact was offset by the growth in the Bank's credit portfolio.

Transferability of liquidity within the Group. The transfer of liquidity between the Group companies and the Bank is based on the money price mechanism established at the Bank. As stated, the subsidiary companies may not rely upon the transfer of liquidity where no liquidity framework had been defined which is taken into account in the liquidity model at the counterparty.

During the first nine months of 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.

Analysis of the changes during the period in deposits from the public according to linkage bases shows that the decline in shekel deposits was offset by the increase in other linkage segments, affected also by the rise in the shekel exchange rate.

Deposits from the public

	September 30, 2023	September 30, 2022	December 31, 2022	Change compared to September 30, 2022		Change compared to December 31, 2022	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	153,450	156,025	153,976	(2,575)	(1.7)	(526)	(0.3)
CPI-linked shekels	13,147	10,069	10,304	3,078	30.6	2,843	27.6
Foreign currency and foreign currency linked shekels	58,385	50,296	53,139	8,089	16.1	5,246	9.9
Total	**224,982**	**216,390**	**217,419**	**8,592**	**4.0**	**7,563**	**3.5**
Foreign currency and foreign currency linked shekels - In US$ millions	15,268	14,196	15,101	1,072	7.6	167	1.1

Deposits from Banks

	September 30, 2023	September 30, 2022	December 31, 2022	Change compared to September 30, 2022		Change compared to December 31, 2022	
	In NIS millions			In NIS millions	in %	In NIS millions	in %
Non-linked shekels	8,814	9,874	9,241	(1,060)	(10.7)	(427)	(4.6)
CPI-linked shekels	17	21	22	(4)	(19.0)	(5)	(22.7)
Foreign currency and foreign currency linked shekels	1,057	852	568	205	24.1	489	86.1
Total	**9,888**	**10,747**	**9,831**	**(859)**	**(8.0)**	**57**	**0.6**

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.

Model risks

In view of the impact of the "Iron Swords" War on the economic and business parameters, the Bank examines the implications on the functioning of the models and measures are being taken to reduce risk, where required. For additional details, see 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

Evaluation of the impact of cross-border risks was reduced in the Report for the second quarter of 2023 from "Medium-High" to "Medium", due to the continuous improvement in the quality of management and in infrastructure, as well as in the administrative focusing on the subject.

Evaluation of the impact of model risks was raised in the Report for the second quarter of 2023 from "Medium" to "Medium-High" in view of sharp changes in the business and macro-economic environment, which affected the forecasting quality of models. The Bank has taken action to strengthen the infrastructure of risk management, strengthen the manpower engaged in this field and accelerate the work plan.

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

The large number of initiatives proposing the imposition on banks of limitations regarding the hiking of interest rates, meddling in the payment of interest on credit current accounts and on deposits, imposition of tax on "excess profits" and such like – see "Private legislation" in the Chapter "Legislation and supervision" – raises concern regarding impairment of the operations of banks and their profitability. At this stage, none of these initiatives has reached legislation or a regulatory directive. The Bank is following these developments and their impact.

See "a rise in the level of risk" in the section "The "Iron Swords" War".

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 nine months of 2023 in a loss of NIS 9 million, compared to a loss lower than NIS 1 million in the corresponding period last year.

Adjustments made to assets and liabilities for derivative instruments

	September 30, 2023	December 31, 2022
	in NIS millions	
Assets for derivative instruments	14,858	11,423
Adjustment for credit risk regarding assets relating to derivative instruments	(68)	(61)
Liabilities for derivative instruments	11,463	9,356
Adjustment for credit risk regarding liabilities relating to derivative instruments	(3)	(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 September 30, 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 Third Quarter Report (this Report).

The actuarial estimate as of September 30, 2023, as compared with the estimate of December 31, 2022, has been affected by an increase in the discounting rate. The change stemmed from an increase in the rates of yields to redemption of CPI-linked governments bonds and from a decrease in the international margin.

Controls and Procedures

Disclosure controls and procedures

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

Changes in Internal Control

During the third quarter 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	Avi Levy	
Chairman of the Board of Directors	President & Chief Executive Officer	November 26, 2023

Internal Control over Financial Reporting

96 President & CEO's certification
97 Chief Accountant's certification

Certification

I, Avi Levy, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of September 30, 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.

Avi Levy
President & Chief Executive Officer

November 26, 2023

Certification

I, Joseph Beressi, certify that:

1. I have reviewed the quarterly report of Israel Discount Bank Ltd. (hereinafter: "the Bank") as of September 30, 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.

November 26, 2023

Joseph Beressi
Senior Executive Vice President
Chief Accountant

Q3

Condensed Financial Statements

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

Introduction

We have reviewed the accompanying financial information of Israel Discount Bank Ltd. and its subsidiaries (hereinafter: "the Bank") comprising of the condensed consolidated interim balance sheet as at September 30, 2023 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three and nine months periods then ended. The Board of Directors and Management are responsible for the preparation and presentation of the financial data for these interim periods 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 these interim periods 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	Ziv Haft
Certified Public Accountants (Isr.)	Certified Public Accountants (Isr.)

November 26, 2023

Condensed Consolidated statement of profit and loss

		Unaudited				Audited
		For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	Notes	2023	2022	2023	2022	2022
		in NIS millions				
Interest income		5,422	3,113	15,449	7,770	11,700
Interest expenses		2,715	833	7,068	1,617	3,007
Net interest income	**2**	**2,707**	**2,280**	**8,381**	**6,153**	**8,693**
Credit loss expenses	6,14	596	106	1,112	177	407
Net interest income after credit loss expenses		**2,111**	**2,174**	**7,269**	**5,976**	**8,286**
Non-interest Income						
Non-interest financing income	3	312	151	923	169	417
Fees and commissions		918	871	2,674	2,547	3,404
Other income	20	6	5	307	421	430
Total non-interest income		**1,236**	**1,027**	**3,904**	**3,137**	**4,251**
Operating and other Expenses						
Salaries and related expenses		972	881	2,871	2,580	3,568
Maintenance and depreciation of buildings and equipment		384	309	1,034	919	1,232
Other expenses		687	637	2,039	1,751	2,417
Total operating and other expenses		**2,043**	**1,827**	**5,944**	**5,250**	**7,217**
Profit before taxes		1,304	1,374	5,229	3,863	5,320
Provision for taxes on profit		457	472	1,846	1,290	1,806
Profit after taxes		**847**	**902**	**3,383**	**2,573**	**3,514**
Bank's share in profit (loss) of associates, net of tax effect		(17)	11	(21)	30	27
Net profit:						
Before attribution to non-controlling interests		830	913	3,362	2,603	3,541
Attributed to the non-controlling interests		(13)	(20)	(89)	(47)	(46)
Net Profit Attributed to the Bank's Shareholders	**3A**	**817**	**893**	**3,273**	**2,556**	**3,495**
Earnings per share of NIS 0.1 par value attributed to the Bank's shareholders (in NIS)	**3A**	**0.66**	**0.72**	**2.65**	**2.11**	**2.87**

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

Shaul Kobrinsky
Chairman of the Board of Directors

Avi Levy
President & Chief Executive Officer

Joseph Beressi
Senior Executive Vice President,
Chief Accountant

November 26, 2023

Condensed Consolidated statement of comprehensive Income

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	in NIS millions				
Net profit before attribution to non-controlling interests	830	913	3,362	2,603	3,541
Net profit attributed to non-controlling interests	(13)	(20)	(89)	(47)	(46)
Net profit attributed to the Bank's shareholders	**817**	**893**	**3,273**	**2,556**	**3,495**
Other comprehensive income (loss), before taxes:					
Net adjustments, for presentation of available-for-sale bonds at fair value[3]	(130)	(366)	(131)	(2,384)	(2,317)
Adjustments from translation of financial statements	162	51	404	512	484
Adjustments of liabilities for employee benefits[2]	107	103	144	572	548
Net income (loss) on cash flows hedge	3	(8)	7	(27)	(27)
Other comprehensive income (loss), before taxes	**142**	**(220)**	**424**	**(1,327)**	**(1,312)**
Related tax effect	1	83	(15)	589	578
Other comprehensive income (loss), before attribution to non-controlling interests, after taxes	143	(137)	409	(738)	(734)
Other comprehensive income , attributed to non-controlling interests	2	1	2	6	4
Other comprehensive income (loss), attributed to the Bank's shareholders, after taxes	**141**	**(138)**	**407**	**(744)**	**(738)**
Comprehensive income, before attribution to non-controlling interests	973	776	3,771	1,865	2,807
Comprehensive income, attributed to non-controlling interests	(15)	(21)	(91)	(53)	(50)
Comprehensive income, attributed to the Bank's shareholders[1]	**958**	**755**	**3,680**	**1,812**	**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	September 30, 2023	September 30, 2022	December 31, 2022
		in NIS millions		
Assets				
Cash and deposits with banks		57,552	71,510	65,713
Securities				
Held-to-maturity bonds		13,826	14,662	14,847
Available- for- sale bonds		29,907	24,679	25,858
Not for trading shares		1,934	1,865	1,767
Trading securities		6,713	1,427	2,322
Total Securities (of which: 24,695, 15,694, 16,359 respectively, pledged to lenders)	**5**	**52,380**	**42,633**	**44,794**
Securities borrowed or purchased under agreements to resell		1,150	1,271	857
Credit to the public	6,14	262,463	240,032	244,288
Allowance for credit losses	6,14	(4,034)	(3,151)	(3,209)
Net credit to the public		**258,429**	**236,881**	**241,079**
Credit to Governments		3,313	2,574	2,599
Investments in Associates		468	502	486
Buildings and equipment		4,502	3,724	3,904
Intangible assets and goodwill		162	163	162
Assets for derivative instruments	11	14,857	13,601	11,420
Other assets		6,389	6,215	5,740
Total assets		**399,202**	**379,074**	**376,754**
Liabilities and Equity				
Deposits from the public	7	298,435	290,646	292,293
Deposits from banks		14,551	16,719	15,376
Deposits from the Government		117	120	117
Securities lent or sold under agreements to repurchase		11,007	3,038	3,739
Bonds and Subordinated debt notes		16,225	13,491	12,308
Liabilities for derivative instruments	11	11,445	11,718	9,348
Other liabilities [(1)]		19,031	18,624	18,095
Total liabilities		**370,811**	**354,356**	**351,276**
Equity attributed to the Bank's shareholders		27,621	24,112	24,880
Non-controlling rights		770	606	598
Total equity		**28,391**	**24,718**	**25,478**
Total Liabilities and Equity		**399,202**	**379,074**	**376,754**

Footnote:

(1) Of which NIS 500 million, NIS 384 million and NIS 424 million, as of September 30, 2023, September 30, 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

	Paid up Share capital	Capital reserves: Share premium	Capital reserves: Benefit in respect of share based payment transactions	Capital reserves: Other	Total paid up share capital and reserves	Accumulated other comprehensive loss	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
					in NIS millions					
A. For the three months ended September 30, 2023 and 2022 (unaudited)										
Balance at June 30, 2023	683	5,565	7	253	6,508	(1,746)	22,254	27,016	666	27,682
Net Profit for the period	-	-	-	-	-	-	817	817	13	830
Dividend paid	-	-	-	-	-	-	(356)	(356)	-	(356)
Minority share in shareholders' loans in a consolidated company	-	-	-	-	-	-	-	-	19	19
Benefit for share based payment transactions	-	-	3	-	3	-	-	3	-	3
Minority rights in a subsidiary established during the reporting period	-	-	-	-	-	-	-	-	70	70
Other comprehensive income, net after tax effect	-	-	-	-	-	141	-	141	2	143
Balance at September 30, 2023	**683**	**5,565**	**10**	**253**	**6,511**	**(1,605)**	**22,715**	**27,621**	**770**	**28,391**
Balance at June 30, 2022	683	5,565	-	251	6,499	(1,880)	18,871	23,490	603	24,093
Net Profit for the period	-	-	-	-	-	-	893	893	20	913
Dividend paid	-	-	-	-	-	-	(136)	(136)	-	(136)
Transactions with minority	-	-	-	1	1	-	-	1	2	3
Receipts on account of option warrants	-	-	2	-	2	-	-	2	2	4
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(22)	(22)
Other comprehensive loss, net after tax effect	-	-	-	-	-	(138)	-	(138)	1	(137)
Balance at September 30, 2022	**683**	**5,565**	**2**	**252**	**6,502**	**(2,018)**	**19,628**	**24,112**	**606**	**24,718**
B. For the nine months ended September 30, 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	-	-	-	-	-	-	3,273	3,273	89	3,362
Dividend paid	-	-	-	-	-	-	(925)	(925)	-	(925)
Minority share in shareholders' loans in a consolidated company	-	-	-	-	-	-	-	-	40	40
Benefit for share based payment transactions	-	-	7	-	7	-	-	7	2	9
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(21)	(21)
Minority rights in a subsidiary established during the reporting period	-	-	-	-	-	-	-	-	70	70
Other comprehensive income, net after tax effect	-	-	-	-	-	407	-	407	2	409
Balance at September 30, 2023	**683**	**5,565**	**10**	**253**	**6,511**	**(1,605)**	**22,715**	**27,621**	**770**	**28,391**
Balance at December 31, 2021 (audited)	676	4,174	-	258	5,108	(1,274)	17,649	21,483	665	22,148
The effect of adoption of new accounting standards(1)	-	-	-	-	-	-	(139)	(139)	-	(139)
Net Profit for the period	-	-	-	-	-	-	2,556	2,556	47	2,603
Dividend paid	-	-	-	-	-	-	(438)	(438)	-	(438)
Transactions with minority	-	-	-	(6)	(6)	-	-	(6)	4	(2)
Issue of Shares(2)	7	1,391	-	-	1,398	-	-	1,398	-	1,398
Receipts on account of option warrants	-	-	2	-	2	-	-	2	2	4
Dividend to non-controlling interests in consolidated companies	-	-	-	-	-	-	-	-	(118)	(118)
Other comprehensive loss, net after tax effect	-	-	-	-	-	(744)	-	(744)	6	(738)
Balance at September 30, 2022	**683**	**5,565**	**2**	**252**	**6,502**	**(2,018)**	**19,628**	**24,112**	**606**	**24,718**

For footnotes see next page.

Condensed Statement of Changes in Equity (continued)

	Paid up Share capital	Capital reserves: Share premium	Capital reserves: Benefit in respect of share based payment transactions	Capital reserves: Other	Total paid up share capital and reserves	Accumulated other comprehensive loss	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	in NIS millions									
C. 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) Cumulative effect of the initial implementation of US GAAP regarding current expected credit losses, As described in Note 1C5(1) to the financial statements as of December 31, 2022.

(2) Cumulative effect of the initial implementation in a subsidiary of US GAAP regarding current expected credit losses as of January 1, 2023, see Note 1 E 1.

(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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	in NIS millions				
Cash Flows from Operating (to Operating) Activities					
Net profit before attribution to non-controlling interests in consolidated companies	830	913	3,362	2,603	3,541
Adjustments necessary to present cash flows from current operations:					
Bank's share in undistributed (profits) loss of investee companies (consolidated – associates)	17	(11)	21	(30)	(27)
Depreciation of buildings and equipment (including impairment in value)	169	144	466	425	579
Provision for impairment in value of securities	8	10	42	13	60
Credit expenses (reducing expenses) release	596	106	1,112	177	407
Gain on sale of credit portfolio, net	-	(3)	-	(4)	(5)
Profit on sale of available-for-sale bonds and shares not for trading	36	(41)	25	(114)	(47)
Realized and non realized loss (gain) from adjustment to fair value of trading securities, net	(1)	(12)	36	(80)	(88)
Non realized loss (gain) on adjustment to fair value of shares no for trading	(56)	22	(61)	40	28
Gain from realization at an investment in investee companies (consolidated – associates)	-	-	-	(15)	(15)
Gain on realization of buildings and equipment	-	(1)	(297)	(415)	(421)
Benefit for share based payment transactions	3	2	7	2	6
Net deferred taxes	(81)	(73)	6	(418)	(433)
Severance pay – increase (decrease) in excess of provision over the deposits	(61)	(32)	(59)	(323)	(370)
Net change in current assets:					
Assets for derivative instruments	(2,455)	(2,580)	(3,436)	(8,081)	(5,898)
Trading securities	1,988	102	(4,429)	(254)	(1,142)
Other assets	(241)	(664)	(603)	(66)	908
Effect of changes in exchange rate on cash and cash equivalent balances	(56)	(39)	(136)	(274)	(282)
Accrual differences included in investment and financing activities	(476)	52	(980)	(1,175)	(1,252)
Net change in current liabilities:					
Liabilities for derivative instruments	1,319	2,412	2,097	5,394	3,025
Other liabilities	(617)	1,839	1,139	1,416	386
Adjustments for exchange rate differences on current assets and liabilities	82	58	259	880	68
Dividends received from investee companies (consolidated – associates)	2	4	14	18	26
Net Cash Flows from Operating (to Operating) Activities	**1,006**	**2,208**	**(1,415)**	**(281)**	**(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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	in NIS millions				
Cash Flows to Investing Activities					
Net change in Deposits with banks	(29)	(218)	(413)	(291)	(99)
Net change in net credit to the public	(3,211)	(2,398)	(8,113)	(1)(17,035)	(18,106)
Net change in Credit to the Governments	1,366	800	2,590	1,890	2,831
Net change in Securities borrowed or purchased under agreements to resell	(126)	59	(293)	(64)	350
Acquisition of held-to-maturity bonds	(169)	(255)	(480)	(696)	(1,143)
Proceeds from redemption of held-to-maturity bonds	100	403	1,719	849	1,033
Purchase of available-for-sale bonds and shares not for trading	(1,988)	(2,623)	(14,208)	(11,051)	(16,069)
Proceeds of sale of available-for-sale bonds and shares not for trading	2,251	2,155	9,024	10,060	12,981
Purchased credit portfolios	(4,236)	(3,189)	(13,791)	(9,605)	(14,165)
Gain on sale of credit portfolio	-	84	15	(1)1,479	1,511
Proceeds of redemption of available-for-sale bonds	188	1,706	1,675	2,621	3,971
Purchase of shares in investee companies (consolidated – associates)	-	-	(3)	(24)	(24)
Proceeds of the sale of investments in associates	-	-	-	26	26
Acquisition of buildings and equipment	(341)	(274)	(1,030)	(768)	(1,064)
Proceeds from sale of buildings and equipment	-	1	248	508	521
Net Cash Flows to Investing Activities	**(6,195)**	**(3,749)**	**(23,060)**	**(22,101)**	**(27,446)**
Cash Flows from Financing Activities					
Net change in Deposits from banks	343	1,959	(825)	4,185	2,842
Net change in Deposits from the public	5,998	6,954	6,759	28,248	29,701
Net change in Deposits from the Government	(19)	(4)	-	(226)	(229)
Net change in Securities borrowed or purchased under agreements to resell	279	1,092	7,268	3,038	3,739
Issuance of subordinated debt notes	-	-	4,671	1,690	2,197
Redemption of subordinated debt notes	(349)	(486)	(1,320)	(3,704)	(5,220)
Issue of Shares	-	-	-	1,398	1,398
Dividend paid to the shareholders	(356)	(136)	(925)	(438)	(617)
Dividend to non-controlling interests	-	(22)	(21)	(118)	(118)
Net cash flows from Financing Activities	**5,896**	**9,357**	**15,607**	**34,073**	**33,693**
Increase (decrease) in cash	707	7,816	(8,868)	11,691	5,301
Cash balance at beginning of period	55,851	63,015	65,252	59,277	59,277
Effect of changes in exchange rate on cash and cash equivalent balances	120	27	294	(110)	674
Cash balance at end of period	**56,678**	**70,858**	**56,678**	**70,858**	**65,252**
Interest and taxes paid and/or received					
Interest received	4,907	2,723	14,554	6,811	10,318
Interest paid	(2,223)	(425)	(5,175)	(1,160)	(2,110)
Dividends received	10	11	24	30	41
Taxes on income paid	(585)	(408)	(1,743)	(853)	(1,480)
Taxes on income received	6	23	196	280	279

Footnote:
(1) Improvement of data.

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

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

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	in NIS millions				
Recognition of a right-of-use asset in consideration for a leasing liability	14	2	37	96	588
Purchase (sale) of fixed assets	76	17	113	46	94
Lending of securities	24	(217)	(123)	537	330

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

Notes to the Condensed Financial Statements

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1. Accounting Policies

A. **General.** Israel Discount Bank Ltd. (hereinafter: "the Bank") is a banking corporation incorporated in Israel. The Bank's condensed consolidated interim financial statements (hereinafter: "the interim financial statements") as of September 30, 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 November 26, 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 statements.

E. **Allowance for credit losses – the effects of the "Iron Swords" War**

On October 7, 2023, the "Iron Swords" War broke out (see Note 24 below). In calculating the expected credit losses in the third quarter financial statements, the Bank has included the expected impact of the "Iron Swords" War as of date proximate to the financial statements' publication date, on the basis of estimates and assessments, and has accordingly increased the amounts included in the allowance for credit losses. This is in accordance with the Banking Supervision Department's guidelines in the document "Additional Emphases for Public Reporting for the Third Quarter of 2023" dated November 9, 2023.

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.

On October 19, 2023, the Supervisor of Banks published an amendment to the public reporting instructions regarding "change in terms of loans of borrowers in financial difficulties", with effect as from January 1, 2024.

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

2. Interest Income and Expenses

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	in NIS millions			
A. Interest Income[2]				
Credit to the public	4,305	2,690	12,344	6,954
Credit to the Governments	45	22	124	58
Deposits with the Bank of Israel and cash	545	209	1,536	277
Deposits with Banks	59	10	164	18
Securities borrowed or purchased under resale agreements	11	4	34	5
Bonds[1]	447	173	1,218	443
Other assets	10	5	29	15
Total interest income	**5,422**	**3,113**	**15,449**	**7,770**
B. Interest Expenses[2]				
Deposits from the public	(2,310)	(648)	(5,994)	(1,099)
Deposits from the Government	(1)	-	(3)	(1)
Deposits from the Bank of Israel	(1)	(1)	(4)	(5)
Deposits from banks	(76)	(27)	(187)	(45)
Securities lent or sold under agreements to repurchase	(158)	(21)	(356)	(24)
Bonds and subordinated debt notes	(169)	(136)	(524)	(443)
Total interest expenses	**(2,715)**	**(833)**	**(7,068)**	**(1,617)**
Net interest income	**2,707**	**2,280**	**8,381**	**6,153**
C. Details of the net effect of hedge derivative instruments on interest income and expenses[3]:				
Interest Income	34	(5)	98	(16)
Interest expenses	(35)	(1)	(92)	4
D. Accrual basis, interest income from bonds:				
Held-to-maturity	52	48	157	126
Available-for-sale	310	112	844	290
Trading	85	13	217	27
Total included in interest income	447	173	1,218	443

Footnotes:

(1) Interest Income generated by mortgage backed securities (MBS) - in US $ millions	15	10	40	28
Interest Income generated by mortgage backed securities (MBS) - in NIS millions	55	32	147	93

(2) Including the impact of hedge relations.

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

3. Non-interest Financing Income

	Unaudited			
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	in NIS millions			
A. Non-interest financing income (expenses) from operations not for trading purposes				
From operations in derivative instruments , net				
Net income for derivative instruments(4)	1,547	210	4,084	2,723
Total from operations in derivative instruments	**1,547**	**210**	**4,084**	**2,723**
From investments in bonds:				
Gains on sale of available-for-sale bonds(3)	-	5	10	53
Losses on sale of available-for-sale bonds(3)	(58)	(14)	(137)	(31)
Provision for impairment of available-for-sale bonds(3)	-	(5)	-	(5)
Total from investments in bonds	**(58)**	**(14)**	**(127)**	**17**
Net exchange rate differences	**(1,370)**	**(206)**	**(3,506)**	**(2,911)**
Net profit from investments in shares:				
Gains on sale from non trading shares	22	50	102	93
Losses on sale from non trading shares	-	-	-	(1)
Provision for impairment of non trading shares	(8)	(5)	(42)	(8)
Dividends from non trading shares	5	6	9	11
Unrealized profits (losses) (7)	56	(22)	61	(40)
Profit on sale of shares and activities of Associates	-	-	-	15
Total from investment in shares	**75**	**29**	**130**	**70**
Net profit on loans sold	-	3	-	4
Total non-interest financing income (expenses) from operations not for trading purposes	**194**	**22**	**581**	**(97)**
B. Non-interest financing income from operations for trading purposes(5):				
Net income for derivative instruments	117	117	378	186
Net realized and non-realized profit (losses) on adjustment of trading bonds to fair value(1)	3	-	(28)	68
Net realized and non-realized profit (losses) on adjustment of trading shares to fair value(2)	(2)	12	(8)	12
Total from trading operations(6)	**118**	**129**	**342**	**266**
Details of non-interest financing income from operations for trading purposes, according to risk exposure:				
Interest rate exposure	76	68	214	189
Foreign currency exposure	44	49	135	65
Share exposure	(2)	12	(7)	12
Total according to risk exposure	**118**	**129**	**342**	**266**
Total non-interest financing income (expenses)	**312**	**151**	**923**	**169**

Footnotes:

(1) Of which, a part of the loss relating to trading bonds that are still on hand at balance sheet date	(19)	(11)	(26)	(11)
(2) Of which, a part of the income (loss) relating to trading shares that are still on hand at balance sheet date	(2)	13	22	14
(3) Reclassified from accumulated other comprehensive income (loss), see Note 4: Of which, profit from investments in bonds, net	(58)	(14)	(127)	17

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

3A. Earnings Per Share

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	in NIS millions				
Earnings per share					
Total net income attributed to bank's shareholders	817	893	3,273	2,556	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	1,237,011	1,237,011	1,164,017	1,164,017
Shares issued during the year[1]	-	-	-	49,465	55,396
Weighted average of shares of NIS 0.1 par value, used for earnings per share	**1,237,011**	**1,237,011**	**1,237,011**	**1,213,482**	**1,219,413**
Earnings per share of NIS 0.1 (in NIS)	**0.66**	**0.72**	**2.65**	**2.11**	**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 September 30, 2023 and 2022 (unaudited)							
Balance at June 30, 2023	(1,323)	15	(17)	(427)	(1,752)	(6)	(1,746)
Net change during the period	(91)	162	2	70	143	2	141
Balance at September 30, 2023	**(1,414)**	**177**	**(15)**	**(357)**	**(1,609)**	**(4)**	**(1,605)**
Balance at June 30, 2022	(1,117)	(250)	(15)	(503)	(1,885)	(5)	(1,880)
Net change during the period	(251)	51	(5)	68	(137)	1	(138)
Balance at September 30, 2022	**(1,368)**	**(199)**	**(20)**	**(435)**	**(2,022)**	**(4)**	**(2,018)**
B. For the nine months ended September 30, 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	(95)	404	5	95	409	2	407
Balance at September 30, 2023	**(1,414)**	**177**	**(15)**	**(357)**	**(1,609)**	**(4)**	**(1,605)**
Balance at December 31, 2021 (audited)	243	(711)	(1)	(815)	(1,284)	(10)	(1,274)
Net change during the period	[(2)](1,611)	512	(19)	380	(738)	6	(744)
Balance at September 30, 2022	**(1,368)**	**(199)**	**(20)**	**(435)**	**(2,022)**	**(4)**	**(2,018)**
C. 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					
	For the three months ended					
	September 30, 2023			September 30, 2022		
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
	in NIS millions					
Changes in components of other comprehensive loss, before attribution to non-controlling interests:						
Adjustments for presentation of available-for- sale bonds at fair value						
Net unrealized loss from adjustments to fair value	(206)	61	(145)	(403)	127	(276)
losses on available-for-sale bonds reclassified to the statement of income[2]	76	(22)	54	37	(12)	25
Net change during the period[4]	**(130)**	**39**	**(91)**	**(366)**	**115**	**(251)**
Translation adjustments						
Adjustments from translation of financial statement [1]	162	-	162	51	-	51
Net change during the period	**162**	**-**	**162**	**51**	**-**	**51**
Cash flow hedging						
Net losses for cash flow hedging	(3)	1	(2)	(10)	3	(7)
Net loss for cash flow hedging reclassified to the statement of income[5]	6	(2)	4	2	-	2
Net change during the period	**3**	**(1)**	**2**	**(8)**	**3**	**(5)**
Employee benefits						
Net actuarial income	94	(33)	61	74	(24)	50
loss reclassified to the statement of income[3]	13	(4)	9	29	(11)	18
Net change during the period	**107**	**(37)**	**70**	**103**	**(35)**	**68**
Total net changes during the period	**142**	**1**	**143**	**(220)**	**83**	**(137)**
Changes in components of other comprehensive income attributed to non-controlling interests:						
Total net changes during the period	**3**	**(1)**	**2**	**1**	**-**	**1**
Changes in components of other comprehensive income (loss) attributed to the Bank's shareholders:						
Total net changes during the period	**139**	**2**	**141**	**(221)**	**83**	**(138)**

For footnotes see next page.

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

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

	Unaudited						Audited		
	For the nine months ended						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 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	(312)	88	(224)	(2,399)	778	(1,621)	(2,448)	797	(1,651)
loss on available-for-sale bonds reclassified to the statement of income[2]	181	(52)	129	15	(5)	10	131	(42)	89
Net change during the period[4]	**(131)**	**36**	**(95)**	**(2,384)**	**773**	**(1,611)**	**(2,317)**	**755**	**(1,562)**
Translation adjustments									
Adjustments from translation of financial statement [1]	404	-	404	512	-	512	484	-	484
Net change during the period	**404**	**-**	**404**	**512**	**-**	**512**	**484**	**-**	**484**
Cash flow hedging									
Net loss for cash flow hedging	(9)	3	(6)	(28)	8	(20)	(31)	9	(22)
Net loss for cash flow hedging reclassified to the statement of income[5]	16	(5)	11	1	-	1	4	(1)	3
Net change during the period	**7**	**(2)**	**5**	**(27)**	**8**	**(19)**	**(27)**	**8**	**(19)**
Employee benefits									
Net actuarial income	107	(37)	70	504	(168)	336	437	(147)	290
loss reclassified to the statement of income[3]	37	(12)	25	68	(24)	44	111	(38)	73
Net change during the period	**144**	**(49)**	**95**	**572**	**(192)**	**380**	**548**	**(185)**	**363**
Total net change during the period	**424**	**(15)**	**409**	**(1,327)**	**589**	**(738)**	**(1,312)**	**578**	**(734)**
Changes in components of other comprehensive income attributed to non-controlling interests:									
Total net change during the period	**3**	**(1)**	**2**	**8**	**(2)**	**6**	**5**	**(1)**	**4**
Changes in components of other comprehensive income (loss) attributed to the Bank's shareholders:									
Total net change during the period	**421**	**(14)**	**407**	**(1,335)**	**591**	**(744)**	**(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) The pre-tax amount is reported in the of statement of profit and loss in the item "interest income and expenses".

5. Securities

A. Composition

	Book value	Amortized cost	Unrecognized gains from adjustment to fair value	Unrecognized losses from adjustment to fair value	Fair value[1]
	Unaudited September 30,2023				
	In NIS millions				
(1) Held-to-maturity bonds[6]					
Bonds and loans:					
Of the Israeli Government[9]	9,964	9,964	-	987	8,977
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	3,796	3,796	-	567	3,229
Of others abroad[5]	66	66	-	8	58
Total held-to-maturity bonds	**13,826**	**[8]13,826**	**-**	**1,562**	**12,264**

	Book value	Amortized cost	Accumulated other comprehensive income: Profits	Accumulated other comprehensive income: Losses	Fair value[1]
	Unaudited September 30,2023				
	In NIS millions				
(2) Available- for- sale bonds[7]					
Bonds and loans:					
Of the Israeli Government[9]	16,173	16,834	18	679	16,173
Of foreign governments	4,526	4,666	-	140	4,526
Of Israeli financial institutions	85	89	-	4	85
Of foreign financial institutions	543	537	7	1	543
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	6,425	7,234	5	814	6,425
Of others in Israel	316	353	-	37	316
Of others abroad[5]	1,839	1,849	23	33	1,839
Total Available- for- sale bonds	**[8]29,907**	**31,562**	**[2]53**	**[2]1,708**	**29,907**

	Book value	Cost	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1][3]
	Unaudited September 30,2023				
	In NIS millions				
(3) Investment in not for trading shares	1,934	1,793	[4]153	[4]12	1,934
Of which: shares, the fair value of which is not readily available	1,773	1,701	72	-	1,773
Total not for trading securities	**45,667**	**47,181**			**44,105**

For footnotes see next page.

5. Securities (continued)

A. Composition (Continued)

	Book value	Amortized cost (in shares - cost)	Unrealized gains from adjustment to fair value	Unrealized losses from adjustment to fair value	Fair value[1]
	Unaudited				
	September 30,2023				
	In NIS millions				
(4) Trading Securities					
Bonds and loans:					
Of the Israeli Government	6,565	6,590	-	25	6,565
Of foreign governments	82	82	-	-	82
Of others in Israel	7	8	-	1	7
Total bonds	**[8]6,654**	**6,680**	**-**	**26**	**6,654**
Shares	59	37	24	2	59
Total trading securities	**6,713**	**6,717**	**[4]24**	**[4]28**	**6,713**
Total securities	**52,380**	**53,898**			**50,818**

Footnotes:

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

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

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

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

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

(6) No data is included for the balance of allowance for credit loss, because the allowance at September 30, 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 September 30, 2023.

(8) Including securities sold by the Bank under repurchase terms from held-to-maturity portfolio at an amortized cost of NIS 4,355 million, from the available for sale portfolio with a market value of NIS 3,022 million and from trading portfolio with a market value of NIS 4,290 million.

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

5. Securities (continued)

A. Composition (continued)

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

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

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

For footnotes see next page.

5. Securities (continued)

A. Composition (continued)

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

Footnotes:

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

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

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

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

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

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

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

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

(9) As described in Note 12 m to the financial statements as of December 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**

	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**

	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
Of which: shares, the fair value of which is not readily available	1,637	1,603	34	-	1,637
Total not for trading securities	**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

	Unaudited							
	September 30, 2023							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	237	34	-	34	8,731	670	283	953
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	809	25	-	25	2,987	267	275	542
Of others abroad	27	1	-	1	38	7	-	7
Total held-to-maturity bonds	**1,073**	**60**	**-**	**60**	**11,756**	**944**	**558**	**1,502**

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

	Audited							
	December 31, 2022							
	Less than 12 months				More than 12 months			
		Unrecognized losses from adjustment to fair value				Unrecognized losses from adjustment to fair value		
	Amortized cost	0-20%	20-40%	Total	Amortized cost	0-20%	20-40%	Total
	In NIS millions							
Held-to-maturity bonds								
Bonds and loans:								
Of the Israeli Government	8,825	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

	Unaudited							
	September 30, 2023							
	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	9,582	79	17	96	6,151	480	103	583
Of foreign governments	2,592	53	-	53	1,554	87	-	87
Of Israeli financial institutions	17	(1)-	-	-	68	4	-	4
Of foreign financial institutions	52	(1)-	-	-	26	1	-	1
Mortgage-backed-securities (MBS) or Assets - backed-securities (ABS)	1,472	50	-	50	4,078	269	495	764
Of others in Israel	25	1	-	1	267	36	-	36
Of others abroad	436	9	-	9	367	16	8	24
Total available-for-sale bonds	**14,176**	**192**	**17**	**209**	**12,511**	**893**	**606**	**1,499**

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

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 September 30, 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 2,783 million (December 31, 2022: NIS 2,703 million). The balance of the said bonds included as of September 30, 2023, unrealized net losses in the amount of NIS 45 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 mortgage-backed bonds. As of September 30, 2023, the allowance for credit loss exists for other bonds is a negligible amount.

G. **Fair value presentation.** The balances of securities as of September 30, 2023, September 30, 2022, and December 31, 2022, include securities amounting to NIS 36,757 million, NIS 27,971 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			
	September 30, 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:	223	-	19	204
of which:				
Bonds guaranteed by GNMA	168	-	10	158
Bonds issued by FHLMC and FNMA	55	-	9	46
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	5,249	-	784	4,465
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	5,249	-	784	4,465
Total available-for-sale MBS bonds	**5,472**	**-**	**803**	**4,669**
Held-to-maturity bonds[2]				
Mortgage pass-through bonds:	36	-	4	32
of which:				
Bonds guaranteed by GNMA	8	-	-	8
Bonds issued by FHLMC and FNMA	28	-	4	24
Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):	3,760	-	563	3,197
Of which Bonds issued or guaranteed by FHLMC, FNMA and GNMA	3,760	-	563	3,197
Total held-to-maturity MBS bonds	**3,796**	**-**	**567**	**3,229**
Total mortgage-backed bonds (MBS)	**9,268**	**-**	**1,370**	**7,898**
2.Total-Asset-backed available-for-sale bonds (ABS)	1,762	5	11	1,756
Of which collateralized bonds CLO	1,762	5	11	1,756
Total mortgage and asset-backed bonds	**11,030**	**5**	**1,381**	**9,654**

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 September 30, 2023.

5. Securities (continued)

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

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

Footnotes:

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

(2) No data is included for the balance of allowance for credit loss, because, as stated, no such allowance was required as of September 30, 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)	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			
	September 30, 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	14	(1)-	144	10
Bonds issued by FHLMC and FNMA	-	-	46	9
Total mortgage-backed pass-through bonds	**14**	**-**	**190**	**19**
B. Other mortgage-backed bonds (including CMO, REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	1,458	50	2,951	734
Total other mortgage-backed bonds	**1,458**	**50**	**2,951**	**734**
Total available-for-sale MBS	**1,472**	**50**	**3,141**	**753**
Held-to-maturity bonds				
A. Mortgage pass-through bonds:				
Bonds guaranteed by GNMA	4	(1)-	4	(1)-
Bonds issued by FHLMC and FNMA	1	(1)-	23	4
Total mortgage-backed pass-through bonds	**5**	**-**	**27**	**4**
B. Other mortgage-backed bonds (including CMO,REMIC and STRIPPED MBS):				
Bonds issued or guaranteed by FHLMC, FNMA and GNMA	779	25	2,418	538
Total other mortgage-backed bonds	**779**	**25**	**2,418**	**538**
Total held-to-maturity MBS bonds	**784**	**25**	**2,445**	**542**
Total mortgage-backed bonds (MBS)	**2,256**	**75**	**5,586**	**1,295**
2. Asset-backed available-for-sale bonds (ABS)				
Collateralized bonds CLO	-	-	937	11
Total asset-backed available-for-sale bonds (ABS)	**-**	**-**	**937**	**11**
Total mortgage and asset-backed bonds	**2,256**	**75**	**6,523**	**1,306**

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

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

	September 30, 2023	September 30, 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					
	September 30, 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	148,127	367	1,185	149,679	53,654	203,333
Examined on a collective basis	[1]10,159	68,665	33,960	112,784	92	112,876
Total debts	**158,286**	**69,032**	**35,145**	**262,463**	**53,746**	**316,209**
Of which:						
Non-accruing debts	1,783	243	183	2,209	-	2,209
Debts in arrears of 90 days or more	83	-	47	130	-	130
Other problematic debts	5,813	94	457	6,364	-	6,364
Total Problematic debts	**7,679**	**337**	**687**	**8,703**	**-**	**8,703**
Allowance for Credit Losses for debts:						
Examined on a specific basis	2,482	6	5	2,493	27	2,520
Examined on a collective basis	381	288	872	1,541	-	1,541
Total allowance for Credit Losses	**2,863**	**294**	**877**	**4,034**	**27**	**4,061**
Of which: For non-accruing debts	328	13	94	435	-	435
Of which: For other problematic debts	461	1	76	538	-	538

Footnote:

(1) The balance of commercial debts includes housing loans in the amount of NIS 112 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, bonds for held-to-maturity and available-for-sale, credit to the public and balance of allowance for credit losses (continued)

	Unaudited					
	September 30, 2022					
	Credit to the public					
	Commercial[(1)(2)]	Private Individuals - Housing Loans[(2)]	Private Individuals - Other Loans[(2)]	Total	Banks and Governments Held-to-maturity and available-for-sale-bonds[(2)]	Total
	In NIS millions					
Recorded amount of debts:						
Examined on a specific basis	132,497	311	1,906	134,714	47,720	182,434
Examined on a collective basis	[(1)]10,381	63,130	31,807	105,318	-	105,318
Total debts	**142,878**	**63,441**	**33,713**	**240,032**	**47,720**	**287,752**
Of which:						
Non-accruing debts	1,180	233	110	1,523	-	1,523
Debts in arrears of 90 days or more	69	-	40	109	-	109
Other problematic debts	3,507	73	344	3,924	-	3,924
Total Problematic debts	**4,756**	**306**	**494**	**5,556**	**-**	**5,556**
Allowance for Credit Losses for debts:						
Examined on a specific basis	1,866	12	25	1,903	31	1,934
Examined on a collective basis	298	235	715	1,248	-	1,248
Total allowance for Credit Losses	**2,164**	**247**	**740**	**3,151**	**31**	**3,182**
Of which: For non-accruing debts	246	9	43	298	-	298
Of which: For other problematic debts	208	1	99	308	-	308

Footnote:

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

(2) Reclassified following improvement of data.

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

1. Debts, bonds for held-to-maturity and available-for-sale, credit to the public and balance of allowance for credit losses (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 collective 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 collective 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	268	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

	Unaudited					
	Credit to the public					
	Commercial	Private Individuals - Housing Loans	Private Individuals - Other Loans	Total	Banks, governments, held-to-maturity and available-for-sale bonds[2]	Total
	In NIS millions					
	Three months ended September 30, 2023					
Balance of allowance for credit losses, as at June 30, 2023	2,822	302	908	4,032	36	4,068
Expenses (expenses release) for credit loss	464	10	126	600	(4)	596
Accounting write-offs	(102)	(1)	(140)	(243)	-	(243)
Collection of debts written-off in previous years	61	-	70	131	-	131
Net accounting write-offs	(41)	(1)	(70)	(112)	-	(112)
Adjustments from translation of financial statements	9	1	(1)	9	-	9
Balance of allowance for credit losses, as at September 30, 2023	**3,254**	**312**	**963**	**4,529**	**32**	**4,561**
Of which: For off-balance sheet credit instruments	391	18	86	495	5	500
	Three months ended September 30, 2022					
Balance of allowance for credit losses, as at June 30, 2022	2,390	254	803	3,447	30	3,477
Expenses for credit loss	41	12	50	103	3	106
Accounting write-offs	(96)	-	(81)	(177)	-	(177)
Collection of debts written-off in previous years	94	-	62	156	-	156
Net accounting write-offs	(2)	-	(19)	(21)	-	(21)
Adjustments from translation of financial statements	4	-	-	4	-	4
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384
	Nine months ended September 30, 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]	16	-	34	50	-	50
Expenses for credit loss	810	27	273	1,110	2	1,112
Accounting write-offs	(299)	(2)	(375)	(676)	(1)	(677)
Collection of debts written-off in previous years	179	-	211	390	-	390
Net accounting write-offs	(120)	(2)	(164)	(286)	(1)	(287)
Adjustments from translation of financial statements	23	2	(1)	24	-	24
Balance of allowance for credit losses, as at September 30, 2023	**3,254**	**312**	**963**	**4,529**	**32**	**4,561**
Of which: For off-balance sheet credit instruments	391	18	86	495	5	500
	Nine months ended September 30, 2022					
Balance of allowance for credit losses, as at December 31, 2021 (audited)	2,258	258	773	3,289	22	3,311
Adjustment to the opening balance due to the effect of the initial application[1]	183	(32)	-	151	9	160
Expenses for credit loss	-	46	129	175	2	177
Accounting write-offs	(266)	(7)	(262)	(535)	-	(535)
Collection of debts written-off in previous years	223	-	193	416	-	416
Net accounting write-offs	(43)	(7)	(69)	(119)	-	(119)
Adjustments from translation of financial statements	35	1	1	37	-	37
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384

Footnote:
(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).

7. Deposits from the public

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

	Unaudited		Audited
	September 30		December 31
	2023	2022	2022
	In NIS millions		
In Israel			
Demand deposits:			
Non-interest bearing	63,113	(1)86,320	(1)79,535
Interest bearing	34,147	(1)39,836	(1)37,944
Total demand deposits	**97,260**	**126,156**	**117,479**
Time deposits	163,556	128,923	139,379
Total deposits in Israel*	**260,816**	**255,079**	**256,858**
* Of which:			
Private individuals deposits	118,604	115,595	116,356
Institutional bodies deposits	32,222	33,525	29,655
Corporations and others deposits	109,990	105,959	110,847
Outside Israel			
Demand deposits:			
Non-interest bearing	4,944	8,313	6,622
Interest bearing	23,219	20,318	20,968
Total demand deposits	**28,163**	**28,631**	**27,590**
Time deposits	9,456	6,936	7,845
Total deposits outside Israel	**37,619**	**35,567**	**35,435**
Total deposits from the public	**298,435**	**290,646**	**292,293**

Footnote:

(1) With respect to deposits bearing interest only on part of the deposit, starting with the interim financial statements for June 30, 2023, only that part of the deposit that bears interest is presented as part of interest bearing deposits, while the remaining balance is presented as part of deposits bearing no interest. The comparative data has been reclassified accordingly.

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

	Unaudited		Audited
	September 30		December 31
	2023	2022	2022
Deposit limit	Balance		
In NIS millions	In NIS millions		
Up to 1	96,043	95,666	96,125
Over 1 up to 10	70,444	69,360	69,671
Over 10 up to 100	44,484	43,953	43,702
Over 100 up to 500	34,664	32,228	34,338
Over 500	52,800	49,439	48,457
Total	**298,435**	**290,646**	**292,293**

8. Employee Benefits

A. Details on the benefits

	Unaudited		Audited
	September 30		December 31
	2023	2022	2022
	in NIS millions		
Severance pay, retirement and pension :			
The liability amount	2,640	2,703	2,644
Fair value of the plan's assets	1,273	1,231	1,219
Excess liabilities over the plan's assets included in the item "other liabilities"	**1,367**	**1,472**	**1,425**
Amounts included in the other liabilities item:			
Post retirement benefits to retirees	529	526	562
Vacation	150	153	142
Illness	7	7	7
Total Excess liabilities of the program included in the item "other liabilities"	**2,053**	**2,158**	**2,136**
Of which – for benefits to employees abroad	33	35	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 September 30,				For the nine months ended September 30,				For the year ended December 31,	
	2023	2022	2023	2022	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		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions									
Commitment for anticipated benefits at the beginning of the period	2,692	2,756	557	554	2,644	3,180	562	677	3,180	677
Cost of service	26	29	1	2	74	88	4	6	117	8
Cost of interest	28	23	6	4	83	57	18	12	81	13
Actuarial profit	(72)	(84)	(26)	(26)	(69)	(544)	(32)	(148)	(542)	(106)
Changes in foreign currency exchange rates	-	-	1	-	-	-	2	3	-	3
Benefits paid	(34)	(21)	(10)	(8)	(92)	(58)	(25)	(24)	(172)	(33)
Other	-	-	-	-	-	(20)	-	-	(20)	-
Commitment at the end of the period for anticipated benefits	**2,640**	**2,703**	**529**	**526**	**2,640**	**2,703**	**529**	**526**	**2,644**	**562**
Commitment at the end of the period for accumulated benefits[(1)]	**2,273**	**2,307**	**529**	**526**	**2,273**	**2,307**	**529**	**526**	**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 September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	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	1,264	1,253	1,219	1,384	1,384
Actual return on the plan's assets	11	(18)	51	(128)	(135)
Deposits to the plan	6	6	19	19	26
Benefits paid	(8)	(10)	(16)	(41)	(53)
An addition stemming from the merger of Municipal Bank	-	-	-	(3)	(3)
Fair value of the plan's assets at the end of the period	**1,273**	**1,231**	**1,273**	**1,231**	**1,219**
Financing status – net liability recognized at the end of the period	**(1,367)**	**(1,472)**	**(1,367)**	**(1,472)**	**(1,425)**

1.3 Amounts recognized in the consolidated balance sheet

	Unaudited				Audited	
	September 30				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"	(1,367)	(1,472)	(529)	(526)	(1,425)	(562)
Net liability at the end of the period	**(1,367)**	**(1,472)**	**(529)**	**(526)**	**(1,425)**	**(562)**

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

	Unaudited				Audited	
	September 30				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 (loss)	(551)	(682)	8	21	(665)	(22)
Net cost for prior service	-	-	(1)	(1)	-	(1)
Closing balances of accumulated other comprehensive income (loss)	**(551)**	**(682)**	**7**	**20**	**(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
	September 30		December 31
	2023	2022	2022
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for cumulative benefits	2,154	2,189	2,154
Fair value of the plan's assets	1,109	1,067	1,068

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

	Unaudited		Audited
	September 30		December 31
	2023	2022	2022
	Severance pay, retirement and pension payments		
	in NIS millions		
Commitment for anticipated benefits	2,640	2,703	2,644
Fair value of the plan's assets	1,273	1,231	1,219

2. Expense for the period

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

	Unaudited				Audited
	For the three months ended September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2023	2022	2022
	in NIS millions				
Severance pay, retirement and pension payments					
Cost of service	26	29	74	88	117
Cost of interest	28	23	83	57	81
Anticipated return on assets of the plan	(15)	(18)	(45)	(55)	(73)
Cost of prior service	–	–	–	(20)	(20)
Amortization of unrecognized amounts:					
Net actuarial loss	13	15	39	53	67
Total amortization of unrecognized amounts	**13**	**15**	**39**	**53**	**67**
Other, including loss from reduction or settlement	–	16	–	16	46
Total net cost of benefits	**52**	**65**	**151**	**139**	**218**
Total expense regarding defined deposits pension plans	**63**	**47**	**179**	**143**	**210**
Total expenses included for Severance pay, retirement and pension payments	**115**	**112**	**330**	**282**	**428**
Of which: expenses included in salaries and related expenses	89	76	253	231	327
Of which: expenses included in other expenses	26	36	77	51	101
Post retirement retiree benefits					
Cost of service	1	2	4	6	8
Cost of interest	6	4	18	12	13
Amortization of unrecognized amounts:					
Net actuarial income	–	(1)	(2)	–	(1)
Cost of prior service	–	(1)	–	(1)	(1)
Total amortization of unrecognized amounts	**-**	**(2)**	**(2)**	**(1)**	**(2)**
Total net cost of benefits	**7**	**4**	**20**	**17**	**19**
Of which: expenses included in salaries and related expenses	1	2	4	6	8
Of which: expenses included in other expenses	6	2	16	11	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 September 30,				For the nine months ended September 30,				For the year ended December 31,	
	2023	2022	2023	2022	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		Severance pay, retirement and pension payments	Post retirement retiree benefits
	in NIS millions									
Net actuarial income for the period	(68)	(48)	(26)	(26)	(75)	(358)	(32)	(148)	(331)	(106)
Amortization of actuarial income (loss)	(13)	(15)	-	1	(39)	(53)	2	-	(67)	1
Amortization of credit for prior service	-	-	-	1	-	-	-	1	-	1
Other, including loss from reduction or settlement	-	(16)	-	-	-	(16)	-	-	(46)	-
Total recognized in other comprehensive loss	**(81)**	**(79)**	**(26)**	**(24)**	**(114)**	**(427)**	**(30)**	**(147)**	**(444)**	**(104)**
Total net cost of benefits[1]	**52**	**65**	**7**	**4**	**151**	**139**	**20**	**17**	**218**	**19**
Total amount recognized in net cost of benefits and in other comprehensive income (loss)	**(29)**	**(14)**	**(19)**	**(20)**	**37**	**(288)**	**(10)**	**(130)**	**(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
	September 30		December 31	September 30		December 31
	2023	2022	2022	2023	2022	2022
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.88%-2.03%	1.57%-1.91%	1.64%-1.83%	1.97%-2.16%	1.42%-2.00%	1.76%-2.00%

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

	Unaudited		Audited	Unaudited		Audited
	September 30		December 31	September 30		December 31
	2023	2022	2022	2023	2022	2022
	Severance pay, retirement and pension payments			Post retirement retiree benefits		
Discount rate	1.69%-1.86%	0.09% -1.09%	0.46%-1.29%	1.81%-2.03%	-0.42% -1.31%	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		
	September 30		December 31	September 30		December 31	September 30		December 31	September 30		December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
	in NIS millions											
Discount rate	(205)	(220)	(237)	(38)	(105)	(43)	212	228	228	39	105	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 September 30,		For the nine months ended September 30,		For the year ended December 31,
	2023	2023	2022	2023	2022	2022
	Severance pay, retirement and pension payments					
	in NIS millions					
Deposits	7	6	6	19	19	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.** According to the amendment to Proper Conduct of Banking Business Directive No. 329, a banking corporation is required to increase their Common equity tier 1 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 according to the Provisional Instruction from April 27, 2020, the said requirement shall not apply to housing loans approved as from March 19, 2020 and until date of expiry of the Provisional Instruction (December 31, 2021). Housing loans approved as from the effective date of the provisional instruction, and for which, the additional capital requirement does not apply, as stated, amounted at September 30, 2023 to NIS 17,245 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. By June 30, 2023, the neutralized costs had been fully amortized, and the relief period ended on that date.

(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 110 million have been amortized to September 30, 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 94 million have been amortized to September 30, 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 24 million have been amortized to September 30, 2023.

D. Capital for calculating ratio of capital

	Unaudited		Audited
	September 30,		December 31,
	2023	2022	2022
	in NIS millions		
Common equity tier 1 after regulatory adjustments and deductions	(1)28,065	(1)24,653	(1)25,353
Additional tier 1 capital after deductions	-	-	-
Tier 1 capital	28,065	24,653	25,353
Tier 2 capital after deductions	7,498	6,360	6,878
Total capital	**35,563**	**31,013**	**32,231**

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

E. Weighted risk assets balance

	Unaudited		Audited
	September 30,		December 31,
	2023	2022	2022
	in NIS millions		
Credit risk(1)	243,711	220,019	225,052
Market Risk	5,079	4,294	3,633
CVA risk	2,514	2,154	2,077
Operational risk	19,601	15,979	16,685
Total weighted risk assets balance	**270,905**	**242,446**	**247,447**

Footnote:
(1) The total weighted balances of the risk assets have been reduced by NIS 179 million (September 30, 2022: NIS 276 million, December 31,2022: NIS 252 million) due to adjustments in respect to the efficiency plan and in respect of adjustments for higher capital requirements in respect of loans of increased risk, designated for the purchase of land (September 30, 2022: NIS 963 million, December 31, 2022: NIS 555 million).

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
	September 30,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Ratio of common equity tier 1 to risk assets	10.36	10.17	10.25
Ratio of total capital to risk assets	13.13	12.79	13.03
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(3)	9.19	9.19	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	12.13	10.86	11.07
Ratio of total capital to risk assets	14.55	13.68	13.66
Ratio of minimum common equity tier 1 required by the Supervisor of Banks(4)	9.23	9.21	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	14.48	13.49	14.12
Ratio of total capital to risk assets	15.43	14.41	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	13.00	12.50	12.40
Ratio of total capital to risk assets	14.10	13.60	13.50
Ratio of minimum common equity tier 1 required by the Supervisor of Banks	8.00	8.00	8.00
Minimum total capital adequacy ratio required by the Supervisor of Banks	11.5	11.5	11.5

Footnotes:

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

(2) IDB Bank 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% according to the additional capital requirements with respect to housing loans - see item 1 (b) above.

(4) With an addition of 0.23% (June 30, 2022: 0.21%, 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
	September 30,		December 31,
	2023	2022	2022
	in NIS millions		
A. Common Equity Tier 1			
Common equity	28,391	24,718	25,478
Difference between common equity and common equity tier 1	(398)	(233)	(262)
Total common equity tier 1 before supervisory adjustments and deductions	**27,993**	**24,485**	**25,216**
Supervisory adjustments and deductions			
Goodwill and other intangible assets	162	163	175
Supervisory adjustments and other deductions	21	29	25
Total supervisory adjustments and deductions before effect of adjustments for the efficiency plan and before effect of adjustment for expected credit losses	**183**	**192**	**200**
Total adjustments in respect to the efficiency plan	138	225	202
Total adjustments for expected credit losses	117	135	135
Total common equity tier 1 after supervisory adjustments and deductions	**28,065**	**24,653**	**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	4,311	3,483	3,942
Allowance for credit losses before deductions	3,078	2,777	2,839
Minority interests in a subsidiary	109	100	97
Total tier 2 capital before deductions	7,498	6,360	6,878
Deductions	-	-	-
Total tier 2 capital	**7,498**	**6,360**	**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
	September 30,		December 31,
	2023	2022	2022
	In %		
Ratio of Common Equity Tier 1 to risk items before effect of adjustments	10.26	9.97	10.07
Effect of the adjustments in respect to the efficiency plan[1]	0.06	0.10	0.11
Effect of adjustments for expected credit losses[2]	0.04	0.06	0.05
Effect of adjustments for increased risk loans for the purchase of land[3]	-	0.04	0.02
Ratio of common equity tier 1 to risk assets after the effect of the adjustments	10.36	10.17	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.

On November 16, 2023, a draft was published for the amendment of Proper Conduct of Banking Business Directive No. 218, in which it is proposed to extend the validity of the relief until December 31, 2025.

	Unaudited		Audited
	September 30,		December 31,
	2023	2022	2022
	in NIS millions		
A. Consolidated			
Tier 1 capital[1]	28,065	24,653	25,353
Total exposures	435,632	410,083	412,180
	In %		
Leverage ratio	6.4	6.0	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	7.3	5.7	5.9
Minimal Leverage ratio required by the Supervisor of Banks	4.5	4.5	4.5
2. Discount Bakcorp Inc.			
Leverage ratio	10.9	10.0	10.3
Minimal Leverage ratio required by the Supervisor of Banks	4.0	4.0	4.0
3. Israel Credit Cards LTD.			
Leverage ratio	9.5	9.1	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).

	Unaudited		Audited
	For the three months ended		
	September 30,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Liquidity coverage ratio	135.9	125.3	130.5
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0
B. The Bank			
Liquidity coverage ratio	153.4	136.7	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	145.4	135.1	134.2
Minimal Liquidity coverage ratio required by the Supervisor of Banks	100.0	100.0	100.0

Footnotes:

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

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

General. With effect from December 31, 2021, the Bank applies Proper Conduct of Banking Business Directive No. 222, "Net Stable Funding Ratio – NSFR", which adopts the recommendations of the Basel Committee with regard to a Net Stable Funding Ratio in the Israeli banking system. According to the directive, the objective of a Net Stable Funding Ratio is to improve the resilience of the liquidity risk profile of banking corporations in the long term by means of requiring from the banking corporations to maintain a stable funding profile according to the composition of their balance sheet assets and their off-balance sheet activities. The Net Stable Funding Ratio consists of two components: available stable funding items (the numerator) and required stable funding items (the denominator). "Available stable funding" is defined as that part of the capital and liabilities that can be relied upon over the time horizon taken into account in the Net Stable Funding Ratio, which lasts for one year. The Required amount of stable funding of a particular corporation is a function of the liquidity characteristics and the residual maturities of the various assets held by that corporation, as well as of its off-balance sheet exposures.

According to the directive, the required minimum Net Stable Funding Ratio stands at 100%.

	Unaudited		Audited
	September 30,		December 31,
	2023	2022	2022
	In %		
A. Consolidated			
Net stable funding ratio (NFSR)	120.8	121.4	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)	123.9	122.6	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
	September 30		December 31
	2023	2022	2022
	in NIS millions		
1. Commitment to acquire buildings and equipment[(1)]	259	614	515
2. Commitment to invest in private investment funds and in venture capital funds	902	783	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 743 million as of September 30, 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 10.1 to the financial statements as of December 31, 2022, described a lawsuit together with an application for its approval as a class action suit, filed on April 28, 2014 with the District Court Central Region against ICC and other credit card companies. The above application raises the allegation for two binding arrangements in the field of immediate debit cards ("debit") and pre-paid cards ("pre-paid"). A new application was filed on June 8, 2016, which assessed the damage for all defendants at approx. NIS 7 billion.

With the recommendation of the Court, the parties conducted negotiations in an effort to bring the case to an agreed conclusion. An application was filed with the Court on July 9, 2023, for the approval of a compromise arrangement between the Appellant and ICC and IsraCard. Following the signing of the compromise arrangement with ICC and IsraCard, MAX has also reached an arrangement with the Appellant. In view of the terms of the arrangement between the Appellant and MAX, ICC and IsraCard requested a respective amendment of their compromise arrangement, the parties having to file an amended application for approval of the compromise arrangement. The parties filed an agreed application, according to which the date for filing the amended compromise arrangement would be at the end of two weeks following the termination of the emergency situation.

3.2 Note 26 C 10.2 to the financial statements as of December 31, 2022, described a lawsuit together with a motion for its approval as a class action suit, filed with the Tel Aviv-Jaffa District Court against the Bank. The motion claims that the Bank charges customers entitled to be defined as a "small business", with fees and commissions that are not in agreement with the small business pricelist. It is further claimed that the Bank did not disclose to its business customers the option of being classified as a small business and the practical significance of such classification, a conduct that led to the charging of excess fees and commissions. The Claimants stated the amount of the claim at approx. NIS 261 million. On September 10, 2023, the parties informed of their intention to take part in the mediation proceedings.

3.3 Note 26 C 10.5 to the financial statements as of December 31, 2022, described four lawsuits filed with the Tel Aviv District Court against the Bank together with motions for their approval as class action suits. The lawsuits refer to a failure in the installation of a server on the PayBox payment application, a failure, which, as argued by the plaintiffs, caused them damages. A consolidated motion was filed on August 23, 2021, in one case, and on August 29, 2021, the three motions in the other cases were struck off. Hearing of evidence is set for March 5, 2024.

3.4 Note 26 C 10.6 to the financial statements as of December 31, 2022, described a statement of claim and a petition for its approval as a class action filed against the Bank and against two other banks, at the Tel Aviv District Court.

10. Contingent liabilities and special commitments (continued)

The claimant alleges, among other things, that the Bank has breached its duty of banking confidentiality in that it has granted international corporations, such as Facebook and Google, access to its digital platforms and is allowing them to gather private information on customers. The petitioner states that the amount of the damage caused to all the class action members cannot be assessed.

On September 27, 2023, the Court instructed deletion of items from the comments of the Appellants regarding the response by the banks. The Court also decided to admit the position of the Regulator regarding the issues in dispute. A hearing of the case is set for January 3, 2024

3.5 Note 26 C 10.7 to the financial statements as of December 31, 2022, described a claim together with an application for its approval as a class action filed on September 16, 2020, against MDB at the Jerusalem District Court. The Claimant alleges that as a condition for the grant of a state-guaranteed loan MDB requires to open a deposit from the loan funds, with id pledged to secure the repayment of the loan, namely that the amount of the loan actually received is the amount of the loan, net of the amount of the deposit. The Claimant also alleges that the loan documents do not mention the level of the effective interest, including all fees, interest and other payments that have to be made.

The group that the Claimant is seeking to represent is defined as follows: "any customer that took, in the last seven years, a loan from the Respondent, and the effective interest specified in the loan documents (as defined in the Supervisor of Banks's circular – Circular No. 2140-06-8) did not include all the fees and payments that the customer was required to pay". The Claimant has assessed the amount of the action for the whole group in the sum of approx. NIS 817 million, but it was noted that the exact amount will be determined once the material in MDB's possession is received.

A first hearing was held on December 8, 2021, following which, the Appellant informed that he accepts the advice of the Court to scale down the application for approval by forgoing the causes regarding coercive tied selling and regarding monetary deposits. The parties are in negotiations to reach a settlement.

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.

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. In its decision of May 28, 2023, the Court admitted the applications for refuting authority, stating that Israel does not constitute the proper forum for the hearing of the action against the Appellants. An appeal against this decision was filed on September 13, 2023.

4.2 On June 5, 2023, an application for approval of an action as a class action suit was delivered to the Bank, filed with the District Court-Central against Discount Bank and additional banks ("the Application"). Inter alia, it is being argued in the Application that the banks have to inform customers who have credit balances in their accounts, of the possibility to transfer such funds to an interest bearing daily deposit account, or automatically credit such customers with daily interest on their credit balances.

The damage claimed in the Application for the whole class amounts to over NIS 1 billion.

10. Contingent liabilities and special commitments (continued)

4.3 On June 25, 2023, a notice was delivered to the Bank of an action together with an application for its approval as a class action suit, filed with the Tel Aviv District Court against Discount Bank and against additional banks.

It is, inter alia, argued in the application that despite instructions granting the banks the right to raise the interest rate during the period of engagement under agreements between the bank and its customers, the bank is not permitted to raise the interest rate on current account debit balances, interest on loans, etc., at the same rate by which the Bank of Israel raised the interest, inter alia, because the said instructions constitute depriving stipulations in a uniform contract, and the banks may raise the interest rate only while maintaining a proper, reasonable and fair margin between the interest charged and the interest credited.

The argued amount of the class damage (in respect of all the Defendants) is NIS 5.8 billion.

4.4 On July 24, 2023, the Bank had been delivered a claim together with an application for its approval as a class action, which had been filed in the Tel Aviv District Court against Israel Discount Bank and additional banks ("the Respondents"). It is alleged in the application, inter alia, that the Respondents do not disclose to their customers, who contact them via the Internet/the app requesting to place their funds on deposit, that the interest offered to them over said channel is lower than the interest offered/customary at the Respondents in relation to the same type of deposit which is given to a customer who makes contact over another channel or who bargains with the Bank. The amount of the damages claimed by the whole class amounts to NIS 984 million and is attributable to all the respondent banks collectively.

4.5 On August 9, 2023, a copy was delivered to the Bank, of a claim and an application for its approval as a class action, filed in the Tel Aviv District Court against the Bank and additional banks ("the Respondents"). It is alleged in the application, inter alia, that the Respondents require borrowers taking out a mortgage to insure the mortgaged property under a building insurance policy and do not inform the borrowers that there is no legal obligation to insure the property in order to take out a mortgage on it.

4.6 On November 1, 2023, an application against the Bank was filed with the Tel Aviv District Court, for approval as a class action suit of a lawsuit, the subject matter of which is the unlawful charging to customers of a document preparation commission upon renewal of a bank guarantee that does not involve preparation of new or additional collateral, and this, as argued in the application, in contradiction of that stated in the pricelist of the Bank relating to large businesses and in contradiction to the exemption paragraph appearing therein. The Claimant has attached an opinion rendered by an expert on its behalf assessing the damaged caused to the class at NIS 201 million.

It is noted that similar lawsuits have been lodged against MDB and the Bank, as follows:

On August 7, 2017, a claim and a motion for its approval as a class action were filed at the District Court in Tel-Aviv against MDB. It is alleged in the motion that MDB charges fees for drawing up guarantee documents when extending a guarantee's validity, contrary to the contractual arrangement between the customer and the Bank, and it was notes that the estimated amount damages by all the members of the class is approx. NIS 24 million. On January 11, 2022, a ruling was given approving the conduct of the claim as a class action. The parties referred to mediation proceedings. An application for approval of the compromise agreement between the parties was filed with the Court on September 4, 2023.

A lawsuit against the Bank was filed with the Tel Aviv District Court on October 23, 2023, together with an application to approve it as a class action suit. Due to the lack of full information, the amount claimed was stated at over NIS 2.5 million. Notwithstanding the above, the Claimant attempted to quantify the total class damage, based upon realization guarantees data published in the financial statements of the Bank, at an estimated amount of NIS 127 million.

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 September 30, 2023, to NIS 1,830 million. The balance of the commitment for this project amounted at that date to NIS 132 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 February 28, 2023, 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		
	September 30, 2023			September 30, 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	6,184	11,933	18,117	6,121	(6)32,324	38,445	7,022	(6)27,591	34,613
Options written	-	1,185	1,185	12	1,009	1,021	1	1,152	1,153
Options purchased	-	803	803	12	1,009	1,021	1	1,011	1,012
Swaps(1)	35,984	179,270	215,254	33,685	153,986	187,671	35,073	153,515	188,588
Total(2)	**42,168**	**193,191**	**235,359**	**39,830**	**188,328**	**228,158**	**42,097**	**183,269**	**225,366**
Of which: Hedging derivatives(5)	12,696	-	12,696	9,317	-	9,317	10,109	-	10,109
Foreign currency contracts									
Forward and Futures contracts(3)	2,166	52,889	55,055	2,355	48,444	50,799	1,387	42,502	43,889
Options written	1,909	16,537	18,446	-	15,288	15,288	-	10,218	10,218
Options purchased	576	18,472	19,048	-	14,793	14,793	-	11,044	11,044
Swaps	45,108	95,144	140,252	36,158	99,527	135,685	34,032	105,180	139,212
Total	**49,759**	**183,042**	**232,801**	**38,513**	**178,052**	**216,565**	**35,419**	**168,944**	**204,363**
Contracts on shares									
Options written	9	11,137	11,146	75	8,025	8,100	27	7,661	7,688
Options purchased(4)	9	11,137	11,146	77	8,025	8,102	28	7,661	7,689
Swaps	-	3,797	3,797	-	791	791	-	925	925
Total	**18**	**26,071**	**26,089**	**152**	**16,841**	**16,993**	**55**	**16,247**	**16,302**
Commodities and other contracts									
Forward and Futures contracts	-	10	10	-	1,864	1,864	-	839	839
Options written	-	-	-	-	4	4	-	-	-
Options purchased	-	-	-	-	4	4	-	-	-
Total	**-**	**10**	**10**	**-**	**1,872**	**1,872**	**-**	**839**	**839**
Total stated amount	**91,945**	**402,314**	**494,259**	**78,495**	**385,093**	**463,588**	**77,571**	**369,299**	**446,870**

Footnotes:

(1) Of which: swaps on which the Bank pays a fixed interest	29,397	103,176	30,891
(2) Of which: shekel/CPI swaps	15,448	17,975	18,610
(3) Of which: spot foreign currency swap contracts	2,739	3,496	2,272
(4) Of which: traded on the Stock Exchange	11,146	(6)8,102	(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.

(7) Reclassified due to changes in the data.

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

A. Volume of activity on a consolidated basis (continued)

2. Gross fair value of derivative instruments

	Gross amount of assets for derivative instruments			Gross amount of liabilities for derivative instruments		
	Non-trading derivatives	Trading derivatives	Total	Non-trading derivatives	Trading derivatives	Total
	In NIS millions					
	Unaudited					
	September 30, 2023					
Interest rate contracts	1,013	5,481	6,494	583	5,005	5,588
Of which: Hedging	738	-	738	251	-	251
Foreign currency contracts	2,684	3,856	6,540	495	3,557	4,052
Contracts on shares	1	1,823	1,824	1	1,822	1,823
Commodities and other contracts	-	-	-	-	-	-
Total assets/liabilities for derivatives gross(1)	**3,698**	**11,160**	**14,858**	**1,079**	**10,384**	**11,463**
Balance sheet balance	3,698	11,160	14,858	1,079	10,384	11,463
Of which: not subject to net settlement arrangement or similar arrangements	40	1,702	1,742	19	1,694	1,713
	Unaudited					
	September 30, 2022					
Interest rate contracts	958	5,172	6,130	751	5,165	5,916
Of which: Hedging	588	-	588	156	-	156
Foreign currency contracts	1,736	5,297	7,033	572	4,797	5,369
Contracts on shares	2	441	443	2	441	443
Commodities and other contracts	-	-	-	-	-	-
Total assets/liabilities for derivatives gross(1)	**2,696**	**10,910**	**13,606**	**1,325**	**10,403**	**11,728**
Balance sheet balance	2,696	10,910	13,606	1,325	10,403	11,728
Of which: not subject to net settlement arrangement or similar arrangements	95	550	645	19	713	732
	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 1 million (September 30, 2022: NIS 5 million, December 31, 2022: NIS 3 million) positive gross fair value of assets stemming from embedded derivative instruments.
Of which: NIS 18 million (September 30, 2022: NIS 10 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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Interest income (expenses)				
	In NIS millions				
Profit (loss) on fair value hedge					
Interest rate contracts					
Hedged items	(125)	(215)	-	(442)	(465)
Hedging derivatives	128	210	21	427	454

2. Items hedged by fair value hedge

	Unaudited						Audited		
	September 30, 2023			September 30, 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	6,811	(457)	-	6,170	(401)	-	6,606	(407)	-
Deposits from the public	2,685	-	-	2,312	(120)	-	2,296	(109)	-
Bonds and subordinated debt notes	2,964	124	-	-	-	-	-	-	-

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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Profit (loss) recognized in accumulated other comprehensive income for the derivative				
	In NIS millions				
Hedge contract					
Interest rate	3	(8)	7	(27)	(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 September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Profit (loss) recognized in accumulated other comprehensive income for the derivative				
	In NIS millions				
Hedge contract					
Interest rate	6	2	16	1	4

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

	Unaudited				Audited
	For the three months ended September 30		For the nine months ended September 30		For the year ended December 31
	2023	2022	2023	2022	2022
	Profit (loss) recognized in income (expenses) from activity in derivative instruments[(1)]				
	In NIS millions				
Interest rate contracts	78	(63)	90	(325)	(289)
Foreign currency contracts	1,586	390	4,372	3,233	3,402
Contracts on shares	-	-	-	1	2
Total	**1,664**	**327**	**4,462**	**2,909**	**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
	Unaudited						
	In NIS millions						
	September 30, 2023						
Balance sheet balance of assets for derivative instruments[3]	97	4,179	54	-	3,379	7,149	14,858
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[6]	-	(2,161)	-	-	(518)	(3,824)	(6,503)
Credit risk mitigation for cash collateral received	-	(1,444)	(41)	-	(2,523)	(741)	(4,749)
Adjusting net balance sheet with balance sheet credit risk	-	5	-	-	-	(909)	(904)
Balance sheet credit risk for derivative instruments	**97**	**579**	**13**	**-**	**338**	**1,675**	**2,702**
Off-balance sheet credit risk for financial instruments[2]	1,869	1,653	25	20	1,728	1,655	6,950
Total credit risk for derivative instruments[5]	**1,966**	**2,232**	**38**	**20**	**2,066**	**3,330**	**9,652**
Balance sheet balance of liabilities for financial instruments[4]	1,651	3,782	1	237	851	4,941	11,463
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(2,161)	-	-	(518)	(3,824)	(6,503)
Pledged cash collateral	-	(970)	-	-	(266)	(137)	(1,373)
Net amount of liabilities for derivative instruments	**1,651**	**651**	**1**	**237**	**67**	**980**	**(3.587)**
	Unaudited						
	September 30, 2022						
Balance sheet balance of assets for derivative instruments[3]	118	4,564	63	-	[7]3,265	[7]5,596	13,606
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[6]	-	(2,923)	-	-	[7](651)	[7](4,021)	(7,595)
Credit risk mitigation for cash collateral received	-	(1,026)	(38)	-	-	(134)	(1,198)
Adjusting net balance sheet with balance sheet credit risk	-	(7)	-	-	[7](713)	[7](236)	(956)
Balance sheet credit risk for derivative instruments	**118**	**608**	**25**	**-**	**1,901**	**1,205**	**3,857**
Off-balance sheet credit risk for derivative instruments[1]	197	1,545	226	33	[7]655	[7]1,697	4,353
Total credit risk for derivative instruments[5]	**315**	**2,153**	**251**	**33**	**2,556**	**2,902**	**8,210**
Balance sheet balance of liabilities in respect of derivative instruments[4]	281	4,709	2	137	[7]1,026	[7]5,573	11,728
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(2,923)	-	-	[7](651)	[7](4,021)	(7,595)
Pledged cash collateral	-	(1,094)	-	(113)	-	-	(1,207)
Net amount of liabilities in respect of derivative instruments	**281**	**692**	**2**	**24**	**375**	**1,552**	**2,926**

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

C. Derivative Instruments credit risk based on the counterparty to the contract, on a consolidated basis (continued)

	Audited						
	December 31, 2022						
	Stock Exchange	Banks	Dealers/ brokers	Governments and central banks	Institutional bodies	Others	Total
	In NIS millions						
Balance sheet balance of assets for derivative instruments[3]	75	3,227	61	-	[7]2,381	[7]5,679	11,423
Gross amounts not offset in the balance sheet:							
Credit risk mitigation for financial instruments[6]	-	(1,728)	-	-	[7](207)	[7](3,680)	(5,615)
Credit risk mitigation for cash collateral received	-	(858)	(34)	-	[7](1,639)	[7](370)	(2,901)
Adjusting net balance sheet with balance sheet credit risk	-	-	-	-	-	(544)	(544)
Balance sheet credit risk for derivative instruments	**75**	**641**	**27**	**-**	**535**	**1,085**	**2,363**
Off-balance sheet credit risk for derivative instruments[1]	1,533	1,737	125	34	[7]1,536	[7]1,357	6,322
Total credit risk for derivative instruments[5]	**1,608**	**2,378**	**152**	**34**	**2,071**	**2,442**	**8,685**
Balance sheet balance of liabilities for derivative instruments[4]	925	3,115	1	113	[7]277	[7]4,925	9,356
Gross amounts not offset in the balance sheet:							
Financial instruments	-	(1,728)	-	-	[7](207)	[7](3,680)	(5,615)
Pledged cash collateral	-	(660)	-	(94)	[7](54)	[7](134)	(942)
Net amount of liabilities for derivative instruments	**925**	**727**	**1**	**19**	**16**	**1,111**	**2,799**

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 NIS14,857 million included in the item assets for derivative instruments (September 30, 2022: NIS 13,601 million, December 31, 2022: NIS 11,420 million).

(4) Of which: a balance sheet balance of standalone derivative instruments in the amount of NIS 11,445 million included in the item liabilities for derivative instruments (September 30, 2022: NIS 11,718 million, December 31, 2022: 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 6,503 million (September 30, 2022: NIS 7,595 million, December 31, 2022: 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				
	September 30, 2023				
Interest rate contracts					
Shekel/CPI	1,508	3,725	7,927	2,288	15,448
Other	16,749	74,802	87,156	41,204	219,911
Foreign currency contracts	136,590	74,895	15,681	5,635	232,801
Contracts on shares	23,181	2,814	94	-	26,089
Commodities and other contracts	7	3	-	-	10
Total	**178,035**	**156,239**	**110,858**	**49,127**	**494,259**
	Unaudited				
	September 30, 2022				
Total	**157,365**	**(1)138,619**	**110,604**	**57,000**	**463,588**
	Audited				
	December 31, 2022				
Total	**164,753**	**(1)120,261**	**107,975**	**53,881**	**446,870**

Reclassified due to changes in the data.

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.

12. Regulatory Operating Segments (continued)

B. Information on regulatory operating segments, consolidated

	Unaudited				
	For the three months ended September 30, 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	1,459	856	257	5	871
Interest expenses To external sources	339	-	-	210	311
Net interest income from external sources	1,120	856	257	(205)	560
Net interest income Intersegmental	181	(630)	(4)	302	127
Total net Interest income	1,301	226	253	97	687
Non-interest financing income from external sources	311	3	400	(322)	(94)
Non-interest financing income Intersegmental	218	-	-	342	244
Total Non-interest financing income	529	3	400	20	150
Total income	**1,830**	**229**	**653**	**117**	**837**
Credit loss expenses	138	12	80	(1)	168
Operating and other expenses	917	66	383	33	376
Profit (Loss) before taxes	**775**	**151**	**190**	**85**	**293**
Provision (decrease of provision) for taxes on profit	266	52	67	29	104
Profit (Loss) after taxes	**509**	**99**	**123**	**56**	**189**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit (Loss) from ordinary operations before Attributed to the non-controlling interests	509	99	123	56	189
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(29)	-	(29)	-	(3)
Net profit (Loss) Attributed to the bank's shareholders	**480**	**99**	**94**	**56**	**186**
Balance of average Assets	99,753	67,510	17,134	613	41,209
Of which - Investment in associates	-	-	-	-	-
Of which - Balance of average credit to the public(3)	98,688	67,556	16,563	544	40,649
Balance of credit to the public at the period end(3)	102,228	(4)68,283	19,261	(4)477	41,986
Balance of impaired non-accruing	426	243	145	-	630
Balance of debts in arrear for over ninety days	47	-	-	-	82
Balance of average Liabilities	100,016	168	3,064	21,871	53,076
Of which - Balance of average Deposits from the public	95,996	-	11	21,715	48,013
Balance of deposits from the public at the period end	94,829	-	11	23,775	47,007
Balance of average Risk-assets(1)	75,094	39,369	18,652	1,019	43,940
Balance of Risk-assets at the period end (1)	74,000	38,795	18,173	965	42,565
Balance of average assets under management(2)	38,450	390	-	27,165	32,528
Net interest income:					
Margin from credit activity to the public	603	193	249	2	378
Margin from deposits activity from the public	652	-	-	95	281
Other	46	33	4	-	28
Total net interest income	**1,301**	**226**	**253**	**97**	**687**

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 4,162 million.

					International operations	
Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
356	1,066	9	963	4,729	693	5,422
169	515	422	368	2,334	381	2,715
187	551	(413)	595	2,395	312	2,707
4	(184)	439	(869)	–	–	–
191	367	26	(274)	2,395	312	2,707
(109)	(80)	(293)	1,755	1,168	68	1,236
153	214	294	(1,465)	–	–	–
44	134	1	290	1,168	68	1,236
235	**501**	**27**	**16**	**3,563**	**380**	**3,943**
68	206	2	(4)	577	19	596
77	228	13	127	1,771	272	2,043
90	**67**	**12**	**(107)**	**1,215**	**89**	**1,304**
30	36	3	(41)	427	30	457
60	**31**	**9**	**(66)**	**788**	**59**	**847**
–	–	–	(17)	(17)	–	(17)
60	31	9	(83)	771	59	830
–	(3)	–	22	(13)	–	(13)
60	**28**	**9**	**(61)**	**758**	**59**	**817**
19,441	66,714	558	126,638	354,926	44,527	399,453
–	–	–	470	470	–	470
19,417	65,980	525	–	225,803	30,389	256,192
19,302	65,794	698	–	230,485	31,978	262,463
261	782	–	–	2,099	110	2,209
–	–	–	1,005	1,134	1	1,135
18,809	50,888	34,564	51,447	330,671	39,281	369,952
17,687	43,961	34,509	–	261,881	36,160	298,041
17,876	45,107	32,222	–	260,816	37,619	298,435
20,196	76,544	1,201	20,425	238,419	38,319	276,738
19,818	73,716	1,011	20,779	232,854	38,051	270,905
10,459	50,064	92,790	522	251,978	18,689	270,667
126	245	2	–	1,356	253	1,609
53	51	23	–	1,155	70	1,225
12	71	1	(274)	(116)	(11)	(127)
191	**367**	**26**	**(274)**	**2,395**	**312**	**2,707**

12. Regulatory Operating Segments (continued)

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

	Unaudited				
	For the three months ended September 30, 2022				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	1,072	647	184	4	568
Interest expenses To external sources	98	-	-	48	66
Net interest income from external sources	974	647	184	(44)	502
Net interest income Intersegmental	(142)	(456)	(5)	107	27
Total net Interest income	832	191	179	63	529
Non-interest financing income from external sources	556	2	358	(8)	127
Non-interest financing income Intersegmental	(69)	-	-	28	27
Total Non-interest financing income	487	2	358	20	154
Total income	**1,319**	**193**	**537**	**83**	**683**
Credit loss expenses (expenses release)	61	12	28	-	(22)
Operating and other expenses	847	60	370	31	339
Profit before taxes	**411**	**121**	**139**	**52**	**366**
Provision for taxes on profit	138	41	50	17	125
Profit after taxes	**273**	**80**	**89**	**35**	**241**
Bank's share in operating income of associates	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	273	80	89	35	241
Net Profit (loss) from ordinary operations Attributed to the non-controlling interests	(19)	-	(18)	-	(1)
Net profit Attributed to the bank's shareholders	**254**	**80**	**71**	**35**	**240**
Balance of average Assets	91,621	61,530	14,723	576	42,970
Of which - Investment in associates	-	-	-	-	-
Of which - Balance of average credit to the public(3)	90,672	61,505	14,183	485	42,355
Balance of credit to the public at the period end(3)	95,185	(4)62,721	17,319	(4)492	42,060
Balance of impaired non-accruing	309	233	36	-	452
Balance of debts in arrear for over ninety days	40	-	-	-	64
Balance of average Liabilities	98,921	145	3,050	18,981	55,861
Of which - Balance of average Deposits from the public	94,880	-	12	18,839	50,434
Balance of deposits from the public at the period end	94,702	-	11	20,893	48,359
Balance of average Risk-assets(1)	67,123	34,738	16,520	698	40,287
Balance of Risk-assets at the period end (1)	68,439	35,607	16,840	726	40,718
Balance of average assets under management(2)	35,835	370	-	22,311	35,989
Net interest income:					
Margin from credit activity to the public	(5)525	(5)181	(5)178	(5)2	(5)370
Margin from deposits activity from the public	291	-	-	61	149
Other	(5)16	(5)10	(5)1	(5)-	(5)10
Total net interest income	**832**	**191**	**179**	**63**	**529**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,838 million.
(5) Reclassified – Starting from this report, the theoretical interest on the equity attributable to each segment is presented on other margin instead of in margin from the activity of providing credit to the public. The comparative data have been reclassified accordingly.

						International operations	
	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	Total International operations	Total
	193	501	3	352	2,693	420	3,113
	42	165	129	181	729	104	833
	151	336	(126)	171	1,964	316	2,280
	(16)	(49)	145	(72)	–	–	–
	135	287	19	99	1,964	316	2,280
	2	(17)	(28)	345	977	50	1,027
	35	133	31	(185)	–	–	–
	37	116	3	160	977	50	1,027
	172	**403**	**22**	**259**	**2,941**	**366**	**3,307**
	17	26	5	2	89	17	106
	70	178	15	113	1,593	234	1,827
	85	**199**	**2**	**144**	**1,259**	**115**	**1,374**
	30	68	1	54	433	39	472
	55	**131**	**1**	**90**	**826**	**76**	**902**
	–	–	–	11	11	–	11
	55	131	1	101	837	76	913
	–	(2)	–	2	(20)	–	(20)
	55	**129**	**1**	**103**	**817**	**76**	**893**
	16,713	53,406	611	123,194	329,091	41,392	370,483
	–	–	–	477	477	–	477
	16,628	52,572	583	–	203,295	28,912	232,207
	16,986	54,195	752	–	209,670	30,362	240,032
	234	412	–	–	1,407	82	1,489
	1	1	–	372	478	3	481
	16,045	46,220	30,033	41,914	307,975	37,014	344,989
	14,868	42,254	30,020	–	251,295	35,354	286,649
	14,571	43,029	33,525	–	255,079	35,567	290,646
	16,714	58,783	861	19,045	203,511	34,438	237,949
	16,862	60,269	924	19,388	207,326	35,120	242,446
	9,232	51,905	86,483	560	242,315	14,857	257,172
	[5]101	[5]228	[5]–	–	[5]1,226	195	[5]1,421
	30	39	19	–	589	115	704
	[5]4	[5]20	[5]–	99	[5]149	6	[5]155
	135	**287**	**19**	**99**	**1,964**	**316**	**2,280**

12. Regulatory Operating Segments (continued)

B. Information on regulatory operating segments, consolidated

	Unaudited				
	For the nine months ended September 30, 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	4,322	2,613	698	16	2,542
Interest expenses To external sources	911	-	-	538	737
Net interest income from external sources	3,411	2,613	698	(522)	1,805
Net interest income Intersegmental	315	(1,942)	(13)	820	289
Total net Interest income	3,726	671	685	298	2,094
Non-interest financing income from external sources	821	8	1,125	(890)	(316)
Non-interest financing income Intersegmental	696	-	-	956	775
Total Non-interest financing income	1,517	8	1,125	66	459
Total income	**5,243**	**679**	**1,810**	**364**	**2,553**
Credit loss expenses (expenses release)	310	37	191	(1)	282
Operating and other expenses	2,730	190	1,196	96	1,080
Profit before taxes	**2,203**	**452**	**423**	**269**	**1,191**
Provision for taxes on profit	750	155	152	92	412
Profit after taxes	**1,453**	**297**	**271**	**177**	**779**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	1,453	297	271	177	779
Net Profit from ordinary operations Attributed to the non-controlling interests	(60)	-	(60)	-	(12)
Net Profit Attributed to the bank's shareholders	**1,393**	**297**	**211**	**177**	**767**
Balance of Average Assets	97,927	66,236	16,426	569	41,841
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public[3]	97,150	66,482	15,923	500	41,430
Balance of credit to the public at the period end[3]	102,228	[4]68,283	19,261	[4]477	41,986
Balance of impaired non-accruing	426	243	145	-	630
Balance of debts in arrear for over ninety days	47	-	-	-	82
Balance of Average Liabilities	99,522	116	3,010	22,385	53,504
Of which - Balance of Average Deposits from the public	95,336	-	11	22,251	47,855
Balance of deposits from the public at the period end	94,829	-	11	23,775	47,007
Balance of Average Risk-assets[1]	72,960	38,303	17,820	949	42,641
Balance of Risk-assets at the period end[1]	74,000	38,795	18,173	965	42,565
Balance of Average assets under management[2]	36,524	386	-	25,649	31,554
Net interest income:					
Margin from credit activity to the public	1,738	583	676	4	1,169
Margin from deposits activity from the public	1,862	-	-	293	851
Other	126	88	9	1	74
Total net interest income	**3,726**	**671**	**685**	**298**	**2,094**

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 4,162 million.

	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
	1,002	2,941	20	2,659	13,502	1,947	15,449
	419	1,401	1,061	1,008	6,075	993	7,068
	583	1,540	(1,041)	1,651	7,427	954	8,381
	(31)	(402)	1,109	(2,100)	–	–	–
	552	1,138	68	(449)	7,427	954	8,381
	(234)	(148)	(546)	5,047	3,734	170	3,904
	354	511	552	(3,844)	–	–	–
	120	363	6	1,203	3,734	170	3,904
	672	**1,501**	**74**	**754**	**11,161**	**1,124**	**12,285**
	129	375	2	2	1,099	13	1,112
	221	609	46	389	5,171	773	5,944
	322	**517**	**26**	**363**	**4,891**	**338**	**5,229**
	110	201	9	156	1,730	116	1,846
	212	**316**	**17**	**207**	**3,161**	**222**	**3,383**
	–	–	–	(21)	(21)	–	(21)
	212	316	17	186	3,140	222	3,362
	(3)	(13)	–	(1)	(89)	–	(89)
	209	**303**	**17**	**185**	**3,051**	**222**	**3,273**
	18,653	63,764	530	124,004	347,288	44,003	391,291
	–	–	–	482	482	–	482
	18,675	62,922	499	–	221,176	29,767	250,943
	19,302	65,794	698	–	230,485	31,978	262,463
	261	782	–	–	2,099	110	2,209
	–	–	–	1,005	1,134	1	1,135
	17,735	51,474	30,280	48,911	323,811	38,975	362,786
	16,415	45,877	30,237	–	257,971	36,230	294,201
	17,876	45,107	32,222	–	260,816	37,619	298,435
	19,138	72,728	1,155	20,835	230,406	36,241	266,647
	19,818	73,716	1,011	20,779	232,854	38,051	270,905
	9,323	48,294	91,108	512	242,964	17,833	260,797
	360	769	3	–	4,043	613	4,656
	160	184	62	–	3,412	350	3,762
	32	185	3	(449)	(28)	(9)	(37)
	552	**1,138**	**68**	**(449)**	**7,427**	**954**	**8,381**

12. Regulatory Operating Segments (continued)

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

	Unaudited				
	For the nine months ended September 30, 2022				
	Domestic operations				
	Households			Private Banking	Small and minute businesses
	Total	Of which - Housing loans	Of which - Credit cards		
	in NIS millions				
Interest income from external sources	2,981	1,842	524	10	1,422
Interest expenses To external sources	224	-	-	76	116
Net interest income from external sources	2,757	1,842	524	(66)	1,306
Net interest income Intersegmental	(725)	(1,305)	(14)	179	23
Total net Interest income	2,032	537	510	113	1,329
Non-interest financing income from external sources	784	8	1,015	(829)	(353)
Non-interest financing income Intersegmental	616	-	-	891	806
Total Non-interest financing income	1,400	8	1,015	62	453
Total income	**3,432**	**545**	**1,525**	**175**	**1,782**
Credit loss expenses (expenses release)	173	45	61	1	(8)
Operating and other expenses	2,475	192	1,088	79	992
Profit before taxes	**784**	**308**	**376**	**95**	**798**
Provision for taxes on profit	245	103	136	31	265
Profit after taxes	**539**	**205**	**240**	**64**	**533**
Bank's share in profits of Associates, net of tax effect	-	-	-	-	-
Net Profit from ordinary operations before Attributed to the non-controlling interests	539	205	240	64	533
Net Profit (Loss) from ordinary operations Attributed to the non-controlling interests	(50)	-	(49)	-	(4)
Net Profit Attributed to the bank's shareholders	**489**	**205**	**191**	**64**	**529**
Balance of Average Assets	87,729	58,042	14,079	540	41,004
Of which - Investment in Associates	-	-	-	-	-
Of which - Balance of Average credit to the public(3)	86,628	58,085	13,589	479	40,421
Balance of credit to the public at the period end(3)	95,185	(4)62,721	17,319	(4)492	42,060
Balance of impaired non-accruing	309	233	36	-	452
Balance of debts in arrear for over ninety days	40	-	-	-	64
Balance of Average Liabilities	97,255	131	2,918	19,063	54,395
Of which - Balance of Average Deposits from the public	93,064	-	12	18,945	49,280
Balance of deposits from the public at the period end	94,702	-	11	20,893	48,359
Balance of Average Risk-assets(1)	64,487	33,004	15,886	638	39,417
Balance of Risk-assets at the period end (1)	68,439	35,607	16,840	726	40,718
Balance of Average assets under management(2)	36,377	366	-	24,107	34,533
Net interest income:					
Margin from credit activity to the public	(5)1,516	(5)522	(5)508	(5)4	(5)1,066
Margin from deposits activity from the public	493	-	-	109	249
Other	(5)23	(5)15	(5)2	(5)-	(5)14
Total net interest income	**2,032**	**537**	**510**	**113**	**1,329**

Footnotes:
(1) Risk weighted assets – as computed for capital adequacy purposes.
(2) Managed assets – including assets of provident funds, further education funds, mutual funds and customer securities.
(3) Outstanding balance of credit to the public- the recorded amount of the debt is presented.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,838 million.
(5) Reclassified – Starting from this report, the theoretical interest on the equity attributable to each segment is presented on other margin instead of in margin from the activity of providing credit to the public. The comparative data have been reclassified accordingly.

	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
	482	1,233	6	643	6,777	993	7,770
	68	249	201	514	1,448	169	1,617
	414	984	(195)	129	5,329	824	6,153
	(66)	(227)	236	580	–	–	–
	348	757	41	709	5,329	824	6,153
	(435)	(351)	(643)	4,795	2,968	169	3,137
	541	686	652	(4,192)	–	–	–
	106	335	9	603	2,968	169	3,137
	454	**1,092**	**50**	**1,312**	**8,297**	**993**	**9,290**
	12	7	2	2	189	(12)	177
	205	506	43	333	4,633	617	5,250
	237	**579**	**5**	**977**	**3,475**	**388**	**3,863**
	79	191	1	350	1,162	128	1,290
	158	**388**	**4**	**627**	**2,313**	**260**	**2,573**
	–	–	–	30	30	–	30
	158	388	4	657	2,343	260	2,603
	(1)	(5)	–	13	(47)	–	(47)
	157	**383**	**4**	**670**	**2,296**	**260**	**2,556**
	16,327	52,166	649	114,352	312,767	40,164	352,931
	–	–	–	463	463	–	463
	16,338	51,448	615	–	195,929	27,610	223,539
	16,986	54,195	752	–	209,670	30,362	240,032
	234	412	–	–	1,407	82	1,489
	1	1	–	372	478	3	481
	15,507	43,594	24,823	38,052	292,689	36,096	328,785
	14,432	39,808	24,788	–	240,317	35,022	275,339
	14,571	43,029	33,525	–	255,079	35,567	290,646
	16,416	55,811	737	18,359	195,865	33,090	228,955
	16,862	60,269	924	19,388	207,326	35,120	242,446
	9,470	55,155	88,833	414	248,889	13,809	262,698
	[5]293	[5]657	[5]3	–	[5]3,539	546	[5]4,085
	49	70	38	–	1,008	229	1,237
	[5]6	[5]30	[5]–	709	[5]782	49	[5]831
	348	**757**	**41**	**709**	**5,329**	**824**	**6,153**

12. Regulatory Operating Segments (continued)

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 (expenses release)	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(Loss) from ordinary operations before Attributed to the non-controlling interests	916	294	325	112	727
Net Profit (loss) 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	[5]2,064	[5]715	[5]704	[5]7	[5]1,440
Margin from deposits activity from the public	966	-	-	193	484
Other	[5]51	[5]34	[5]4	[5]1	[5]31
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.
(4) Including housing loans to small and minute business customers with an outstanding credit balance at the end of the period of NIS 3,992 million.
(5) Reclassified – Starting from this report, the theoretical interest on the equity attributable to each segment is presented on other margin instead of in margin from the activity of providing credit to the public. The comparative data have been reclassified accordingly.

	Medium businesses	Large businesses	Institutional bodies	Financial management	Total Domestic operations	International operations Total International operations	Total
	710	1,946	9	1,250	10,178	1,522	11,700
	141	558	445	686	2,632	375	3,007
	569	1,388	(436)	564	7,546	1,147	8,693
	(66)	(263)	501	52	–	–	–
	503	1,125	65	616	7,546	1,147	8,693
	(411)	(62)	(527)	5,087	4,050	201	4,251
	556	513	539	(4,209)	–	–	–
	145	451	12	878	4,050	201	4,251
	648	**1,576**	**77**	**1,494**	**11,596**	**1,348**	**12,944**
	35	70	(2)	–	415	(8)	407
	281	703	59	465	6,383	834	7,217
	332	**803**	**20**	**1,029**	**4,798**	**522**	**5,320**
	110	270	6	387	1,632	174	1,806
	222	**533**	**14**	**642**	**3,166**	**348**	**3,514**
	–	–	–	27	27	–	27
	222	533	14	669	3,193	348	3,541
	(1)	(5)	–	33	(46)	–	(46)
	221	**528**	**14**	**702**	**3,147**	**348**	**3,495**
	16,400	53,485	630	117,756	318,893	40,776	359,669
	–	–	–	466	466	–	466
	16,432	52,872	599	–	199,138	28,146	227,284
	17,224	58,407	416	–	215,179	29,109	244,288
	190	339	–	–	1,439	81	1,520
	1	–	–	664	777	2	779
	15,908	45,147	26,545	39,769	298,339	36,562	334,901
	14,775	41,171	26,515	–	244,295	35,024	279,319
	15,093	48,002	29,655	–	256,857	35,436	292,293
	16,549	57,782	767	18,279	199,284	33,370	232,654
	17,082	65,667	886	17,950	212,953	34,494	247,447
	9,276	54,756	87,877	461	245,833	14,252	260,085
	[5]392	[5]921	[5]3	–	[5]4,827	727	[5]5,554
	98	137	61	–	1,939	384	2,323
	[5]13	[5]67	[5]1	616	[5]780	36	[5]816
	503	**1,125**	**65**	**616**	**7,546**	**1,147**	**8,693**

13. Managerial Operating Segments

	Retail banking[2]	Middle market banking	Corporate banking	Financial management	Discount Capital[1]	Discount Bancorp[1]	Israel Credit Cards[1]	other	Adjustments	Total
	Unaudited									
	In NIS millions									
	For the three months ended September 30, 2023									
Net interest income	1,694	249	460	(235)	7	317	212	3	-	2,707
Non-interest income	308	31	108	184	83	66	489	19	(52)	1,236
Total income	**2,002**	**280**	**568**	**(51)**	**90**	**383**	**701**	**22**	**(52)**	**3,943**
Credit loss expenses	210	127	149	(1)	-	19	93	-	(1)	596
Operating and other expenses	897	82	191	95	11	269	[4]502	50	(54)	2,043
Income (loss) before taxes	895	71	228	(145)	79	95	106	(28)	3	1,304
Provision for taxes on income	305	24	79	(45)	23	31	36	3	1	457
Income (loss) after taxes	590	47	149	(100)	56	64	70	(31)	2	847
Bank's share in profits of Associates, net of tax effect	-	-	-	3	(18)	-	-	-	(2)	(17)
Net income (loss) before attributed to the non-controlling interests	590	47	149	(97)	38	64	70	(31)	-	830
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(22)	9	-	(13)
Net income (loss) attributed to the Bank's shareholders	**590**	**47**	**149**	**(97)**	**38**	**64**	**48**	**(22)**	**-**	**817**
Balance of Assets	114,739	31,802	80,288	128,322	2,656	47,582	20,455	15,333	(41,975)	399,202
Balance of credit to the public	113,274	32,305	72,689	-	95	31,977	19,254	-	(7,131)	262,463
Balance of deposits from the public	164,175	27,841	68,965	13,279	-	37,628	11	641	(14,105)	298,435
	For the three months ended September 30, 2022									
Net interest income	1,122	213	337	113	5	318	169	1	2	2,280
Non-interest income	302	39	117	48	17	53	495	18	(62)	1,027
Total income	**1,424**	**252**	**454**	**161**	**22**	**371**	**664**	**19**	**(60)**	**3,307**
Credit loss expenses	9	38	13	-	-	17	29	-	-	106
Operating and other expenses	798	90	155	81	13	235	481	32	(58)	1,827
Income (loss) before taxes	617	124	286	80	9	119	154	(13)	(2)	1,374
Provision for taxes (tax saving) on income	202	43	96	28	4	39	58	3	(1)	472
Income (loss) after taxes	415	81	190	52	5	80	96	(16)	(1)	902
Bank's share in profits of Associates, net of tax effect	(1)	-	-	1	10	-	1	-	-	11
Net income (loss) before attributed to the non-controlling interests	414	81	190	53	15	80	97	(16)	(1)	913
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(31)	10	1	(20)
Net income (loss) attributed to the Bank's shareholders	**414**	**81**	**190**	**53**	**15**	**80**	**66**	**(6)**	**-**	**893**
Balance of Assets	109,201	30,818	66,561	131,761	2,583	43,823	18,564	14,793	(39,030)	379,074
Balance of credit to the public	107,925	30,946	59,787	-	90	30,362	17,450	-	(6,528)	240,032
Balance of deposits from the public	161,959	30,012	63,665	12,790	-	35,568	10	471	(13,829)	290,646

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

13. Managerial Operating Segments (continued)

	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 nine months ended September 30, 2023									
Net interest income	4,985	759	1,372	(356)	28	963	609	20	1	8,381
Non-interest income	914	103	361	654	137	168	1,660	58	(151)	3,904
Total income	**5,899**	**862**	**1,733**	**298**	**165**	**1,131**	**2,269**	**78**	**(150)**	**12,285**
Credit loss expenses (expenses release)	337	136	439	-	-	13	187	-	-	1,112
Operating and other expenses	2,576	255	533	274	35	772	1,527	123	(151)	5,944
Income(loss) before taxes	2,986	471	761	24	130	346	555	(45)	1	5,229
Provision for taxes on income	1,009	160	260	24	39	116	227	11	-	1,846
Income (loss) after taxes	1,977	311	501	-	91	230	328	(56)	1	3,383
Bank's share in profits of Associates, net of tax effect	1	-	-	6	(26)	-	1	-	(3)	(21)
Net income (loss) before attributed to the non-controlling interests	1,978	311	501	6	65	230	329	(56)	(2)	3,362
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(119)	28	2	(89)
Net income (loss) attributed to the Bank's shareholders	**1,978**	**311**	**501**	**6**	**65**	**230**	**210**	**(28)**	**-**	**3,273**
Balance of Assets	114,739	31,802	80,288	128,322	2,656	47,582	20,455	15,333	(41,975)	399,202
Balance of credit to the public	113,274	32,305	72,689	-	95	31,977	19,254	-	(7,131)	262,463
Balance of deposits from the public	164,175	27,841	68,965	13,279	-	37,628	11	641	(14,105)	298,435
	For the nine months ended September 30, 2022									
Net interest income	2,647	564	880	721	10	825	501	2	3	6,153
Non-interest income	899	113	348	11	134	169	1,332	296	(165)	3,137
Total income	**3,546**	**677**	**1,228**	**732**	**144**	**994**	**1,833**	**298**	**(162)**	**9,290**
Credit expenses (loss expenses)	136	30	(33)	-	1	(12)	55	-	-	177
Operating and other expenses	2,310	269	450	236	42	620	1,396	89	(162)	5,250
Income before taxes	1,100	378	811	496	101	386	382	209	-	3,863
Provision for taxes on income	332	126	268	196	37	128	143	60	-	1,290
Income) after taxes	768	252	543	300	64	258	239	149	-	2,573
Bank's share in profits of Associates, net of tax effect	-	-	-	4	26	-	2	-	(2)	30
Net income (loss) before attributed to the non-controlling interests	768	252	543	304	90	258	241	149	(2)	2,603
Net income (loss) attributed to the non-controlling interests	-	-	-	-	-	-	(76)	27	2	(47)
Net income attributed to the Bank's shareholders	**768**	**252**	**543**	**304**	**90**	**258**	**165**	**176**	**-**	**2,556**
Balance of Assets	109,201	30,818	66,561	131,761	2,583	43,823	18,564	14,793	(39,030)	379,074
Balance of credit to the public	107,925	30,946	59,787	-	90	30,362	17,450	-	(6,528)	240,032
Balance of deposits from the public	161,959	30,012	63,665	12,790	-	35,568	10	471	(13,829)	290,646

footnotes:

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

13. Managerial Operating Segments (continued)

	Audited									
	For the year ended December 31, 2022									
	Retail banking	Middle market banking	Corporate banking	Financial management	Discount Capital(1)	Discount Bancorp(1)	Israel Credit Cards(1)	other	Adjustments	Total
	In NIS millions									
Net interest income	4,089	809	1,287	651	16	1,151	680	5	5	8,693
Non-interest income	1,192	152	463	256	138	199	1,753	317	(219)	4,251
Total income	**5,281**	**961**	**1,750**	**907**	**154**	**1,350**	**2,433**	**322**	**(214)**	**12,944**
Credit (expenses) loss expenses	183	90	44	-	1	(8)	97	-	-	407
Operating and other expenses	3,197	370	623	329	54	837	1,895	126	(214)	7,217
Income before taxes	1,901	501	1,083	578	99	521	441	196	-	5,320
Provision for taxes on income	601	168	361	238	36	174	166	62	-	1,806
Income after taxes	1,300	333	722	340	63	347	275	134	-	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	1,301	333	722	345	85	347	277	134	(3)	3,541
Net income(loss) attributed to the non-controlling interests	-	-	-	-	-	-	(87)	38	3	(46)
Net income attributed to the Bank's shareholders	**1,301**	**333**	**722**	**345**	**85**	**347**	**190**	**172**	**-**	**3,495**
Balance of Assets	110,962	31,144	68,081	125,777	2,572	44,031	18,546	13,671	(38,030)	376,754
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. Change in the balance of the allowance for credit losses

	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 September 30, 2023					
Balance of allowance for credit losses, as at June 30, 2023	2,822	302	908	4,032	36	4,068
Expenses (expense release) for credit loss	464	10	126	600	(4)	596
Accounting write-offs	(102)	(1)	(140)	(243)	-	(243)
Collection of debts written-off in previous years	61	-	70	131	-	131
Net accounting write-offs	(41)	(1)	(70)	(112)	-	(112)
Adjustments from translation of financial statements	9	1	(1)	9	-	9
Balance of allowance for credit losses, as at September 30, 2023	**3,254**	**312**	**963**	**4,529**	**32**	**4,561**
Of which: For off-balance sheet credit instruments	391	18	86	495	5	500
	Three months ended September 30, 2022					
Balance of allowance for credit losses, as at June 30, 2022	2,390	254	803	3,447	30	3,477
Expenses for credit loss	41	12	50	103	3	106
Accounting write-offs	(96)	-	(81)	(177)	-	(177)
Collection of debts written-off in previous years	94	-	62	156	-	156
Net accounting write-offs	(2)	-	(19)	(21)	-	(21)
Adjustments from translation of financial statements	4	-	-	4	-	4
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384
	Nine months ended September 30, 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)]	16	-	34	50	-	50
Expenses for credit loss	810	27	273	1,110	2	1,112
Accounting write-offs	(299)	(2)	(375)	(676)	(1)	(677)
Collection of debts written-off in previous years	179	-	211	390	-	390
Net accounting write-offs	(120)	(2)	(164)	(286)	(1)	(287)
Adjustments from translation of financial statements	23	2	(1)	24	-	24
Balance of allowance for credit losses, as at September 30, 2023	**3,254**	**312**	**963**	**4,529**	**32**	**4,561**
Of which: For off-balance sheet credit instruments	391	18	86	495	5	500
	Nine months ended September 30, 2022					
Balance of allowance for credit losses, as at December 31, 2021 (audited)	2,258	258	773	3,289	22	3,311
Adjustment to the opening balance due to the effect of the initial application[(1)]	183	(32)	-	151	9	160
Expenses for credit loss	-	46	129	175	2	177
Accounting write-offs	(266)	(7)	(262)	(535)	-	(535)
Collection of debts written-off in previous years	223	-	193	416	-	416
Net accounting write-offs	(43)	(7)	(69)	(119)	-	(119)
Adjustments from translation of financial statements	35	1	1	37	-	37
Balance of allowance for credit losses, as at September 30, 2022	**2,433**	**266**	**834**	**3,533**	**33**	**3,566**
Of which: For off-balance sheet credit instruments	269	19	94	382	2	384

Footnote:
(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).

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

	Unaudited					
	September 30, 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	24,816	227	798	25,841	13	25
Construction and Real Estate - Real Estate Activity	14,204	57	233	14,494	1	15
Financial Services	16,533	1	21	16,555	-	-
Commercial - Other	64,431	1,670	539	66,640	68	128
Total Commercial	**119,984**	**1,955**	**1,591**	**123,530**	**82**	**168**
Private Individuals - Housing Loans	68,243	94	243	68,580	-	360
Private Individuals - Other Loans	33,366	449	183	33,998	47	145
Total Public - Activity in Israel	**221,593**	**2,498**	**2,017**	**226,108**	**129**	**673**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,796	1,778	75	13,649	-	-
Commercial - Other	18,827	2,163	117	21,107	1	80
Total Commercial	**30,623**	**3,941**	**192**	**34,756**	**1**	**80**
Private Individuals	1,544	55	-	1,599	-	3
Total Public - Activity Abroad	**32,167**	**3,996**	**192**	**36,355**	**1**	**83**
Total public	**253,760**	**6,494**	**2,209**	**262,463**	**130**	**756**

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 (continued)

	Unaudited					
	September 30, 2022					
		Problematic[1]			Unimpaired debts – additional information	
	Performing	Accruing[4]	Non-accruing[4]	Total	In Arrears of 90 Days or More[4]	In Arrears of 30 to 89 Days[5][4]
	In NIS millions					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate - Construction	21,158	205	246	21,609	14	74
Construction and Real Estate - Real Estate Activity	14,155	112	211	14,478	1	10
Financial Services	13,751	23	25	13,799	2	1
Commercial - Other	57,867	1,308	547	59,722	49	114
Total Commercial	**106,931**	**1,648**	**1,029**	**109,608**	**66**	**199**
Private Individuals - Housing Loans	62,730	73	233	63,036	-	287
Private Individuals - Other Loans	31,951	336	110	32,397	40	151
Total Public - Activity in Israel	**201,612**	**2,057**	**1,372**	**205,041**	**106**	**637**
Lending Activity Abroad						
Public - Commercial						
Construction and Real Estate	11,219	533	27	11,779	-	-
Commercial - Other	19,972	1,395	124	21,491	3	1
Total Commercial	**31,191**	**1,928**	**151**	**33,270**	**3**	**1**
Private Individuals	1,673	48	-	1,721	-	-
Total Public - Activity Abroad	**32,864**	**1,976**	**151**	**34,991**	**3**	**1**
Total public	**234,476**	**4,033**	**1,523**	**240,032**	**109**	**638**

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 (continued)

	Audited					
	December 31, 2022					
		Problematic[1]			Unimpaired debts – additional information	
	Performing	Accruing	Non-accruing	Total	In Arrears of 90 Days or More[4]	In Arrears of 30 to 89 Days[5]
	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 337 million, were classified as problematic debts (September 30, 2022 - NIS 209 million, December 31, 2022 - NIS 229 million).

(4) 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

	Unaudited								
	September 30, 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	**13,611**	**9,441**	**5,727**	**1,789**	**1,254**	**1,469**	**7,044**	**-**	**40,335**
Credit performance rating	13,549	9,279	5,115	1,547	1,209	1,374	6,668	-	38,741
Non problematic credit having no credit performance rating	53	37	31	20	10	18	110	-	279
Accruing problematic credit	9	38	12	18	5	41	161	-	284
Non-accruing credit	-	87	569	204	30	36	105	-	1,031
Total commercial - Other	**17,152**	**12,510**	**7,961**	**5,274**	**2,914**	**7,751**	**29,633**	**-**	**83,195**
Credit performance rating	16,700	11,851	7,299	5,030	2,776	7,490	28,632	-	79,778
Non problematic credit having no credit performance rating	281	227	138	85	42	42	371	-	1,186
Accruing problematic credit	136	225	489	94	60	124	543	-	1,671
Non-accruing credit	35	207	35	65	36	95	87	-	560
Total private Individuals - Housing Loans	**7,086**	**16,473**	**15,357**	**8,158**	**5,483**	**16,023**	**-**	**-**	**68,580**
LTV up to 60%	4,282	8,478	9,171	5,140	3,572	10,750	-	-	41,393
LTV over 60% up to 75%	2,795	7,965	6,117	2,948	1,878	4,791	-	-	26,494
LTV over 75%	9	30	69	70	33	482	-	-	693
Credit not in arrears and in credit performance rating	7,035	16,388	15,262	8,093	5,426	15,733	-	-	67,937
Credit not in arrears and not in credit performance rating	15	7	-	8	9	1	-	-	40
In arrears of 30 to 89 days	35	64	68	34	28	131	-	-	360
Non-accruing credit	1	14	27	23	20	158	-	-	243
Total private Individuals - Other Loans	**12,976**	**6,175**	**2,848**	**967**	**620**	**514**	**9,898**	**-**	**33,998**
Credit not in arrears and in credit performance rating	12,369	5,580	2,548	859	547	447	9,094	-	31,444
Credit not in arrears and not in credit performance rating	509	513	262	92	64	51	688	-	2,179
In arrears of 30 to 89 days	34	32	17	7	3	3	49	-	145
In arrears of 90 days or over	4	7	4	2	2	-	28	-	47
Non-accruing credit	60	43	17	7	4	13	39	-	183
Total Credit to the public - Activity in Israel	**50,825**	**44,599**	**31,893**	**16,188**	**10,271**	**25,757**	**46,575**	**-**	**226,108**
Total Credit to the public - Activity Abroad	**6,337**	**4,685**	**4,894**	**1,775**	**1,952**	**2,634**	**13,504**	**574**	**36,355**
Non-problematic credit	6,088	4,251	4,665	1,376	1,259	2,333	11,883	312	32,167
Accruing problematic credit	249	411	203	399	620	262	1,590	262	3,996
Non-accruing credit	-	23	26	-	73	39	31	-	192
Total Credit to the public	**57,162**	**49,284**	**36,787**	**17,963**	**12,223**	**28,391**	**60,079**	**574**	**262,463**

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								
	September 30, 2022[1][2]								
	Recorded amount of fixed-time credit to the public								
	2022	2021	2020	2019	2018	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**12,939**	**10,063**	**3,093**	**1,789**	**690**	**1,153**	**6,360**	**-**	**36,087**
Credit performance rating	12,622	9,862	2,968	1,708	660	1,074	5,316	-	34,210
Non problematic credit having no credit performance rating	128	109	59	29	11	27	740	-	1,103
Accruing problematic credit	71	35	37	41	12	34	87	-	317
Non-accruing credit	118	57	29	11	7	18	217	-	457
Total commercial - Other	**19,861**	**11,465**	**7,551**	**4,730**	**2,445**	**7,126**	**22,495**	**-**	**75,673**
Credit performance rating	19,116	10,850	7,115	4,479	2,227	6,874	21,316	-	71,977
Non problematic credit having no credit performance rating	424	228	194	127	45	106	676	-	1,800
Accruing problematic credit	187	360	151	86	165	70	312	-	1,331
Non-accruing credit	134	27	91	38	8	76	191	-	565
Total private Individuals - Housing Loans	**14,443**	**16,446**	**8,670**	**5,734**	**4,290**	**13,453**	**-**	**-**	**63,036**
LTV up to 60%	8,681	9,992	5,527	3,813	2,862	9,005	-	-	39,880
LTV over 60% up to 75%	5,726	6,378	3,085	1,887	1,411	3,907	-	-	22,394
LTV over 75%	36	76	58	34	17	541	-	-	762
Credit not in arrears and in credit performance rating	14,376	16,361	8,613	5,674	4,209	13,012	-	-	62,245
Credit not in arrears and not in credit performance rating	19	39	16	19	32	146	-	-	271
In arrears of 30 to 89 days	41	34	30	28	30	124	-	-	287
Non-accruing credit	7	12	11	13	19	171	-	-	233
Total private Individuals - Other Loans	**4,217**	**3,944**	**1,641**	**1,151**	**498**	**339**	**6,994**	**-**	**18,784**
Credit not in arrears and in credit performance rating	3,848	3,572	1,456	1,013	436	274	6,483	-	17,082
Credit not in arrears and not in credit performance rating	346	333	162	122	56	52	442	-	1,513
In arrears of 30 to 89 days	18	22	11	8	4	4	42	-	109
In arrears of 90 days or over	3	4	3	2	-	1	27	-	40
Non-accruing credit	2	13	9	6	2	8	-	-	40
Total Credit to the public - Activity in Israel	**51,460**	**41,918**	**20,955**	**13,404**	**7,923**	**22,071**	**35,849**	**-**	**193,580**
Total Credit to the public - Activity Abroad	**4,789**	**6,245**	**2,640**	**2,748**	**890**	**2,591**	**14,528**	**560**	**34,991**
Non-problematic credit	4,535	5,943	2,568	2,185	757	2,368	14,007	501	32,864
Accruing problematic credit	227	302	46	533	133	199	477	59	1,976
Non-accruing credit	27	-	26	30	-	24	44	-	151
Total Credit to the public	**56,249**	**48,163**	**23,595**	**16,152**	**8,813**	**24,662**	**50,377**	**560**	**228,571**

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(1)(2)								
	Recorded amount of fixed-time credit to the public								
	2022	2021	2020	2019	2018	Previous	Recorded amount of renewable loans	Recorded amount of renewable loans converted into fixed-time loans	Total
	In NIS millions								
Lending Activity in Israel									
Public - Commercial									
Total construction and Real Estate	**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

	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]
	Unaudited					
	In NIS millions					
	September 30, 2023					
Lending Activity in Israel						
Construction and Real Estate	953	151	78	1,031	1,669	25
Commercial - Other	453	165	107	560	2,176	4
Total Commercial	**1,406**	**316**	**185**	**1,591**	**3,845**	**29**
Private Individuals - Housing Loans	243	13	-	243	279	1
Private Individuals - Other Loans	183	94	-	183	223	-
Total Public - Activity in Israel	**1,832**	**423**	**185**	**2,017**	**4,347**	**30**
Lending Activity Abroad						
Total Public - Activity Abroad	**107**	**12**	**85**	**192**	**377**	**1**
Total public	**1,939**	**435**	**270**	**2,209**	**4,724**	**31**
Of which:						
Measured specifically according to present valued of cash flows	516	170	46	562	770	
Measured specifically according to fair value of collateral	943	146	223	1,166	3,364	
Measured on a collective basis	480	119	1	481	590	
	September 30, 2022					
Lending Activity in Israel						
Construction and Real Estate	382	39	75	457	1,312	4
Commercial - Other	489	205	83	572	2,159	7
Total Commercial	**871**	**244**	**158**	**1,029**	**3,471**	**11**
Private Individuals - Housing Loans	228	9	5	233	283	-
Private Individuals - Other Loans	[5]110	[5]43	-	110	[5]148	1
Total Public - Activity in Israel	**1,209**	**296**	**163**	**1,372**	**3,902**	**12**
Lending Activity Abroad						
Total Public - Activity Abroad	**66**	**2**	**85**	**151**	**328**	**2**
Total public	**1,275**	**298**	**248**	**1,523**	**4,230**	**14**
Of which:						
Measured specifically according to present valued of cash flows	639	210	45	684	830	
Measured specifically according to fair value of collateral	246	27	197	443	2,888	
Measured on a collective basis	[5]390	[5]61	6	396	[5]512	

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 collective 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 89 million would have been recorded for the period of nine months ended September 30, 2023 (September 30, 2022 - NIS 42 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 nine months ended September 30, 2023, amounts to NIS 2,533 million (September 30, 2022 - NIS 1,940 million, December 31, 2022 - NIS 2,020 million).

(5) 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)

4. Additional information on debts which undergone troubled debt restructurings

	Unaudited				
	September 30, 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	142	-	-	13	155
Commercial - Other	162	-	2	96	260
Total Commercial	**304**	**-**	**2**	**109**	**415**
Private Individuals - Housing Loans	4	-	1	12	17
Private Individuals - Other Loans	71	-	1	52	124
Total Public - Activity in Israel	**379**	**-**	**4**	**173**	**556**
Lending Activity Abroad					
Total Public - Activity Abroad	**107**	**-**	**-**	**201**	**308**
Total	**486**	**-**	**4**	**374**	**864**

Footnotes:
(1) Accruing interest income.
(2) As at September 30, 2023, restructured troubled debts amounting to NIS 771 million, were classified as problematic debts

Commitment to grant additional credit to borrowers, for which a troubled debt restructurings was performed, within the framework of which the credit terms had been changed, amounts at September 30, 2023, to NIS 4 million (September 30, 2022 - NIS 13 million; December 31, 2022 – NIS 21 million).

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				
	September 30, 2022				
	Recorded amount				
	Not accruing interest income	Accruing debts(1), in arrears for 90 days or more	Accruing debts(1), in Arrears for 30 to 89 Days	Accruing debts(1) not in arrears	Total(2)
	In NIS millions				
Lending Activity in Israel					
Public - Commercial					
Construction and Real Estate	159	-	1	42	202
Commercial - Other	231	-	2	151	384
Total Commercial	**390**	**-**	**3**	**193**	**586**
Private Individuals - Housing Loans	10	-	-	9	19
Private Individuals - Other Loans	74	-	2	65	141
Total Public - Activity in Israel	**474**	**-**	**5**	**267**	**746**
Lending Activity Abroad					
Total Public - Activity Abroad	**119**	**-**	**-**	**208**	**327**
Total	**593**	**-**	**5**	**475**	**1,073**

Footnotes:
(1) Accruing interest income.
(2) As at September 30, 2022, restructured troubled debts amounting to NIS 967 million, were classified as problematic debts

	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

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					
	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					
	Three months ended September 30					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate	63	77	76	40	12	12
Commercial - Other	221	18	18	208	20	18
Total Commercial	**284**	**95**	**94**	**248**	**32**	**30**
Private Individuals - Housing Loans	4	1	1	5	-	-
Private Individuals - Other Loans	1,427	24	24	1,328	21	21
Total Public - Activity in Israel	**1,715**	**120**	**119**	**1,581**	**53**	**51**
Lending Activity Abroad						
Total Public - Activity Abroad	**4**	**62**	**62**	**1**	**39**	**39**
Total	**1,719**	**182**	**181**	**1,582**	**92**	**90**
	Nine months ended September 30					
Lending Activity in Israel						
Public - Commercial						
Construction and Real Estate	191	122	121	137	167	167
Commercial - Other	650	58	58	571	83	80
Total Commercial	**841**	**180**	**179**	**708**	**250**	**247**
Private Individuals - Housing Loans	14	1	1	18	3	3
Private Individuals - Other Loans	3,682	70	68	3,992	70	70
Total Public - Activity in Israel	**4,537**	**251**	**248**	**4,718**	**323**	**320**
Lending Activity Abroad						
Total Public - Activity Abroad	**5**	**69**	**69**	**4**	**90**	**90**
Total	**4,542**	**320**	**317**	**4,722**	**413**	**410**

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			
	2023		2022	
	Failure of restructured debts[1]			
	Number of contracts	Recorded amount	Number of contracts	Recorded amount
	In NIS millions			
	Three months ended September 30			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate	23	7	28	2
Commercial - Other	110	3	60	2
Total Commercial	**133**	**10**	**88**	**4**
Private Individuals - Housing Loans	-	-	-	-
Private Individuals - Other	379	4	603	3
Total Public - Activity in Israel	**512**	**14**	**691**	**7**
Lending Activity Abroad				
Total Public - Activity Abroad	**-**	**-**	**1**	**-**
Total	**512**	**14**	**692**	**7**
	Nine months ended September 30			
Lending Activity in Israel				
Public - Commercial				
Construction and Real Estate	73	15	62	3
Commercial - Other	262	23	168	10
Total Commercial	**335**	**38**	**230**	**13**
Private Individuals - Housing Loans	2	-	2	-
Private Individuals - Other	1,110	10	1,702	10
Total Public - Activity in Israel	**1,447**	**48**	**1,934**	**23**
Lending Activity Abroad				
Total Public - Activity Abroad	**1**	**-**	**1**	**-**
Total	**1,448**	**48**	**1,935**	**23**

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									
	September 30, 2023									
Commercial	59	70	314	105	43	12	56	659	1,124	1,783
Private Individuals - Housing Loans	-	130	54	27	8	8	14	241	2	243
Private Individuals - Other Loans	4	42	-	-	-	-	-	46	137	183
Total	**63**	**242**	**368**	**132**	**51**	**20**	**70**	**946**	**1,263**	**2,209**
	Unaudited									
	September 30, 2022									
Commercial	26	18	41	150	32	48	15	330	850	1,180
Private Individuals - Housing Loans	-	101	55	43	16	7	11	233	-	233
Private Individuals - Other Loans[(1)]	4	68	-	-	-	-	-	72	38	110
Total	**30**	**187**	**96**	**193**	**48**	**55**	**26**	**635**	**888**	**1,523**
	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 following improvement of data.

6. Additional disclosure on the quality of credit

(A) Risk characteristics according to credit segments

(1) Commercial credit

- The "Iron Swords" War is expected to have a significant impact on economic activity and on the economic environment of businesses in Israel. Many businesses that are not vital were shut down due to the state of the warfare, suffering losses on a daily basis. The business assistance programs that began to be formed at the beginning of November 2023 provide a partial solution to small and middle market businesses only;
- Decline in private consumption of the full range of products and services, excluding essential products;
- The interest rate that had risen on the background of the high inflationary environment, in Israel and the world over, has reduced accessibility of households and the business sector to sources of finance, leading, even prior to the outbreak of the War to an adverse effect on economic performance and to a slowdown in growth;
- The condition of the economy may have an impact on the repayment ability of borrowers in all lines of business, and in particular, in the center of risk is found the real estate sector with its different activities, including construction projects, a field the activity thereof started to slow down even prior to the outbreak of the War;

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)

- Implications are expected on the level of foreign investments, in a way that may affect also the ability of recovery of the hi-tech sector;
- 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;
- 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 impact of the state of the fighting on the activity of many economic sectors and the putting of a large number of employees on unpaid leave, may affect the repayment ability regarding credit granted to private individuals. Measures to be taken by the government may mitigate this vulnerability;
- The deterioration in the security situation and its impact on economic activity in Israel, may lead to recession, the force of which depends also on the global economic situation.

(B) Indication of credit quality

	Unaudited				Audited			
	September 30, 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	95.2%	99.5%	98.1%	96.7%	96.0%	99.5%	98.5%	97.3%
Ratio of accruing credit to balance of credit to the public	3.7%	0.1%	1.4%	2.5%	3.2%	0.1%	1.3%	2.1%
Ratio of non-accruing credit to balance of credit to the public	1.1%	0.4%	0.5%	0.8%	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	1.8%	0.4%	2.5%	1.5%	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)	35.3%	87.2%	122.0%	44.0%	34.9%	85.0%	138.2%	44.7%

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.

A central indication on the quality of the credit portfolio is the ratio of problematic debts to the performing 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			
		September 30, 2023			
First degree pledge: financing ratio	Up to 60%	41,607	501	24,066	700
	Over 60%	25,890	156	15,174	388
Second degree pledge or without pledge		1,535	73	759	5,601
Total		**(2)69,032**	**730**	**39,999**	**6,689**
		Unaudited			
		September 30, 2022			
First degree pledge: financing ratio	Up to 60%	38,785	379	22,849	612
	Over 60%	23,064	137	13,695	472
Second degree pledge or without pledge		1,592	171	780	8,056
Total		**(2)63,441**	**687**	**37,324**	**9,140**
		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 112 million, which are combined in the layout of transactions and collateral of commercial borrowers' business, or which were granted to acquisition groups, the projects being built by them are in the course of construction (September 30, 2022 - NIS 202 million, December 31, 2022 - NIS 218 million).

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

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 September 30, 2023					For the three months ended September 30, 2022				
Loans acquired	2,593	-	-	1,643	4,236	2,422	-	-	767	3,189
Loans sold	-	-	-	-	-	84	-	-	-	84
	For the nine months ended September 30, 2023					For the nine months ended September 30, 2022				
Loans acquired	10,487	-	-	3,304	13,791	7,805	-	-	1,800	9,605
Loans sold	15	-	-	-	15	526	953	-	-	1,479

D. Off balance Sheet Financial Instruments(3)

	Unaudited		Unaudited		Audited	
	Balance(1)	Provision(2)	Balance(1)	Provision(2)	Balance(1)	Provision(2)
	September 30, 2023		September 30, 2022		December 31, 2022	
	in NIS millions					
Transactions in which the balance represents credit risk:						
Letters of credit	834	3	1,100	3	1,437	4
Credit guarantees	3,178	45	2,618	30	2,846	37
Guarantees for home purchasers	17,185	6	18,922	6	18,426	6
Other guarantees and obligations	15,204	37	13,125	47	14,163	51
Unutilized facilities for transactions in derivative instruments	6,231	-	4,307	-	5,755	-
Unutilized facilities credit line for credit cards	42,684	73	38,282	71	39,402	70
Unutilized current loan account facilities and other credit facilities in on-call accounts	10,769	77	10,081	63	10,370	65
Irrevocable commitments to extend credit approved but not yet granted(3)	34,915	249	31,514	155	30,850	184
Commitment to issue guarantees	18,817	10	14,699	9	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						
	September 30, 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	51,951	19	4,633	607	342	-	57,552
Securities	26,583	3,998	18,667	1,139	-	1,993	52,380
Securities borrowed or purchased under agreements to resell	1,150	-	-	-	-	-	1,150
Net credit to the public	189,260	27,812	37,241	3,273	843	-	258,429
Credit to the Government	868	207	1,250	988	-	-	3,313
Investments in Associates	2	-	-	-	-	466	468
Buildings and equipment	-	-	-	-	-	4,502	4,502
Intangible assets and goodwill	-	-	-	-	-	162	162
Assets for derivative instruments	2,342	470	9,820	375	124	1,726	14,857
Other assets	2,670	63	1,497	106	82	1,971	6,389
Total assets	**274,826**	**32,569**	**73,108**	**6,488**	**1,391**	**10,820**	**399,202**
Liabilities							
Deposits from the public	194,071	5,105	90,340	7,124	1,795	-	298,435
Deposits from banks	11,572	-	2,900	46	33	-	14,551
Deposits from the Government	45	-	72	-	-	-	117
Securities lent or sold under agreements to repurchase	1,150	-	9,857	-	-	-	11,007
Bonds and Subordinated debt notes	3,354	9,907	2,964	-	-	-	16,225
Liabilities for derivative instruments	2,451	468	6,293	428	82	1,723	11,445
Other liabilities	16,236	711	1,792	28	26	238	19,031
Total liabilities	**228,879**	**16,191**	**114,218**	**7,626**	**1,936**	**1,961**	**370,811**
Difference	45,947	16,378	(41,110)	(1,138)	(545)	8,859	28,391
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(45,172)	613	42,835	1,062	662	-	-
Net options in the money (in terms of underlying asset)	(1,498)	-	1,605	(79)	(28)	-	-
Net options out of the money (in terms of underlying asset)	(809)	-	754	67	(12)	-	-
Total	**(1,532)**	**16,991**	**4,084**	**(88)**	**77**	**8,859**	**28,391**
Net options in the money (discounted par value)	(2,078)	-	2,578	(461)	(39)	-	-
Net options out of the money (discounted par value)	(4,941)	-	4,639	358	(56)	-	-

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

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

	Unaudited						
	September 30, 2022						
	Israeli currency		Foreign currency[1]				
	Non-linked	Linked to the CPI	In US$	In Euro	In other currencies	Non monetary items	Total
	in NIS millions						
Assets							
Cash and deposits with banks	65,737	23	4,653	657	440	-	71,510
Securities	21,676	1,350	16,746	976	1	1,884	42,633
Securities borrowed or purchased under agreements to resell	1,271	-	-	-	-	-	1,271
Net credit to the public	174,483	23,713	35,754	2,391	540	-	236,881
Credit to the Government	511	232	1,228	603	-	-	2,574
Investments in Associates	2	-	-	-	-	500	502
Buildings and equipment	-	-	-	-	-	3,724	3,724
Intangible assets and goodwill	-	-	-	-	-	163	163
Assets for derivative instruments	2,391	458	9,921	329	102	400	13,601
Other assets	2,452	25	1,347	101	98	2,192	6,215
Total assets	**268,523**	**25,801**	**69,649**	**5,057**	**1,181**	**8,863**	**379,074**
Liabilities							
Deposits from the public	197,762	4,405	80,384	6,251	1,844	-	290,646
Deposits from banks	13,278	-	3,367	68	6	-	16,719
Deposits from the Government	30	1	89	-	-	-	120
Securities lent or sold under agreements to repurchase	-	-	3,038	-	-	-	3,038
Bonds and Subordinated debt notes	5,637	7,854	-	-	-	-	13,491
Liabilities for derivative instruments	2,651	607	7,677	288	95	400	11,718
Other liabilities	16,014	750	870	26	31	933	18,624
Total liabilities	**235,372**	**13,617**	**95,425**	**6,633**	**1,976**	**1,333**	**354,356**
Difference	33,151	12,184	(25,776)	(1,576)	(795)	7,530	24,718
Effect of non-hedging derivative instruments:							
Derivative instruments (except for options)	(28,398)	(2,634)	28,154	1,966	912	-	-
Net options in the money (in terms of underlying asset)	(279)	-	526	(247)	-	-	-
Net options out of the money (in terms of underlying asset)	(118)	-	211	(65)	(28)	-	-
Total	**4,356**	**9,550**	**3,115**	**78**	**89**	**7,530**	**24,718**
Net options in the money (discounted par value)	(429)	-	572	(148)	5	-	-
Net options out of the money (discounted par value)	(1,660)	-	2,117	(20)	(437)	-	-

Footnote:

(1) Includes those linked to foreign currency.

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

	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				
	September 30, 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	57,552	16,689	-	40,623	57,312
Securities[(2)]	52,380	33,999	15,021	1,798	50,818
Securities borrowed or purchased under agreements to resell	1,150	-	-	1,150	1,150
Net credit to the public	258,429	4,084	-	252,374	256,458
Credit to Governments	3,313	-	-	3,281	3,281
Assets for derivative instruments	14,857	1,753	7,683	5,421	14,857
Other financial assets	2,134	2	1	2,131	2,134
Total financial assets	**[(3)]389,815**	**56,527**	**22,705**	**306,778**	**386,010**
Financial liabilities					
Deposits from the public	298,435	32,147	194,860	70,703	297,710
Deposits from banks	14,551	1,510	7,556	5,506	14,572
Deposits from the Government	117	-	105	12	117
Securities lent or sold under agreements to repurchase	11,007	-	-	10,453	10,453
Bonds and Subordinated debt notes	16,225	11,911	49	3,219	15,179
Liabilities for derivative instruments	11,445	1,752	9,209	484	11,445
Other financial liabilities [(4)]	15,079	970	18	14,091	15,079
Total financial liabilities	**[(3)]366,859**	**48,290**	**211,797**	**104,468**	**364,555**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	160	-	-	160	160

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 76,168 million and NIS 147,687 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				
	September 30, 2022				
	Book value	Fair value			
		Level 1(1)	Level 2(1)	Level 3(1)	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	71,510	27,223	-	44,055	71,278
Securities(2)	42,633	(5)26,806	12,941	(5)1,732	41,479
Securities borrowed or purchased under agreements to resell	1,271	-	-	1,271	1,271
Net credit to the public	236,881	4,431	-	(6)232,250	236,681
Credit to Governments	2,574	-	-	2,580	2,580
Assets for derivative instruments	13,601	424	7,821	5,356	13,601
Other financial assets	2,412	708	5	1,699	2,412
Total financial assets	**(3)370,882**	**59,592**	**20,767**	**288,943**	**369,302**
Financial liabilities					
Deposits from the public	290,646	32,298	189,393	67,700	289,391
Deposits from banks	16,719	1,260	4,594	10,566	16,421
Deposits from the Government	120	-	32	89	121
Securities lent or sold under agreements to repurchase	3,038	-	-	3,038	3,038
Bonds and Subordinated debt notes	13,491	12,365	146	286	12,797
Liabilities for derivative instruments	11,718	414	10,690	614	11,718
Other financial liabilities(4)	14,919	1,816	10	13,093	14,919
Total financial liabilities	**(3)350,651**	**48,153**	**204,865**	**95,386**	**348,405**
Off-balance sheet financial instruments					
Transactions in which the balance represents credit risk	149	-	-	149	149

Footnotes:

(1) Level 1 - fair value measurements using quoted prices in an active market. Level 2 - fair value measurements using other significant observable inputs. Level 3 - fair value measurements using significant unobservable inputs.

(2) For further details of the stated balance sheet amount and the fair value of securities, see Note 5.

(3) Of which: assets and liabilities in the amount of NIS 74,699 million and NIS 174,677 million, respectively, the stated balance sheet amounts of which are identical to their fair value (instruments stated in the balance sheet at their fair value). For additional information regarding instruments measured at fair value on a recurrent basis and on a non-recurrent basis, see items B and C below.

(4) Not including liabilities for leasing.

(5) Reclassified following improvement of data.

(6) Improvement in the calculations at a subsidiary.

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	-	[5]234,847	239,058
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**	**282,253**	**364,669**
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.

(5) Improvement in the calculations at a subsidiary.

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				
	September 30, 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	13,806	2,367	-	-	16,173
Foreign Governments bonds	4,182	344	-	-	4,526
Israeli financial institutions bonds	85	-	-	-	85
Foreign financial institutions bonds	-	543	-	-	543
Bonds backed by assets (ABS) or by mortgage (MBS)	-	6,425	-	-	6,425
Bonds of others in Israel	185	106	-	-	291
Bonds of others abroad	-	1,839	-	-	1,839
Shares not for trading	161	-	-	-	161
Total available-for-sale bonds and shares not for trading	**18,419**	**11,624**	**-**	**-**	**30,043**
Trading Securities					
Israeli Government bonds	6,523	42	-	-	6,565
Foreign Governments bonds	82	-	-	-	82
Israeli financial institutions bonds	-	-	-	-	-
Foreign financial institutions bonds	-	-	-	-	-
Bonds backed by assets (ABS) or by mortgage (MBS)	-	-	-	-	-
Bonds of others in Israel	7	-	-	-	7
Bonds of others abroad	-	-	-	-	-
Trading Shares	36	23	-	-	59
Total trading securities	**6,648**	**65**	**-**	**-**	**6,713**
Credit to the public for securities loaned	4,084	-	-	-	4,084
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	467	-	467
Other Interest Rate Contracts	2	5,832	193	-	6,027
Foreign Currency Contracts	28	1,750	4,761	-	6,539
Shares Contracts	1,723	101	-	-	1,824
Commodity and other Contracts	-	-	-	-	-
Total assets for derivative instruments	1,753	7,683	5,421	-	14,857
Other	-	1	-	-	1
Assets for the "Maof" market operations	2	-	-	-	2
Total assets	**30,906**	**19,373**	**5,421**	**-**	**55,700**
Liabilities					
Deposits from the public for securities borrowed	3,975	-	-	-	3,975
Deposits from banks for securities borrowed	338	-	-	-	338
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	398	-	398
Other Interest Rate Contracts	1	5,189	-	-	5,190
Foreign Currency Contracts	28	3,927	86	-	4,041
Shares Contracts	1,723	93	-	-	1,816
Commodity and other Contracts	-	-	-	-	-
Total liabilities for derivative instruments	1,752	9,209	484	-	11,445
Other	-	18	-	-	18
Commitments for the "Maof" market operations	2	-	-	-	2
Short sales of securities	968	-	-	-	968
Total liabilities	**7,035**	**9,227**	**484**	**-**	**16,746**

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

B. Items measured at fair value - Consolidated (continued)

1. Items measured at fair value on a recurring basis (continued)

	Unaudited				
	September 30, 2022				
	Fair value measurements using -				
	Quoted prices in an active market (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Influence of deduction agreements	Total fair value
	In NIS millions				
Assets					
Available-for-sale bonds and shares not for trading					
Israeli Government bonds	10,067	2,047	-	-	12,114
Foreign Governments bonds	4,396	30	-	-	4,426
Israeli financial institutions bonds	85	3	-	-	88
Foreign financial institutions bonds	-	473	-	-	473
Bonds backed by assets (ABS) or by mortgage (MBS)	-	5,537	-	-	5,537
Bonds of others in Israel	(1)204	126	-	-	330
Bonds of others abroad	-	1,643	-	-	1,643
Shares not for trading	201	-	-	-	201
Total available-for-sale bonds and shares not for trading	**14,953**	**9,859**	**-**	**-**	**24,812**
Trading Securities					
Of the Israeli Government	1,255	67	-	-	1,322
Of foreign governments	77	-	-	-	77
Of Israeli financial institutions	-	-	-	-	-
Of foreign financial institutions	-	-	-	-	-
Mortgage-backed-securities (MBS) or Assets -backed-securities (ABS)	-	-	-	-	-
Of others in Israel	9	-	-	-	9
Of others abroad	-	-	-	-	-
Shares	3	16	-	-	19
Total trading securities	**1,344**	**83**	**-**	**-**	**1,427**
Credit to the public for securities loaned	4,431	-	-	-	4,431
Assets for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	433	-	433
Other Interest Rate Contracts	10	5,498	189	-	5,697
Foreign Currency Contracts	14	2,280	4,734	-	7,028
Shares Contracts	400	43	-	-	443
Commodity and other Contracts	-	-	-	-	-
Total assets for derivative instruments	424	7,821	5,356	-	13,601
Other	-	5	-	-	5
Assets for the "Maof" market operations	708	-	-	-	708
Total assets	**21,860**	**17,768**	**5,356**	**-**	**44,984**
Liabilities					
Deposits from the public for securities borrowed	3,666	-	-	-	3,666
Deposits from banks for securities borrowed	19	-	-	-	19
CLN deposits	-	-	-	-	-
Liabilities for derivative instruments					
Shekel/CPI Interest Rate Contracts	-	-	424	-	424
Other Interest Rate Contracts	-	5,492	-	-	5,492
Foreign Currency Contracts	14	5,157	190	-	5,361
Shares Contracts	400	41	-	-	441
Commodity and other Contracts	-	-	-	-	-
Total liabilities for derivative instruments	414	10,690	614	-	11,718
Other	-	10	-	-	10
Commitments for the "Maof" market operations	708	-	-	-	708
Short sales of securities	1,108	-	-	-	1,108
Total liabilities	**5,915**	**10,700**	**614**	**-**	**17,229**

Footnote:
(1) Reclassified - Improvement in the calculation of the 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	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
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

	Unaudited				
	September 30, 2023				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the nine months ended September 30, 2023
	In NIS millions				
Problematic credit ,the collection of which is collateral dependent	-	-	1,166	1,166	(6)
Not for trading shares	-	-	318	318	(42)

	Unaudited				
	September 30, 2022				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the nine months ended September 30, 2022
	In NIS millions				
Problematic credit ,the collection of which is collateral dependent	-	-	443	443	2
Not for trading shares	-	-	98	98	4

	Audited				
	December 31, 2022				
	Level 1	Level 2	Level 3	Total fair value	Profit (Loss) for the year ended 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	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) on held instruments as at end of period
					In NIS millions				
					Unaudited				
					For the three months ended September 30, 2023				
Net Assets (Liabilities) for derivative instruments									
Shekel/CPI Interest Rate Contracts	44	[1]17	-	-	8	-	-	69	[1](13)
Other Interest Rate Contracts	379	[1]93	-	-	(145)	-	(134)	193	[1]94
Foreign Currency Contracts	3,513	[1]1,408		(2)	(256)	2	10	4,675	[1]1,086
Total	**3,936**	**1,518**	**-**	**(2)**	**(393)**	**2**	**(124)**	**4,937**	**1,167**
Liabilities									
CLN Deposits	-	[2]-	-	-	-	-	-	-	[2]-
					For the three months ended September 30, 2022				
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	10	[1](10)	-	-	9	-	-	9	[1]16
Other Interest Rate Contracts	132	[1]162	-	-	(132)	(7)	34	189	[1]162
Foreign Currency Contracts	4,303	[1](187)	(20)	(68)	514	(1)	3	4,544	[1](121)
Total	**4,445**	**(35)**	**(20)**	**(68)**	**391**	**(8)**	**37**	**4,742**	**57**
Liabilities									
CLN Deposits	(4)	[2]-	-	-	4	-	-	-	[2]-
					For the nine months ended September 30, 2023				
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	8	[1](1)	-	-	62	-	-	69	[1](10)
Other Interest Rate Contracts	153	[1]80	-	-	(42)	-	2	193	[1]74
Foreign Currency Contracts	3,110	[1]5,326	-	(171)	(3,585)	(9)	4	4,675	[1]3,921
Total	**3,271**	**5,405**	**-**	**(171)**	**(3,565)**	**(9)**	**6**	**4,937**	**3,985**
Liabilities									
CLN Deposits	-	[2]-	-	-	-	-	-	-	[2]-

Footnotes:

(1) Included in the statement of profit and loss in the item "Non-interest financing income".

(2) Included in the statement of profit and loss in the item "Interest income and expenses".

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

C. Changes in items measured at fair value on a recurring basis included in level 3 - Consolidated

	Fair value as at beginning of period	Total realized and unrealized gains (losses) included in the statement of profit and loss	Issuances	Acquisitions	Settlements	Transfers from level 3	Transfers to level 3	Fair value as at end of period	Unrealized gains (losses) on held instruments as at end of period
	In NIS millions								
	Unaudited								
	For the nine months ended September 30, 2022								
Net Assets (Liabilities) in respect of derivative instruments									
Shekel/CPI Interest Rate Contracts	33	(1)(63)	-	-	39	-	-	9	(1)(26)
Other Interest Rate Contracts	125	(1)138	-	-	(56)	(61)	43	189	(1)140
Foreign Currency Contracts	827	(1)4,224	-	(219)	(281)	(1)	(6)	4,544	(1)4,578
Total	**985**	**4,299**	**-**	**(219)**	**(298)**	**(62)**	**37**	**4,742**	**4,692**
Liabilities									
CLN Deposits	(10)	-(2)	-	-	10	-	-	-	-(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 income in the item "Non-interest financing income".
(2) Included in the statement of profit and loss in the item "Interest income and expenses".

D. Transfers between hierarchy levels of fair value

Immaterial transfers to or from level 3 were made in the first nine months of 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 September 30, 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	1,166	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	318	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets for derivative instruments								
Shekel/CPI Interest Rate Contracts	69	Discounted cash flow	Inflationary expectations	From	2.43%	to	5.42%	(2.58%)
			Counterparty credit risk (CVA)	From	0.00%	to	14.07%	(3.85%)
Other Interest Rate Contracts	193	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	7.47%	(0.13%)
Foreign Currency Contracts	4,675	Discounted cash flow	Inflationary expectations	From	2.43%	to	5.42%	(2.65%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	55.81%	(0.35%)

	Unaudited							
	Fair value as at September 30, 2022	Valuation Techniques	Unobservable inputs	Range (Weighted Average)				
	In NIS millions			In %				
A. Items measured at fair value not on a recurring basis								
Problematic credit the collection of which is collateral dependent	443	Discounted cash flow, assessments and evaluation	Discount rate, real estate market inputs					
Not for trading shares	98	Evaluation	Company value					
B. Items measured at fair value on a recurring basis								
Net Assets in respect of derivative instruments								
Shekel/CPI Interest Rate Contracts	9	Discounted cash flow	Inflationary expectations	From	2.38%	to	4.23%	(2.81%)
			Counterparty credit risk (CVA)	From	0.00%	to	6.17%	(3.9%)
Other Interest Rate Contracts	189	Discounted cash flow	Counterparty credit risk (CVA)	From	0.00%	to	7.22%	(0.11%)
Foreign Currency Contracts	4,544	Discounted cash flow	Inflationary expectations	From	2.38%	to	4.23%	(2.95%)
		Discounted cash flow, Models for the pricing of options.	Counterparty credit risk (CVA)	From	0.00%	to	59.90%	(0.07%)

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)

	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%)

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% was implemented in stages. From January 1, 2023, the issuer's fee stands at an average rate that does 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 was carried out in stages. From January 1, 2023, the commission stands at an average rate that does not exceed 0.25%.

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:

- 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 according to 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.

17. Credit Card Activity (continued)

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. At a date proximate to the date of publication of this Report, a Memorandum for the amendment of the said section has not yet been published.

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.

The Bank is preparing for effecting the separation, and, inter alia, has retained the services of a foreign investment bank to assist in the process.

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 September 30, 2023, amounts to NIS 2,444 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 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.

17. Credit Card Activity (continued)

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 filed on July 9, 2023, principle evidence depositions, and ICC is required to file principal evidence depositions by December 31, 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. Share Based Payment Transactions and Dividends

A. **Share based payment transactions - Equity compensation for officers and senior employees**

(1) **Outline for the allocation of share options.** Note 24 D to the financial statements as of December 31, 2022, describes an outline allowing the granting of nonmarketable stock options to Officers and senior employees. An amended outline was published on September 12, 2023, in which the number of options was increased to 13 million options, with the addition of the possibility of granting options to Officers of companies controlled by the Bank.

(2) **Additional allotment in June 2023.** On June 12, 2023, the Board of Directors approved the actual grant of an additional 298,895 options, pursuant to the outline, to 5 employees of the Bank, who are senior managers reporting to a vice president and who are employed at the Bank under a personal contract. The exercise price for each option granted to the allottees in this grant is NIS 19.58 (subject to adjustments in accordance with the outline). The fair value of the options granted within the framework of this allotment, as of the date of approval of the allotment by the Board of Directors, is approx. NIS 1.5 million.

(3) **Additional allotment in September 2023.** On September 11, 2023, the Board of Directors approved the actual grant of an additional 128,715 options, pursuant to the outline, to an executive vice president, Member of Management employed at the Bank under a personal contract. The exercise price for each option granted to the allottee in this grant is NIS 19.97 (subject to adjustments in accordance with the outline). The fair value of the options granted within the framework of this allotment, as of the date of approval of the allotment by the Board of Directors, is approx. NIS 576 thousand.

(4) **Additional allotment in October 2023.** On October 16, 2023, the Board of Directors approved the actual grant of an additional 171,514 options, pursuant to the outline, to an executive vice president, Member of Management employed at the Bank under a personal contract. The exercise price for each option granted to the allottee in this grant is NIS 20.5 (subject to adjustments in accordance with the outline). The fair value of the options granted within the framework of this allotment, as of the date of approval of the allotment by the Board of Directors, is approx. NIS 577 thousand.

B. **Dividends**

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

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
May 16, 2023	June 6, 2023	380.7	30	30.78
August 13, 2023	September 3, 2023	356.1	30	28.79

18. Share Based Payment Transactions and Dividends (continued)

On August 13, 2023, the Bank's Board of Directors approved an update to the Bank's dividend policy, according to which, the Bank may distribute in each quarter, a dividend of up to 40% of the distributable net earnings according to the consolidated financial statements for the previous quarter, instead of a distribution rate of up to 30%. The updating of the dividend policy was approved following attainment of the capital outline of the Bank and the consistent improvement in the business results of the Group.

It is clarified that this policy should not be deemed a commitment by the Bank for a dividend distribution or regarding the rate of dividend to be distributed, and that each dividend distribution in practice shall be subject to approvals required by the law, including a specific approval by the Board of Directors for a dividend distribution based on its judgment and subject to compliance with the provisions of the law applying to dividend distribution, inter alia, according to the Companies Law and directives of the Bank of Israel. It is further noted that the actual distribution of a dividend is subject to compliance with the capital adequacy goals prescribed by the Supervisor of Banks and the internal capital goals, as determined or would be determined by the Bank's Board of Directors. The Board of Directors may examine from time to time the dividend distribution policy and decide at any time, taking into account business considerations and the provisions of the law and regulation applying to the Bank, on changes in the dividend policy, including in the rate of dividend to be distributed. The Board may also decide that no dividend should be distributed at all.

In a letter dated November 12, 2023, the Supervisor of Banks asked the banking corporations to reexamine their policy of dividend distribution and the execution of share buybacks for the near future, against the background of the increase in uncertainty regarding the duration of the war and the extent of its impact on the economy.

In light of the aforesaid, and in light of the Bank's commitment to continue supporting customers and their credit needs, both during the war and on the "day after", the Bank's Board of Directors, at its meeting of November 26, 2023, decided to distribute a dividend of 15% of the third quarter of 2023 profits, totaling approx. NIS 122.6 million, which constitutes approx. NIS 9.91 per ordinary "A" share of NIS 0.1 par value (this, compared to a dividend at the rate of 30% of the profits for the second quarter of 2023).

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 ICC 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 243 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, among others, were performed:

- 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, no later than August 15, 2023 and on July 12, 2023, the Bank sent a further notice to the purchasers regarding the exercise of the aforesaid option, stating that the date for the transfer of possession is expected to be by December 31, 2023. As assessed, 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

- **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.
- **Issue of subordinate debt notes having a loss absorption mechanism (Coco).** On June 15, 2023, the Bank, through Manpikim, completed an issue of subordinate debt notes having a loss absorption mechanism (expansion of Series "I"), in a total amount of approx. NIS 385 million.
- **Issue of bonds.** On June 15, 2023, the Bank, through Manpikim, completed an issue of bonds (expansion of Series "N"), in a total amount of approx. NIS 1,568 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 September 30, 2023, amounted to NIS 8,096 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 and, in the second quarter, the Bank placed monetary deposits that are held in the name of ABS Charge Cards and in the name of ABS ATM in the Bank of Israel’s clearinghouse account. This, in the framework of the clearing default arrangement, the purpose of which is to ensure the timely conclusion of the daily clearing operation (similar deposits were made by MDB). The balance of the funds deposited by the Bank, as stated above as of September 30, 2023, amounted to approx. NIS 346 million.

23. Shelf Prospectus

On June 27, 2023, the Bank published a shelf prospectus (replacing the shelf Prospectus dated June 17, 2020), on the basis of the financial statements as of December 31, 2022 and as of March 31, 2023.

24. Transactions with Interested and Related Parties

(1) On August 16, 2023, the meeting of shareholders of the Bank approved the terms of office and employment of Mr. Avi Levy as President & CEO of the Bank.

(2) For details regarding a collective insurance policy for Directors and Officers, see Note 10 section 6.

25. Greenlend Company

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").

On August 1, 2023, the Bank received the approval of the Supervisor of Banks for the control in full and for the direct holding of means of control in the auxiliary company Greenlend Financial Solutions Ltd., which will engage in the granting of consumer credit and credit to small and middle size businesses, as well as in any other operation ancillary to the above operations, or which is required for their performance, under the conditions specified in the Supervisor's approval.

On September 18, 2023, the Bank, the company and Ezbob signed a binding shareholder agreement. In addition, the company and Ezbob signed a binding license and services agreement, according to which the company is expected to extend and manage credit by means of Ezbob's innovative technological systems. As of the said date, all conditions precedent relating to the agreements had been fulfilled.

70% of the company's ordinary shares are held by the Bank and 30% are held by Ezbob. According to the shareholders agreement, the Bank is providing the company with capital of NIS 163 million, and Ezbob is granting the company a perpetual technology usage license, worth approx. NIS 70 million. In addition, the Bank is providing the company with a credit line of NIS 100 million. The Bank has granted the company an option for an additional NIS 100 million, against the allocation of preferred shares, which will accumulate interest that will be paid only after the ordinary shareholders receive a return of 15% per year on their initial investment (amounting to NIS 233 million). The Bank has also pledged to provide the company with credit facilities at market terms.

26. The "Iron Swords" War

The "Iron Swords" War broke out on October 7, 2023, following a surprise attack by the Hamas terror organization and its collaborators on the communities surrounding the Gaza Strip, during which the terror organization and its collaborators murdered 1,200 Israeli and foreign civilians taking hostage approx. 240 Israeli and foreign civilians. The surprise attack started under cover of a heavy barrage of rocket fire directed at the regions surrounding the Gaza Strip and additional areas. The attack was conducted as a massacre campaign against the civil population of the said region and included also infiltrating IDF bases, abduction of military personnel and civilians, including women, children and elderly persons as well as foreign civilians, while committing atrocities against humanity and war crimes, including the massacre of participants in a trance nature party held near Kibbutz Re'im.

Following the attack, the State of Israel entered into a national emergency situation and a state of war has been declared. Some 360 thousand reserve service personnel have been called for active service, the largest mobilization of the reserve force in the annals of the State.

In the days following the outbreak of the War, the terror organization Hezbollah and its collaborators initiated different events of aggression on the Northern border, both on the Lebanese and the Syrian borders (firing rockets, penetration attempts, launching of unmanned aerial vehicles (UAV) and more), developing into low-key conflicts. Following these events, tens of areas in the South and the North have been evacuated and over 100 thousand inhabitants have turned into refugees within their home country.

Workplaces have shut down; many workers were compelled to stay away from their workplaces, inter alia due to the shutdown of large parts of the education system and the reserve recruitment, and many other workers were put on unpaid leave.

The ground entry of the IDF forces into the Gaza Strip started on October 28, 2023, being part of a wide scope ground maneuver, which continues also presently, as well as missile rocket barrages fired at wide areas in Israel, both from the Gaza Strip and from across the northern border.

The challenges of the macro-economic environment including the effect of the War on the level of inflation, on the interest rate outline, the rate of exchange and the level of employment in the economy, may materially affect revenues and profitability of the banking system, leading to higher risk, with particular impact upon credit risk and business and market models risks.

The inherent risk in credit has risen to a high level. However, at this stage it is still too early to update the residual risk assessments that serve as the basis for assessing the risks presented in the risk factors table. The Group closely follows developments and exposure, including close monitoring of the development of exposures, inter alia, through the use of scenarios at different severity levels.

26. The "Iron Swords" War (continued)

It is estimated by the Bank that the "Iron Swords" War will have an impact on the financial condition of borrowers and on their repayment ability, though uncertainty still exists regarding the length of the War period and its force, and respectively, regarding its impact upon the borrowers, as stated. On the background of the above stated, the Bank has decided to increase the collective allowance in the third quarter of 2023, in order to reflect the growth in the estimated credit losses for the period, in respect of borrowers harmed or may be harmed by the crisis, which as yet have not been identified (namely, borrowers, the information in respect of whom does not, at this stage, require the creation of a specific allowance for credit losses in their respect).

The Bank's estimates regarding the possible implications of the "Iron Swords" War, may not materialize or may materialize in a different manner than that estimated by the Bank.

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Corporate governance and audit

Board of Directors and Management

Changes in the Board of Directors

Appointment of Directors. The Annual General Meeting of Shareholders held on August 16, 2023, decided to appoint the following persons as Directors for a period of three years: Ms. Iris Avner (officiating Director being re-elected), as from March 23, 2024, and Aharon Abramovich (officiating Director being re-elected), as from October 30, 2023. The said Meeting decided to appoint Ms. Sigal Regev and Mr. Ari Pinto as Directors for a period of three years. It was also decided to appoint Mr. Ofer Levy as external Director, within the meaning of the term in the Companies Act, 1999. All as detailed on the Immediate Report dated August 16, 2023 (Ref. No. 2023-01-094740), the information contained therein regarding the above matters, is presented herein by way of reference.
Mr. Ari Pinto, took office on October 10, 2023, as Director of the Bank. Mr. Ofer Levy, took office on October 12, 2023, as external Director of the Bank. Ms. Sigal Regev took office on October 16, 2023, as Director of the Bank. All as detailed in the Immediate Report dated October 10, 2023 (Ref. No. 2023-01-114513), in the Immediate Report dated October 12, 2023 (Ref. No. 2023-01-115401), and in the Immediate Report dated October 16, 2023 (Ref. No. 2023-01-116034), respectively, the information contained therein regarding the above matters, is presented herein by way of reference.
The Chairman of the Board, the Board of Directors and the President & CEO wish Ms. Regev and Mr. Pinto and Mr. Levy success in fulfilling their 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. On June 5, 2023, the Bank's Board of Directors decided to adopt the recommendations of the Search Committee, headed by the Chairman of the Board of Directors Mr. Shaul Kobrinsky, to appoint Mr. Avi Levy, Executive Vice President, to serve as President & CEO of the Bank. Mr. Levy took office as President & CEO of the Bank on July 9, 2023, in place of Mr. Uri Levin, who terminated his office on that date, all as stated in the immediate report dated June 5, 2023, and a complementary report dated June 21, 2023 (Ref. Nos. 2023-01-061773 and 2023-01-068328, respectively).
The Chairman and members of the Board of Directors wish to thank Mr. Uri Levin and appreciate his significant contribution to the development of the Bank, leading it to impressive achievements.
The Chairman of the Board and Board members wish Mr. Avi Levy success in his office.

Termination of office of the Chairman of the Board of Directors

At the meeting held on November 6, 2023, the Board of Directors resolved to appoint Mr. Danny Yamin to the office of Chairman of the Board of the Bank. This appointment take effect on December 11, 2023, upon the termination of office of Mr. Shaul Kobrinsky as the officiating Chairman of the Board.

Meetings of the Board of Directors and its committees

In the first nine months of 2023, the Board of Directors held 20 meetings. In addition, 54 meetings of committees of the Board of Directors were held.

Changes in Management and organizational changes

The meeting of the Board of Directors held on July 12, 2023, resolved to approve appointments and an organizational change, as stated below:
Mr. Barak Nardi, Executive Vice President, terminated his office as Head of the Strategy, Finance and Holdings Division and assumed office as Head of a new Division that was established – Discount Holdings Division. In addition, Mr. Nardi replaces Advocate Esther Deutsch, who terminated her office as Chairperson of Mercantile Discount Bank Ltd. and as Chairperson of Israel Credit Cards Ltd., and acts as Director of a number of additional subsidiaries.
Mr. Assaf Eldar, Executive Vice President, terminated his office as Head of the Operations and Assets Division and took office as Head of the Banking Division, replacing Mr. Avi Levy, who on July 9, 2023, terminated his office as Head of this Division, and was appointed the Bank's President & CEO.
The meeting of the Board of Directors, held on August 10, 2023, resolved to approve appointments to the Bank's Management, as detailed below:
Mr. Assaf Pasternak, Executive Vice President, terminated his office as Head of the Financial Markets Division and was appointed Head of the Strategy and Finance Division, replacing Mr. Barak Nardi.
Mr. Elad Fisher was appointed member of Management with the title of Executive Vice President, and heads the Financial Markets Division, replacing Mr. Assaf Pasternak.
Ms. Efrat Keinan was appointed member of Management with the title of Executive Vice President, and heads the Operations and Assets Division, replacing Mr. Assaf Eldar.
Mr. Idan Angel, Executive Vice President and Head of the Digital, Data and Marketing Division, informed recently of his intention to terminate his office. No date has yet been set for the termination of his office. On November 21, 2023, the Bank's Board of Directors approved a change in the organizational structure, within the framework of which, units of the Digital, Data and Marketing Division would be transferred, as follows: the Marketing Subdivision would be transferred to the Strategy and Finance Division. The Data and Analytics Subdivision and the Digital Section would be transferred to the Technologies Division. The Customer Experience Administration would be transferred to the Banking Division.
The Chairman of the Board, the Board of Directors and the President & CEO thank Mr. Idan Angel for his activity and contribution during his period of office at the Bank, and wish Mr. Barak Nardi, Mr. Assaf Pasternak, Mr. Elad Fisher and Ms. Efrat Keinan success in fulfilling their offices.

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 third quarter of 2023 the following reports were submitted and discussed:
- The quarterly report on the activities of the internal audit in the second quarter of 2023 was submitted on August 23, 2023, and discussed by the Audit Committee on September 13, 2023;
- The quarterly report on the activities of the internal audit in the third quarter of 2023 was submitted on October 29, 2023, and is yet to be discussed.

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.
On August 16, 2023, the meeting of shareholders of the Bank approved the terms of office and employment of Mr. Avi Levy as President & CEO of the Bank. All as detailed in the Immediate Reports dated July 12, 2023 (Ref. No. 2023-01-079239) and August 16, 2023 (Ref. No. 2023-01-094740).

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. His honor, Retired Judge Jacob Sheinman was appointed on August 15, 2021, as joint Chairperson of the Committee, acting together with her honor, Retired Judge Gerstel. The Committee was appointed to 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.
Based on all the claims, information, documents, and evidence presented to it, the Committee assessed the probability of possible defendants being held liable, according to the various grounds for the claim, and the significance for the banks of proceedings being conducted. The Committee, in its role as an independent claims committee, submitted separate reports to the banks' boards of directors in relation to Discount Bank and in relation to MDB. The Committee, in its role as an institutional and procedural review committee, will submit another confidential report, as required by the Bank of Israel, in which the administrative and control processes examined by it will be presented to the Bank of Israel.
Within the framework of the reports, the Committee recommended to the banks' boards of directors that no legal proceedings be taken against the directors and other officers for breach of fiduciary duty, since it believes that, in the circumstances of the case, the chances of such cause of action are negligible. The Committee recommended that the banks' boards of directors not take legal action against the directors and other officers for breach of the duty of care, since it believes that, in the circumstances of the case, the chances of such cause of action are very low. Accordingly, the Committee also believes that there is no merit in demanding that the directors and other officers refund the compensation awards they received within the framework of their service with the banks during the relevant period, and there is no merit in taking legal action on this matter.

With regard to six employees (including former employees) of the Bank and three former employees at MDB, who are not officers, the Committee determined that there was allegedly a breach of the duty of care imposed on them as employees of the Banks. However, after examining the best interests of the banks in a broad sense, including the benefits, harm, costs and possible financial gains involved in conducting such a claim, the Committee recommended that the banks' boards of directors not take legal action against these employees.

The Committee conducted negotiations with the insurers of the directors and other officers and, within the framework of the reports, it recommended reaching a settlement, subject to the approval of the District Court within the framework of the application for disclosure of documents before submitting an application for approval of a derivative claim filed in connection with the events that are the subject of the proceedings in Australia, as stated in Note 26 C 1 of the Bank's 2022 Financial Statements ("The Application for Discovery of Documents"), which includes a payment to the banks for all possible grounds and claims against directors, other officers and employees of both banks for a total, final and full sum of NIS 18.1 million. Of this sum, an amount of NIS 15.5 million will be paid to the banks and an amount of NIS 2.6 million will be paid for professional fees, expenses and compensation (with only the VAT component on the last amount being paid by the banks from the settlement amount). The Committee noted that after meetings were held with the insurers and they were presented with the Committee's findings and recommendations, the amount of this settlement was also accepted by the attorneys for the party that filed the Application for the Discovery of Documents.

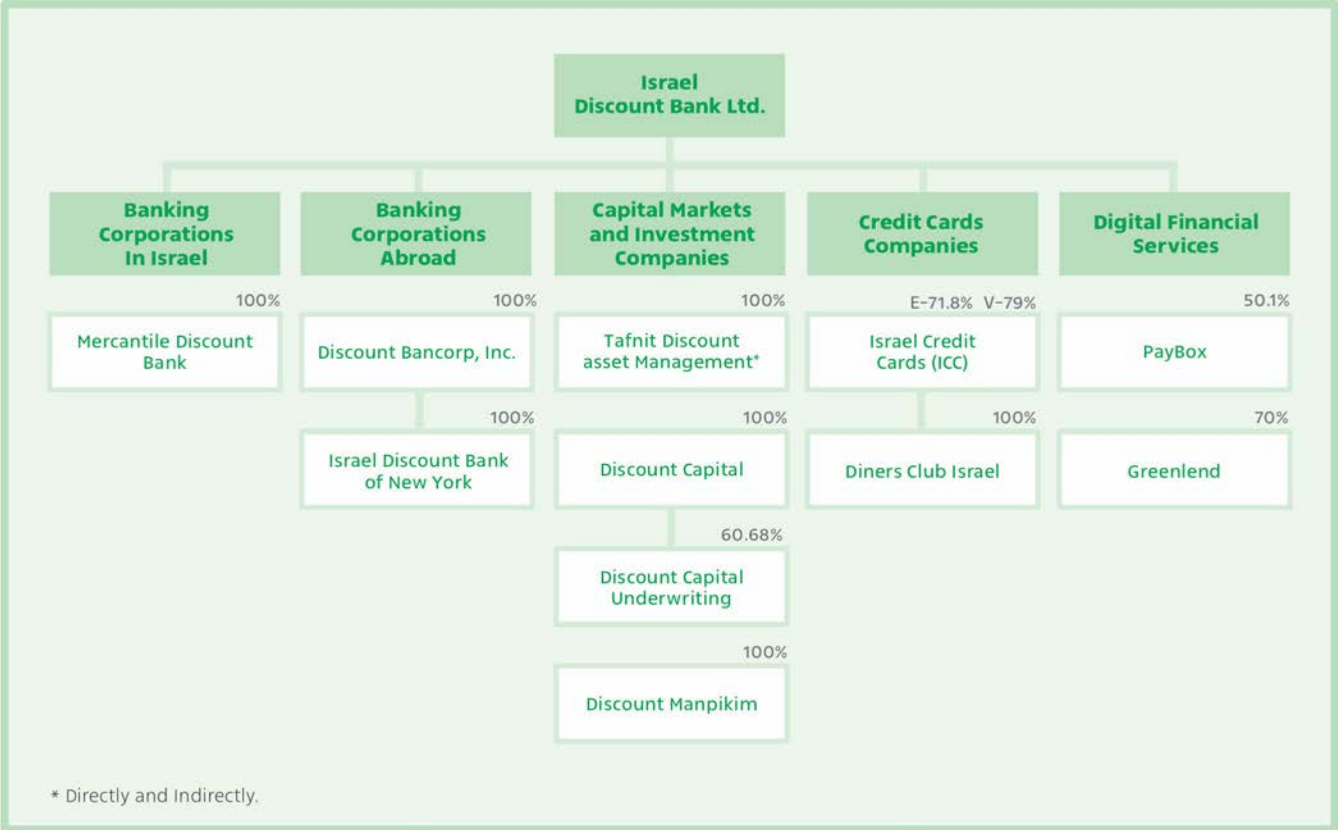
At a number of meetings, the Board of Directors of MDB and the Board of Directors of the Bank discussed the Committee's reports and recommendations and, at their meetings from November 20 (MDB) and November 26 (the Bank), respectively, they decided to adopt the findings, conclusions and recommendations of the Committee in full, while directing the banks' Managements and legal advisors to act to formulate and implement the arrangements accordingly.

The Banks intends to file a notice in the near future with the court, which is hearing the Application for the Discovery of Documents, regarding the adoption of the Committee's recommendations and regarding its intention to reach a detailed settlement with the relevant parties, so that it will be able to file an application for the approval of the aforesaid settlement with the court.

All as detailed in the Immediate Report published by the Bank concurrently with the publication of the Report for the third quarter (the present Report), the details contained therein are presented here by way of reference.

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 above "Management's handling of current material issues", the 2022 Annual Report (p. 342-343) and Note 10 section 5 to the condensed financial statements. The Bank estimates that the move to the campus will increase the annual depreciation expenses by approx. NIS 100 million.
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).
ICC - Replacement of core system infrastructure. The project is now in advanced stages of handover testing and proceeding to focus on business testing, testing vis-à-vis various external factors and practicing the processes for putting the infrastructure into operation. Completion of the project is expected until the end of 2024. The scope of the entire project, including the internal inputs to be invested therein, is estimated to amount to approx. NIS 230 million. For further details, see the 2022 Annual Report (p. 345).

The Human Capital

Principal Activities in the first nine months 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.
Bonding and employee experience. Following an employee evaluation survey conducted in the third quarter of 2022, the findings thereof being analyzed during the fourth quarter, a rich and detailed work plan for the improvement of bonding and employee experience has been devised. In the management and leadership field, the training of managers of all grades has been expanded in addition to the management forums at the Bank and division levels (the "Leading Form" and the "400 Forum"). Wide scope organizational processes have been communicated on a structured communication cascade, by which managers obtain all required information, both through meetings and by detailed kits providing organized response to employees.
A large leadership convention was held in the third quarter of 2023, in which some 400 of the Bank's managers took part, and which introduced values of the leadership model in an experiential and attracting manner. In the area of employee experience, the position of some 70 Bank clerks, who had fulfilled managerial duties for over one year, was formalized in September by being appointed managers at the Bank.
Various issues raised by the survey, which impaired employee experience, were treated in the first three quarters of the year. These related to matters of presence at work, "iron days", working days combining work at home and at the office, solving the issue of employee meals at the branches in parallel to catering services at the Discount Campus and the possibility of reporting presence at work in an independent and friendly manner by means of an Application. In addition, an officer in charge of mobility has been appointed in order to accelerate processes of development and mobility between duties, bringing to the attention of all employees all open positions at the Bank, and allowing all employees engaged in different duties to offer themselves as candidates for managerial duties. In addition, the process of "a friend introduces a friend" has been expanded and also the "employer brand language" has been introduced to these worlds.
Signing of a collective labor agreement. A collective labor agreement was signed on November 12, 2023, between the Management of the Bank and the representative committee of employees, regarding changes to the collective agreement of December 23, 2023, in the matter of wages and awards, as well as additional agreements regarding the compensation of managers and the advancement of clerks to the managerial echelon at the Bank. In accordance with the agreement, the percentage wage increase by stages applicable to tenured employees of the managerial echelon, which were due to be paid in July 2023 and in July 2024, have been consolidated into one stage of a shekel wage increase payable with the salary for April 2024. It was further agreed on the consolidation of the two stages for the payment of the award in respect of changes in the Labor Charter, which were due to be paid to managers in July 2023 and in July 2024, so that a consolidated differential award, divided into four grades, would be paid to managers or a part of them in April 2024.

Environmental, Social and Governance (ESG)

Environmental, Social and Governance (ESG) Report for 2022. The Report is available for reference on the website of the Bank.
"Maala" Rating for 2023. On July 17, 2023, "Maala" published its rating for 2022. The Bank and ICC had been rated in the Platinum Plus category (distinguish companies with an absolute score of over 90).

Support of the community during the "Iron Swords" War period

Immediately proximate to the outbreak of the War, the Bank and its employees readied themselves to assist residents of communities surrounding the Gaza Strip and of the South. Jointly with the Human Resources Division and the Strategy Division, a designated team has been formed for dealing with requests for assistance and for initiatives regarding support of different factors, in directing monetary assistance and matching volunteers to the different activities. The Bank allocates funds for different factors to the direct support of casualties, to supporting entities and to fighters of the IDF.
Included in the above are: focused assistance had been provided to residents of communities surrounding the Gaza Strip, who remained with absolutely nothing at all, in getting organized and acquiring basic needs; assistance to local authorities in the South and to residents of the area; assistance to Kibbutz Re'im in purchasing equipment and furnishing of alternative residence, initiated by the representative committee of Discount Bank employees, together with contributions of leave days pay and cash donations by Bank employees; funding of hundreds of hotel rooms in Central Israel for residents of the South who wanted to move to a safer place; funding of psychological treatments and mental help to hundreds of children and youth by means of the resilience centers operating in the towns of communities surrounding the Gaza Strip and in the South; procuring equipment for fighters of the IDF; donations to hospitals treating casualties from the fighting zones for the purchase of life-saving equipment; donations to Magen David Adom and ZAKA associations for the reinforcement of their rescue teams; donations for the support of the IDF and the security forces; Donations to Savyonim Association in support of the operation of ambulances transporting sick and handicapped persons and those with special needs; donations to the Jordan River Village, which opened its doors to families of children with complex disabilities, who were evacuated from their homes in the communities surrounding the Gaza Strip and in the Southern towns; donations for the maintenance of agricultural activity of the Ein Habsor cooperative Israeli community (moshav); donations for operating a pampering food truck for IDF soldiers, in cooperation with Moshik Roth and the KARNAF Group; donations for operations rooms established to support IDF fighters, civilians and more.
Furthermore, many hundreds of Bank employees take part since the beginning of the War in different voluntary activities around the country, such as: packaging of personal effects (clothing, toys, etc.) for servicemen and residents of the Gaza Envelope and of the South in cooperation with the "Pitchon Lev" Association; preparation of sandwiches for soldiers and residents of the communities surrounding the Gaza Strip; packaging of hot meals for the security forces and hospitals; preparation of agricultural products packages at the logistic center of "Leket Israel"; purchasing and packaging of computers and tablets for children and youth in cooperation with the "Lend a Hand to a Special Child" Association; packaging of needed personal equipment for military units adopted by the Bank; making personal telephone calls to the senior population regarding their needs in cooperation with the "Surprise Cake" Association; help to farmers in fruit picking, and more.
In order to encourage and facilitate the expansion of volunteering, the Bank's Management has increased the quota of volunteer hours within the framework of working hours. At the same time, the Bank's Individual and Community Unit is working to initiate and provide access for employees to a diverse range of volunteer activities.

"Keren Or" – Foundation in aid of children and youth harmed during the War. The Discount Group has established the "Keren Or" Foundation for the designated support of children and young persons harmed in the conflict area during the War. The Foundation, established by Discount Bank and MDB with a capital of NIS 50 million, will engage in providing a wide scope and long range holistic response to the needs of children and youth in recuperating their young bodies and souls, with a view of recovering their personal and communal sense of security. "Keren Or" will be managed by a professional committee that will devise an overall plan of operation to be formed by professionals belonging to the psychological, mental, medical and educational layout, including special-needs education. "Keren Or" will be operated by the "Sprint for the future" Association in cooperation with parties from the communities. The Foundation will provide response to varied needs, with the aim of enabling these to return to optimal functioning in their life, including: providing enveloping security and personal escorting, providing response to their physical needs, psychological treatment, emotional treatment by varied means, workshops for individual and collective forcefulness, enrichment and relaxation activities, relation to the community and social leadership activities, supporting studies and additional needs encountered during operations. For this purpose, the Foundation will operate in cooperation with the resilience centers in the South, alongside different factors in the community. Upon the establishment of the Foundation, a process would be conducted in which tests regarding the framework of operations would be mapped and defined, as well as order of preference for identification of specific needs and use of funds of the Foundation. The entire stated above, subject to consultation with the communities, the resilience centers and other assistance organizations.

In the first stage, a work plan for November was formulated, which concentrates on the Dead Sea area and is planned to be expanded to Eilat as well, later in the month. The plan includes activities for children aged 10-18 and includes various workshops: phototherapy, theater empowerment, extreme experiential activities (ODT), a street art and painting workshop, extreme activities and cycling, sports empowerment, simulators, and more. The activities are being carried out in cooperation with different bodies.

The Discount Group allows the general public to contribute to the Foundation and undertakes to double the amount so contributed. Commitments to the fund, from the Discount Group and donors, totaled approx. NIS 51.2 million at a date proximate to the date of the report's publication.

ICC. ICC, together with the Leket Israel organization and other partners, has helped distribute NIS 8 million to families evacuated from their homes by loading prepaid credit cards, at no cost. In addition, ICC has donated medicines, medical equipment, portable chargers and essential equipment to the fighters and volunteers of the rescue organizations. ICC has made financial donations to the residents of the communities surrounding the Gaza Strip, has encouraged its employees to engage in volunteer activities on account of work hours and has donated equipment and food to residents of the communities surrounding the Gaza Strip who have been evacuated from their homes.

The Discount Group's support for the community amounted at a date proximate to the date of the report's publication to approx. NIS 70 million.

Rating of Liabilities of the Bank and some of its Subsidiaries

Rating determined for the Bank and some of its subsidiaries by different rating agencies

Rating given by	Subject of rating	Rating	Rating outlook	Date of rating/ratification of rating
	Discount Bank			
Standard & Poor's, Ma'alot	Issuer rating (including deposits)	il AAA	Negative	October 31, 2023
	Issuer rating Short-term	il A-1+		October 31, 2023
	Subordinate capital notes[1]	il AA+	Negative	October 31, 2023
	Subordinated debt notes with a loss absorption mechanism (Series F, G[3], H, I)	il AA-	Negative	October 31, 2023
	Bonds (Series M, N, O)	il AAA	Negative	October 31, 2023
Midroog	Long-term deposits	Aaa.il	Stable	November 15, 2023
	Short-term deposits	P-1.il		November 15, 2023
	Subordinated debt notes with a loss absorption mechanism (Series F, G, H, I)	Aa3.il (hyb)	Stable	November 15, 2023
	Bonds (Series M, N, O)	Aa3.il	Stable	November 15, 2023
The international rating agency S&P	Issuer rating Long-term	BBB+	Negative	October 31, 2023
The international rating agency Moody's	Long-term foreign currency deposits	A2	Stable	December 21, 2022
The international rating agency Fitch	Long-term issuer rating	A	Stable	February 23, 2023
	Mercantile Discount Bank			
Standard & Poor's, Ma'alot	Issuer rating (including deposits)	il AAA	Negative	October 31, 2023[2]
	Issuer rating Short-term	A-1		October 31, 2023
	Subordinate capital notes	il AA+	Negative	October 31, 2023
	Bonds (Series B)	il AAA	Negative	October 31, 2023
	IDB Bank			
Kroll Bond Rating agency	Deposits	A-	Stable	January 27, 2023
The international rating agency S&P	Issuer rating Long-term	BBB+	Negative	October 31, 2023

Footnotes:
(1) The rating also relates to subordinate capital notes (lower tier 2 capital) issued by Manpikim.
(2) Mercantile Discount Bank has been defined as a "core company" of the Discount Group. This determination creates a unique affinity between the Bank's rating and the rating of Mercantile Discount Bank.
(3) Date of rating: June 18, 2020.

Credit rating of the State of Israel. 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". On the other hand, 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.

On July 24, 2023, within the framework of the legal reform move, the Knesset passed the Reduction of the Reasonableness Cause Law. Moody's rating agency published on the next day a special report regarding Israel, following the passing of the Law. In this report, Moody's indicates the risks following the political and social tension in Israel and the impact on its economy that is becoming apparent.

On July 27, 2023, also the rating agency S&P published a special report following the passing of the said Law. S&P estimates that if the Government and the Opposition would not reach agreement, the political controversy in Israel will increase, burdening economic growth in the medium-range. In the short-range, the continuing political uncertainty combined with weaker economic performance as well as the tightening of the monetary policy would bring about a slowdown in the economic growth in Israel.

It should be noted that, against the background of the establishment of an emergency government, it is believed that the further progress of the reform will be put on hold until the end of the war.
On October 17, 2023, the Fitch rating agency announced that the rating of the State of Israel would be placed on "Rating watch negative" due to a change in the risks perception in the light of the war. On October 19, 2023, the Moody's rating agency announced that the credit rating of the State of Israel, which currently stands at a level of A1, was being placed on "Review for a downgrade" due to a change in the geopolitical risk perception caused by the war. On October 24, 2023, the S&P rating agency also announced that Israel's credit rating outlook would be reduced from "stable" to "negative" due to the significant worsening of the geopolitical and security risks that Israel faces as a result of the war.
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 third quarter of 2023, the Discount Group has 173 branches in operation in Israel (100 branches of the Bank and 73 branches of MDB). In the first nine months of 2023 an extension of the Nathaniya Branch was opened in Kfar Yonah and an extension of the Ashkelon Branch was opened in the Barnea Quarter in the city.

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

Mortgage Activity

At the present time, the Bank operates 73 branches, countrywide, providing mortgage loan services. The Bank focuses on the granting of mortgage loans as a method for maintaining the business with existing customers and attracting new customers.

Developments in the mortgage market

	September 30,		
	2023	2022	
	in NIS millions		Change in %
Total housing loans granted by the banks, excluding internal recycling of loans	55,440	96,414	(42.5)
Loans from State funds	268	300	(10.7)

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

	For the nine months ended September 30,			For the year ended December 31,
	2023	2022		2022
	In NIS millions		Change in %	In NIS millions
From bank funds[1]	7,906	14,522	(45.6)	17,765
From Treasury funds[2]	37	34	8.8	48
Total of new loans	7,943	14,556	(45.4)	17,813
Recycled loans	2,146	1,261	70.2	1,534
Total granted[3]	**10,089**	**15,817**	**(36.2)**	**19,347**

Footnotes:

(1) Including new loans granted, secured by housing mortgages, in the amount of NIS 398 million in the first nine months of 2023, compared to NIS 183 million as at September 30, 2022 and NIS 270 million in 2022.

(2) Including standing loans in the amount of NIS 14 million in the first nine months of 2023, compared to NIS 14 million compared to the first nine months of 2022 and NIS 19 million in 2022.

(3) At the Bank and M.D.B.

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

Proper Conduct of Banking Business Directive No. 251, "Adjustments in Order to Deal with the Iron Swords War (Provisional Instruction)". On October 31, 2023, the Banking Supervision Department published the directive, which extends a number of dates set in the Proper Conduct of Banking Business Directive No. 451, "Procedures for Granting Housing Loans", including the dates on which the Bank must provide customers with a letter of intent, approval for removal and approval for the placing of a second ranking pledge on a property. It was also determined that Proper Conduct of Banking Business Directive No. 449, "Simplification of Customer Agreements", will not apply at the time of a customer's request to defer mortgage loan repayments in accordance with the outline of assistance to customers in dealing with the consequences of the Iron Swords War published by the Bank of Israel, in order not to delay implementation of the outline. It was prescribed that the customer's signature would not be required in order for him to make the request for a repayments deferral, if said deferral is in accordance with the assistance outline, provided that the customer's consent is received and documented. In addition, the date has been extended for the implementation of an amendment to Proper Conduct of Banking Business Directive No. 451 dealing with an online inter-bank interface for the housing loan rollover process. On November 21, 2023, an update to the aforementioned Provisional Instruction was published, within the framework of which additional reliefs were granted, and inter alia, the date for granting approval in principle was also extended, and it was prescribed that a borrower would not be required to sign the documents for a housing loan with two or more borrowers, when one of the borrowers has difficulty signing. For additional details see "Legislation and Supervision".

Amendment of Proper Conduct of Banking Business Directive No. 451 in the matter of housing loans. An amendment of Proper Conduct of Banking Business Directive No. 451 was published on July 19, 2023, whereby guidelines were included intended to facilitate early repayment of a housing loan, including by way of refinancing an existing loan by means of a banking corporation or another financial institution. The Amendment states that certain actions pertaining to a premature repayment notice as well as receiving documents required for the refinancing of an existing loan by means of another banking corporation may be effected distantly with no need for the customer to visit the Bank branch.

The Economic Program Law (Legislation amendments for the implementation of the economic policy for the 2023-2024 budget years), 5783-2023. On June 6, 2023, the Arrangements Law was published on the Official Gazette, which, inter alia, established that a banking corporation has to deliver to the customer a monthly statement of the amounts of interest and commissions charged for the preceding month in respect of a mortgage loan. The effective date is set for June 2, 2024. For additional details, see below "Legislation and Supervision".
The Insurance Contract Law (Amendment – the transfer between banking corporations of a life assurance beneficiary), 5783-2022. On July 11, 2023 the Amendment was approved, the aim of which is to facilitate mortgage bearers in refinancing of a mortgage loan by means of another institutional body, without the borrower having to purchase a new life assurance policy in respect of the refinancing. According to the approved Amendment, the borrower may require the assurance company to change the beneficiary stated in the policy, from the first financing institution to the new financing institution within the framework of that same life assurance contract, in a refinancing of a mortgage transaction. Thus, would be abolished the barrier existing at the present time upon the refinancing of mortgages, whereby, due to the advancing age of the borrower or to changes in his medical condition the cost of the assurance premium increases, and even in certain cases, the purchase of a new assurance policy is not possible.

Large businesses Segment (Domestic Operations) - Additional Details

Legislative Restrictions, Regulations and Special Constraints applicable to the Segment

As of September 30, 2023, no deviations existed from the limitations as set in Proper Conduct of Banking Business Directive No 313. Furthermore, as of September 30, 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.
Amendment of Proper Conduct of Banking Business Directive No. 313 – limitations on indebtedness of a borrower and of a group of borrowers. The exception from the quantitative limitation stated in section 4(b)(2) of the Directive, relating to indebtedness of a banking borrower group to a credit card company was extended until December 31, 2024. It was also determined that such indebtedness shall not be included in the combined limitation of large borrowers, in accordance with section 4(e) of the Directive.

Developments in the debt of the business sector

The debt of the business sector (excluding banks and insurance companies) amounted at the end of August 2023[6] to NIS 1,316 billion, an increase of approx. 6% 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 (8.2%). In addition, an increase was recorded in the debt to institutional bodies (approx. 5%), due to an increase in the balance of bonds held by institutional bodies (6.5%) and a moderate increase in the loan component (approx. 3%). Furthermore, an increase of approx. 4% was recorded in the indebtedness of the business sector to foreign residents, as stated, a nominal increase reflecting, in fact, a real-term decrease, in view of the sharp devaluation during the period), and an increase of approx. 1% was recorded in the indebtedness to households. The said trends have led to an increase in the weight of banks in the total indebtedness of the business sector from 53.4% to 54.4%.
During the first nine months of 2023 the business segment, excluding banks and insurance companies, raised bonds in an amount of approx. NIS 36 billion (on the Tel-Aviv Stock Exchange and by means of non-listed bonds), compared to NIS approx. 38 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 September 2023 was 1.53%, compared with 1.69% at the end of June 2023.

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

The margin between corporate bonds (included in the shekel Tel-Bond) and government bonds as of the end of September 2023, was 1.87%, as compared to 2.1% at the end of June 2023. The reduction in margins during the third quarter of the year happened concurrently with a rising equities market, while during the first half of the year a rise in margin had been observed, which agreed with decline in the equities market.

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. The rate of sales is slower than in the past, reflected in a significant decline in demand for mortgage loans while building contractors are offering different benefits as part of focused marketing campaigns.
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 16.87% as of September 30, 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 were allowed to spread the effect of change in weight of the risk for the existing amount of loans at fixed quarterly installments until June 30, 2023.
Proper Conduct of Banking Business Directive No. 251, "Adjustments in Order to Deal with the Iron Swords War (Provisional Instruction)". On November 1, 2023, the Banking Supervision Department published an amendment to the directive, within the framework of which, inter alia, temporary reliefs were prescribed regarding the rate of financing in loans intended for the purchase of land, pursuant to which, a rise in the financing rate above the 80% threshold with respect to loans intended to purchase land for development or construction purposes, which is due to interest accrued through December 31, 2023 as a result of a "grace period" granted after October 7, 2023, will not be brought into the calculation of the financing rate.

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. On June 1, 2023, the Governor of the Bank of Israel instructed the Bank to sell its surplus holdings in the corporation within a year from the date of it becoming a significant non-financial corporation. Until the aforesaid sale date, the Governor has instructed the Bank not to make use of the voting or other rights conferred on it by virtue of the means of control held at a higher rate than that legally permitted (10%), other than the right to receive dividends.
As of September 30, 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 September 30, 2023 to NIS 2,204 million. The outstanding investment commitments of Discount Capital amounted on September 30, 2023, to NIS 1,052 million (US$275 million) most of which in Funds the investment period of which has not yet expired.
Income. Discount Capital recorded in the first nine months of 2023 net income from non-financial investments in a total amount of approx. NIS 101 million. This, compared to net income in a total amount of approx. NIS 128 million in the corresponding period last year.

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 September 30, 2023, the calculated rate of the Bank's exposure with respect to overseas extensions stood at 14.04% 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 signed on May 24, 2023, parallel consent orders with the US Regulators (collectively, the "Consent Order"). Such Consent Order requires 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 within timespans specified for this in the agreed order.

IDB Bank is in the process of taking the actions and enhancing the processes that it is required under the Consent Order. As a result, there has been an increase in IDB Bank's staffing levels and operational costs.

The Consent Order does not include fines or penalties and does not require additional capital or any other restrictions on IDB Bank's ongoing business activity or on the implementation of its strategic plan. However, the 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. As from the date of signing the agreed order, the agreed order is 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. Part of 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 possible effects of the agreed 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

The "Iron Swords" War. ICC's activity is directly affected by the Israeli economy's activity and, therefore, the war may have a material effect on the scope of ICC's transaction turnovers (shortly before the date of publishing the report, ICC estimated that transaction turnovers had decreased by approx. 15%-20% from their scope prior to the outbreak of the war), on the levels of demand for credit and also on ICC's credit losses, with respect to customers or trading houses that will be adversely affected by the consequences of the war.
The Company estimates that, in the fourth quarter of 2023 and at the beginning of 2024, there will be an adverse effect due to a decrease in fees due to benefits granted to customers; due to a decrease in the activity volumes of Israelis abroad (and accordingly, it is possible that the goals of the international organizations will be only partially met, depending on the scope of the harm), from a decrease in income from cross commission deriving from the volumes of activity in the affected industries; and, from a decrease in clearing income. At this stage, in view of the uncertainty regarding the war's duration, intensity, scope and consequences, the overall financial ramifications of the war cannot be estimated.
Launch of card for children. In September 2023, ICC launched My Cal, a credit card for children. My Cal, which will be issued to children of any age, will allow parents to immediately load the card via digital channels. The new card offers a 10% refund ("Cash Back") at leading chains for children.
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 ub 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 the period of the agreement, 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 have updated some of the commercial accords in the agreement. The conditions precedent were fulfilled on August 6, 2023, and the transaction was consummated. The customer loyalty club was launched in a soft launch on August 15, 2023.

New credit card launch. On May 29, 2023, ICC launched its “Cash CAL Pro” card, which is a “cash back” card for transactions in Israel and overseas, which card grants its holders a monetary refund (cash back) of up to 1.5% on every purchase in Israel and overseas, a reduced fee on foreign currency transactions and discounted entry to more than 1,200 VIP airport lounges throughout the world.

Vehicle credit financing. In May 2023, ICC launched a credit financing activity for vehicle purchasing. Entry into the vehicle purchase financing field will enable ICC to enlarge the scopes of its consumer credit balances, while managing the risk and basing the activity on a collateral-backed product.

Entering Aggregator agreements in relation to the “Diners” and “American Express” brands. On July 23, 2023, Diners (which clears and issues “Diners” brand charge cards in Israel) and IsraCard signed a detailed agreement in connection with entering into an Aggregator agreement, within the framework of which IsraCard will be allowed to act as an Aggregator of trading houses in Israel under the “Diners” brand. In addition, ICC and Premium Express Ltd. signed a detailed agreement in connection with entering into an Aggregator agreement, within the framework of which ICC will be allowed to act as an Aggregator of trading houses in Israel under the “American Express” brand. The agreements contain terms and conditions that are customary in Aggregator agreements and are valid for 12 months at a time, being automatically renewed for a further 12 months at the end of each period, for an overall period of five years, unless one of the parties gives notice of its desire to cancel one of the agreements prior to this, as prescribed in the agreements.

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 third quarter of 2023:

Current accounts and foreign currency

Expanding support for the printout of earlier statements of account. The possibility of printing out earlier statements of account has been expanded from the last three years up to the last six years.
Removal of closed foreign currency accounts from the account management confirmation report. The failure of inclusion in the account management confirmation report of closed foreign currency accounts has been rectified and so was the presentation of names of customers.

Digital for business

Raising the limit for the deposit of checks. The daily and monthly limits for depositing checks have been raised. Private customers: the daily limit for depositing checks has been raised from NIS 100 thousand to NIS 150 thousand, and the monthly limit from NIS 150 thousand to NIS 250 thousand. Business customers: the daily limit for depositing checks has been raised from NIS 150 thousand to NIS 350 thousand, and the monthly limit from NIS 300 thousand to NIS 500 thousand.
Sorting of beneficiaries according to the most recent transfer. The "Transfer between accounts" screen includes now the option of quicker identification of the correct beneficiary by a new sorting according to date of transfer.
Presentation of a post-dated check photo in the "Latest entries" screen – presentation of the photo of a post-dated check upon arrival of its due date has been added.
Request for the transfer of foreign currency. A new and more convenient link has been added for sending a request to the banker for the transfer of foreign currency in an amount exceeding the permitted limit on the digital.
Addition of a beneficiary identification in the "Effected transfers" query. In the case of Real Time Gross Settlements (RTGS) transfers, the beneficiary identification entered by the customer would be reflected also in the "Effected transfers", including in the printout and in the export to an Excel file.
Attachment of files to business CRM. An option for the delivery of documents has been added also to customers whose Bank branch is connected to a business CRM. These customers would be able to send requests in matters of certificates and documents, vehicle insurance policies, investment consultation and the removal of foreclosure.

Checks

Removal of a post-dated check. An option has been added for the withdrawal of a check deposited as a post-dated check, and its removal from the digital post-dates checks stockpile (withdrawal applies only to checks deposited for collection and may be effected up to three days prior to their due date).
Addition to the "Operations menu" of a change in the due date of a post-dated check. An option has been added of entering the process also by means of the "Operations menu" on the website and also to add to the menu of checks on the Application.

Customer experience

Open banking continues to expand. A new cooperation with EcoBill Company, which joins the "partners avenue" on the main menu in the Application. EcoBill is an Israeli fintech company offering a service for the management of household bills (city tax, electricity, water, gas, communication, etc.). The combination of EcoBill with Discount would allow Bank customers to receive their household bills in one place, to monitor them, identify deviation, receive alerts and pay the bills easily and in a secured manner by way of a bank transfer by means of the system (to be introduced gradually, opened in the first stage in a number of branches).

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

Developments in the Global Economy

General. The global economy has continued to expand, with very high variability between countries. In the United States, there has been further rapid growth, at an annual rate of 4.9% in the third quarter, and as a result, there has been significantly less concern regarding the American economy going into recession. In contrast, in the Eurozone, there was stagnation in the second quarter and third quarters of the year, and zero growth earlier. Inflation in the world is moderating, but still remains higher than central banks' targets. As a result, central banks around the world have continued to raise interest rates. The Fed raised the interest rate to 5.25%-5.5%, and the ECB raised its rate to 4%.

Financial markets. The rate increases that characterized the first half of the year continued until the end of July, after which they began to fall, as the US Fed conveyed the message to the market that inflation was not easing as desired, and economic data continued to be good. Thus, there was concern that the process of interest rate hikes had not come to an end, and the equity market reacted with declines.

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

Index	2023	2022
S&P 500	12.1%	(25.0%)
DAX	9.4%	(24.2%)
MSCI Emerging Markets	(0.4%)	(28.8%)

The trend of rising yields, which began during the second quarter of the year, along with reduced concern of entering a recession, accelerated during the third quarter. As a result, US government bonds recorded a sharp rise in yields and, at the end of September 2023 the 10-year yield was approx. 70 basis points higher compared to the second quarter and compared to end of 2022. At the same time, in Germany, the 10-year yield rose during the third quarter by approx. 30 basis points and was approx. 30 basis points higher compared to the beginning of the year.

The returns on government bonds

10Y Government Bond Yields	June 30, 2022	December 31, 2021
U.S.A.	4.6%	3.9%
Germany	2.84%	2.56%

In contrast to the first half of the year, the dollar basket ("dollar index") strengthened during the third quarter at a rate of approx. 3%, as a result of assessments that the US economy will experience a "soft landing", and that the interest margin will widen.

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

Exchange rate	2023	2022
EUR	(0.8%)	(13.8%)
JPY	(12.4%)	25.6%
GBP	1.3%	(17.5%)

Following a decline in commodity and oil prices in total for the first half of the year, prices rose during the third quarter, against the background of the assessment that the slowdown in the global economy was more moderate than expected. On the other hand, gold prices – that had risen in the first half – fell, in light of the rise in real yields, which reduces the attractiveness of gold.

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

	2023	2022
The commodities index - GSCI	3.2%	8.9%
The oil price (BRENT)	10.9%	13.1%
The oil price (WTI)	18.0%	5.7%
Gold	0.5%	(9.6%)

Main Developments in the Israeli Economy

General

In the third quarter of 2023, the economy grew at an annual rate of 2.8%, compared to 3.5% in the first half of the year. Private consumption continues to show weakness, with a decline (-0.1%) in private consumption per capita, and investments in fixed assets have seen a slight decline. On the other hand, exports grew at a steep rate, and public consumption expanded at a relatively rapid pace. The labor market continued to display resilience, with unemployment rate falling further during the third quarter, reaching 3.2% in September, compared to 3.6% in June and 4.2% in December 2022. Notwithstanding, the rate and scope of vacancies continued to fall, although the rate of decline moderated.

Developments in the activity of the Israeli economy with overseas markets

During the months January through September 2023, direct investments in Israel (through the banks) by foreign residents fell sharply, compared to the corresponding period last year. In addition, there has been a significant withdrawal in foreign residents' financial investments in marketable securities. Between January and September 2023, foreign investors realized short-term loans (MAKAM) in very large volumes, while on the other hand they purchased large volumes of government bonds. This compared to the purchase of a large volume of MAKAMs in 2022 and the realization of government bonds. At the same time, foreign residents purchased equities on a more limited scale compared to 2022. At the same time, Israel residents realized overseas equities on a large scale while, on the other hand, they increased their investment in bonds by a considerable rate.

Changes recorded in investments of the Israeli economy abroad

Investments in Israel by foreign residents	January-September 2023	January-September 2022
	US$ million	
Total direct investments	9,852	14,324
Total financial investments	2,982	8,017
Of which: Government bonds and MAKAM	2,306	4,308
Shares	328	3,515

Investments abroad by Israeli residents	January-September 2023	January-September 2022
	US$ million	
Total direct investments	860	94
Total financial investments	3,152	(2,597)

Developments in inflation and foreign exchange rates

Similar to the global trend, inflation in Israel is on a downward trend, although still higher than the target. Inflation and core inflation stood at 3.8% in September 2023. Annual inflation expectations were around the 2.85% range during the third quarter.
The shekel continued to weaken also during the third quarter of the year, by 3.1% against the dollar and by 1.5% against the basket of currencies, respectively, and in aggregate since the beginning of the year by 8.4% and 5%, respectively. The weakening of the shekel during the third quarter is against the background of progress in implementing the legal reform, the strengthening of the dollar worldwide and the declines on the NASDAQ.

Fiscal and monetary policy

Fiscal policy. During the third quarter, the deficit continued to expand, and in the 12 months ended in September, the deficit rose to 1.5% of GDP, compared with a deficit of 0.9% in June, and a surplus of 0.8% of GDP in December 2022. In the first nine months of 2023, tax revenues recorded a real decline of approx. 7%, compared to the corresponding period last year, of which, the direct tax revenues declined by approx. 9%. Starting from the second half of 2022, tax revenues have been falling at an annual rate of 6%, compared to their peak in the first half.
Monetary policy. During the third quarter of the year, the Bank of Israel left the interest rate unchanged, after raising it during the first half from 3.25% to 4.75%. At the end of September, the embedded interest rate for the year ahead stood at approx. 4.5%.
Change in the monetary base. During the first nine months of 2023, the M1 money supply (cash in the hands of the public and shekel current account deposits) recorded a decline of approx. 17%, compared to a decline of approx. 3% in this money supply in the corresponding period last year. The decline is due to current account deposits which recorded a decreased of approx. 21%, this, in light of the continued monetary contraction and the steep rise in the interest rate. Concurrently, a decrease of approx. NIS 4 billion was recorded in the money base, due to the government's absorption on a large scale, alongside the inflow from the Bank of Israel, which offset some of the aforesaid absorption.

Sources for the change in the monetary base

	September 30, 2023	December 31, 2022
	In NIS billion	
Operations on the Capital Market	(99.1)	(30.1)
The Shekel deposits tender	121.0	47.5
Monetary loan	(12.2)	-
Foreign currency conversion	-	1.1
Government activity	(20.0)	(8.7)

Capital market

In contrast to the first half of the year and the global trend, the Israeli capital market recorded prices increases during the third quarter. The Banks Index posted a double-digit increase, while the TA-35 Index rose by 5.5%.

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

Index	2023	2022
TA 35	2.7%	(7.1%)
TA 125	3.4%	(8.4%)
TA banks	16.7%	(2.0%)
TA Global-Blutech	6.4%	(28.8%)
Real-estate 15	(4.5%)	(4.9%)

Similar to the global trend, yields on Israeli government bonds also rose during the third quarter of the year, albeit at a more moderate rate. Thus, 10-year bonds recorded an increase in yields of approx. 45 basis points, and as a result, a negative yield margin of 30 basis points opened up against US bonds.

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

Index	2023	2022
General bonds	1.5%	(7.7%)
General Government bonds	(1.5%)	(8.8%)
Shekel Government bonds	0.6%	(8.6%)
Linked Government bonds	(0.9%)	(9.1%)
General Corporate bonds	3.5%	(5.7%)
Linked Corporate bonds	3.7%	(6.6%)
Shekel Tel-Bond	1.6%	(7.1%)

During the third quarter of 2023 the corporate bonds market recorded an increase of approx. 0.5% in the Shekel Tel-Bond, concurrently with a slight decrease in the margin against the Government bonds, and since the beginning of the year, an increase of 1.6% with a certain increase in the margin. The Tel-Bond 60 Index recorded a 3% increase since the beginning of the year, concurrently with a moderate decline in the margin.

During the first nine months, the scope of bond issuances by Israeli companies (on the Tel Aviv Stock Exchange and by means of non-listed bonds) amounted to approx. NIS 52 billion, of which: the business segment excluding banks and insurance companies issued approx. NIS 36 billion. This compared to approx. NIS 64 billion and approx. NIS 38 billion, respectively, in the corresponding period last year.

The asset portfolio held by the public

In the course of the period from January to August 2023[7], the value of the financial assets held by the public portfolio grew by approx. 4%, as compared to that of December 2022, amounting at the end of the period to approx. NIS 5.08 trillion. The growth in value of the portfolio is explained by the steep rise in value of the foreign equities component (approx. 20%), growth in value of the foreign currency linked component (approx. 7.5%), a moderate growth in CPI linked assets and in the Israeli equities component (approx. 3%), and stagnation in the shekel component.

Distribution of the asset portfolio held by the public

	August 8, 2023	December 31, 2022
Shares	25.1%	23.7%
Non-linked assets	37.7%	39.2%
CPI linked assets	25.1%	25.3%
Foreign currency linked assets	12.1%	11.8%

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

Principal Economic Developments in October and November 2023[8]

The US labor market data for October reflected a negative surprise, with the rate of unemployment rising to 3.9% and the wage rate being moderated to 4.1%. Inflation slowed to an annual rate of 3.2% and core inflation to 4%.
In Israel, the "Iron Swords" War broke out in the South of the country on October 7, 2023, following a murderous attack carried out on October 7 by the Hamas Organization against communities surrounding the Gaza Strip. As a result thereof, a significant decline was recorded in the scope of economic activity, with a focus on the tourism sector, private consumption, mostly consumption of services, and on the real estate sector. On the other hand, government expenditure increased steeply as a result of the wide scope mobilization of military reservists, alongside a steep rise in procurement by the defense system and in the civilian expenditure.
In consequence thereof, the budget deficit recorded a steep increase in the period of twelve months ended in October to a level of 2.6% of GDP, compared to 1.5% of GDP in September. Expenditure rose by approx. 10% in the period from January to October, compared to the corresponding period last year, and at the same time tax revenues declined by approx. 7%, of which 9% in direct tax revenues.
On the background of the War, Moody's and Fitch rating agencies have put the State of Israel on the watchlist, while S&P rating agency announced the reduction of the rating outlook from stable to negative.
In view of the steep devaluation of the shekel, the Bank of Israel announced a plan for intervention in the foreign currency market – sale of up to US$30 billion out of the foreign currency reserves at its disposal, and for the supply of liquidity to the market, by means of SWAP transactions in a volume of up to US$15 billion. Concurrently, the Central Bank announced a series of relief measures applying to households and businesses. In addition, it has renewed the monetary loan to the commercial banks to the tune of up to NIS 10 billion, intended for the granting of credit to small businesses at preferred terms. On the other hand, the level of interest remained unchanged. Within the framework of intervention in the foreign currency market, the Bank of Israel sold during October approx. US$8 billion.
The Government has also announced support measures for the population, including relief in the payment of taxes.
10-year US government bond yields continued their upward trend, which, as stated, began during the second quarter of the year, and, toward the end of October, had reached a level of approx. 5%. However, following the publication of economic data that indicated a moderation in economic activity, along with messages from the Fed that no further interest rate hikes are expected, a downward trend in yields began. Thus, yields fell by approx. 50 basis points to a level of approx. 4.4%. Concurrently with the global trend and combined with the war, the yields on Israel government bonds rose sharply and, toward the end of October, the negative margin against the US bonds had closed. As of the date of writing this, the margin stands at approx. (-)10 basis points.
At the same time, the shekel depreciated by approx. 7%, to a level of NIS 4.08 to the dollar, toward the end of October but, since then, the shekel has strengthened by approx. 9% against the dollar, to approx. NIS 3.73 to the dollar, as a result of the Bank of Israel's intervention, positive market sentiment and the weakening of the dollar worldwide.
On the local equities market, prices had fallen by the end of October, but have since risen. Thus, an increase of approx. 12% was recorded, from the lowest point, and overall, compared to the end of the quarter - a decrease of approx. 4%. The S&P500 Index has risen by approx. 6% since the end of the quarter.
The Israeli government's CDS premium rose from approx. 60 basis points on the eve of the war to approx. 140 basis points, but over the past few weeks it has dropped back to approx. 119 basis points.

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.

8 All data relate to the period from October 1, 2023 and until November 23, 2023.

Regulation arising from the “Iron Swords” War

Following the events of October 7, 2023 and the outbreak of the “Iron Swords” War, various regulators have issued a series of reliefs and adjustments aimed at making things easier for the public and the business sector and enabling business continuity for the economy in general and for the banks in particular.

Points of emphasis and reliefs of the Banking Supervision Department arising from the “Iron Swords” War

On October 12, 2023, the Banking Supervision Department published Points of emphasis for the Israeli banking system that relate to the public’s interfaces with the banking corporations and credit card companies. The Supervisor of Banks noted the vital role of the banks and credit card companies in standing as a solid foundation alongside their customers, while employing increased sensitivity and taking a proactive approach in finding solutions and providing as much relief as possible to customers in distress; maintaining continuity in the provision of services; and managing the range of operational and financial risks unique to this period. For this purpose, the banking system must verify that its activity takes into account, inter alia, the following aspects: maintaining the availability and continuity of services, publishing up-to-date information about the available service channels, acting with extra-special sensitivity with regard to inquiries relating to accounts of the missing or killed, setting procedures for identifying and verifying relatives, establishing work processes for providing a quick response and action with sensitivity with regard to fears of misuse of payment methods. Initiatives must continue to be promoted that aim to ease the burden of meeting customers’ payments and liabilities, with an emphasis on residents of the emergency areas, IDF soldiers, those called-up and their families and small businesses affected by the situation. Positive consideration should be given to providing relief in appropriate cases, including: deferring loan payments with full disclosure of the implications; freezing collection proceedings; avoiding the collection of fees and commissions according to the circumstances; and approving the breaking of deposits and reducing associated costs. It was also noted that banks should be prepared for an increase in hacking attempts and cyber-attacks aimed at the banking system and should, generally, examine with increased surveillance all risks and including the adaptation of policy and models to stress tests.

Comprehensive outline for helping customers deal with the consequences of the “Iron Swords” War. For details, see above ”Support of customers during the ”Iron Swords” War period”.

Regulatory Points of emphasis regarding debt handling and reporting to the public. On October 18, 2023, the Banking Supervision Department published this document, pursuant to which the Banking Supervision Department is encouraging banking corporations to take action to temporarily allow borrowers affected by the war to have flexibility in the repayment of loans. The debt arrears situation is to be determined by the contractual terms of the debt – a debt that did not have payment arrears on the date the war broke out, will not be reported as a debt in arrears; in the case of debts that had payments arrears on the date the war broke out, the arrears situation must be adjusted to the situation as it was at the time the war broke out. Within the framework of reporting to the public, it is necessary to disclose the debts of borrowers affected by the war for whom new repayment arrangements have been made.

Checks Without Cover Regulations (Restrictions on the Application of the Law), 5784-2023. On October 26, 2023, the Regulations were issued, the essence of which is setting restrictions on the Checks Without Cover Law, so that dishonored checks or checks which are expected to be dishonored on ground of ”lack of sufficient funds” during the course of the ”Iron Swords” War, in the periods defined in the Regulations, shall be deducted from the number of checks counted for the purpose of imposing a limit on the account. This, in order to avoid limiting bank accounts at this time.

Proper Conduct of Banking Business Directive 251 – Adjustments to the Proper Conduct of Banking Business Directives for the Purpose of Dealing with the “Iron Swords” War. On October 22, 2023, the Banking Supervision Department published the Directive, which includes urgent regulatory adjustments that are required due to the situation. The Directive covers, among other things, reliefs in the handling of excesses on current account facilities in amounts not exceeding NIS 5,000, the possibility of sending urgent and significant impact notices through banking communication channels to customers who do not subscribe to those services, facilitating the identification and verification procedures required in providing banking services via communications channels, increasing the scope of permissible activity on clearing accounts opened online and postponing the effective date of several Proper Conduct of Banking Business directives that were due to shortly go into effect. In addition, the permitted volume of

transactions on the payment applications (such as PayBox) has been increased until the end of the year, for the benefit of raising funds in aid of families of those injured or missing, or for the support of operations of the security, rescue and assistance forces. On November 1, 2023, the Banking Supervision Department published an amendment to the directive, within the framework of which, inter alia, temporary reliefs were prescribed regarding the rate of financing in loans intended for the purchase of land. An additional Amendment to the Directive was published on November 21, 2023, which contains additional relief measures in relation to directives of the Supervisor of Banks, in view of the continuation of the fighting. The relief measures relate, inter alia, to the participation of Directors in Board meetings by way of advanced communication means, the possibility of increasing the recharged amount for certain rechargeable credit cards, and this, inter alia, on condition that the card is being issued to associations engaged in assistance on the background of the War, alleviation regarding requirements for the signing by borrowers of documents regarding housing loans.
In addition, the Banking Supervision Department has published guidelines regarding reliefs for identifying customers who do not have official documentation, reliefs for operating branches in the conflict zone, and permission to move branches and operate mobile branches.
The Banking Supervision Department's letter on capital planning and profit distribution policy. See "Dividends Distribution".

Various reliefs

Deferral of Deadlines Law (Provisional Instruction – "Iron Swords") (Contract, Judgment or Payment to an Authority), 5784-2023. On October 18, 2023, the Knesset passed this law, which grants those eligible (including soldiers in compulsory and reserve duty, residents of evacuated communities, and a company or partnership controlled by a person who meets one of the criteria set forth in the law) an arranged legal solution for deferring due payment dates or deferring an action, arising from a contract, judgment or payment to a public authority – and this for a period of sixty days or until December 31, 2023, whichever is earlier.
The non-enforcement position in the matter of digital consultation. Among other things, the (acting) Commissioner for the Capital Market, Insurance and Savings informed that the Authority will not take enforcement measures against banking corporations providing pension advice via digital means or by telephone for existing customers which are being advised at bank branches where banking activity is limited or where the branch is closed to the public.

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 Law (Legislative Amendments for Implementing the Economic Policy for 2023 and 2024), 5783-2023, which was published on June 6, 2023 the Strum Law was amended so as to annul the instruction 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); cancelation of the instruction in the Strum Law, according to which a bank with Wide-Ranging Activity is entitled to approach a customer in the matter of renewal of a credit card, only within 45 business days prior to the termination of the credit card agreement, this as from June 1, 2025; the Banking Law (Customer service) has been amended in a way stating that a banking corporation has 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 financial services to the customer in respect of which that body is regulated. In addition, it was determined 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 Law, see below.

Regulation of Dealings in Payment Services and Initiated Payment Law, 5783-2023. On June 6, 2023, the Law was published as part of the Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for the 2023 and 2024 budget years), 5783-2023. The Law forms a complementary regulation to the Payment Services Act, 5779-2019, which applies consumer duties to providers of payment services in relation to their customers, and is intended to increase competition in the payments field and regulate engagement in payment services by introducing a new supervisory and licensing regimen. The Law states that nonbanking entities are required to obtain a payment services license and/or an initiation of payment services license, and that foreign providers of payment services wishing to operate in Israel are also required to obtain a license, though they may be entitled to relief regarding certain of the duties. As regards the activity of payment companies, restrictions have been set in the fields of operation and to the granting of credit. In addition, a required was determined to establish linkage between the payment applications themselves, as well as with managers of payment accounts, so that all transfers of funds between them shall be effected via identification by means of the mobile phone number of the customer (for details regarding the formation of principles with respect to an identifying detail by the Bank of Israel, see below). Further duties were determined for managers of payment accounts with respect to basic initiation services and advanced initiation services, and inter alia, 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. The Law would largely take effect as from June 6, 2024.

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, the Economic Plan Law cancelled 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 and this as from February 1, 2024.

Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for the 2023 and 2024 budget years), 5783-2023. On June 6, 2023, the Law was published, referring to various areas, including fields that have implications for the banking system. In addition to the amendments to the Strum Law and the Banking Law (Customer service) detailed above, further amendments were made to the Banking Law (Customer service) in a way that a banking corporation that refuses to open a credit balance shekel current 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 send 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 determined that a banking corporation is not permitted to charge commission in contradiction to the full or condensed pricelist, in contradiction to an agreement with the customer according to which the commission charged would be in an amount or rate lower than the amount or rate stated in the full pricelist or in the condensed pricelist and in respect of a service not actually provided; and amend the penalties and sanctions chapter of the Law, inter alia, with respect to the above amendments.

Draft amendment of Proper Conduct of Banking Business Directive No. 420 - online notices. On August 20, 2023, an updated draft was published regulating how notices are sent to customers regarding the amounts of commission and fees and interest that the banks collect from their customers.

Draft amendment of Proper Conduct of Banking Business Directive No. 424 – opening of a credit balance current account for financial entities. The draft was published on July 6, 2023, according to the authority conferred upon the Supervisor of Banks by the Arrangement Law. The Directive is intended to regulate the requirements applying to banking corporations following the opening and management of an account for financial entities providing off-banking financial services. The above includes delivery of a reasoned notice to the customer in case of refusal to open an account or delay in taking a decision in the matter; reporting to the Supervisor of Banks in case of refusal to open an account or delay in doing so.

The Economic Program Law (Legislation amendments for the implementation of the economic policy for the 2023-2024 budget years), 5783-2023. The Law, published on June 6, 2023, amended the Supervision over Financial Services Law (Pension consultation, marketing and clearing system), 5765-2005, so that an institutional body (a company managing an insurance company) shall not be permitted to refuse, under an "unreasonable refusal", engagement in a distribution agreement with a pension consultant or terminate such engagement.

Legislation and Regulation of deposits, current accounts and banking consumption

Special discussion in the matter of interest on deposits, on current accounts and loans in the banking system. On June 20, 2023, the Governor of the Bank of Israel and the Supervisor of Banks held a special discussion with CEOs of the banks in the above matter, within the framework of which, the Governor presented to the banks the following central goals: (1) Payment of a fair interest rate on credit balances of households; (2) Active and continuous encouragement of customers having a credit current account balance exceeding a certain amount, to divert funds held on current account to more profitable channels; (3) Active assistance to mortgage loan borrowers found to have most significant difficulties; (4) Alleviating the burden relating to customers having a debit balance in their current accounts. The Governor directed the CEOs of the banks to report to the Supervisor of Banks as to their preparations to attain the goals set forth by him.

Starting a process of consultation regarding declaration of a centralized group in the banking field. On June 29, 2023, the Competition Authority issued a notice on the media, according to which, the Commissioner of Competition had started a process of consultation with the Governor of the Bank of Israel and with the Supervisor of Banks regarding the possibility of declaring a centralized group in the banking field and of issuing instructions to banks with respect to deposits and current accounts. This notice was published following an examination being conducted by the Authority since September 2022, with respect to the deposits field. According to the Authority, based upon preliminary findings of its examination, limited competition exists between banks in the area of acceptance of deposits in the retail sector. It was further stated, that the Commissioner has not yet completed his examination and that the Competition Authority is still in the stage of drafting the version of the considered instructions and of consultation with additional Regulators. To the extent that the Commissioner would declare a centralized group, a hearing would be held regarding the declaration and the instructions being considered by the Commissioner (for additional details, see "Proceedings regarding Authorities" below).

Proposed legislation amendments regarding the development of the money market. The proposal was published on August 30, 2023 by the Israel Securities Authority after having been approved by the Authority plenum on August 29, 2023. The proposal proposes amending the Joint Investment Trusts Law, 5754-1994, and the Regulation of the Practicing of Investment Counseling, Investment Marketing and Investment Portfolio Management Law, 5755-1995, in order to enable the launch of new money market funds that enable solid and transparent investment in relation to the expected anticipated yield, by expanding the distribution channels of these funds in order to make them accessible to the general public without any preconditions regarding the investment amount. The Ministry of Finance published the Monetary Funds Bill Memorandum (Legislation amendments), 5783-2023 on July 30, 2023. Within the framework of the amendments, it is proposed to empower the law to determine rules for the characteristics of monetary funds, in a way that would allow development of new monetary funds having characteristics similar to the characteristics of the monetary deposits; expansion of the mediation possibility regarding each monetary fund at a fixed date of up to one year, with a view of improving accessibility of monetary funds to the general public; and empowering the law so as to allow payment of brokerage fees to parties introducing the monetary funds.

Public call for comments regarding the matter of increased competition in the field of bank deposits. On July 12, 2023, the Ministry of Finance issued a public call for comments regarding a possible alternative for the promotion of competition relating to deposits by means of a "default deposit", this in order to increase competition in the field of bank deposits by households. According to the public call, this goal would be achieved by means of a bidding procedure between the banks. Regarding some deposits, banks are required to offer the winning deposit to their customers by pushing a button, using the "closed system" mode.

Draft amendment of Proper Conduct of Banking Business Directive No. 367 – E-Banking. On July 5, 2023, the Supervisor of Banks published a draft amendment of Directive No. 367, whereby it would be possible to approach all customers by way of SMS, with no need to sign an online banking agreement, with respect to encouragement of customers, who have a credit balance on their current account exceeding a certain amount, to divert funds to more profitable interest bearing channels and in the matter of assistance by the bank to mortgage loan borrowers found to be or expected to be found in difficulties.

Banking Bill (Customer service) (Amendment No. 67) (Notice regarding the termination of banking benefits), 5783-2023. On July 30, 2023, the plenum of the Knesset passed in first reading the proposal to amend the Banking Law (Customer service), 5741-1981, so that banks and issuers would be required to inform the customer of the termination of a banking benefit (as the term is defined in the Bill), which validity exceeds three months. The said notice is to be delivered to the customer 21 days before date of termination of the benefit.

Draft amendment to the commission rules relating to the securities deposit management commission. On September 28, 2023, the Banking Supervision Department circulated a draft of the proposed amendment, which was mainly a change in the structure of the securities deposit management commission and the date of its collection. This is in order to simplify the collection mechanism for customers, to create transparency around this topic and to make it easier for customers to compare prices.

Draft Amendment of Proper Conduct of Banking Business Directive No. 417 – Activity of a banking corporation in a closed system. The draft that was published on September 28, 2023 is intended to encourage competition in the banking system and to encourage product deployments. The draft seeks to create a convenient operating system (in a closed system) for making a deposit and/or transferring a customer's deposit to a bank where he does not maintain his current account, with this being on condition that, upon the deposit's termination, the funds will be transferred back to the transferor bank.

Draft of Proper Conduct of Banking Business Directive, "Interest Rates on Deposits and Account Credit Balances" and supplementary draft of Amendment of the Banking Rules (Customer Service) (Adequate Disclosure and Document Delivery), 5752-1992. On September 28, 2023, the drafts were published. The amendment to the disclosure rules updates the rules regarding the publication of information to the public about the interest rates on deposits and on account credit balances. As a result of the amendment, it is proposed to promote a new Proper Conduct of Banking Business Directive that will establish rules and a uniform structure for presenting the information to the public, inter alia, to enable inter-bank comparisons and greater transparency.

Private legislation

In view of the rising of the Bank of Israel interest rate during the years 2022 and 2023, several private Bills have been recently tabled before the Knesset with respect to interest on deposits, payment of interest on current accounts and interest on housing loans. Thus, for instance, the Bills propose determination of rules applying to banks for the payment of interest on deposits, requiring banks to pay interest on funds held by customers on current accounts and determine rules regarding the limit to the rise in interest on housing loans in case of a rise in the Bank of Israel interest. In addition, several private Bills have been tabled proposing the determination of rules for the taxation of "excess profits" of banks deriving from the rise in interest rate. All the private Bills tabled as above, are at a preliminary stage, and therefore at this phase it is not possible to assess the possibility or prospects of their advancement.

Capital market

Regulation of Securitization Transactions Bill (Legislation amendments), 5783-2023. The Bill Memorandum was published on July 30, 2023, inter alia on the background of the report issued in November 2015, by the team for the promotion of securitization in Israel, and it includes four principal items: (1) Regulation of a securitization transaction and its legal ramifications; (2) Regulation of the offer to the public of debt notes issued by the designated corporation conducting the securitization in accordance with the Securities Act; (3) Permitting the designated corporation to issue debt notes and concurrently grant credit in accordance with the Banking Law (Licensing); (4) Regulation of the tax aspects relating to securitization transactions. Together with the publication of the above Memorandum, a Bill Memorandum was published for the amendment of the Income Tax Ordinance, regulating the tax that would apply to securitization transactions, in order to encourage such transactions.

Amendment to the applicability of securities laws with regard to digital assets. On August 14, 2023, the Israel Securities Authority published an updated proposal to amend the Securities Law, the Joint Investment Trusts Law, the Regulation of the Practicing of Investment Counseling, Investment Marketing and Investment Portfolio Management Law, and the Prohibition of Money Laundering Law. The proposal is intended to regulate, inter alia, the application of securities laws to activities carried out in relevant digital assets.

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 took 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. Due to the Iron Swords War, the Banking Supervision Department has postponed by three months the date on which most of the amendment's clauses will take effect.

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. Due to the "Iron Swords" War, the date for the directive to take effect has been postponed to June 26, 2024.

Draft Proper Conduct of Banking Business Directive regarding the activity of a banking corporation as a broker-dealer. The Directive was published on July 19, 2023, together with a FAQ document on the subject. The Directive takes effect in January 2025. The Directive is intended to ensure a fair market, high quality transactions and full transparency, which would assist in protecting bank customers and increase their trust in the market and in the banking system. Protection of customers is intended mostly to reduce the structured differences between them and the banking corporations regarding the level of knowledge and expertise, as well as due to concerns regarding conflict of interests arising from the engagement of banking corporations in a variety of activities. Furthermore, a banking corporation is required to apply, as part of its activities as a broker-dealer, proper principles for the management of operational risks. Proper Conduct of Banking Business Directives Nos. 461 and 419 will be abolished upon entry into effect of the new Directive.

Amendment of Proper Conduct of Banking Business Directive No. 434 – joint accounts. The amended Directive, published on June 11, 2023, is intended to increase awareness of partners of a bank account to the existence of a clause regarding the surviving partner and its significance, to determine guidelines in the matter and to facilitate the handling by the surviving partner of existing liabilities under means of payment, which had been issued for the use of the deceased partner. In addition, the Amendment establishes the duty of a bank to increase awareness regarding the survival clause upon opening a joint account, and create proper control mechanisms to be established in internal proceedings. Due to the Iron Swords War, the updated directive (apart from one section), will take effect on the postponed date – September 11, 2024.

Proper Conduct of Banking Business Directive No. 345 – Principles for the effective management of climate related financial risks. The Directive was published on June 12, 2023. It states principles according to which banking corporations will be required to act in order to manage in an optimal manner their exposure to climate related financial risks. Banking corporations are, inter alia, required to develop and integrate an orderly process for the understanding and evaluation of the potential effects of climate related risk factors upon their business and their environment of operation, as well as clearly allocate climate related areas of responsibility to members of the Board of Directors and of senior Management, and/or their committees, and conduct effective supervision over climate related financial risks. The Directive will take effect at the end of two years since date of its publication.

Proper Conduct of Banking Business Directive No. 473 – distribution of credit cards issued by entities engaged with a banking corporation in a distribution agreement. The Directive, published on June 29, 2023, states instructions within the framework of which, with respect to procedures for the distribution of credit cards in accordance with section 17 of the Banking Law (Customer service). The Directive relates to the terms of the distribution agreement, the manner of distribution, the details which the banking corporation is required to present to the customer, terms that would be considered unreasonable, and the manner of reporting to the Supervisor of Banks. The Directive takes effect on date of publication.

Draft of amendment to permit for the provision of certain banking services (under the Banking (Licensing) Law, 5741-1981). On September 28, 2023, the draft amendment was published, according to which the services that a banking corporation may provide to customers outside the physical confines of the branch will be expanded. The proposed permit will make it possible for basic banking services to be provided outside the physical confines of the branch to all customers, and all banking services to customers who have objective difficulty in getting to a branch, subject to formulating policy, procedures and work process, risk monitoring, analysis and control, and taking responsibility for damage to the customer. The proposed permit will be in addition to the existing option of providing banking services outside the physical confines of the branch to customers with financial eligibility.

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.

Adjudication of Interest and Linkage Law (Amendment No. 9), 5782-2022, and the Execution of Court Rulings Bill (Amendment No. 71) (Interest and Arrears Fees), 5782-2022. The Amendment to the Interest and Linkage Ruling Law was approved on November 13, 2023, and accordingly, wide scale modifications of the Debt Execution Law and of many additional Laws have been approved. The amendments constitute the reform to separate the interest rate mechanism from the arrears. The amendment prescribes, inter alia, that charges on arrears will not apply to debtors who repay their debts by installments. Furthermore, and differently to the situation that had been existing, the addition of arrears charges to the amount of the debt shall be made once every three months and not on a daily basis, and they would be accrued separately and not added to the updated principal amount. It has also been determined that for the debt of a bank to which the Adjudication of Interest and Linkage Law does not apply, the arrears interest entered in the execution case in which the bank is defined as a creditor will be reduced when it concerns a paying debtor (a debtor who complies with a charge order with payments for 3 months). The reduction will be the higher of the following two alternatives: 25% less than the interest rate in the case or a reduction in the amount of arrears fees determined by the Minister of Finance.

Legislation and Regulation in the matter of Clearing and Controlled Payment Systems

A document of principles for payment by means of an identifying item (Proxy) regarding immediate payments by BCC. In a document dated July 3, 2023, the Bank of Israel stated uniform principles for the implementation of an identifying item applying to all providers of payment services operating in the immediate payment system of BCC. Inter alia, the document relates to different types of identifying items, which are to be supported by the manager of a payment account for the purpose of identification of a beneficiary business/private customer in the default account of the customer, and to the consent of the customer to accept immediate credits and payment requests by means of the identifying item.

It is further stated that until June 2024, a provider of payment services is required to contact his beneficiary business/private customers and obtain their consent to join the "proxy" service as well as relate the default account to the identifying items, in accordance with that stated in the document and the preferences of the customer.

Statement of principles for the application of R2P ("Request To Pay") by means of the immediate payments of BCC. A basic payment request is an ancillary service to the immediate payment service of BCC, allowing the beneficiary to digitally request payment from a payer. The document details, inter alia, the manner of received requests for payment, the manner of attaching customers to the service, fields detailing the payment request, documentation, the functions at BCC that can operate the service, risk management relating to the service, and more. On October 18, 2023, the Bank of Israel announced the deferral of the date of application of the service from March 2024 to the end of June 2024.

Letter to BCC, ABS and to participants in payment systems regarding access to the systems – clearing representation duty. The letters that have been sent to managers of the systems and to participants therein, clarify the duty of representation that participants in clearing are required to apply in each of the systems. The representation duties include, inter alia, an instruction, according to which, a clearing participant shall not unreasonably refuse to represent for clearing a provider of payment services so long as he fulfills the system's access terms, and also verify that the clearing participant does not require unreasonable conditions for representation. The representing participant may charge a commission in respect of the representation service, and is required to determine rules for the management of the risks involved in representation.

Guide to access the supervised payment systems in Israel. In June 2023, the Bank of Israel published a "Manual for the access to payment system", which explains to nonbanking entities, including local and international fintech companies, the way of joining the core systems of the financial sector in Israel, alongside the banks, and provide services to the public. The document includes details of the different payment systems and types of possible participation in these systems, procedures for joining the supervised payment system by new entities, including the stages and requirements by all relevant factors, for the beginning of operation in the system.

Exemption from a restrictive agreement – mutual recognition agreement. In July 2023, a ruling was received granting an exemption from a restrictive agreement in connection with the mutual recognition agreement, extending the validity of the previous exemption, with its terms unchanged, for a year. The agreement regulates a mutual consent for customers who hold a charge card issued by a party to the agreement to use the automatic cash withdrawal devices of the other parties. The parties to the agreement are the following banks" Poalim, Leumi, Discount, Mizrahi, International, Jerusalem, Yahav and One Zero, as well as Casponet and Matrix company. Under the terms of the previous exemption, from June 2018, terms were imposed on the parties to the arrangement that, inter alia, required them to provide bilateral ATM clearing services to any entity that joins the agreement. In that ruling, it was specified that, should ABS establish a central ATM clearing system, these conditions would expire. In the new ruling from July 2023, it was noted that ABS had updated the Commissioner that it had begun operating a central ATM account settlement and clearing system, in a manner that is apparently expected to eliminate the need for bilateral communication between the parties for the purpose of ATM clearing activity. In light of this announcement, it was decided to extend the previous exemption ruling, with its terms unchanged, for an additional period of one year, after which the exemption application and the terms thereof will be examined in accordance with the implications of the aforesaid change.

The Bank of Israel's announcement regarding measures to promote the payment market and a response to market needs during the Iron Swords War. On November 19, 2023, the Bank of Israel published an announcement regarding the aforesaid measures and response: increasing the amount limit on a single check deposit via a mobile phone from NIS 50,000 to NIS 100,000; the basic standards that need to be applied in the areas of data security, cyber protection and business continuity in a debit card transaction chain; assigning identification codes to three off-banking players in the payment services field; allowing international clearing agents with a license from a recognized country to begin the process of joining the charge card services system operated by ABS, without the actual commencement of clearing activity, with this being before applying for a license that enables the provision of clearing services in Israel; publishing the fees and commissions and implications of joining as a participant in the RTGS (ZAHAV) system, also for off-banking entities; extending the identification codes in the financial sector by the end of December 2026 in order to enable more off-banking entities to operate in the payment systems; and, updating with regard to the activity of a variety of consumer loyalty clubs already in existence in the credit card infrastructure.

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 took effect on August 7, 2023, 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, 2025.

A guideline document by the Privacy Protection Authority regarding the tracking of employees on remote work. The Privacy Protection Authority published on May 17, 2023, a document reviewing the subject of tracking remote work, the central privacy risks involved in such tracking as well as the relevant provisions of the law. The document provides guidelines regarding the collection of information, informing the employees and obtaining their consent, and additional guidelines regarding the means which might be used. The Authority also published on July 26, 2023, an Opinion in the matter of collection of data regarding the location of employees by means of Applications and locating systems installed in vehicles. The Opinion emphasizes that employers wishing to use the systems installed in vehicles are required to comply with the privacy protection regulations and to act proportionately.

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.

Proposed amendment No. 37 to the Companies Law – Corporate governance in public corporations that have no controlling shareholder (5783-2023). On July 12, 2023 the Bill was tabled before the Knesset for its first reading. The proposed Bill intends to amend the Companies Law in a manner that would suit the existing corporate governance rules to corporations having a decentralized structure of ownership. Within the framework of the Bill it is proposed, inter alia, to amend the definition of "controlling shareholder" so that a person holding 25% or more of a certain class of means of control in the corporation would be considered as controlling this public corporation. Also proposed are different changes in authority and composition of committees of boards of directors, such as the audit committee, the compensation committee and appointments committee, so that the majority of their members should comprise of independent directors.

Amendment of Proper Conduct of Banking Business Directive No. 312 – Business of a banking corporation with related parties. The Amendment to the Directive was published on July 3, 2023. Within the framework thereof, the Supervisor of Banks reduced the regulatory burden applying to banking corporations with respect to anything related to business with persons and entities defined as "related". Inter alia, the Amendment applies the exception to the definition "related party", so that a corporation in which a bank does not have a material interest or control, shall not be considered as a "related party". With respect to a banking corporation that is controlled by a bank, exemption from obtaining approval of the Audit Committee was granted to all types of transactions with companies providing services solely to the bank. Also removed was the duty to submit to the Supervisor of Banks the list of related parties. The Amendment took effect on June 29, 2023.

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. **Approach according to Section 198A of the Companies Law.** On December 14, 2016, the Bank received an approach headed "approach according to Section 198A of the Companies Law, 5759-1999 – request for clarifications and documents regarding the conduct of the Bank and of MDB regarding Australian customers, prior to the filing of a derivative action". The Bank responded to the approach on December 26, rejecting the request and the arguments raised therein (see Note 26 C to the financial statements, section 11.3).
   On June 6, 2017, a motion was filed with the Tel Aviv District Court for the disclosure of documents under Section 198A of the Companies Law, in which the Court was asked to instruct Discount Bank and MDB to deliver to the petitioner the documents named in the motion, required by him in order to decide whether to file a motion for approval of a derivative action or a derivative defense in the name of Discount Bank and/or MDB.
   On June 24, 2018, the power of a Court ruling was awarded to the agreement by the parties, according to which the motion shall be struck off with no order for expenses, while securing an exclusive right for the Appellant to file anew a disclosure motion under Section 198A of the Companies Law, and/or a motion for approval of a derivative action, this within ninety days from date of the ruling and/or approval of a compromise arrangement within the framework of one or more of the proceedings being conducted against the Respondents in Australia.
   On February 6, 2020, a motion for the disclosure of documents under Section 198A of the Companies Law was resubmitted to the Tel Aviv District Court. The motion requests the Court to instruct Discount Bank and MDB to deliver documents listed in the motion for perusal by the Plaintiff, in order to study the possibility of filing a request for approval of a derivative action or derivative defense on behalf of Discount Bank and/or MDB.
   The Bank and MDB filed on October 20, 2020 a motion for the stay of proceedings regarding the motion and alternatively for the deferral of the date for submission of their response. The Court fixed a hearing for March 3, 2021, in the presence of the parties, regarding the motion for the stay of proceedings and has exempted the banks from providing a response, at this stage. During the hearing held on March 3, 2021, the Bank's position was admitted, and the proceedings were stayed by mutual consent. For details regarding the recommendations of the Committee, including its recommendation regarding reaching a settlement subject to the approval of the Court in this proceeding, and regarding the decision of the Bank's Board of Directors to adopt its recommendations, see above "Special and independent committee – proceedings in Australia".

2. 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. At the request of the banks, the District Court ordered on March 20, 2023, a stay of execution. On May 31, 2023, the Bank and MDB submitted to the Supreme Court their application for permission to appeal. On June 1, 2023, the Claimant against the Bank lodged an appeal against the decision for approval under the main argument that the application for approval should have been admitted also under the banking cause of action (and not only under the approved mission cause of action). The hearing of the application for permission to appeal filed by the Bank and of the appeal filed by the Claimant was set for January 8, 2024.
3. An action together with an application to approve it as a class action suit was filed against the Bank on September 3, 2018, with the Central-Lod District Court. It is, inter alia, claimed in the application that upon the acquisition, redemption or sale of securities traded abroad, the Bank is entitled to charge the customer only with the amount actually paid to the third party who assisted the Bank in carrying out the said operations, and in relation to the specific service and customer, and to the extent that the Bank had received monetary refunds from such third parties, the Bank has to reimburse the customer. Similar applications have been filed against Hapoalim Bank, Union Bank and Mizrahi Tefahot Bank. On June 27, 2023, the Court ruled that the action shall be conducted as a class action against the Bank. Within the framework of an application for a stay of execution of the said ruling, the Bank informed the Court of its intention to file an application for permission to appeal the decision. On March 17, 2023, the District Court issued a stay of execution order, as stated. On November 2, 2023, the Bank filed the application for permission to appeal to the Supreme Court.
4. An action against the Bank was filed with the District Court Central-Lod on March 16, 2020, together with an application for approval of the action as a class action suit. It is, inter alia, claimed in the application that the interest charged by the Bank to customers belonging to certain classes with respect to credit facilities, is at a higher rate than the rate of interest for these classes published by the Bank from time to time. The parties participated in mediation proceedings, and on May 24, 2023, submitted to the Court an application for approval of a compromise arrangement. On October 29, 2023, the Court approved the application for approval of the compromise arrangement, giving it the power of a Court verdict.
5. **A motion for disclosure of documents for the purpose of considering the filing of a derivative suit in the matter of violation of the exemption provisions regarding cross-clearing.** On September 13, 2022, a motion was submitted to the Economic Department of the Haifa District Court, under Section 198A of the Companies Law, 5759-1999, against ICC, against the Bank and against Diners. The motion alleges that on September 12, 2022, it was published on the website of the Competition Authority that ICC had signed on an agreed Order, in which it was obliged to pay an amount of NIS 10 million. See below "Proceedings regarding authorities" (Section 4). The appellant claims that the readiness of ICC to pay the amount of the agreed Order stems from violation of the exemption provisions regarding cross-clearing. Hearing of the application for disclosure was held on September 27, 2023, during which the Court suggested a procedural outline. The parties were instructed to submit notice in the matter by December 3, 2023.
6. **Application for disclosure of documents under Section 198A of the Companies Law in the matter of compensation to senior officers of the Bank.** An Application 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 application 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 applications had also been submitted against two other banks. The Bank filed its response to the application on August 13, 2023. Hearing of the case is set for December 13, 2023.
7. **Application for disclosure of documents under Section 198A of the Companies Law in the matter of an agreed Order regarding IDB Bank.** An application against the Bank was filed on July 16, 2023, with the Economic Department of the Tel Aviv District Court, under Section 198A of the Companies Law, 5759-1999. It is, inter alia, claimed in the application that on May 24, 2023, IDB Bank signed an agreed Order by the US authorities, according

to which, the Bank undertakes to take action for the rectification of deficiencies and weaknesses regarding certain aspects in its compliance program, and harm, such as higher operating expenses, was caused as a result of this. See above "Legislative Restrictions, Regulations and Special Constraints applicable to the International Operations" in section "International Operations Segment - Additional Details". The Bank is required to respond to the application for disclosure by January 7, 2024.

8. A legal suit was submitted on April 21, 2020 to the Tel Aviv District Court together with an application for approval of the suit as a class action suit against the Bank and against three additional Banks. Inter alia, it is argued in the application that the banks charge commissions in respect of foreign currency transfers between accounts of customers in Israel, in amounts exceeding those stated in the pricelists and also charge the customers with different expenses. On September 7, 2023, the Court ruled for the conduct of the suit as a class action suit.

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

Material Legal Proceedings settled in the first nine months of 2023

1. 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 26, section 10.8, to the financial statements as of December 31, 2022 (pp. 240-241).
2. For details regarding an application for approval of an action as a class action, which on October 29, 2023, the Court approved the application for approval of a compromise arrangement submitted, see above "Additional Legal Proceedings", section 3.

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. An additional demand for data was received in September 2023, concerning the investment transaction and the putting into action of the rights acquired by power of the transaction.
   Following the demand for data sent in 2022 regarding deposits, in March, in May and in August 2023 Discount Bank and MDB received requests for further data regarding banking products, deposits and debit balances. For details regarding Starting a process of consultation regarding declaration of a centralized group in the banking field, see above "Legislation and Supervision".
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. On June 4, 2023, the Authority responded that after examining the arguments submitted by the Bank, it does not change its said decision of April 16, 2023.
3. On June 14, 2023, the Bank received from the Privacy Protection Authority a demand for information and documentation relating to a security event that had occurred in the premises of a provider of legal services to the Bank, who holds information obtained from one of the data bases of the Bank, for which the Bank reported to the Authority on November 6, 2022. The Bank has responded to this demand, received within the framework of an administrative supervision procedure instigated against the Bank by the Authority, following the said report.
4. **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 July 12, 2023, the Competition Tribunal approved the agreed order.

5. **Notice regarding the removal of pledges.** On July 4, 2022, the Bank and MDB received a notice pursuant to Section 8A(a) of the Banking Ordinance with regard to repeated deficiencies in the removal of pledges following the settlement of the charges, for which the pledges were registered. The banks have taken the necessary steps to comply with the requirements specified in the notice.
6. **Notices of intention to impose sanctions under the Banking Ordinance and Prohibition of Money Laundering Law.** On June 8, 2023, the Bank received two notices by the Supervisor of Banks of his intention to impose sanctions upon the Bank. One notice relates to the intention to impose a sanction in the amount of NIS 1 million, under the Banking Ordinance, in respect of violation of two instructions stated in Proper Conduct of Banking Business Directive No. 411, on management of risks relating to prohibition of money laundering and the finance of terror. The second notice relates to the intention to impose a sanction (with no amount stated) under the Prohibition of Money Laundering Law, in respect of violation of instructions stated in the Prohibition of Money Laundering Order. The alleged violations stated in the notices relate to the updating by the Bank of the "declared persons" lists, updating of the "know your customer" procedures regarding accounts in respect of which seizure orders had been received, and the examination of the address field vis-à-vis the lists of "declared persons" upon transfer of funds. Following the arguments presented by the Bank within the framework of a hearing that had been held, the Supervisor of Banks informed of the decision not to impose upon the Bank a sanction by power of the Banking Ordinance. As to the second sanction notice, by power of the Money Laundering Prohibition Law, an oral hearing had been held with the Bank submitting written supplemental arguments to the Sanction Committee.
7. 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).

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Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses

Part "A" - Average balances and interest rates – assets

	For the three months ended September 30					
	2023			2022		
	Average balance(2)	Interest income	Rate of income	Average balance(2)	Interest income	Rate of income(10)
	In NIS millions		In %	In NIS millions		In %
Interest bearing assets:						
Credit to the public:(3)						
In Israel	217,276	3,717	6.84	195,738	2,326	4.75
Abroad	30,389	588	7.74	28,972	364	5.03
Total credit to the public	**247,665**	***4,305**	**6.95**	**224,710**	***2,690**	**4.79**
Credit to the Government:						
In Israel	2,976	45	6.05	2,522	22	3.49
Total credit to the Government	**2,976**	**45**	**6.05**	**2,522**	**22**	**3.49**
Deposits with banks:						
In Israel	5,846	56	3.83	5,175	10	0.77
Abroad	222	3	5.41	267	-	-
Total deposits with banks	**6,068**	**59**	**3.89**	**5,442**	**10**	**0.74**
Deposits with central banks:						
In Israel	44,891	538	4.79	53,838	206	1.53
Abroad	630	7	4.44	548	3	2.19
Total deposits with central banks	**45,521**	**545**	**4.79**	**54,386**	**209**	**1.54**
Securities borrowed or purchased under resale agreements:						
In Israel	1,000	11	4.40	1,338	4	1.20
Total securities borrowed or purchased under resale agreements	**1,000**	**11**	**4.40**	**1,338**	**4**	**1.20**
Bonds held for redemption and available for sale:(4)(5)						
In Israel	35,230	278	3.16	31,975	112	1.40
Abroad	10,912	84	3.08	9,381	48	2.05
Total bonds held for redemption and available for sale	**46,142**	**362**	**3.14**	**41,356**	**160**	**1.55**
Trading bonds:(5)						
In Israel	8,255	84	4.07	2,128	13	2.44
Abroad	68	1	5.88	72	-	-
Total trading bonds	**8,323**	**85**	**4.09**	**2,200**	**13**	**2.36**
Other assets:						
Abroad	928	10	4.31	831	5	2.41
Total other assets	**928**	**10**	**4.31**	**831**	**5**	**2.41**
Total interest bearing assets	**358,623**	**5,422**	**6.05**	**332,785**	**3,113**	**3.74**
Debtors for credit card operations	8,384			7,389		
Other non-interest bearing assets(6)	32,446			30,309		
Total assets	**399,453**			**370,483**		
Of which: Total interest bearing assets attributable to operations abroad	43,149	693	6.42	40,071	420	4.19
* Commissions included in interest income from credit to the public		80			81	

For footnotes see page 255.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "B" – Average balances and interest rates – liabilities and equity

	For the three months ended September 30					
	2023			2022		
	Average balance(2)	Interest expenses	Rate of expense	Average balance(2)	Interest expenses	Rate of expense(10)
	In NIS millions		In %	In NIS millions		In %
Interest bearing liabilities:						
Deposits from the public:						
In Israel - On call	34,692	244	2.81	(10)36,784	68	0.74
In Israel - Time deposits	163,906	1,708	4.17	125,107	482	1.54
Total deposits from the public in Israel	**198,598**	**1,952**	**3.93**	**161,891**	**550**	**1.36**
Abroad - On call	22,769	267	4.69	20,523	71	1.38
Abroad - Time deposits	8,348	91	4.36	7,159	27	1.51
Total deposits from the public outside Israel	**31,117**	**358**	**4.60**	**27,682**	**98**	**1.42**
Total deposits from the public	**229,715**	**2,310**	**4.02**	**189,573**	**648**	**1.37**
Deposits from the Government:						
In Israel	58	-	-	47	-	-
Abroad	79	1	5.06	71	-	-
Total deposits from the Government	**137**	**1**	**2.92**	**118**	**-**	**-**
Deposits from central banks:						
In Israel	7,221	1	0.06	9,726	1	0.04
Total deposits from central banks	**7,221**	**1**	**0.06**	**9,726**	**1**	**0.04**
Deposits from banks:						
In Israel	5,462	58	4.25	3,604	22	2.44
Abroad	1,899	18	3.79	1,647	5	1.21
Total deposits from banks	**7,361**	**76**	**4.13**	**5,251**	**27**	**2.06**
Securities loaned or sold under repurchase agreements:						
In Israel	10,457	154	5.89	2,459	21	3.42
Abroad	177	4	9.04	-	-	-
Total securities loaned or sold under repurchase agreements	**10,634**	**158**	**5.94**	**2,459**	**21**	**3.42**
Bonds and subordinated debt notes:						
In Israel	16,277	169	4.15	13,823	136	3.94
Total bonds and subordinated debt notes	**16,277**	**169**	**4.15**	**13,823**	**136**	**3.94**
Other liabilities:						
In Israel	69	-	-	93	-	-
Abroad	3	(11)-	-	-	-	-
Total other liabilities	**72**	**-**	**-**	**93**	**-**	**-**
Total interest bearing liabilities	**271,417**	**2,715**	**4.00**	**221,043**	**833**	**1.51**
Non-interest bearing deposits from the public	68,326			(10)97,074		
Creditors for credit card operations	13,076			12,328		
Other non-interest bearing liabilities(7)	17,133			14,544		
Total liabilities	**369,952**			**344,989**		
Total capital resources	**29,501**			**25,494**		
Total liabilities and capital resources	**399,453**			**370,483**		
Interest margin		**2,707**	**2.05**		**2,280**	**2.23**
Net return on interest bearing assets:(8)						
In Israel	315,474	2,395	3.04	292,714	1,963	2.68
Abroad	43,149	312	2.89	40,071	317	3.16
Total net return on interest bearing assets	**358,623**	**2,707**	**3.02**	**332,785**	**2,280**	**2.74**
Of which: Total interest bearing liabilities attributable to operations abroad	33,275	381	4.58	29,400	103	1.40

For footnotes see page 255.

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 September 30					
	2023			2022		
	Average balance[2]	Interest income (expense)	Rate of income (expense)	Average balance[2]	Interest income (expense)	Rate of income (expense)[10]
	In NIS millions		In %	In NIS millions		In %
Non-linked shekels:						
Total interest bearing assets	257,317	3,953	6.14	242,046	2,080	3.44
Total interest bearing liabilities	(162,018)	(1,336)	(3.30)	(142,160)	(343)	(0.97)
Interest margin		**2,617**	**2.84**		**1,737**	**2.47**
CPI-linked shekels:						
Total interest bearing assets	32,618	433	5.31	26,404	447	6.77
Total interest bearing liabilities	(15,548)	(142)	(3.65)	(12,748)	(172)	(5.40)
Interest margin		**291**	**1.66**		**275**	**1.37**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	25,539	343	5.37	24,264	166	2.74
Total interest bearing liabilities	(60,576)	(856)	(5.65)	(36,735)	(215)	(2.34)
Interest margin		**(513)**	**(0.28)**		**(49)**	**0.40**
Total operations in Israel:						
Total interest bearing assets	315,474	4,729	6.00	292,714	2,693	3.68
Total interest bearing liabilities	(238,142)	(2,334)	(3.92)	(191,643)	(730)	(1.52)
Interest margin		**2,395**	**2.08**		**1,963**	**2.16**

For footnotes see next page.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "D" – Analysis of changes in interest income and expenses

	For the three months ended September 30		
	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	368	1,023	1,391
Abroad	27	197	224
Total credit to the public	**395**	**1,220**	**1,615**
Other interest bearing assets:			
In Israel	13	632	645
Abroad	14	35	49
Total other interest bearing assets	**27**	**667**	**694**
Total interest income	**422**	**1,887**	**2,309**
Interest bearing liabilities:			
Credit to the Government:			
In Israel	361	1,041	1,402
Abroad	40	220	260
Total deposits from the public	**401**	**1,261**	**1,662**
Other interest bearing liabilities:			
In Israel	95	107	202
Abroad	5	13	18
Total other interest bearing liabilities	**100**	**120**	**220**
Total interest expenses	**501**	**1,381**	**1,882**
Interest income, net	**(79)**	**506**	**427**

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 365 million; 2022 - NIS 429 million.

(5) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) for available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments for available-for-sale securities according to fair value" in the amount of NIS (4) million and NIS (1,539) million, respectively; 2022 – NIS (6) million and NIS (1,076) million respectively.

(6) Including derivative instruments and other assets that are not interest bearing and net of allowance for credit losses.

(7) Including derivative instruments.

(8) Net return – net interest income divided by total interest bearing assets.

(9) The quantitative impact has been computed by multiplying the interest margin by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest margin between the periods.

(10) Recalculated following the reclassification of the average balance – see Note 7 A to the condensed financial statements.

(11) An amount lower than NIS 1 million.

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 "E" - Average balances and interest rates – assets

	For the nine months ended September 30					
	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	213,112	10,714	6.70	188,830	6,108	4.31
Abroad	29,767	1,630	7.30	27,648	846	4.08
Total credit to the public	**242,879**	***12,344**	**6.78**	**216,478**	***6,954**	**4.28**
Credit to the Government:						
In Israel	2,864	124	5.77	2,544	58	3.04
Total credit to the Government	**2,864**	**124**	**5.77**	**2,544**	**58**	**3.04**
Deposits with banks:						
In Israel	6,014	159	3.53	4,227	18	0.57
Abroad	202	5	3.30	259	(11)-	-
Total deposits with banks	**6,216**	**164**	**3.52**	**4,486**	**18**	**0.53**
Deposits with central banks:						
In Israel	44,965	1,481	4.39	48,282	272	0.75
Abroad	1,638	55	4.48	1,196	5	0.56
Total deposits with central banks	**46,603**	**1,536**	**4.39**	**49,478**	**277**	**0.75**
Securities borrowed or purchased under agreements to resell:						
In Israel	1,078	34	4.21	1,330	5	0.50
Total securities borrowed or purchased under agreements to resell	**1,078**	**34**	**4.21**	**1,330**	**5**	**0.50**
Bonds held for redemption and available for sale:(4)(5)						
In Israel	34,758	776	2.98	31,637	289	1.22
Abroad	10,370	225	2.89	9,231	127	1.83
Total bonds held for redemption and available for sale	**45,128**	**1,001**	**2.96**	**40,868**	**416**	**1.36**
Trading bonds:(5)						
In Israel	6,385	214	4.47	1,562	27	2.30
Abroad	72	3	5.56	68	(11)-	-
Total trading bonds	**6,457**	**217**	**4.48**	**1,630**	**27**	**2.21**
Other assets:						
Abroad	904	29	4.28	797	15	2.51
Total other assets	**904**	**29**	**4.28**	**797**	**15**	**2.51**
Total interest bearing assets	**352,129**	**15,449**	**5.85**	**317,611**	**7,770**	**3.26**
Debtors of credit card operations	8,012			6,925		
Other non-interest bearing assets(6)	31,150			28,395		
Total assets	**391,291**			**352,931**		
Of which: Total interest bearing assets attributable to operations abroad	42,953	1,947	6.04	39,199	993	3.38
* Fees and commissions included in interest income from credit to the public		245			236	

For footnotes see page 259.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "F" – Average balances and interest rates – liabilities and equity

	For the nine months ended September 30					
	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	35,682	668	2.50	(10)30,300	82	0.36
In Israel - Time deposits	153,690	4,372	3.79	113,237	859	1.01
Total deposits from the public in Israel	**189,372**	**5,040**	**3.55**	**143,537**	**941**	**0.87**
Abroad - On call	22,281	702	4.20	21,963	114	0.69
Abroad - Time deposits	8,368	252	4.02	5,521	44	1.06
Total deposits from the public outside Israel	**30,649**	**954**	**4.15**	**27,484**	**158**	**0.77**
Total deposits from the public	**220,021**	**5,994**	**3.63**	**171,021**	**1,099**	**0.86**
Deposits from the Government:						
In Israel	54	1	2.47	121	1	1.10
Abroad	77	2	3.46	69	(11)-	-
Total deposits from the Government	**131**	**3**	**3.05**	**190**	**1**	**0.70**
Deposits from central banks:						
In Israel	8,551	4	0.06	9,726	5	0.07
Total deposits from central banks	**8,551**	**4**	**0.06**	**9,726**	**5**	**0.07**
Deposits from banks:						
In Israel	5,508	154	3.73	3,362	34	1.35
Abroad	1,453	33	3.03	1,293	11	1.13
Total deposits from banks	**6,961**	**187**	**3.58**	**4,655**	**45**	**1.29**
Securities lent or sold under agreements to repurchase:						
In Israel	7,861	352	5.97	933	24	3.43
Abroad	59	4	9.04	-	-	-
Total securities lent or sold under agreements to repurchase	**7,920**	**356**	**5.99**	**933**	**24**	**3.43**
Bonds and subordinated debt notes:						
In Israel	15,159	524	4.61	13,043	443	4.53
Total bonds and subordinated debt notes	**15,159**	**524**	**4.61**	**13,043**	**443**	**4.53**
Other liabilities:						
In Israel	69	(11)-	-	79	(11)-	-
Abroad	1	(11)-	-	-	-	-
Total other liabilities	**70**	**-**	**-**	**79**	**-**	**-**
Total interest bearing liabilities	**258,813**	**7,068**	**3.64**	**199,647**	**1,617**	**1.08**
Non-interest bearing deposits from the public	74,180			(10)104,318		
Creditors for credit card operations	12,648			11,696		
Other non-interest bearing liabilities(7)	17,145			13,124		
Total liabilities	**362,786**			**328,785**		
Total capital resources	**28,505**			**24,146**		
Total liabilities and capital resources	**391,291**			**352,931**		
Interest spread		**8,381**	**2.21**		**6,153**	**2.18**
Net return on interest bearing assets:(8)						
In Israel	309,176	7,427	3.20	278,412	5,329	2.55
Abroad	42,953	954	2.96	39,199	824	2.80
Total net return on interest bearing assets	**352,129**	**8,381**	**3.17**	**317,611**	**6,153**	**2.58**
Of which: Total interest bearing liabilities attributable to operations abroad	32,239	993	4.11	28,846	169	0.78

For footnotes see page 259.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "G" - Average balances and interest rates - additional information on interest bearing assets and liabilities attributed to operations in Israel

	For the nine months ended September 30					
	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	253,539	11,056	5.81	231,408	4,954	2.85
Total interest bearing liabilities	(156,664)	(3,355)	(2.86)	(129,150)	(530)	(0.55)
Interest spread		**7,701**	**2.95**		**4,424**	**2.30**
CPI-linked shekels:						
Total interest bearing assets	30,114	1,478	6.54	24,744	1,464	7.89
Total interest bearing liabilities	(13,574)	(495)	(4.86)	(12,802)	(595)	(6.20)
Interest spread		**983**	**1.68**		**869**	**1.69**
Foreign Currency (including foreign currency-linked shekels):						
Total interest bearing assets	25,523	968	5.06	22,260	359	2.15
Total interest bearing liabilities	(56,336)	(2,225)	(5.27)	(28,849)	(323)	(1.49)
Interest spread		**(1,257)**	**(0.21)**		**36**	**0.66**
Total operations in Israel:						
Total interest bearing assets	309,176	13,502	5.82	278,412	6,777	3.25
Total interest bearing liabilities	(226,574)	(6,075)	(3.57)	(170,801)	(1,448)	(1.13)
Interest spread		**7,427**	**2.25**		**5,329**	**2.12**

For footnotes see next page.

Appendix no. 1 - Rates of interest Income and Expenses on a consolidated basis and analysis of the changes in interest Income and expenses (continued)

Part "H" – Analysis of changes in interest income and expenses

	For the nine months ended September 30		
	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	1,221	3,385	4,606
Abroad	116	668	784
Total credit to the public	**1,337**	**4,053**	**5,390**
Other interest bearing assets:			
In Israel	188	1,931	2,119
Abroad	39	131	170
Total other interest bearing assets	**227**	**2,062**	**2,289**
Total interest income	**1,564**	**6,115**	**7,679**
Interest bearing liabilities:			
Deposits from the public:			
In Israel	1,220	2,879	4,099
Abroad	99	697	796
Total deposits from the public	**1,319**	**3,576**	**4,895**
Other interest bearing liabilities:			
In Israel	276	252	528
Abroad	6	22	28
Total other interest bearing liabilities	**282**	**274**	**556**
Total interest expenses	**1,601**	**3,850**	**5,451**
Net interest income	**(37)**	**2,265**	**2,228**

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 380 million; 2022 - NIS 208 million.

(5) From the average balance of trading bonds and of available-for-sale bonds was deducted (added) the average balance of non-realized gains (losses) from adjustment to fair value of trading bonds as well as gains (losses) on available-for-sale bonds included in shareholders' equity as part of accumulated other comprehensive income, in the item "Adjustments for available-for-sale securities according to fair value" in the amount of NIS (6) million and NIS (1,526) million, respectively; 2022 – NIS (4) million and NIS (721) million respectively.

(6) Including derivative instruments and other assets that are not interest bearing and net of allowance for credit losses.

(7) Including derivative instruments.

(8) Net return – net interest income divided by total interest bearing assets.

(9) The quantitative impact has been computed by multiplying the interest spread by the change in the average balance between the periods. The price impact has been calculated by multiplying the average balance for the corresponding period last year by the change in the interest spread between the periods.

(10) Recalculated following the reclassification of the average balance – see Note 7 A to the condensed financial statements. On March 31, 2023, the said classification amounted to NIS 29,465 million.

(11) An amount lower than NIS 1 million.

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

	September 30, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Non government bonds				
Various sectors*	2,202	2,155	23	70
Financial services[1]	7,860	7,053	12	819
Total non government bonds	**10,062**	**9,208**	**35**	**889**
Government bonds				
U.S. government	4,406	4,300	-	106
Israel Government	16,834	16,173	18	679
Other Governments	260	226	-	34
Total government bonds	**21,500**	**20,699**	**18**	**819**
Total bond in the available-for-sale portfolio	**31,562**	**29,907**	**53**	**1,708**

* Including the investment of IDB Bank in the U.S.A. municipal bonds. Of which, the three largest investments are in the amount of NIS 84-160 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

	September 30, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Banks and banking holding companies[2]	369	368	4	5
Ginnie Mae	5,364	4,577	-	787
Freddie Mac	50	42	-	8
Fannie Mae	59	52	-	7
Other	2,018	2,014	8	12
Total financial services	**7,860**	**7,053**	**12**	**819**

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

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

(2) Details according to geographical areas of investment in bonds of banks and banking holding companies in the available-for-sale portfolio

	September 30, 2023			
			Accumulated other comprehensive income	
	Amortized cost	Fair value	Gains	Losses
	In NIS millions			
Western Europe(3)	70	71	1	-
Israel	79	75	-	4
Australia	220	222	3	1
Total banks and banking holding companies	**369**	**368**	**4**	**5**

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

France	53	53	-	-
Netherlands	17	18	1	-
Total	**70**	**71**	**1**	**-**

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

	September 30, 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	66	58	-	8
Financial services*	3,796	3,229	-	567
Total non government bonds	**3,862**	**3,287**	**-**	**575**
Total Government bonds	**9,964**	**8,977**	**-**	**987**
Total bonds in the held-to-maturity portfolio	**13,826**	**12,264**	**-**	**1,562**
*Following are details of Held-to-maturity bonds in the financial services sector:				
Ginnie Mae	3,662	3,109	-	553
Freddie Mac	58	51	-	7
Fannie Mae	76	69	-	7
Total financial services	**3,796**	**3,229**	**-**	**567**

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

	September 30, 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	8	7	-	1
Total non government bonds	**8**	**7**	**-**	**1**
Total government bonds	**6,672**	**6,647**	**-**	**25**
Total bonds in the trading portfolio	**6,680**	**6,654**	**-**	**26**

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 September 30	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	281	228
With an A+ rating	72	259
With an A rating	-	5
With an A- rating	147	148
With a BBB+ rating	10	-
With a B+ rating	-	-
Not rated	-	1
Total against foreign banks	**510**	**641**
Total against Israeli banks	**69**	**-**
Total Balance-sheet balances of assets deriving from derivative instruments	**579**	**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 September 30	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	201	269
With an A+ rating	965	893
With an A rating	53	186
With an A- rating	204	118
With an BBB+ rating	13	5
With an B+ rating	-	-
Not rated	8	8
Total against foreign banks	**1,444**	**1,479**
Total against Israeli banks	**209**	**258**
Total Off Balance-sheet balances of assets deriving from derivative instruments	**1,653**	**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 September 30, 2023	As of September 30, 2022	As of December 31, 2022
	in NIS million		
Agriculture	3	2	3
Industry:			
Machines, electrical and electronic equipment	437	336	287
Mining, chemical industry and oil products	307	236	173
Other	46	45	39
Total industry	790	617	499
Construction and real estate:			
Acquisition of real estate for construction	260	171	151
Real estate holdings	47	58	43
Other	22	6	8
Total Construction and real estate	329	235	202
Electricity and water	489	552	569
Commerce	233	392	253
Hotels, hotel services and food	103	26	68
transportation and storage	115	131	93
Communications and computer services	53	138	51
Financial services:			
Financial institution (excluding banks)	196	377	226
Private customers active on the capital market	2,459	2,536	2,067
Financial holding institutions	561	332	424
Insurance and provident fund services	-	-	-
Total financial services	3,216	3,226	2,717
Business and other services	33	31	21
Public and community services	24	20	29
Private individuals - housing loans	-	-	-
Private individuals - other	8	8	8
Total credit risk in respect of derivative instruments	**5,396**	**5,380**	**4,513**
Credit risk mitigation in respect of financial instruments and in respect of a cash collateral received.	-	-	-
Total credit risk in respect of derivative instruments (after deduction of financial instruments and in respect of a cash collateral received)	**5,396**	**5,380**	**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

	September 30, 2023		December 31, 2022	
	Book value	Fair value[1]	Book value	Fair value[1]
	In NIS millions			
Of the Israeli Government	32,702	31,715	26,328	25,486
U.S. government	4,382	4,382	5,254	5,254
Other governments	226	226	197	197
Total	**37,310**	**36,323**	**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

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)

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

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Subsidiaries In Israel

Banking

Mercantile Discount Bank

Capital Market And Investments

Tafnit Discount Asset Management
Discount Capital
Discount Capital Underwriting
Discount Manpikim

Credit Cards

Israel Credit Cards
Diners Club

Digital Financial Services

PayBox
Greenlend

Subsidiary Bank Abroad

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