BANK LEUMI LE-ISRAEL B.M.
AND ITS INVESTEE COMPANIES

Annual Report for 2022

The Bank received the Banking Supervision Department’s approval to publish its annual financial statements on a consolidated basis only, with condensed (non-consolidated) financial statements in Note 35 to the financial statements. The Bank’s separate data are available upon request at the Bank's offices at 34 Yehuda Halevi Street, Tel Aviv or on its website: www.bankleumi.co.il.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES
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Word from the Chairman of the Board of Directors

This may sound like an oxymoron, but it appears that the only fixed element about economics and bank is change! Like prior years, 2022 was characterized by significant transformations, rapid pace and multiple active arenas both in Israel and abroad. Changes often involve risks, but also create opportunities. Bank Leumi is always forward-looking: We prepare for a variety of scenarios in order to manage risk and identify opportunities ahead of time. Indeed, the changes that took place during 2022 in the Bank's business environment required adjustments to be made to strategy and policy, as well as to hands-on management. These measures enabled the Bank to boost its local and global position, to upgrade its customer service, to improve its corporate culture and empower its human capital, to grow the operating segments and business collaborations and to ensure its capital robustness and liquidity.

Last year, Leumi took groundbreaking measures to create global collaborations. As Chairman of Leumi, I greeted delegations from the Middle East and from other countries around the world and participated in regional and international conferences. I was uniquely privileged to give a speech in the Future Investment Initiative (FII) conference - the most significant global conference in the Middle East - held in Riyadh, Saudi Arabia. It was a historical visit - the first of its kind - of an Israeli business leader in this country. I was also invited to give a keynote speech on the first Abu Dhabi financial week conference. And that's not all - I was fortunate enough to represent the Bank on the UN Climate Conference in Sharm el-Sheikh, Egypt, in the World Economic Forum in Davos, Switzerland and in the IMF and World Bank conference in Washington DC. We maintain, boost and initiate synergic relationships with top banking, economics and government leaders, both in countries in our region and those outside the Abraham Accords. We will continue to do so in years to come to benefit Leumi and that of the economies, peoples and countries in our vicinity and beyond.

Leumi has defined ESG aspects as a key strategic anchor. To meet this objective, we set quantitative targets to provide green credit and increased the outstanding green credit to a total of NIS 18 billion. We worked to reduce our carbon footprint and to make our rules for non-green financing more stringent. For the first time, we issued half a billion dollars in green bonds, and even signed an agreement with the EIB to encourage green financing under attractive terms. In addition - as part of our "From Generation to Generation" social policy, we enhanced our cooperation with the Follow Me! NGO as well as with other social NGOs and partnerships - in order to boost the integration of youth and adults from all across Israel in social and economic life, and to promote financial understanding, digital literacy and prevent cyber fraud. During the reporting year, 4,400 Leumi employees volunteered in various frameworks; overall, we contributed approximately 32,000 volunteering hours to the community and to society. The financial investment in the Leumi Group community was NIS 38 million. Relevant comprehensive information on the subject can be found in Leumi's ESG Report, which is published alongside the financial report. We regard the two reports as two parts of one whole.

We continue to lead and promote proactive, innovative and responsible banking for our customers, while improving our service. We upgrade the Bank's technology systems, with one of our customer service initiatives being the improvement of dozens of branches, installing state-of-the-art ATMs, providing hybrid advice - both on mobile and in branches, and even offering mortgages and additional services without the customers needing to visit their branch. Leumi continues to leverage open banking to promote smart financing management by households. It is the first bank in Israel to provide its customers with readily available financial information from external sources, including credit card companies, which they can easily analyze. At the same time, the Bank enhanced its cooperation with FinTechs, by launching Finteka. Leumi is the first bank in Israel to announce the launch of a service enabling its customers to trade in crypto-currencies. TheGarage is a special-purpose capital fund used by Leumi to invest in early-stage FinTechs; it has already invested in several successful startups. On the global level - we completed the merger of Bank Leumi USA with Valley Bank, while boosting our collaboration in providing credit in the USA. In addition, in order to focus on credit in segments in which Leumi has proven experience and abilities, Leumi UK completed a process in which the activity previously carried out through a corporation with a banking license, is currently carried out by a lender, with Leumi returning its last banking license outside Israel. .

Improving our employees' experience is a process we continue to invest in - empowering our employees, boosting their growth as managers and improving their day-to-day experience. We provide our employees with courses in a variety of domains, and closely manage their career development paths. Most of the Bank's employees work from home one day a week, which has proven highly effective. In the third quarter of 2023, the last phase of transferring the employees to the state-of-the-art Leumi Service Campus in Lod will begin. Twenty percent of the employees hired in 2022 are from diverse populations. Approximately 60 percent of Leumi's employees are women, who also form 53 percent of our managers.

During 2022, Leumi issued both shares and bonds on global markets, for a total of NIS 2.75 billion and USD 496.7 million, respectively, as well as a green bond in early 2023. This is all the more significant against the backdrop of the challenging conditions of global markets - both then and now. The success of the capital raising reflects clear trust on the part of Israeli and global investors in Leumi and the measures it takes.

The issuances increased our regulatory capital and enabled us to continue to pursue our growth strategy and maximize value for our shareholders. Currently, our capital adequacy - both the Bank's CET1 and total capital - is 11.46 percent and 14.29 percent (compared with the regulatory threshold of 10.21 percent and 13.50 percent), respectively, and liquidity is 131 percent (compared with the regulatory threshold of 100 percent). The net income for 2022 was up 28 percent - reaching NIS 7,709 million, reflecting a 17 percent return on equity. Most of the income and profitability arise from core activities, from development of new growth engines in these business lines, and from leveraging our strengths and opportunities for healthy growth in select operating segments. Strengthening our human and technological resources has positioned Leumi as one of the world's most efficient banks, with an income-to-cost ratio of 37.5 percent. As we publish this financial report for 2022, we declare a NIS 698 million dividend, in addition to a dividend distribution of NIS 1,077 million for the profits of the first three quarters of 2022. Subsequent to the reporting period, public events began - legislative and social, for which there is significant uncertainty regarding their further development and degree of impact on the Israeli economy in the mid- to long term, and as a result on the bank's results. I hope the situation is contained and that we all emerge from it even stronger.

On a personal note, I would like to thank our investors, the board of directors, management, employees, customers and all of our stakeholders from the bottom of my heart. Thank you all for the strong partnership and for yet another year of support and trust in me and in Leumi. I note that due to the great responsibility and privilege I feel in fulfilling my role. It is thanks to you, and with you, that Leumi - Israel's longest standing bank - has been able to become the largest, leading bank in the country. I am confident that - thanks to our highly professional and devoted managers and employees, our corporate culture of striving for excellence and assuming responsibility, our investments in technology and innovation, our proactive partners and suppliers, the confidence of our customers and investors, our commitment to the environment, to society and to corporate governance, and of course, our sense of mission - Leumi will continue to lead.

Sincerely,

סאמר

Dr. Samer Haj Yehia
Chairman of the Board

March 13, 2023

Report of the Board of Directors and Management

Overview, Goals and Strategy

Description of the Leumi Group's Business

Leumi group ("the Bank") is a "Banking Corporation" in accordance with the Banking Law (Licensing), 1981. The Bank is governed by laws, ordinances and regulations, as well as by rules, guidance and positions issued by regulators.

Leumi's Vision

"To lead proactive, innovative and responsible banking for its customers and to grow expeditiously with its target segments".

Leumi group undertakes to be the leading, most convenient bank in Israel and intends to continue to provide all of its customers with the best service possible, based on the wish to customize the service to each customer's needs.

Underlying the vision - which combines both leadership and convenience - is the aim to create a dynamic business environment that is based on the values of transparency, responsibility and fairness, alongside innovation and creativity. The environment strives to offer the best and most suitable solution to the financial needs of its customers. This is in addition to maintaining the Bank's stability, adequate profitability, meeting the expectations of the shareholders and upholding its employees' interests.

As Israel's leading financial group, with significant impact on the Israeli public, Leumi group evaluates the trends and changes in the business environment in which it operates and develops strategies that address these changes. In addition, and out of understanding of Leumi groups' impact on the business and public culture, Leumi also regards its commitment to the community as a social and ethical anchor it will continue to cultivate.

Objectives and Business Strategy

Leumi adopted an accelerated growth strategy in selected segments. Accordingly, a set of long-term business criteria was created, in light of which the Bank's Board of Directors monitors the implementation of the strategy. In order to realize its vision and strategy, in 2021 the Strategy, Digital, Data and Projects Division was established, which is responsible for leading strategic development and implementation processes in the Leumi Group, the transfer for treatment by the relevant business line, product management and improvement of the digital customer experience, data management and analysis services for the Bank's units and building service and sales models. As part of the Division's activity, it focuses, among other things, on the following topics:

Boosting digital service
Further expanding the provision of most banking products and services through digital means, while continuously simplifying the use of digital tools, so as to allow customers to have around-the-clock access to the services and to enjoy a convenient customer experience customized to their preferences. In addition, the Bank continues to provide professional, high-quality service to all types of customers according to their needs and preferences, while aiming to transition more and more customers to opt for digital services. As part of boosting the digital products and services, the automated underwriting capabilities - for providing retail and business credit - were strengthened and improved.

Leveraging data capabilities - Implementation of the strategy supporting data-based banking and advanced models - both in marketing and pricing the banking products, and in the service and operating activity, while making these services and capabilities accessible by means of advanced digital tools.

Leumi allows users to enjoy a personalized, innovative and advanced customer experience with products and via channels that meets the customer's needs in a friendly, fair and personalized manner. In 2022, Leumi continued developing services and transactions in the Leumi app for private customers. In addition, Leumi continued to work on numerous other levels in order to provide advanced products and services to its customers:

A. Videa - in 2018, the Leumi Group also founded Videa - an automated investment portfolio management company. Videa manages customers' funds using an innovative algorithm. It offers online, transparent, and simple investment portfolio management.

B. Mortgage by Zoom - Leumi launched a service enabling customers of all banks to conduct a personal consultation session with a mortgage banker via Zoom, and to embark on a mortgage application process even without needing to arrive at a branch in order to sign the documents.

C. Car loans - a service allowing Leumi customers and prospects to receive car loan offers digitally in an agency with which the Bank has entered into an agreement.

D. Ordering a replacement for a defective credit card.

Leumi also improved the presentation of credit card transactions by category, and provides the option to join google PAY through the Leumi app.

Leumi has improved the customer experience - presentation of advanced insights that help the customer manage his financial activities, offering a deposit adapted to the customer's characteristics, adding advanced search capabilities and providing an option for a minor to open a digital account (for aged 16-18).

E. Transitioning from one bank to another - a new service on the secured website allowing customers to submit a request for transferring their financing activity from another bank to Bank Leumi. The service is also incorporated in the process of opening an account on the mobile app, such that each client opening an account receives a link allowing them to transition to another bank.

F. Pepper - featuring Israel's first fully digital banking experience **(via mobile)**

Pepper provides retail banking services - from opening an account to conducting common banking transactions, such as loans, deposits, credit cards and investment in securities, using digital channels only. Pepper uses advanced technology and collaboration as a key differentiation means versus the competition, in order to expand its product value proposition to customers. Pepper offers customers all banking products - including credit products, savings, transfers, debit cards and more - anytime, anywhere, through mobile phones, digitally and independently. The products have been made accessible using a convenient and user-friendly interface, adapted to each customer's personal needs, using simple language.

G. A new platform adapted to business customers' needs.

H. FINTEKA - in 2022, Leumi established a company that will connect the Bank and FinTech companies. The new company - FINTEKA - enables financial startups, that receive an appropriate license, access to the Bank's systems, in consideration for payment or a business partnership. In addition, Leumi will offer its customers the option of using the services of the FinTech companies, to the extent they mature.

Additional collaborations with FinTechs - to promote innovation and ensure an enhanced service experience to customers, Leumi promotes collaborations with innovative FinTech companies, according to the Open Banking Model. In this context, several types of collaborations may be noted:

A. Business-technological collaboration, such as Pepper with EcoBill - for paying household bills directly from the app, providing insights a smart, swift bill payment.

B. Technological collaboration, such as the one with Tarya Ltd., a FinTech which develops an advanced mortgage system.

Leumi regards the Open Banking Reform as an opportunity to expand its value proposition to its customers, so as to allow them to conduct financial activity using digital channels and to quickly adopt new technologies in general and financial technologies in particular.

In addition, and as part of the innovation strategy, at the beginning of 2022, Leumi invested in an innovative project with the participation of leading high-tech entrepreneurs in Israel. In this framework, Leumi invested in a new venture capital fund, Garage Ventures, which will form and support FinTech, cyber (FinSec), data and AI startups.

The fund aims at investing in ventures seeking innovative technological solutions to problems and difficulties in the financial domain and will invest both in early-stage companies which have already developed a service or product and seed-stage companies.

ESG - Leumi's strategy involves an understanding that ESG is creating, alongside the risk, a wide set of business opportunities. Thus, the Bank is working to implement various initiatives arising from the changing reality of growing awareness to environmental risks and the importance of meeting ESG rules.

The Bank's **ESG vision and strategy** are derived from the Bank's vision and strategy, and at their core is leadership in the ESG field through three main anchors: establishing strategic goals, standardization of best practices and policy documents, and collaborations with international and local entities.

For more information, please see below in the chapter Principal trends in the operating environment.

How the strategy is implemented

To enable the realization of its vision and strategy, the Bank is divided into four main business lines, which specialize in providing banking and financial services to certain customer segments:

1. **Retail banking** - focuses on providing banking services, mainly to households (including mortgages), high-net-worth customers (Private Banking), and micro- and small business customers. Retail banking seeks to personally customize the service to customers' needs in a wide variety of channels at the same time (such as: mobile app, web, call centers, branches, service centers, terminals, information kiosks and ATMs).
2. **Mortgages** - a part of implementing a strategy of rapid growth in the operating segment, a special-purpose mortgage division was established on January 1, 2022, in order to ensure that the strategy in this domain is implemented with the utmost managerial, operation and service attention and support.
3. **Corporate and Commercial Banking** - focuses on providing services to Israeli and international corporations with varying scope of activities from a wide range of sectors. The Corporate and Commercial Banking business line aims to serve various customers, while maximizing value and examining means to expand its product and service offerings.
4. **Capital Markets and Financial Management** is engaged in the management of the Bank's own portfolio (Nostro), assets and liabilities management (ALM) and also regulates the operation of the Bank's trading rooms, aiming to provide services to customers involved in the capital market activities, including institutional customers. Non-financial investments are primarily managed through Leumi Partners.

In addition to the Bank's business lines, which are managed directly by the Bank, the Leumi Group operates through its Israeli and foreign subsidiaries:

Activity of subsidiaries operating in Israel – non-financial investments, underwriting and investment banking activities, carried out mainly by subsidiary Leumi Partners. Another subsidiary is Leumi Capital Markets, which is Israel's leading provider of full-range operating services to financial entities.

Activity of foreign subsidiaries – currently carried out in the UK. This activity began in 1902, and in 1959 Bank Leumi (UK) PLC (BLUK) was established.

On March 8, 2022, the Bank's board of Directors approved the recommendation of BLUK's board to implement a measure which includes returning BLUK's regulatory license, such that after the measure will have been completed, BLUK will be a credit provision company. For this purpose, BLUK's activity will be merged into LABL, a subsidiary of BLUK (hereinafter - "Leumi UK Group").

Leumi UK Group provides credit primarily in the fields of real estate, hotels and ABL, only to commercial customers in the UK and Europe, including Israeli customers active in these geographic areas, including investments and development of residential real estate and financing for commercial real estate (retirement homes and student dormitories). Funding is extended both to customers in and outside the UK (mainly Israeli).

For more information, please see under "Major Investee Companies".

It should be noted that strategic planning involves a considerable degree of uncertainty; the implementation of long-term strategic plans depends on several variables, including the performance of markets in Israel and abroad, the security situation, and the effects of ongoing regulatory changes whose scope and foci in the long-term cannot be predicted with a high degree of certainty.

The information in this section constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

Principal Trends in the Operating Environment

The abovementioned strategy adopted by Leumi is based on, and takes into account, inter alia, the following trends:

A. Macro/geopolitics

1. Geopolitical instability, with an emphasis on an ongoing war in Ukraine, which led to a global increase in prices, along with continuous tension between the United States and China. This is in the context of the economic slowdown in China.
2. An inflationary macroeconomic environment that leads to increases in interest, decreases and high volatility in financial markets, and strengthening of the USD, may lead to a global slowdown and even a recession - that will negatively affect the banks' profits. On the other hand, the increase in interest has positive effects on the banks, such as: an increase in interest revenues.
3. Global regulation - The trend of legislation for the encouragement of competition in the credit market continued, with an emphasis on retail credit and on payments, among other things, by encouraging innovation. The field of digital currencies is also in the focus of regulatory attention in the United States and in the European Union, and since the drops in value of the crypto-currencies in 2022 - even more so.

   In addition, recognition of the climate crisis is strengthening, and in various countries around the world plans of action are being formed to deal with the subject. The regulators are involved in these plans, mainly with the demand to integrate climate risks into the following areas: risk management processes, credit policy and investment policy of financial institutions.
4. The regulation in Israel continues to promote competition and examines initiatives, such as the separation of ICC from Discount, along with the change in the outline for reduction of the credit facilities in the credit cards of private customers.

B. Competition/consumer environment

1. The competitive environment continues to expand on the part of neo banks and other technological entities that offer a personal and direct customer experience. In FinTech there is a significant decrease in capital raising in view of the situation in the markets. Open banking is advancing and strengthening the customer's control of his information and increasing competition in the field of financial services.
2. Part of the way that FinTech companies / neo banks draw customer is through payments. This is a substantial area for the banks, important mainly for developing a relationship with the customer. It is also one of the most vulnerable areas. When it comes to crypto-currencies – at the beginning of the year, there has been an increase in the willingness of businesses to accept them, but it may have been affected in view of the declines in the markets and the FTX stock market crash - the crypto market has erased over USD 2 trillion of its value during 2022.
3. In retail banking, the coronavirus crisis accelerated the adoption of digital banking. In practice, there is a gap between the customers' willingness to carry out transactions digitally and the ability of the banks to provide a True Digital experience. The banks that win will be those that will know how to provide a full and convenient digital experience from end to end. It is important to note that the transition to digital creates a real challenge for the banks with regard to the service - as the digital customers expect to be able to do almost everything digitally, and when they don't succeed - there is great frustration.

Additional information on competition:

Local banks

- The competition between the local banks continues to focus on households and on the small business and mid-market business sectors. A new digital bank was launched in 2022 and another new bank recently received a license from the Bank of Israel. All the banks in the system advertise and launch value propositions to customers, based on technological and digital innovation, customer loyalty programs and launching unique products (such as mortgages, investment consultation, etc.).

Non-banking competitors

- Loans provided by institutional entities – in recent years, we have witnessed a clear trend of increase in loans extended to the business and commercial sector by institutional entities, including funding for infrastructure projects and rental properties and even funding the construction of residential projects. These entities are gradually entering the retail credit domain as well. On the investment side, these entities are also launching products which compete with traditional banking products, such as investment provident funds or savings policies.
- Furthermore, as a result of regulatory changes in recent years, which have encouraged such non-banking financial entities to extend consumer and commercial loans, the activity of non-bank entities has expanded consistently. It should be noted that currently, less than half of the credit extended to businesses in Israel is provided by domestic banks.
- Fintech and BigTech solutions which compete with specific banking areas of activity - in recent years, with the growing use of advanced technologies by consumers (primarily through smartphones and tablet devices), the choice and quality of innovative initiatives/technologies offering financial services based on advanced technology have grown significantly. These initiatives speed up innovation in the financial industry; while most do not compete head-to-head with the traditional banks, they threaten to reduce the banks' market share in certain areas of activity.
- BigTech companies offer, at the very least, some of the classic banking services (such as in the payments domain), without being subjected to rigid banking regulation.
- The payments market: Apple and Google provide mobile payments services (digital wallet) in Israel. Leumi customers can use their bank cards to enjoy these services. This constitutes an additional competitive domain.

Open Banking

The open banking is a regulatory initiative that encourages the use of innovative and secure technologies, and its aim is to encourage the development of innovative financial products and services for the banks' customers. The initiative is built in stages, which allow customers of the banks and credit card companies to share their financial information with third parties, so they can receive competing value propositions from other entities. During 2022, the stages of the initiative continued and at this stage, the information that may be exposed to a FinTech company is regarding the current account and uses of credit cards, loans and savings.

Leumi is working to maximize the open banking initiative for its customers, inter alia by making the most advanced products and services available to them.

Environmental, social and governance (ESG) aspects

- ESG is gaining traction globally and in Israel - among the public, investors, the media and regulation; while a binding regulation does not yet apply that consists of concrete quantitative targets, companies and business entities (including banks) are adjusting to these global trends.
- This constitutes forward-looking information, the materialization of which is uncertain and not under the Bank's sole control, taking into account that this is an "evolving" domain.
- As part of Leumi's effort to boost its contribution to ESG aspects, the Bank developed an environmental management strategy, which was approved by management and the Board of Directors. While approving the strategy, Leumi decided to incorporate and boost ESG aspects in the Bank's business activity, inter alia, by increasing financing and investment in projects advancing a "greener" environment and development of environmentally-friendly financial products; their materialization also depends on regulatory, technological and social developments.
- As part of the implementing the strategy, the Bank is working to identify and promote business opportunities, encourages "green" initiatives, is developing the tools and expertise to develop financing products for "green" activity and invest in smart systems in order to preserve and develop the current situation.

These opportunities include, inter alia:

- Providing business credit for "green" ventures and companies
- Investing in "green" through the nostro account

- Investing in “green” companies and projects by subsidiary Leumi Partners.
- Developing trading capabilities in “green” contracts

The Bank aims to reach a target of NIS 35 billion for such initiatives by 2030.

Meanwhile, the green credit in 2022 amounted to 18 NIS billion.

It should be noted that during the first quarter of 2023, the Bank issued green bonds in the amount of USD 500 million, and also entered into an agreement with EIB (the European Investment Bank) for a strategic collaboration in which the EIB will grant Leumi a financing line in the amount of half a billion EUR, which will be used to provide credit at preferred terms and conditions to small and medium-sized businesses in Israel to finance green and environmental projects.

In addition, the Bank is developing “green” products and value propositions for retail customers and is examining how to support its business customers in “going green”.

The Bank is in the process of reducing its own emissions (cutting down areas, reducing its carbon footprint, transitioning to hybrid and electric transportation).

Some of the above information constitutes “forward-looking information”. For the meaning and implications of the term, please see under “Forward-Looking Information”.

Changes in the regulatory environment

- The regulatory environment is not applied uniformly in terms of its applicability to the various entities operating in the system, such that while the banking regulation is becoming increasingly onerous, there is no similar development in respect of regulation applicable to entities that are not banking corporations. This has led to a material difference and significant gaps between the various players.
- As aforesaid, the effect of regulation on the banking sector continues to grow. The growing number of regulations and their complexity limit the sources of income, lead to increased compliance expenses and require banks to constantly improve the levels of service and innovation.
- The growing regulation is reflected in directives (expressly) addressing competitive issues. For example, various legislative initiatives were developed, with the aim to ease the entry of new players into the market, inter alia, by increasing the resources available to them, providing tiered regulatory easements, and granting reliefs for connecting to the payment and clearing systems, as well as transfer and sharing of information stored by banks. In this context, the following may be mentioned: the Open Banking Reform, the reform for spinning off the credit card companies from the large banks, and a series of infant industry protections and reliefs granted to them under the reform, the transitioning between banks reform, improving the level of service demanded of the banks and competition and initiatives and provisions connected with the reduction of the bank fees and commissions.
- In addition to more extensive and stricter regulation, the Bank is also subject to stringent compliance requirements, as well as risk management requirements.
- Thus, regulation has an immediate effect on a series of business and strategic decisions of the Bank, including with regard to the Bank's various areas of activity.

  For more information regarding the regulatory environment and the consequences of the main regulatory changes, please see the section entitled “Legislation and Regulations Governing the Banking System”.

Condensed Financial Information and Key Performance Indicators

Following are the key performance indicators (in %)

	For the year ended December 31				
	2022	2021	2020	2019	2018
Return on net income attributable to the Bank's shareholders[m]	**17.0**	15.0	5.7	9.8[g]	9.5[g]
Return on net income attributable to the Bank's shareholders to average assets[d]	**1.2**	1.0	0.4	0.8	0.7
Ratio of income[b] to average assets[d]	**2.72**	2.70	2.55	3.02	3.05
Efficiency ratio	**37.5**	46.8	53.8	56.8[h]	60.6[h]
Ratio of net interest income to average assets[d]	**1.97**	1.76	1.70	1.92	1.97
Ratio of fees and commissions to average assets[d]	**0.53**	0.60	0.64	0.70	0.91
Rate of tax provision from profit, before taxes	**32.7**	35.4	38.8	33.9	33.0
Net interest income to average balance of interest-bearing assets (NIM)	**2.21**	1.95	1.90	2.14	2.19
Total income to total average assets under management by the Group[b][c]	**0.89**	0.83	0.81	0.91	0.94
Total operating and other expenses to average total assets under management by the Group[c]	**0.33**	0.39	0.44	0.52	0.57

	As at December 31				
	2022	2021	2020	2019	2018
CET1 capital ratio[l]	**11.46**	11.50	11.87	11.88	11.07
Ratio of total capital to risk-weighted assets[a][l]	**14.29**	14.21	15.58	15.67	14.54
Leverage ratio[e]	**6.36**	6.06	6.57	7.35	7.05
Liquidity coverage ratio[e]	**131**	124	137	123	121
Net stable funding ratio (NSFR)[i]	**128**	131			
Equity attributable to the Bank's shareholders to total assets	**7.1**	6.3	6.8	7.6	7.7

Key credit quality indicators (in %)

	For the year ended December 31				
	2022	2021	2020	2019	2018
Loan loss expenses (income) in respect of average outstanding loans to the public[k]	**0.13**	(0.25)	0.88	0.22	0.19[f]
Percentage of balance of loan loss provision for loans to the public out of outstanding loans to the public	**1.28**	1.30	1.76	1.16	1.21[f]
Percentage of non-performing loans[j] to the public in arrears of 90 days or more out of outstanding loans to the public	**0.51**	1.02	1.42	1.09	1.25[f]
Percentage of net charge-offs out of average loans to the public	**0.07**	(0.03)	0.18	0.24	0.09[f]

Please see comments below.

(a) Capital - including non-controlling interests and various adjustments.
(b) Total income - net interest income and noninterest income.
(c) Including off-balance-sheet operations.
(d) Average assets are the total assets - income-generating and others. For more information, please see Appendix 1 - Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses.
(e) For more information regarding the leverage ratio, please see “Equity and Capital Adequacy” under “Structure and Development of Assets, Liabilities, Equity and Capital Adequacy”. For more information regarding the liquidity coverage ratio, please see section entitled “Risk Exposure and Management Thereof”.
(f) Including balances classified as held-for-sale assets and liabilities. For more information regarding the held-for-sale operation, please see the section entitled “Main Changes in the Reporting Year” and Note 36F. to the financial statements as at December 31, 2018.
(g) Return on equity in 2019 and 2018, net of the effect of Leumi Card, was 9.2 percent and 9.0 percent, respectively.
(h) The efficiency ratio in 2019 and 2018, net of the effect of Leumi Card was 58.1 percent 60.5 percent, respectively.
(i) NSFR calculated as of the financial statements as at December 31, 2021. For more information, please see the Liquidity and Financing Risk.
(j) For more information regarding the revision of the accounting policy starting January 1, 2022 on identifying and classifying non-performing debts (in lieu of impaired debts), please see Note 1.X.1.
(k) As of January 1, 2022, the Bank applies for the first time Reporting to the Public Directives regarding current expected credit losses; for more information, please see Note 1.X.1. On first-time application, the accumulated effect was recorded net of tax in retained earnings, without adjusting comparative results.
(l) For more information, including anticipated regulatory changes regarding the measurement of capital adequacy, please see the section entitled Equity and Capital Adequacy.
(m) The return on net income to equity attributable to the Bank's shareholders for 2022, net of the gain from the merger with Valley is 15.6 percent.

Main Environmental, social and governance (ESG) aspects

		2022	2021
E	Green credit	NIS 18 billion[(a)]	Approx. NIS 12.1 billion
	Carbon footprint	Reduced by 2.4 percent (compared to 2021)	Reduced by 2.6 percent (compared to 2020)
	The Bank’s energy consumption	Reduced by 7.15 percent (compared to 2021)	Reduced by 4 percent (compared to 2020)
	Green procurement	NIS 17.8 million (of which: NIS 11.3 million for green car leasing cost)	NIS 16.3 million (of which: NIS 9.14 million for green car leasing cost)[(c)]
S	Social credit	NIS 35.7 billion (of which NIS 22 billion for subsidized housing, reported for the first time)[(a)(b)]	Approx. NIS 5.1 billion
	Gender equality	Women for 61.1 percent of all employees, 53 percent of top management and 45 percent of branch managers	Women constitute 60 percent of all employees, 54 percent of senior management and 47 percent of branch managers
	Employee training and instruction	Approx. 300,000 hours	Approx. 205,000 hours
	Hours of community volunteer work	Approx. 32,000 hours	Approx. 25,500 hours
G	Women on the Board of Directors	30%[(d)]	30%

(a) In 2022, the methodology and classification categories were altered relative to previous years. The green and social credit are presented as total outstanding credit as at December 31, 2022.
(b) As of 2022, classification of social credit includes new categories from previous years. Substantial gaps between data are according to the newly revised methodology.
(c) The manner in which the total annual leasing of all green cars was calculated has been altered, in lieu of the presentation in 2021, in which total cost for the entire lease agreement terms was presented only in respect of new cars in that year.
(d) As at the report’s publication date.

Following are the main income statement data for the reporting year

	2022	2021	2020	2019	2018
	In NIS million				
Net income attributable to the banking corporation's shareholders	**7,709**	6,028	2,102	3,522	3,257
Interest Income, Net	**13,211**	10,346	8,723	8,841	8,890
Loan loss expenses (income)	**498**	(812)	2,552	609	519
Noninterest income	**5,018**	5,511	4,366	5,081	4,871
Of which: fees and commissions	**3,535**	3,506	3,281	3,225	4,121
Total operating and other expenses	**6,835**	7,428	7,046	7,908	8,337
Of which: salaries and related expenses	**3,935**	4,242	3,742	4,325	4,544
Net earnings per share attributable to the banking corporation's shareholders (in NIS):					
Basic earnings	**5.14**	4.15	1.44	2.37	2.15
Diluted net earnings	**5.14**	4.15	1.44	2.37	2.15

Following are the main balance sheet data as at the end of the reporting year

	2022	2021	2020	2019	2018
	In NIS million				
Total assets	**699,166**	656,454	556,035	468,781	460,560
Of which: cash and deposits with banks	**186,569**	197,402	136,194	76,213	80,113
Securities	**82,950**	86,927	92,297	84,949	74,571
Loans to the public, net	**384,782**	342,879	295,341	282,478	272,602
Total liabilities	**649,723**	614,402	517,940	432,907	424,399
Of which: deposits by the public	**557,084**	537,269	447,031	373,644	364,714
Deposits by banks	**22,306**	25,370	15,143	6,176	5,210
Bonds, promissory notes and subordinated bonds	**27,805**	15,428	16,303	19,958	17,798
The banking corporation's shareholders' equity	**49,438**	41,610	37,664	35,406	35,305
Additional data:					
Price per share (in NIS)	**29.3**	33.5	18.9	25.1	22.6
Dividend per share (in agorot)[(a)]	**111.52**	137.48	20.29	93.48	90.62
Average number of jobs	**8,173**	8,664	9,080	9,621	11,208

(a) According to the declaration date.

Forward-Looking Information in the Report of the Board of Directors and Management

The Report of the Board of Directors and Management includes, in addition to data relating to the past, information and assessments relating to the future, defined in the Securities Law, 1968 (hereinafter: the "Law") as "Forward-Looking Information". Forward-looking information relates to a future event or matter, the materialization of which is uncertain and not under the Bank's exclusive control.

Forward-looking information is generally worded using the following words or phrases: "the Bank believes", "the Bank foresees", "the Bank expects", "the Bank intends", "the Bank plans", "the Bank estimates", "the Bank's policy", "the Bank's plans", "the Bank's forecast", "expected", "strategy", "targets", "likely to impact", "estimate", "scenarios", "likely", "may", "can", "will be", "optimistic", "pessimistic" and additional phrases indicating that the matter in question is a forecast of the future rather than past facts.

Forward-looking information included in the Report of the Board of Directors and Management is based, inter alia, on forecasts of various matters related to economic developments in Israel and abroad, especially the currency markets and capital markets, legislation, regulators' directives, competitors' behavior, technological developments and human resources issues.

As a result of the inability to foresee with certainty that these forecasts will be realized, and the fact that, in reality, events may differ from those forecasted, users should treat information defined as "forward-looking" with caution, since reliance on such information involves risks and uncertainty and the future financial and business results of the Leumi Group may be materially different.

The Bank does not undertake to publish updates on forward-looking information included in its reports. This does not derogate from the Bank's reporting obligations pursuant to any law.

Main Risks Inherent in the Operations of the Bank

Credit risk is the Bank's risk of loss as a result of the possibility that a counterparty fails to meet its agreed commitments towards the banking corporation.
This risk is embodied in the Group's core business and is reflected in its activities with corporate, commercial and retail customers, as well as in the Group's own portfolio activity. The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311, Proper Conduct of Banking Business Directive 311A, "Management of Consumer Credit" and Proper Conduct of Banking Business Directive No. 314, "Sound Credit Risk Assessment and Valuation for Debts", including the accountability of management and the Board of Directors. In addition, the Bank is meticulous about managing risk in compliance with further guidelines and requirements included in the Banking Supervision Department's directives.

For more information on the Bank's credit risk and its management, please see the section entitled "Credit Risks".

Market risks and liquidity risk - Market risk is the risk of a loss arising from a change in the value of assets and liabilities due to changes in the price level in markets, interest rates, exchange rates, inflation rate and stock prices. Liquidity risk is the risk arising from uncertainty regarding the possibility of raising sources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss. Ongoing market risk management plays a supporting role in the achievement of the Bank's business objectives and assesses the expected profit against the damages and losses that may result from exposure to these risks. Management of market risk exposures is carried out on a dynamic basis in compliance with a set of restrictions prescribed by the Board of Directors and Risk Committees, in order to contain the effects of market exposures on fair value, accounting profit, capital reserves and liquidity position.

For more information on market risk and market risk management, please see the section entitled "Market Risks". For more information on liquidity risk and liquidity risk management, please refer to the "Liquidity and Financial Risk" section.

The Bank's function as a financial intermediary involves operational risks, including, inter alia, information security and cyber risks, IT and innovation risks, embezzlement and fraud risks, business continuity risks, legal and compliance risks.

Operational risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.

Information security and cybersecurity risks - potential for material damage arising from a cyber event, which may result in information theft, in theft of financial assets and/or disruption to the operational continuity (by disrupting information and/or compromising availability).

In addition, the Bank's activity involves other risks that include, among others, macroeconomic risk, regulatory risk, strategic risk, model risk, conduct risk, climate and environmental risk and reputational risk.

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 350 and while applying risk identification and risk management processes, as well as control, monitoring and reporting mechanisms.

For more information regarding operational risk and the management thereof, please see the section entitled "Operational Risks".

Trends, Phenomena, Developments and Material Changes

Main Developments in the Israeli Economy[1]

The Global Economy

On January 31, 2023, the International Monetary Fund (IMF) revised its economic activity estimates for 2022 and its forecast for 2023. Relative to the previous estimate of October 2022, the estimates of global growth for 2022 were revised upwards, in particular an upwards revision was recorded for growth in the US economy, the Euro Zone countries and other countries. According to the current estimate, the gross world product expanded by approx. 3.4 percent in 2022, compared with an increase of 6.2 percent in 2021. As for the large Western economies - the GDP of the US economy grew by approx. 2.0 percent, compared to 1.6 percent in the previous estimate. The IMF's growth forecast for 2023 was also revised upwards compared to the previous forecast, but it still predicts a slowdown in the pace of expansion of global activity. The forecast slowdown in growth in 2023 reflects the moderating effect on growth of the process of raising interest rates among most central banks around the world, which was done in order to deal with the accelerated inflation, as well as the continued negative effects of the war between Russia and Ukraine. On the other hand, the removal of the coronavirus restrictions in China are expected to support the global growth. According to the current growth forecasts, the gross world product is expected to grow at a rate of 2.9 percent in 2023. Also in the IMF's revised estimates there is reference to the inflation having reached its peak in many countries and the beginning of its decline in the period immediately prior to the publication date of the Report.

Global growth/real change rate

Source: IMF - World economic outlook/January 2023

	2023	2022
World	**2.9%**	3.4%
USA	**1.4%**	2.0%
Eurozone	**0.7%**	3.5%
Japan	**1.8%**	1.4%
UK	**(0.6)%**	4.1%
China	**5.2%**	3.0%

The rising inflation in 2022 in many countries - to rates unseen for many years is partially explained by aggregate excess demand, on the back of economic recovery following the coronavirus pandemic and with government support, with emphasis on the labor market and due to restrictions, which exacerbated the situation on the supply side, which included significant effects of the war between Russia and Ukraine on commodity prices. To illustrate, in the US the annual rate of increase in prices reached approx. 6.5 percent in December 2022, and a peak of 9.1 percent in June, and the basic rate of inflation was 5.7 percent at the end of 2022. In the Euro Zone and in the UK the inflation reached a peak of 10.6 percent and 11.1 percent in October 2022, respectively.

As a result, many central banks - led by the US Federal Reserve - began to raise interest rates. Starting in March 2022, the Federal Reserve's Open Market Committee decided, as it did in each subsequent meeting, to raise the short-term interest rate, and in the last decision of 2022, it was raised to the 4.25-4.50 percent range, and in the first interest rate decision of 2023 (on February 1, 2023) the interest rate was raised to the 4.50-4.75 percent range. The Bank of England also continued the process of raising the interest rate, which began in December 2021 and which stood at 3.50 percent at the end of 2022 (with an annual price increase rate of 10.5 percent); in the first interest rate decision of 2023 (on February 2, 2023) the interest rate was raised to 4.00 percent. This is also the case in many central banks, including the Bank of Israel, which began raising the interest rate in April 2022.

In late February 2022, a war broke out between Russia and Ukraine, which is continuing at this time. Due to the characteristics of the commercial relations between these countries and Israel, the direct effect on the Israeli economy may be limited to only a few industries which have production operations in Ukraine and Russia and/or which may

[1] Data sources: publications by the Israel Central Bureau of Statistics, Bank of Israel, Ministry of Finance, Tel Aviv Stock Exchange, the IMF.

have major customers in these countries. The indirect effects that are already materializing, as a result of global processes, such as lower global growth rates - as forecast by the IMF for 2023 as well - in addition to a sharp increase in the prices of commodities imported into Israel (such as food) and the sharp increase in energy prices around the world, which affect prices in Israel. In addition, the growing uncertainty is adversely affecting financial markets globally as well as asset values and - as a result –households and businesses in Israel.

Growth in the Israeli Economy

The Israeli economy grew by a real 6.4 percent in 2022, after growth of 8.6 percent in 2021. The main contributor to the rapid growth was private consumption, with a lesser contribution from the export of goods and services and investments. In the fourth quarter of the year, the growth rate (compared with the third quarter) was an annualized 5.6 percent. It should be noted that the growth in this quarter was supported by a record volume of vehicle purchases due to the advance of purchases before the update of the green taxation formula, which entered into effect at the beginning of 2023 and resulted in an increase in prices of many vehicle models. Excluding this component, the growth in private consumption and investments was more moderate.

The labor market continued to reflect robust economic activity, and according to the Bank of Israel is nearing full employment rates. The unemployment rate in the usual definition (unemployed) in 2022 was 3.8 percent (annual average), a rate lower than in 2020-2021 but similar to the rate in 2019, before the outbreak of the coronavirus crisis. Also, the added unemployment created mostly due to the crisis (which includes workers who are temporarily absent from work for economic reasons, workers who do not participate in the labor force and were fired since March 2020 and who have given up looking for work) was largely eroded in 2022, during which the labor market recovered from most of the effects of the crisis. However, the end figure of 2022 (December) indicated an increase of 4.2% in the unemployment rate (seasonally adjusted figure).

Risk Factor Severity in the Economy

Subsequent to the reporting period, public events began - legislative and social, for which there is significant uncertainty regarding the manner of their development and degree of impact on the Israeli economy in the medium and long term, and as a result on the Bank’s results. These events may have an adverse effect on the Israeli economy, and as a result, on the Bank's performance. For now, changes are evident in Israel’s financial markets and in the pricing of Israeli financial assets in the global markets, including the weakening of the shekel's exchange rate against the currency basket, the US dollar and euro, an increase in credit default swap (CDS) instruments of the State of Israel, which are traded globally, with the leading indexes on the TASE being highly volatile..

The State Budget and its Funding

2022 ended with a surplus of approx. NIS 9.8 billion (approx. 0.6 percent of GDP) in the State Budget compared to a deficit of approx. NIS 69.2 billion (approx. 4.4 percent of GDP) in 2021, where according to the original budget for all of 2022, a deficit of approx. 3.9 percent of GDP was planned. The significant improvement stems from a marked increase in state revenues and a decline in government spending on the back of reducing the expenses for financial support due to the crisis. The higher income is explained by the robust economic activity, which generated substantial tax revenues - with emphasis on direct taxes. On the other hand, collection data in the second half of 2022 reflect a decrease in collections compared to the record-high results of the first half. On the other hand, collections are higher than the trajectory line prior to the coronavirus crisis. It should be noted that until the date of publication of the Report, the Government operated based on a continuous budget (since the state budget for 2023 was not approved), with the law defining spending limits (annual and monthly) and a spending hierarchy by order of importance. The limit will be removed when the budget is approved.

Foreign Trade

In 2022, Israel's trade deficit reached USD 39.8 billion versus a USD 34.6 billion deficit in 2021. The increase in the deficit stems from expansion of approx. USD 15.3 billion of imports, in USD nominal terms, compared to a more moderate increase of approx. USD 10.1 billion in exports. The increase in imports is reflected across all its key components: imports of consumer goods, imports of investment products and imports of raw materials, especially in the value of imports of energy products and other raw materials, and also reflects the significant effect of price increases. These trends reflect the continued expansion of economic activity, which assumed its pre-pandemic growth trajectory. The increase in excess imports of commodities (a USD 5.2 billion increase) brings down the surplus of the balance of payments current account, which totaled 3.8 percent of GDP in 2022 from 4.4 percent of GDP in 2021. However, the service exports data reflect a continuation of the rapid growth, on average, compared to the corresponding period last year, with emphasis on exported services provided by the high-tech industry. This increase significantly mitigates the effect of the increase in commercial deficit.

Exchange Rate and Foreign Exchange Reserves

After a substantial appreciation of the NIS in 2021, in 2022, the NIS depreciated against the USD by a sharp rate of approx. 13.2 percent, against the EUR the NIS depreciated by a rate of approx. 6.6 percent and a depreciation was also recorded against the currency basket of approx. 6.6 percent. The depreciation is partially explained by the sharp raising of interest rates by the Fed, compared to other large central banks, and the outbreak of the Russia-Ukraine war, which have caused higher demand for currencies perceived as global “anchors” in terms of the risk level embodied therein, such as the US dollar, especially when the financial markets are stormy. In the background, the Bank of Israel noted that the foreign exchange market in Israel is heavily influenced by the investments of institutional entities abroad and the results in global financial markets, while on the other hand there are offsetting effects, such as the elite industry and investments therein.

At the end of December 2022, the Bank of Israel's foreign exchange reserves stood at approximately USD 194.1 billion compared to USD 213 billion as at the end of December 2021. The decrease in balances is mainly explained by the revaluation effects. In the reporting period, the Bank of Israel purchased foreign currency only in January in the amount of USD 0.4 billion. In February-December, the Bank of Israel did not purchase any foreign currency in the market.

Inflation and Monetary Policy

The “in lieu” consumer price index (CPI) was up 5.3 percent in 2022, a rate that deviates from the band of the price stability target (1-3 percent), and the highest since the current target came into use (in 2003). The CPI, net of energy prices, was up 5.0 percent, such that the higher inflation rate reflects price increases across most CPI items, rather than focusing specifically on energy prices as is the case in Western countries, especially Europe, where the inflation is higher than in Israel. The main explanations for the rapid pace of increase is higher demand in the economy (some of which was pent up) due to the full reopening of, and improvement in, the labor market, which is reflected in wage increases in some market sectors, in addition to greater global trends of higher raw material and transport prices (“supply effects”), particularly in food and energy prices, on the back of the Russia-Ukraine war, but also due to bottlenecks in the supply chains across the world and particularly in China. It should be noted that towards the end of the year, the effect of these trends has moderated considerably.

In 2022, the “known” CPI was up 5.3 percent.

In 2022, the Bank of Israel interest rate was raised by 3.15 percent and it stood at 3.25 percent at the end of the year.

During the first quarter of the year, there was no change in the Bank of Israel interest rate, which was 0.1 percent, similar to its level in April 2020. During the second quarter, in April 2022, the Bank of Israel began raising interest rates, a process that has continued through its meetings since then, reaching 4.25 percent in a meeting held on February 20, 2023. In this meeting, the Monetary Committee noted that the Israeli economy boasts robust economic activity, alongside a tight labor market, with an increase in the inflation environment. Therefore, the Committee decided to continue the process of raising the interest rate. The pace of raising the interest rate will be determined by the activity indicators and inflationary development, in order to continue to support the policy targets.

Israel’s Capital Market

The Shares and Convertible Securities Index was down in 2022 by approximately 15.5 percent after increasing by 30.9 percent in 2021. This is the highest percentage decrease since 2011. During the reporting period, the equity market was affected by the Russia-Ukraine war’s adverse impact on prices of energy and other commodities, as well as by further morbidity surges, which lead to closures in China. As a result, an acceleration in inflation was recorded throughout the world, including in Israel, which led to an acceleration in the process of raising the interest rate by central banks around the world. The political instability and the early elections also contributed to the stock market weakness. On the other hand, the economy's growth data and the tight labor market reflected the fact that the Israeli economy has recovered and is expanding, similarly to the situation prior to the onset of the coronavirus.

The average daily trade volume of shares and convertible securities in 2022 totaled NIS 2.295 billion, an increase of 22.2 percent over the average level in 2021.

The government bonds market in 2022 was affected by an increase in inflation which brought about an interest rate increase in Israel starting from the second quarter of the year. This is similar to the situation in the bond markets in other advanced countries. Thus, the CPI-Linked Government Bond Index was down last year by approx. 9.8 percent, while the Unlinked Government Bond Index was down approx. 8.8 percent. Most of the decreases were in long-and mid-duration bonds.

The CPI-linked non-government bond market (corporate bonds) declined in 2022 by approx. 7.6 percent, due to the effects mentioned above.

Major and Emerging Risks in the Operating Environment

In recent years, major emerging risks arise from the Bank's operating environment, which has been highly affected by risks related to regulation and legislation, a volatile macro-economic environment, and changes in the business model - including the transition to digital "new banking" and new social and consumer trends. In recent years, due to the changes in the competitive environment, consumer environment, regulatory environment and technological environment, non-financial risks have been on the rise.

Following are the most material leading and emerging risks:

- Information security and cyber risk.
- Strategic risk.
- Macroeconomic risk.
- Technology risk.
- Regulatory risk.
- Construction and real estate industry risk.
- Climate and environmental risk.

For more information regarding these risks, please see section “Risk Exposure and Management Thereof”.

Main Changes in the Reporting Year

Bank Leumi USA

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), which wholly owns Leumi's US-based subsidiary Bank Leumi USA (hereinafter - "BLUSA"), entered into a merger agreement with Valley National Bancorp (hereinafter - "Valley"). On April 1, 2022, the merger was completed.

As a result of the merger, a profit of NIS 645 million, net of tax, was recorded in 2022 (NIS 194 million in the first quarter and NIS 451 million in the second quarter).

For information on the transaction, please see the section entitled "Major Investee Companies".

Following is the consolidated income statement, presenting BLUSA's[(a)(b)] results in a separate line

	For the year ended December 31		
	2022	2021	2020
	In NIS million		
Interest income	**18,590**	10,863	9,300
Interest expense	**5,579**	1,298	1,368
Interest Income, Net	**13,011**	9,565	7,932
Loan loss expenses (income)	**483**	(842)	2,334
Interest income, net after loan loss expenses (income)	**12,528**	10,407	5,598
Noninterest income			
Noninterest finance income	**1,388**	1,694	970
Fees and commissions	**3,487**	3,335	3,135
Other income	**74**	281	34
Total noninterest income	**4,949**	5,310	4,139
Operating and other expenses			
Salaries and related expenses	**3,842**	3,861	3,375
Buildings and equipment - maintenance and depreciation	**1,323**	1,392	1,410
Other expenses	**1,512**	1,558	1,639
Total operating and other expenses	**6,677**	6,811	6,424
Profit before taxes	**10,800**	8,906	3,313
Provision for profit tax	**3,537**	3,188	1,312
Profit after taxes	**7,263**	5,718	2,001
The banking corporation's share in associates' profits, after tax*	446	**310**	**101**
Profit attributable to the Bank's shareholders	**7,709**	6,028	2,102
***Of which: The banking corporation's share in BLUSA's profits[(b)]**	**59**	209	111

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi USA.
(b) Bank Leumi USA includes the results of BLC and BLUSA.

Following is the consolidated balance sheet, presenting BLUSA's[(a)(b)] balances in a separate line

	December 31		
	2022	2021	2020
	In NIS million		
Assets			
Cash and deposits with banks	**186,569**	195,722	136,117
Securities	**82,950**	81,778	87,677
Loans to the public	**389,768**	329,201	283,121
Loan loss provision	**(4,986)**	(4,245)	(4,993)
Loans to the public, net	**384,782**	324,956	278,128
Loans to governments	**1,109**	940	632
Investments in associates[(c)]	**4,947**	1,113	795
Buildings and equipment	**2,735**	2,618	2,805
Assets for derivatives	**26,638**	13,953	15,100
Other assets	**6,402**	6,935	8,358
Securities borrowed or purchased under reverse repurchase agreements	**3,034**	2,447	3,019
Investment in subsidiary BLUSA		2,340	2,301
Total assets	**699,166**	632,802	534,932
Liabilities and equity			
Deposits by the public	**557,084**	514,968	427,517
Deposits by banks	**22,306**	25,370	15,036
Deposits by Governments	**247**	299	193
Securities loaned or sold under repurchase agreements	**3,952**	2,046	353
Bonds, promissory notes and subordinated bonds	**27,805**	15,428	16,303
Liabilities for derivatives	**23,311**	15,475	17,191
Other liabilities	**15,018**	17,601	20,670
Total liabilities	**649,723**	591,187	497,263
Non-controlling interests	**5**	5	5
Capital attributable to the banking corporations' shareholders	**49,438**	41,610	37,664
Total capital	**49,443**	41,615	37,669
Total liabilities and equity	**699,166**	632,802	534,932

(a) Excluding offsetting of inter-company transactions between the Bank and Leumi USA.
(b) Bank Leumi USA includes the results of BLC and BLUSA.
(c) As of April 1, 2022, the balance of the investment in associates includes the balance of the investment in Valley, which amounts to approx. NIS 3,567 million as of December 31, 2022.

Sale of Beit Mani

Following on that stated in the Bank's 2021 Annual Financial Statements regarding to offer to bid for the purchase of the property located at Yehuda Halevi Street in Tel Aviv ("Beit Mani"), on April 26, 2022, the bid submitted by Sela Capital Real Estate Ltd. won. On May 18, 2022, after the approval of the Bank's competent organs, the sale agreement was signed.

For the purchase of Beit Mani, NIS 623 million will be paid to the Bank, with the addition of VAT. The pre-tax capital gain for the Bank is expected to be NIS 524 million, which will be recorded in the Bank's financial statements on the date in which management and the staff units will relocate to Lod, which is expected to take place in the second half of 2023.

The said sale transaction is another step in the Bank's plan to relocate its staff units and management to the Leumi Service Campus in Lod.

Cooperation Agreement with Paxos

The Bank signed a cooperation agreement with US-based Paxos Trust Company LLC which will allow the Bank - for the first time in Israel - to offer its customers to buy, hold and sell cryptographic currencies (hereinafter - "crypto").

Paxos is a pioneer in creating solutions for managing digital assets for leading companies around the world. The company, which was founded in 2012, holds licenses from US regulators and is a regulated company. The company has dozens of customers and strategic investors, such as PayPal, Bank of America and Revolut. Paxos has more than USD 20 billion under management and serves more than 400 million end-customers around the world.

The planned activity model has significant advantages for the customer. Thus, for example, customers will not be required to have a private crypto wallet or to remember or manage the passwords for such a wallet, with all the risks involved therein. In addition, taxation aspects will be handled by the Bank, and the tax will be deducted on a regular basis.

Trading will be initially possible in Bitcoin and Etherium - the leading crypto currencies with the highest trading volumes worldwide.

On October 27, 2022, the Bank received the approval of the Bank of Israel to provide crypto-currency trading services. On November 3, 2022, an appeal was filed with the High Court of Justice to issue an order nisi against the governor of the Bank of Israel, the Bank of Israel and the Banking Supervision Department (hereinafter, jointly - the "Defendants"), in which the plaintiffs requested an order nisi instructing the two first Defendants to explain why they would not revoke the approval given to the Bank for the provision of trading and crypto-currency claiming it was contrary to the provisions of the Banking Law (Licensing), 1981; in addition, they requested a temporary order instructing the Bank to refrain from launching its crypto-currency trading services to customers. In its decision of January 19, 2023, the court did not grant the plaintiffs' request for an interim order and the main proceeding continues.

Material Changes in Financial Statement Line Items

On April 1, 2022, the merger between BLC, a US-based corporation (which was held 85 percent by the Bank) and Valley was completed. From that date, the investment is Valley is recorded according to the equity method; the results of Bank Leumi USA are no longer consolidated in the Bank's consolidated financial statements.

For more information regarding the recorded investment composition, please see Note 15.A.

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded in the first half of 2022.

For more information, please see the section entitled "Main Changes in the Past Year", the section entitled "Main Investee Companies, Bank Leumi USA" and Note 15.A.

During April 2022, the Bank entered into an agreement to sell one of the headquarters buildings in Tel Aviv. This sale is expected to generate a pre-tax capital gain for the Bank of NIS 524 million, which will be recorded on the date in which the Bank's management will relocate to Lod, which is expected to take place in the second half of 2023.

As of January 1, 2022, the Bank applies the revised directives of the Bank of Israel regarding the manner of calculating and presenting return on equity and income and expense rates; as part of the application of the directives, the relevant comparative results were reclassified.

For more information regarding the manner of calculation and presentation of return on equity as of January 1, 2022, please see Note 1.X.3.

Below is an analysis of the results for 2022:

Net income attributable to the banking corporation's shareholders was NIS 7,709 million in 2022, compared with NIS 6,028 million in 2021.

Return on equity in 2022 was approx. 17.0 percent compared with approx. 15.0 percent in 2021.

Return on equity in the fourth quarter of the year was 19.0 percent, compared with 14.0 percent in the fourth quarter of last year. (The return on equity in the fourth quarter last year, as published in the financial statements as of December 31, 2021 is 14.8 percent. The difference stems from the revision of the Bank of Israel directives on the subject). The significant increase in the return on equity stems from a significant increase in income as a result of growth in the loan portfolio, the effect of the CPI and the increase in interest rate alongside a moderate decrease in expenses.

Net interest income, excluding the results of Bank Leumi USA in 2022 amounted to NIS 13,011 million, an increase of approx. 36.0 percent, compared to 2021. The increase in the interest income stems from the increase in the Bank's loan portfolio and from the differences in the CPI and interest rates from one period to another.

Loan loss expenses (income), excluding BLUSA's results in 2022 reflect an expense rate of approx. 0.13 percent of the average outstanding loans to the public compared to an income rate of approx. (0.28) percent in 2021. The expense in 2022 stems from an increase in the collective provision. The rate of income in the specific provision was (0.12%) percent, excluding BLUSA's results. The expense rate in the collective provision was 0.25 percent, excluding the results of Bank Leumi USA.
The rate of loan loss provision relative to the outstanding loans as at December 31, 2022 was 1.28 percent.

For more information, please see section entitled "Credit Risks" below.

In accordance with the Bank of Israel's directives, as of January 1, 2022, the Bank applies, for the first time, new rules regarding current expected credit losses (CECL) by recording the cumulative effect arising from the application to retained earnings, less deferred taxes (without restating comparative results). The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses that might arise during the loan's life.

For more information, please see Note 1.X.1.

Noninterest finance income, excluding the results of Bank Leumi USA, totaled NIS 1,388 million in 2022, compared to NIS 1,694 million in 2021. The income includes gross profit in respect of the merger transaction with Valley in the amount of approx. NIS 782 million, most of which was recorded in the second quarter of the year. The revenue in 2021 includes gains from the sale of Retailors shares in the amount of approx. NIS 313 million and gains, realized and unrealized, in respect of IronSource shares in the amount of approx. NIS 205 million. The difference between the years stems from declines in financial markets and the effect of derivatives and exchange rate differentials, including interest derivatives.

The operating and other fees and commissions, excluding BLUSA's results, increased by approx. NIS 152 million compared to 2021. Most of the increase stems from fees from exchange rate differentials, fees and commissions from financing activities and account management fees which was partially offset by a decrease in fees and commissions from securities activity.

Operating and other expenses, excluding BLUSA's results, decreased in 2022 compared to 2021 in the amount of approx. NIS 134 million, a 2.0 percent decrease. The decrease was mainly due to depreciation and other expenses.

The efficiency ratio, excluding BLUSA's results, for 2022 improved, standing at approx. 37.2 percent compared to 45.8 percent in 2021. The efficiency ratio was affected in 2022 by the merger with Valley.

Basic earnings per share attributable to shareholders of the banking corporation in 2022 totaled NIS 5.14 compared to NIS 4.15 in 2021.

The **Common Equity Tier 1 (CET1)** to risk-weighted components ratio as at December 31, 2022 was 11.46 percent. The total capital ratio as at December 31, 2022 was 14.29 percent.
For more information, please see Note 25B.

On March 13, 2023, the Bank's Board of Directors approved a dividend distribution in the amount of approx. NIS 698 million, which constitutes approx. 30 percent of the income for the fourth quarter of 2022. This is in addition to the dividend distributed in respect of the profits of the first three quarters of 2022 totaling NIS 1,077 million. For more information, please see section entitled "Equity and Capital Adequacy".

For more information regarding quarterly results, please see the appendix "Consolidated Income Statement - Multi-Quarter Information".

Material Developments in Income, Expenses and Other Comprehensive Income

Net interest income, excluding BLUSA's results[(a)]

	For the year ended December 31			
	2022		2021	
	Interest income (expenses)	% of income (expense)	Interest income (expenses)	% of income (expense)
	In NIS million	In %	In NIS million	In %
Interest income	**18,590**	**3.14**	10,863	2.15
Interest expense	**(5,579)**	**(1.31)**	(1,298)	(0.37)
Interest Income, Net	**13,011**	**1.83**	9,565	1.78
Net yield on interest-bearing assets (NIM)		**2.20**		1.89

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled Main Changes in the Past Year and Note 15.A.

In 2022, there was an increase in the net interest income compared to 2021, which stemmed mainly from the growth in the Bank's loan portfolio and from CPI and interest rate differences between the years.

The CPI in 2022 was a positive 5.3 percent, compared with a positive CPI of 2.4 percent in 2021. Net interest income in 2022 was positively affected by the positive CPI in the amount of approx. NIS 1,708 million; in 2021, the results were positively affected by the positive CPI by a total of approx. NIS 802 million.

The growth in the net interest margin (NIM) in the reporting period mainly stems from the positive effect of the change in CPI and interest rates on net interest income.

The following table presents interest spread information from activity in Israel by linkage segment:

In the non-linked NIS segment, the interest rate spread in 2022 was 2.01 percent, compared with 1.76 percent in 2021. In the CPI segment, the interest rate spread in 2022 was 1.74 percent, compared with 1.46 percent in 2021. In the foreign exchange segment, the total interest spread in 2022 was (0.05) percent, compared with 0.88 percent in 2021.

Net interest income in the fourth quarter of the year totaled approx. NIS 3,773 million, compared to approx. NIS 2,359 million in the corresponding quarter last year. The CPI in the fourth quarter of the year was a positive 0.9 percent, and in the corresponding quarter last year, it was a positive rate of 0.2 percent. The increase in the net interest income compared to the corresponding quarter last year stems mainly from growth in the loan portfolio, from the differences in the CPI between the quarters and from the increase in the interest rate. This effect was partly offset by the erosion of the credit spreads.

For more information regarding interest income and expenses, please see Appendix 1 - "Income and Expenditure Rates and Analysis of Changes in Interest Income and Expenses".

For more information, please see "Main changes in the operating results of the regulatory segments" under "Regulatory operating segments".

Loan loss expenses, excluding BLUSA's results[a]

	For the year ended December 31		Change	
	2022[b]	2021		
	In NIS million			In %
Income for loan losses - Specific	**(454)**	(521)	67	12.9
Loan loss expense (income) - collective	**937**	(322)	1,259	+
Total loan loss expense (income)	**483**	(843)	1,326	+
Of which:				
Loan loss expenses (income) for credit risk in respect of commercial credit risk	**226**	(656)	882	+
Loan loss expenses (income) for credit risk in respect of housing loans	**111**	(142)	253	+
Loan loss expenses (income) for other credit risk in respect of for private individuals	**112**	(45)	157	+
Loan loss expenses for credit risk for banks, governments and bonds	**34**	-	34	-
Total loan loss expense (income)	**483**	(843)	1,326	+
Ratios (in %):				
Percentage of specific income for loan losses out of the average outstanding loans to the public	**(0.12)**	(0.17)		
Percentage of collective loan loss expense (income) out of the average outstanding loans to the public	**0.25**	(0.11)		
Percentage of loan loss expenses (income) out of average outstanding loans to the public	**0.13**	(0.28)		
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.06**	(0.05)		
Percentage of net write-offs for loans to the public out of the outstanding loan loss provisions for loans to the public	**4.55**	(3.32)		

For more information regarding loan loss expenses, please see "Disclosure, Measurement, Classification and Loan Loss Provision Rules" under "Credit Risks", Note 13 and Note 30.

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled Main Changes in the Past Year and Note 15.A.

(b) Starting January 1, 2022, for the first time, the Bank is applying the Reporting to the Public Directives regarding current expected credit losses; on the date of first-time application the aggregate effect, net of tax, was recorded to retained earnings, without adjusting comparative figures. For more information, please see Note 1.X.1.
In addition, starting January 1, 2022, the Bank is applying the Bank of Israel's directives regarding the treatment of restructuring of troubled debt. For more information, please see Note 1.X.1.

As of January 1, 2022, the Bank applies, for the first time, new rules regarding loan loss provisions by recording the cumulative effect arising from the application to retained earnings, less deferred taxes (without restating comparative results). The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses. The collective expense in 2022 was affected mainly by the growth in the loan portfolio and in the second half of 2022 - by the worsening of macroeconomic forecasts; loan losses in 2021 were affected by the release of provisions as a result of the reopening of the economy to activity and the emergence from the coronavirus crisis.

For more information, please see the section entitled "Credit Risks".

Noninterest income

	For the year ended December 31		Change	
	2022	2021		
	In NIS million			In %
Noninterest finance income[(a)]	**1,408**	1,714	(306)	(17.9)
Fees and Commissions[(b)]	**3,535**	3,506	29	0.8
Other income[(a)]	**75**	291	(216)	(74.2)
Total	**5,018**	5,511	(493)	(8.9)

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.
(b) Based on the results net of Bank Leumi USA, fees and commissions increased by approx. NIS 152 million compared to 2021.

In view of the significant decline in the markets, among other things, in the context of the increase in interest rates, the weight of noninterest income out of total income (i.e., net interest income and noninterest income), excluding BLUSA's results, in 2022 was 27.6 percent, compared with 35.7 percent in 2021.

Breakdown of noninterest finance income

	For the year ended December 31		Change	
	2022	2021		
	In NIS million			In %
Net income for derivatives and net exchange rate differentials for non-trading activities	**236**	310	(74)	(23.9)
(Losses) gains on sale of available-for-sale bonds, net	**(178)**	231	(409)	-
Realized and unrealized gains, net[(a)] and dividend from equity securities not held for trading	**373**	842	(469)	(55.7)
Gain on sale of investees' equity[(b)]	**830**	-	830	+
Details on interest income from bonds, on accrual basis	**57**	-	57	+
Net income for derivatives for trading activities	**254**	349	(95)	(27.2)
Realized and unrealized losses from adjustments to fair value of held-for-trading bonds and equity securities, net[(a)] and dividend from held-for-trading equity securities	**(164)**	(18)	(146)	-
Total [(c)]	**1,408**	1,714	(306)	(17.9)

(a) Realized and unrealized gains from fair value adjustments of held-for-trading and not held for-trading bonds and equity securities, net also include the effect of exchange rate differentials. 2022 include realized losses on IronSource shares totaling approx. NIS 53 million (before the tax effect), most of which was recorded in the first half of the year. 2021 includes realized and unrealized gains on Retailors and IronSource shares in the amount of approx. NIS 518 million (before the tax effect).
(b) On April 1, 2022, the merger transaction was completed and an investment was recorded in Valley according to the equity method. As a result of the merger in the first half of 2022, a gross profit of approx. NIS 782 million, was recorded, of which NIS 30 million are from income from derivative instruments activity as a result of economic hedging of the aforementioned transaction.
(c) Based on the results net of Bank Leumi USA, the non-interest finance income decreased by approx. NIS 306 million compared to 2021.

As stated, the decrease in noninterest finance income compared to 2021 in most items, was materially affected by the declines in markets during 2022 compared with increases in 2021, a decrease that was partially offset by the gain recorded in 2022 resulting from the merger transaction with Valley.

Following are details regarding fees and commissions, net of BLUSA's results[a]

	For the year ended December 31			
	2022	2021		Change
	In NIS million			In %
Account management	**639**	607	32	5.3
Activity in securities and certain derivatives	**650**	725	(75)	(10.3)
Credit cards	**382**	356	26	7.3
Credit handling	**205**	193	12	6.2
Financial product distribution fees and commissions[b]	**250**	256	(6)	(2.3)
Exchange rate differentials	**477**	402	75	18.7
Financing fees and commissions	**547**	481	66	13.7
Other fees and commissions	**337**	315	22	7.0
Total fees and commissions	**3,487**	3,335	152	4.6

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled Main Changes in the Past Year and Note 15.A.

(b) Including management fees and commissions from life insurance and home insurance.

The 4.6 percent increase in fees and commissions compared to 2021 stems primarily from fees on exchange rate differentials, fees and commissions on financing activities, and account management fees, in the context of the increase in the volume of activity, an increase that was partially offset by a decrease in fees and commissions from activity in securities and certain derivative instruments in the context of the decrease in the markets.

Breakdown of other income

	For the year ended December 31			
	2022	2021	Change	
	In NIS million		In %	
(Losses) gains on severance pay reserve	**(12)**	83	(95)	-
Other income, including on sale of buildings and equipment	**87**	208	(121)	(58.2)
Total[a]	**75**	291	(216)	(74.2)

(a) The results of Bank Leumi USA (BLUSA) in this item are not material.

Operating and other expenses, excluding BLUSA's results[(a)]

	For the year ended December 31			
	2022	2021	Change	
	In NIS million			In %
Salaries and related expenses	**3,842**	3,861	(19)	(0.5)
Depreciation and amortization	**593**	661	(68)	(10.3)
Maintenance expenses for buildings and equipment	**730**	731	(1)	(0.1)
Other expenses	**1,512**	1,558	(46)	(3.0)
Total operating and other expenses	**6,677**	6,811	(134)	(2.0)

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled Main Changes in the Past Year and Note 15.A.

In 2022, there was a decrease of approx. NIS 134 million in operating and other expenses compared with 2021; most of the decrease stems from depreciation expenses and other expenses.

The efficiency ratio in 2022 improved and was approx. 37.2 percent compared to 45.8 percent in 2021. Excluding the revenue from the Valley merger transaction, the efficiency ratio in 2022 is 38.9 percent. The material improvement in the efficiency ratio stems from a material increase in income by a rate of approx. 20.7 percent that stems from the growth in the loan portfolio, the differences in the CPI between the years and from the increase in interest rates, as well as from a decrease in expenses by a rate of approx. 2 percent.

The decline in other expenses is the result of a series of measures taken by the Bank in 2022 in order to adjust the expenses to the business focal points.

Total operating and other expenses constitute 0.95 percent of the total balance sheet, compared with 1.08 percent in 2021.

Salary expenses, excluding BLUSA's results[(a)]

	For the year ended December 31			
	2022	2021		Change
	In NIS million		In %	
Salaries and related expenses	**3,511**	3,495	16	0.5
Pension, severance and retirement expenses	**331**	366	(35)	(9.6)
Total salary expenses	**3,842**	3,861	(19)	(0.5)

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled Main Changes in the Past Year and Note 15.A.

The salary and related expenses constitute approx. 57.5 percent of total operating and other expenses in 2022, compared to approx. 56.7 percent in 2021.

The decrease in wage expenses was mainly due to the increase in the interest rate, which affects the calculation of the Bank's pension liability (for details, please see Note 23.A.1).

Expenses and Investments Relating to the IT Function

Set forth below is a breakdown of expenses and investments relating to the IT function

	For the year ended December 31, 2022			
	Software	Hardware[a]	Other	Total
	In NIS million			
Expenses for the IT function, as included in the income statement:				
Expenses for salaries and related expenses	**444**	**100**	**-**	**544**
Expenses for acquisition or usage licenses not capitalized to assets	**106**	**17**	**-**	**123**
Outsourcing expenses	**44**	**-**	**2**	**46**
Depreciation expenses	**451**	**65**	**9**	**525**
Other expenses	**37**	**15**	**26**	**78**
Total expenses	**1,082**	**197**	**37**	**1,316**
Additions to assets for the IT function, not recorded as an expense:				
Costs of salaries and related expenses	**327**	**-**	**-**	**327**
Outsourcing costs	**172**	**-**	**-**	**172**
Costs of acquisition or usage licenses[b)(c]	**94**	**75**	**-**	**169**
Costs of equipment, buildings and land	**-**	**-**	**8**	**8**
Total costs	**593**	**75**	**8**	**676**
Balances of assets for the IT function				
Total amortized cost	**900**	**142**	**378**	**1,420**

	For the year ended December 31, 2021			
	Software	Hardware[a]	Other	Total
	In NIS million			
Expenses for the IT function, as included in the income statement:				
Expenses for salaries and related expenses	426	98	-	524
Expenses for acquisition or usage licenses not capitalized to assets	115	49	-	164
Outsourcing expenses	48	-	3	51
Depreciation expenses	523	78	8	609
Other expenses	35	11	28	74
Total expenses	1,147	236	39	1,422
Additions to assets for the IT function, not recorded as an expense:				
Costs of salaries and related expenses	274	-	-	274
Outsourcing costs	119	-	-	119
Costs of acquisition or usage licenses[b)(c]	94	57	-	151
Costs of equipment, buildings and land	-	-	13	13
Total costs	487	57	13	557
Balances of assets for the IT function				
Total amortized cost	809	149	383	1,341

(a) Including communications infrastructures.
(b) Costs of acquisition or usage licenses for the IT function, which were not classified as property, plant and equipment (costs of equipment, buildings and land) in the financial statements, but rather as a prepaid expense.
(c) Including purchases of software and hardware and licenses to use them for all banking corporation's divisions.

Following is the condensed comprehensive income statement

Comprehensive income in 2022 totaled NIS 7,233 million compared to NIS 5,943 million in 2021.

The difference between the comprehensive income and the net income in 2022 arose mainly from the negative adjustments for available-for-sale bonds in the amount of NIS 4,265 million, before tax, as a result of substantial declines in financial markets, mostly on the back of the higher interest rate and the military confrontation between Russia and Ukraine. These adjustments were mostly offset by substantial positive adjustments for employee benefits in the amount of NIS 3,133 million before tax, primarily as a result from the increase in the discount interest rate and from reduction of the capital reserve. These adjustments were stated directly in other comprehensive income.

Regarding the manner of measuring the pension liabilities and assets designated for hedging, for regulatory capital purposes, as of July 1, 2022, see the section entitled Capital and Capital Adequacy.

For the year ended December 31

	2022	2021
	In NIS million	
Net income attributable to the Bank's shareholders	**7,709**	6,028
Changes in other comprehensive income (loss) attributable to the Bank's shareholders:		
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(4,265)**	(438)
Adjustments of liabilities for employee benefits	**3,133**	392
Other adjustments[(a)]	**417**	(75)
Related tax effect	**335**	4
Less other comprehensive income (loss) attributable to non-controlling interests	**96**	(32)
Other comprehensive loss attributable to the Bank's shareholders, after taxes	**(476)**	(85)
Comprehensive income attributable to the Bank's shareholders	**7,233**	5,943

(a) For the composition of the other adjustments, please see Note 10.

Structure and Development of Assets and Liabilities, Equity and Capital Adequacy

The **balance sheet** of the Leumi Group as of December 31, 2022 amounted to NIS 699.2 billion, compared to NIS 632.8 billion at the end of 2021, excluding BLUSA's balances, a 10.5 percent increase; the Bank's balance sheet as of December 31, 2022 amounted to NIS 700.7 billion compared with NIS 631.0 billion at the end of 2021, an 11.0 percent increase.

The main increase in assets was in loans to the public, which were up by 18.4 percent. This increase was funded mainly by an increase in deposits by the public, which were up by 8.2 percent compared to the previous year and an increase in the issuance of bonds and subordinated bonds.
This increase, alongside the increase in Federal Reserve interest rate and Bank of Israel's interest rate and CPI differences compared to the previous year, contributed to a significant rise in net interest income during the period.

The value of assets denominated in, and linked to, foreign currency out of the Group's total assets as at December 31, 2022 is approximately NIS 112.9 billion, 16.1% of the total assets. In 2022, the shekel devalued against the US dollar by 13.2 percent, 6.6 percent against the euro, and 0.8 percent against the pound sterling. The change in the shekel's exchange rate against all foreign currencies contributed to a 2.2 percent increase in the Group's total assets.

Total assets under the Group's management – total balance sheet and securities portfolios of customers, provident funds and study funds for which operational management and deposit management services are provided - reached NIS 1,968 billion as at December 31, 2022, compared with a total of NIS 2,144 billion as at the end of 2021, an 8.2 percent decrease.

1. Following are the changes in the main balance sheet items, excluding BLUSA's balances in comparative results[(a)]

	Consolidated			
	December 31			
	2022	2021	Change	
	In NIS million			In %
Total assets	**699,166**	632,802	66,364	10.5
Cash and deposits with banks	**186,569**	195,722	(9,153)	(4.7)
Securities	**82,950**	81,778	1,172	1.4
Loans to the public, net	**384,782**	324,956	59,826	18.4
Buildings and equipment	**2,735**	2,618	117	4.5
Deposits by the public	**557,084**	514,968	42,116	8.2
Deposits by banks	**22,306**	25,370	(3,064)	(12.1)
Bonds, capital notes and subordinated bonds[(b)]	**27,805**	15,428	12,377	80.2
The Bank's shareholders' equity	**49,438**	41,610	7,828	18.8

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Year and Note 15.A.
(b) For additional information, please see section entitled "Bonds, capital notes and subordinated bonds".

2. The following are developments in the main off-balance-sheet items, excluding BLUSA's balances in comparative results[(a)]

	Consolidated			
	December 31			
	2022	2021	Change	
	In NIS million			In %
Documentary credit, net	**1,150**	1,449	(299)	(20.6)
Guarantees and other commitments, net	**69,003**	52,194	16,809	32.2
Unutilized credit card credit facilities, net	**8,377**	7,994	383	4.8
Unutilized current loan account facilities and other credit facilities in demand accounts, net	**16,420**	16,528	(108)	(0.7)
Irrevocable loan commitments approved but not yet granted and commitments to issue guarantees, net	**75,291**	66,383	8,908	13.4
Derivative instruments[(b)(c)]	**1,076,372**	887,481	188,891	21.3
Options - all types[(c)]	**170,427**	108,811	61,616	56.6
Customers' off-balance-sheet monetary assets	**1,269,629**	1,487,519	(217,890)	(14.6)

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Year and Note 15.A.
(b) Including forward transactions, financial swap contracts, swaps, futures and credit derivatives.
(c) For more information, please see Note 28B.

Loans to the Public, Net

Gross loans to the public increased by 18.4 percent in 2022, compared to the balance at the end of 2021, excluding BLUSA's balances.

Net loans to the public in the Leumi Group as at the end of 2022 totaled NIS 384.8 billion compared to NIS 325.0 billion as at the end of 2021, excluding BLUSA's balances, an 18.4 percent increase. Net of the effect of the change in the shekel's exchange rate against all foreign currencies, loans to the public, net as at December 31, 2022 increased by 16.9 percent over 2021 net of BLUSA's balances.

Total loans to the public, net constitute 55.0 percent of total assets, compared with 51.4 percent at the end of 2021, net of BLUSA's balances.

In addition to loans to the public, the Group invests in corporate securities, which total - at the end of 2022 - NIS 22,315 million compared to NIS 15,774 million as of the end of 2021, excluding BLUSA's balances, and which also embody credit risk.

Net non-linked shekel loans to the public constitute as of December 31, 2022 approx. 76.7 percent of total loans and approx. 76.3 percent as at the end of 2021, excluding BLUSA's balances. Linked loans constitute, as of December 31, 2022, 14.1 percent of total loans, compared with 14.8 percent as of the end of 2021, excluding BLUSA's balances.

For more information regarding the impact of the coronavirus crisis, please see the section entitled "Credit Risks".

Development in loans to the public, after loan loss provision by main economic sector, excluding BLUSA's balances in comparative results[(a)]

	December 31			
	2022	2021		Change
	In NIS million		In %	
Private individuals - housing loans	**119,302**	103,143	16,159	15.7
Private individuals - Other	**29,724**	27,040	2,684	9.9
Construction and real estate	**98,368**	80,859	17,509	21.7
Commercial	**31,856**	26,445	5,411	20.5
Industry	**22,969**	19,702	3,267	16.6
Other	**82,563**	67,767	14,796	21.8
Total	**384,782**	324,956	59,826	18.4

(a) The comparative results do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Year and Note 15.A.

For more information regarding changes in loans and credit risk by economic sector, please see "Credit Risks".

Troubled Credit Risk

Following is the troubled credit risk after specific and collective provisions, excluding BLUSA's balances in comparative results[(a)]

	December 31					
	2022			2021[(b)]		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
	In NIS million					
Non-performing credit risk, net	**1,466**	**93**	**1,559**	1,534	119	1,653
Performing credit risk, net	**3,191**	**621**	**3,812**	2,635	657	3,292
Total	**4,657**	**714**	**5,371**	4,169	776	4,945

(a) The comparative figures do not include the balances of BLUSA, which as of April 1, 2022, is not consolidated in the Bank's consolidated financial statements as a result of the merger with Valley; for additional details, see under Main Changes in the Past Year and Note 15.A.

(b) The data are presented according to the new disclosure format; for additional information regarding the application of the accounting policy regarding identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.H.

Following is the troubled credit risk after specific and collective provisions, excluding BLUSA's balances in comparative results[(a)] (cont.)

	December 31	
	2022	2021
	In NIS million	
Troubled credit risk - Commercial	**5,435**	5,282
Troubled credit risk - retail	**1,395**	1,283
Total	**6,830**	6,565
Balance of loan loss provision	**1,459**	1,620
Troubled credit risk after loan loss provision	**5,371**	4,945

(a) The comparative results do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Year and Note 15.A.

For more information regarding troubled loans, please see section entitled "Credit Risk" and Note 30.

Securities

Policy for management of investments in securities (own portfolio)

The Group's policy for management of investment in securities (own portfolio) is set out in the Group's annual and multi-year work plan. The policy defines the approved risk appetite for achieving the Group's business targets. The risk appetite includes principles and quantitative limits for the losses which the Group is willing to absorb under scenarios representing different risk levels. The main limits pertain to investment amounts, risk levels (credit rating, average life of the interest, etc.), exposure to the issuing entity, exposure to investment manager/fund manager, geographical exposure, etc. All investments are made using a list of approved investment instruments.

Management of the Group's own portfolios is carried at the Bank and Group level, since the Bank's own (nostro) portfolios play a crucial role in the management of liquidity and market risks.

Therefore, the Group prefers investments with a partial/low correlation with other activities of the Bank and the Group. Accordingly, the Group takes into account the inherent advantage of its own investments in foreign securities, which contribute to diversifying the risks arising from investment outside Israel.

Risk diversification in the Group's own portfolios is multi-dimensional: By geographic regions, economic sectors, issuing entities, investment managers, investment instruments, etc.

Investments are carried out with a view to obtain on risk-adjusted profitability taking into account the adequate capital requirements.

Avoiding tail risks (leading to significant losses) plays a significant role in the Group's investment management decisions.

The Bank's own activity focuses mainly on key markets, which operate in a developed and effective regulatory environment.

The decision to approve the Bank's use of an investment instrument takes into account various aspects, such as transparency and accessibility to an independent and reliable source for revaluation/pricing of instruments and minimizing the complexity and the operating and legal risks.

As of December 31, 2022, the Group's investments in securities amounted to NIS 83.0 billion, compared to NIS 81.8 billion as of the end of 2021, net of BLUSA's balances, a 1.47 percent decrease.

The Group's securities are divided into four classes: held-for-trading securities, not held-for-trading equity securities and mutual funds, available-for-sale bonds and held-to-maturity bonds.

Securities purchased by the Bank are classified, on the date of their purchase, to one of the following portfolios: held-for-trading equity securities, available-for-sale bonds, not held-for-trading equity securities and mutual funds, or held-to-maturity bonds - according to the manner in which the Bank intends to use the securities. Securities purchased for trading purposes (or for the purpose of hedging other components of the held-for-trading portfolio), for market-making purposes or as part of the trading room activity are classified to the held-for-trading portfolio. Securities purchased as part of managing the Bank's assets and liabilities are classified to the available-for-sale portfolio or as not held-for-trading equity securities. (Bonds purchased to be held to maturity are classified to the held-to-maturity portfolio.

Held-for-trading securities are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is recorded in the income statement. Available-for-sale bonds are stated in the balance sheet at fair value, and the difference between the fair value and the amortized cost is stated under a separate item entitled “Adjustments in respect of presentation of available-for-sale bonds at fair value” less related tax, in other comprehensive income. In any case of an impairment, the difference is recorded to profit and loss. Held-to-maturity bonds are stated in the balance sheet at amortized cost. Not held-for-trading equity securities and mutual funds for which there is an available fair value are presented in the balance sheet according to their fair value and the difference between the fair value and the cost is recognized in the income statement. Not held-for-trading equity securities and mutual funds for which there is no available fair value are presented in the balance sheet at cost, less impairment plus or net of changes in observable prices in regular transactions in similar or identical investments of the same issuer. Unrealized gains or losses from adjustments to changes in observable prices are stated, as aforesaid, in the income statement.

Starting from January 1, 2022, the Bank applies US GAAP for measuring loan losses arising from financial instruments as outlined in ASC 326, “Financial instruments - Credit Losses”. These guidelines apply, among other things, to bonds; for additional information, see Note 1.H.

Fair value calculation method

The fair value of Israeli securities is based mainly on quoted prices on the Tel Aviv Stock Exchange; the fair value of foreign securities is based on prices received from external sources. Equity securities and mutual funds for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer.

Non-marketable Israeli bonds denominated in NIS are revalued using a fair value model, since these bonds do not have an active market.

Following is the classification and analysis of the securities line item in the consolidated balance sheet, excluding BLUSA's balances in comparative results[(a)]

	December 31									
	2022					2021				
	Held-to-maturity bonds[(f)]	Available-for-sale bonds[(b)(f)]	Not held-for-trading equity securities and mutual funds[(c)]	Held-for-trading securities[(d)]	Total	Held-to-maturity bonds	Available-for-sale bonds[(b)]	Not held-for-trading equity securities and mutual funds[(c)]	Held-for-trading securities[(d)]	Total
	In NIS million									
Bonds										
Of the Israeli Government	**9,631**	**21,842**		**1,263**	**32,736**	4,023	23,583		2,591	30,197
Of foreign governments[(e)]	**-**	**16,995**		**-**	**16,995**	-	25,500		-	25,500
Of Israeli financial institutions	**-**	**46**		**580**	**626**	-	54		288	342
Of foreign financial institutions[(g)]	**1,321**	**9,627**		**53**	**11,001**	-	8,206		27	8,233
Asset-backed (ABS) or mortgage-backed (MBS)	**3,256**	**7,710**		**33**	**10,999**	2,274	5,851		42	8,167
Of other Israeli entities	**-**	**670**		**257**	**927**	-	585		106	691
Of other foreign entities	**320**	**4,919**		**71**	**5,310**	51	4,229		53	4,333
Equity securities and mutual funds			**4,353**	**3**	**4,356**			4,298	15	4,313
Total securities	**14,528**	**61,809**	**4,353**	**2,260**	**82,950**	6,348	68,008	4,298	3,122	81,776

(a) The comparative results do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Year and Note 15.A.
(b) Including unrealized losses, net from fair value adjustments in the amount of NIS 3,812 million recorded in other comprehensive income (December 31, 2021 - net gains of NIS 1,359 million).
(c) Including unrealized gains, net from fair value adjustments in the amount of NIS 256 million recorded in profit and loss (December 31, 2021 - net gains of NIS 286 million).
(d) Including net unrealized losses from fair value adjustments in the amount of NIS 113 million recorded in profit and loss (December 31, 2021 - net gains of NIS 8 million).
(e) Of which: The US government - NIS 12.5 billion (December 31, 2021 – NIS 11.5 billion).
(f) The outstanding balance of held-to-maturity bonds are presented net of a NIS 4 million loan loss provision. The outstanding balances of available-for-sale bonds are presented net of a NIS 33 million loan loss provision.
(g) Most bonds of foreign financial institutions are SSA-rated (Super-nationals, Sovereign and Agencies) or state-backed.

As of December 31, 2022, approx. 74.5 percent of the Group's own (nostro) portfolio was classified as available-for-sale, approx. 2.7 percent as held-for-trading, approx. 5.2 percent as not held-for-trading equity securities and mutual funds and approx. 17.5 percent as held-to-maturity.

For more information regarding the value of securities by type of measurement, please see Note 33A.

The available-for-sale portfolio, net of the balances and results of BLUSA, in comparative results

1. In 2022, there was a NIS 4,541 million decrease (before tax) in other comprehensive income in respect of available-for-sale bonds (before tax), compared with a decrease of NIS 305 million (before tax) in 2021.
2. In 2022, net losses on the sale of available-for-sale bonds, stated in profit and loss, amounted to NIS 188 million (before tax), compared with net gains of NIS 232 million (before tax) in 2021.

The net accumulated balance of fair value adjustments of available-for-sale bonds portfolio as at December 31, 2022 totaled a negative NIS 1,944 million (after tax) compared with a positive NIS 902 million as at the end of 2021. These amounts represent net unrealized gains (after tax) as at the reporting dates.

For information regarding fair value adjustments of available-for-sale securities recognized in equity, please see Note 12.

Investments in equity securities and mutual funds

As at December 31, 2022, investments in equity securities and mutual funds totaled NIS 4,356 million, of which NIS 2,023 million was marketable and NIS 2,333 million - non-marketable.

Of the total investment, approx. NIS 4,353 million is classified to the not held-for-trading portfolio and approx. NIS 3 million to the held-for-trading portfolio.

As at December 31, 2022, the regulatory capital required in respect of these investments is NIS 363 million.

Realized and unrealized gains (including dividend) in respect of the equity securities and mutual funds in the amount of NIS 375 million were recorded net in the income statement in 2022, compared with net gains of NIS 842 million in 2021.

For more information, please see Note 12.

Held-for-trading portfolio

As at December 31, 2022, the held-for-trading portfolio has NIS 2.3 billion in bonds, compared with NIS 3.1 billion as at December 31, 2021. As at December 31, 2022, the held-for-trading portfolio constitutes 2.7 percent of the Group's total nostro (own) portfolio, compared with 3.8 percent as at December 31, 2021.
Realized and unrealized losses in respect of held-for-trading bonds in the amount of NIS 166 million were recorded in the income statement, compared with losses of NIS 18 million in 2021.

For more information on the portfolio's composition, please see Note 12.

Investments in foreign securities

A. Investments in foreign asset-backed securities, excluding BLUSA's balances in the comparative results

The Group's asset-backed (mortgage and non-mortgage) securities portfolio, all investment-grade, amounted to NIS 11.0 billion (about USD 3.1 billion) as at December 31, 2022, compared to NIS 8.2 billion as at the end of 2021. Out of the above portfolio, as at December 31, 2022, NIS 7.7 billion (about USD 2.2 billion) was classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios.

As of December 31, 2022, the available-for-sale foreign asset-backed securities, including investment in mortgage-backed bonds, totaled NIS 4.1 billion. 92.21 percent of all mortgage-backed bonds in the available-for-sale portfolio was issued by US federal agencies (FNMA, FHLMC, GNMA) and all were rated AAA as of the reporting date.

As of December 31, 2022, the aggregate net impairment carried to equity from the mortgage-backed bonds portfolio totaled app. NIS 522 million.

Total mortgage-backed bonds that are neither government-backed (USA) nor backed by US federal institutions total approx. NIS 345 million.

The weighted average maturity for the entire mortgage-backed bond portfolio is 5.3 years (average duration). In addition to the mortgage-backed bonds, the Group's available-for-sale portfolio also includes other non-mortgage asset-backed bonds totaling NIS 3.6 billion, of which CLO bonds account for NIS 2.4 billion. The weighted average maturity for the entire non-mortgage asset-backed bond portfolio is 5.24 years.

For more information on investments in asset-backed bonds, please see Note 12.

B. Investments in foreign non-asset-backed securities

As of December 31, 2022, the Group's securities portfolio includes NIS 43.4 billion (USD 12.3 billion) in foreign non-asset-backed securities. Out of the above portfolio, NIS 36.2 billion (about USD 10.3 billion) is classified to the available-for-sale portfolio and the remainder - to the held-for-trading and held-to-maturity portfolios. 92.18 percent of the total securities are investment-grade and include mainly securities of the US Government, banks and financial institutions as well as bonds of investment-grade corporations, and the remainder are mainly securities issued by the Israeli Government.

For more information regarding exposure to foreign financial institutions, please see the section entitled “Credit Risks”.

As at December 31, 2022, the aggregate decrease in the value of the capital reserve for securities which are not backed by assets issued abroad within the available-for sale portfolio amounted to NIS 2,062 million (NIS 1,357 million after tax).

As aforesaid, in addition to the available-for-sale portfolio, the held-for-trading portfolio and held-to-maturity portfolio also include non-asset-backed securities. The held-for-trading portfolio mainly includes securities issued by governments, banks and financial institutions. 70 percent of the securities in the held-for-trading portfolio are investment-grade.

As of December 31, 2022, the value of the non-asset-backed held-for-trading portfolio was NIS 125 million (USD 35.5 million).

Investments in bonds issued in Israel

As at December 31, 2022, investments in bonds issued in Israel amounted to NIS 27.3 billion, of which NIS 25.7 billion was in shekel-denominated bonds issued by the Israeli Government and the remainder - in corporate bonds. Approx. 46.1 percent of corporate bonds investments - which are approx. NIS 0.7 billion - were included in the available-for-sale portfolio, and the remainder - in the held-for-trading portfolio.

The available-for-sale portfolio corporate bonds - which total NIS 0.7 billion - include a negative capital reserve of NIS 52 million.

All corporate bonds in the held-for-trading portfolio are listed and traded on the Tel Aviv Stock Exchange.

For more information regarding pledging of securities, please see Note 27.

Deposits by the public

The balance of deposits by the public in the Leumi Group as of December 31, 2022 totaled NIS 557.1 billion compared to NIS 515.0 billion as of December 31, 2021, excluding BLUSA’s balances, an increase of 8.2 percent.

Set forth below is the mix of deposits by the public by type and linkage segments, excluding BLUSA’s balances in the comparative figures[(a)]

	December 31			
	2022	2021	Change	
	In NIS million			In %
NIS:				
Non-linked	**393,715**	360,890	32,825	9.1
CPI-linked	**9,809**	10,650	(841)	(7.9)
Foreign currency:				
Including foreign currency-linked	**146,108**	140,492	5,616	4.0
Non-monetary	**7,452**	2,936	4,516	+
Total	**557,084**	514,968	42,116	8.2

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank’s consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Year and Note 15.A.

Deposits by the public in non-linked NIS increased by NIS 32.8 billion, compared with December 31, 2021, mainly due to an increase in fixed-term deposits, offset by a decrease in demand deposits.

Customers' off-balance-sheet monetary assets

Following are the changes in customers' balances of off-balance-sheet monetary assets in the Leumi Group

	December 31			
	2022	2021	Change	
	In NIS million			In %
Securities portfolios[a][d]	**907,086**	1,057,107	(150,021)	(14.2)
Assets for which operating services are provided:[a][b][c]				
Provident and pension funds	**198,329**	237,860	(39,531)	(16.6)
Advanced study funds	**164,214**	192,552	(28,338)	(14.7)

(a) Including changes in the market value of securities and value of securities of mutual funds and provident funds in the Group's custody, for which operational management and custody services are provided.
(b) The Group does not manage mutual funds, provident funds or study funds in Israel.
(c) Assets of customers to which the Group provides operational management services, including provident fund balances of customers who receive consulting services from Leumi.
(d) The balances of Bank Leumi USA (BLUSA) in this item are not material.

Most of the decrease in customers' balances of off-balance-sheet monetary assets in the Leumi Group is due to the decrease in the markets.

Deposits by Governments

Deposits by governments amounted to approx. NIS 247 million at the end of 2022 compared with NIS 300 million as at the end of 2021, a NIS 53 million decrease compared to 2021.

Deposits with Banks and by Banks

A. Deposits with banks (central and commercial)

	December 31			
	2022		2021	
	With central banks	With commercial banks	With central banks	With commercial banks
	In NIS million			
NIS:				
Non-linked	**165,814**	**1,353**	173,206	1,052
Foreign currency including foreign currency-linked[a]	**273**	**16,595**	8,138	12,506
Total deposits with banks	**166,087**	**17,948**	181,344	13,558

(a) The balances of Bank Leumi USA (BLUSA) in this item are not material.

Total deposits with banks decreased by 5.6 percent, mainly due to a decrease in the deposit balance of the Bank of Israel.

B. Deposits by banks (central and commercial)

	December 31			
	2022		2021	
	By central banks	By commercial banks	By central banks	By commercial banks
	In NIS million			
NIS:				
Non-linked	**16,912**	**2,865**	16,902	1,426
Foreign currency including foreign currency-linked[a]	**-**	**2,529**	216	6,826
Total deposits by banks	**16,912**	**5,394**	17,118	8,252

(a) The balances of Bank Leumi USA (BLUSA) in this item are not material.

For more information, please see Note 27.

On December 31, 2022 the Group's deposits with the Bank of Israel totaled NIS 166 billion.

The Group's level of liquidity is high and the Group has net deposits with banks amounting to NIS 161.7 billion.

Bonds, Commercial Securities, Capital Notes and Subordinated Bonds

	December 31			
	2022	2021	Change	
	In NIS million			In %
Bonds	**19,251**	8,676	10,575	+
Subordinated bonds and capital notes	**8,554**	6,752	1,802	26.7
Total	**27,805**	15,428	12,377	80.2

Shelf Prospectus and Issuance of Bonds and Commercial Securities

On May 27, 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus will be in effect for a period of two years from its publication date.

On January 16, 2022, the Bank issued a total of approx. NIS 1.2 billion p.v. in bonds by way of an expansion of Series 179 and a total of approx. NIS 1.8 billion p.v. in bonds by way of an expansion of Series 182.

The bonds in Series 179 and 182 are not recognized for the purpose of regulatory capital.

For more information, please see the immediate report dated January 13, 2022.

On March 27, 2022, the Bank issued a total of NIS 1.336 billion p.v. in Series 184 Bonds as well as NIS 697 million p.v. in commercial securities (CS Series 1).

The principal of Series 184 Bonds is repayable in ten equal semiannual payments, from November 5, 2025 to May 5, 2030. The principal is not linked and carries an annual interest of 2.76 percent, which will be paid twice a year on May 5 and November 5 of each of the years 2022 to 2030, in respect of the six-month period ended on the day preceding the payment date, except for the first interest payment, which shall be made on November 5, 2022 for the period beginning on the first trading day following the tender date for the bonds, until November 4, 2022. The rate of the payable interest at the first interest payment date shall be 1.68625 percent.

The principal of the Series 1 Commercial Securities and interest in respect thereof shall be payable in one lump sum on March 23, 2023; it is not linked, and carries interest at a rate of 0.25 percent over the Bank of Israel's interest rate.

The Series 184 Bonds and Commercial Securities (Series 1 CS) are not recognized for regulatory capital purposes.

On March 27, 2022, the Bank issued a total of NIS 632 million p.v. in Series 405 Subordinated Bonds for NIS 654.7 million. The Series 405 Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.5 percent payable on March 27 of each year. The Subordinated Bonds are repayable in one lump sum on July 27, 2033, with the issuer having an early repayment option in March 2028. At that date, if the Bank does not exercise its early redemption option, the bond's nominal interest rate shall be revised according to the difference between the benchmark interest rate at the issue date and the benchmark interest rate at the interest revision date, as defined by the shelf offering report.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 405 Subordinated Bonds shall be converted into ordinary shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 16.66 per share, subject to adjustments), the highest of the two.

On September 12, 2022, the Bank issued a total of NIS 772 million p.v. by way of expanding Series 405 Subordinated Bonds for NIS 757 million.

These subordinated bonds Series 405 are eligible for inclusion in Tier 2 capital as of the issue date.

For more information, please see the immediate reports dated March 24, 2022 and September 12, 2022.

On May 29, 2022, the Bank issued a total of NIS 550 million p.v. in bonds by way of extending Series 179 in exchange for approx. NIS 593.5 million. In addition, the Bank issued a total of NIS 260.8 million p.v. in bonds by way of extending Series 183 in exchange for approx. NIS 248.3 million.

The Bank also issued a total of approx. NIS 898 million p.v. in commercial securities (Series 2 CS). The principal of the Series 2 Commercial Securities and interest in respect thereof shall be payable in one lump sum on May 28, 2023; it is not linked, and carries interest at a rate of 0.29 percent over the Bank of Israel's interest rate.

The Bond Series 179, 183 and Commercial Securities (Series 2 CS) are not recognized for regulatory capital purposes.

For more information, please see the immediate report dated May 30, 2022.

On July 27, 2022, the Bank issued a total of USD 500 million p.v. in Leumi $ 2027 Series Preferred TACT Institutional Bonds for a consideration of USD 496.7 million. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange. The principal of the Leumi $ 2027 Series Preferred TACT Institutional Bonds bears annual fixed interest at a rate of 5.125 percent per year, which is payable in semiannual payments and is payable in one lump sum on July 27, 2027, while the Bank has the option for early redemption starting from June 27, 2027.

The Leumi $ 2027 Series Preferred TACT Institutional Bonds are not recognized for regulatory capital purposes.

For more information, please see the immediate reports dated July 18, 2022 and July 27, 2022.

On September 12, 2022, the Bank also issued a total of approx. NIS 1,306 million p.v. in commercial securities (Series 3 CS). The principal of the Series 3 Commercial Securities and interest in respect thereof shall be payable in one lump sum on September 10, 2023; it is not linked, and carries interest at a rate of 0.3 percent over the Bank of Israel's interest rate.

Commercial Securities (Series 3 CS) are not recognized for regulatory capital purposes.

For more information, please see the immediate report dated September 12, 2022.

On November 15, 2022, the Bank reported it is considering a public offering of a new series of Subordinated Bonds (Series 406) of the Bank, and listing them for trading on the TASE. These subordinated bonds, if issued, will be included in the Bank's capital. As of the reporting date, the issuance has not yet been executed. On January 18, 2023, the Bank issued a total of USD 500 million in par value "Green" Subordinated Notes Series Leumi $ 2033 TACT Institutional. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

Subordinated Notes Series Leumi $ 2033 TACT Institutional are repayable in one lump sum, 10 years and six months after their issue date, with the Bank having an early repayment option exercisable in the period from 5 years and three months to 5 years and six months after the issue date, subject to certain terms and conditions.

Subordinated Notes Series Leumi $ 2033 TACT Institutional bear a fixed annual interest rate of 7.129 percent per year to be paid semi-annually until July 18, 2028. At that time and if early redemption has not been made, the interest rate will be updated according to the government yield in the United States on the same date plus the margin agreed in the issue, as detailed in the issue documents.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series Leumi $ 2033 TACT Institutional Subordinated Notes shall be converted into shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice (translated into USD according to the exchange rate as of that date) was issued or according to the set minimum rate (USD 4.21053, subject to adjustments), the highest of the two.

Subordinated Notes Series Leumi $ 2033 TACT Institutional are eligible for inclusion in Tier 2 capital as of the issue date.

For more information, please see the immediate reports dated November 15, 2022, January 11, 2023 and January 18, 2023.

Equity and Capital Adequacy

Issuance of shares

On June 23, 2022, the Bank completed an issuance of 90,909,091 ordinary shares, NIS 1 p.v. each, for a total consideration of NIS 2.75 billion. This is part of a non-uniform issuance to institutional investors, in Israel and abroad. The capital raising was carried out in the context of the Bank's significant growth in the first quarters of 2022 and the desire to continue the growth momentum while continuing to focus the growth in mid-sized businesses, mortgages and business credit. The consideration of the issuance strengthened the Bank's regulatory capital and allowed it to continue with its growth strategy and bring value to the shareholders.

Equity attributable to the Bank's shareholders totaled NIS 49,438 million on December 31, 2022 compared with NIS 41,610 million as at the end of 2021.

This capital serves as the basis for calculating the regulatory capital which, in turn, is used to calculate the Bank's capital adequacy ratio, with the addition of capital instruments and regulatory adjustments, as set out in the Banking Supervision Department's Proper Conduct of Banking Business Directive No. 202.

The shareholders' equity to total assets ratio as of December 31, 2022 is 7.1 percent.

Capital Adequacy Structure[(a)]

	December 31	
	2022	2021
	In NIS million	
Capital base for capital ratio purposes		
CET1 capital, after regulatory capital deductions and adjustments[(c)]	**48,797**	43,117
Tier 2 capital, after deductions	**12,020**	10,148
Total capital	**60,817**	53,265
Balances of risk-weighted assets		
Credit risk[(c)(d)(e)]	**392,658**	346,602
Market Risks	**6,610**	5,592
Operational risk	**26,375**	22,582
Total balances of risk-weighted assets	**425,643**	374,776
Capital to risk-weighted assets ratio		
Ratio of CET1 capital to risk-weighted components	**11.46%**	11.50%
Total capital to risk-weighted assets	**14.29%**	14.21%
Minimum CET1 capital ratio set by the Banking Supervision Department[(b)]	**10.21%**	9.19%
Minimum total capital ratio set by the Banking Supervision Department[(b)]	**13.50%**	12.50%

(a) For more information regarding the capital adequacy structure, please see Note 25B.
(b) As of January 1, 2022, the minimum capital requirements applicable to the Bank are 10 percent for Common Equity Tier 1 capital ratio (added to this ratio is a capital requirement representing 1 percent of the housing loans, excluding loans for the purchase of residential apartments granted from March 19, 2020 to September 30, 2021 and excluding all-purpose housing loans granted as of March 19, 2020) and 13.5 for the total capital ratio.
(c) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For additional information, please see Note 1.X.1.
(d) Credit risk was calculated after implementing the revisions to Proper Conduct of Banking Business Directives 203 and 203A, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk". Comparative figures were not restated. (For additional details, see directives pertaining to the attribution of capital for derivative financial instruments in this chapter).
(e) These figures include adjustments in respect of high-risk loans for the purchase of land. For more information, please see Regulatory and other changes in measuring the capital requirements in this chapter.

The capital adequacy ratios in 2022 were affected by the significant increase in the credit portfolio and by market declines, including in the context of the interest rate increase. In addition, the capital adequacy ratios were affected in the reporting period by several significant events, some having a one-time effect:

- As aforementioned, in the second quarter of the year, the Bank completed an issuance of shares;
- On April 1, 2022, the merger between BLUSA and Valley was completed; the transaction improved the Bank's capital ratios on the date of completion. For more information regarding the transaction, please see Note 15.A;
- As of July 1, 2022, the Bank applies Directive No. 203A, Treating Counterparty Credit Risk, as well as revised Directives Nos. 203 and 218. The effect of the application of the provisions as of the transition date led to a decrease of approx. 0.2 percent in the Common Equity Tier 1 capital ratio and approx. 0.26 percent in the total capital ratio, please see details below in this chapter;
- On September 5, 2022, the Bank's Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to alter the manner of measuring the pension liabilities for the purpose of regulatory capital. According to the new measurement method, each quarter, the Bank calculates the change in the pension liability as a result of changes in the discount rate, net of the change in the value of assets designated in advance for hedging these liabilities. The change in the net pension liability, after tax, is spread in a linear manner over four quarters, beginning in the quarter for which the calculation was made. The new method has been applied since July 1, 2022, and shall be in effect until the earlier of the following: a) the financial statements as at December 31, 2029 (inclusive) or b) the date of the financial statements in which the average pension liability amount for the past four quarters is lower than NIS 10 billion, linked to the CPI (from the known CPI as of July 1, 2022 until the known CPI on the date of the relevant financial statements). At the same time, the approval of the Banking Supervision Department for measuring the pension liabilities for the purpose of calculating the regulatory capital according to a moving average of market yields for a period of eight quarters ended on the relevant reporting date, which was in effect as from the financial statements as at June 30, 2016. In the transition to the new measurement system, a one-time adjustment was recorded in the amount of approx. NIS 1.4 billion between the supervisory capital and the accounting method in respect of the pension liabilities handled until the financial statements as of June 30, 2022 according to the previous method. For more information regarding the effect of the transition to the new method, please see Note 25B.

For more information on additional regulatory changes in the reporting period and anticipated changes regarding the measurement of capital adequacy, please see below in this chapter.

Regulatory capital structure

In May 2013, the Banking Supervision Department published the final directives for the implementation of Basel III in Israel, by amending Proper Conduct of Banking Business Directives Nos. 201-211 (hereinafter in this section - the "Directives"). The Directives went into effect on January 1, 2014, subject to the transitional provisions included in the Banking Supervision Department's Proper Conduct of Banking Business Directive No. 299.

Pursuant to the Directives, the Group's capital components for the purpose of calculating capital adequacy are attributed to two tiers:

1. Tier 1 capital, which includes CET1 capital (CET1) and Additional Tier 1 capital.
2. Tier 2 capital.

The sum of these tiers is also known as "capital basis for capital adequacy purposes" or "regulatory capital" or "total capital".

CET1 capital

Common Equity Tier 1 capital includes the banking corporation's shareholders' equity, with the addition of some of the minority interests (non-controlling interests of consolidated subsidiaries) less goodwill, other intangible assets and regulatory adjustments as well as additional deductions.

In addition to these, the following are included: adjustments to Common Equity Tier 1 capital, which arise from the implementation of operational efficiency programs, measurement of the pension liabilities and assets designated for hedging, for regulatory capital purposes, as of July 1, 2022, as outlined above, as well as the application of various regulatory provisions, as outlined below.

A breakdown of the minimum Common Equity Tier 1 capital regulatory requirement appears in the section entitled "Capital Adequacy".

Tier 1 capital

According to the Banking Supervision Department's directives, Tier 1 capital will include - in addition to CET1 capital - Additional Tier 1 capital, which is comprised of equity instruments complying with the criteria set forth in Proper Conduct of Banking Business Directive No. 202.

To date, Israel has set no regulatory requirement regarding minimum Tier 1 capital ratio, and the Leumi Group has no Additional Tier 1 capital instruments.

Tier 2 capital

Tier 2 capital includes equity instruments and the outstanding balance of the collective loan loss provision, subject to the ceiling prescribed by the directives.

Capital instruments which were included in Tier 2 Capital at December 31, 2013, were subject to transitional provisions and a recognition ceiling, which was amortized at the beginning of each year at 10 percent until January 1, 2022. As of January 1, 2022, these equity instruments are no longer recognized for regulatory capital purposes.

From the beginning of 2014, capital instruments must comply with the criteria set forth in Proper Conduct of Banking Business Directive No. 202 in order to be included in capital. The main criteria that the instrument must include are: (1) a mechanism for principal loss absorption through conversion into ordinary shares or amortization of the instrument when the banking corporation's Common Equity Tier 1 capital ratio falls below 5 percent; (2) a clause determining that, on the occurrence of the defining event for non-viability (as defined in Appendix E to Proper Conduct of Banking Business Directive No. 202), the instrument shall be immediately converted to ordinary shares or written off.

For a description of the main features of issued regulatory capital instruments, please see the Bank's website at: https://english.leumi.co.il.

Capital Adequacy

Capital ratios are calculated as the ratio of capital to risk-weighted assets. The CET1 capital ratio is calculated as the ratio of CET1 capital to the risk-weighted assets, and the total capital ratio is calculated as the ratio of total capital to the risk-weighted assets.

The Bank of Israel's capital adequacy targets

Under Proper Conduct of Banking Business Directive No. 201, Capital Measurement and Adequacy - Introduction, Application and Calculation of Requirements, a large banking corporation whose consolidated total assets total at least 24 percent of the Israeli banking system's total on-balance-sheet assets, is required to meet a minimum CET1 capital ratio of 10 percent and a total capital ratio of at least 13.5 percent, beginning on January 1, 2017. This requirement applies to Leumi.

Circular entitled "Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order)" - Proper Conduct of Banking Business Directive No. 250

On March 31, 2020, the Bank of Israel published a circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order) (Directive No. 250) (hereinafter: the "Temporary Provision"). According to the temporary order, a banking corporation whose consolidated total assets constitute more than 24 percent of the Israeli banking system's total assets must meet a CET1 capital to risk-weighted asset ratio of no less than 9 percent and the ratio of total capital to risk-weighted assets shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular's publication). The directive applies to Leumi.

According to a circular dated January 18, 2022, the capital targets easement shall be in effect until December 31, 2023, while the banking corporation's capital ratios shall be no less than the capital ratios on December 31, 2021, or the minimum capital ratios applicable to the corporation prior to the temporary order, whichever the lower.

Therefore, as of January 1, 2022, Leumi is subject to the minimum capital targets in effect prior to the temporary order which was issued for the purpose of coping with the coronavirus crisis - i.e. the CET1 capital ratio shall not fall below 10 percent, and a total capital ratio of no less than 13.5 percent. In addition to the Common Equity Tier 1 capital, there are capital requirements of 1 percent of the outstanding housing loans as of the financial statements dates, excluding housing loans for which a relief was granted as part of the temporary order for dealing with the coronavirus crisis.

In accordance with the circular published by the Banking Supervision Department on September 30, 2021, as of October 1, 2021, the easement remains in effect only in respect to the capital requirement for housing loans not intended for the purchase real estate properties (all-purpose loans). Accordingly, the additional capital requirement for housing loans, as at December 31, 2022, is 0.21 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as of December 31, 2022 are 10.21 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

Regarding the leverage ratio, according to the temporary order for coping with the coronavirus crisis, a banking corporation whose total consolidated on-balance-sheet assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent previously). On May 15, 2022, a circular amending the temporary order was published, according to which the easement shall be extended until December 31, 2023. A corporation which will utilize the easement until that date will be required to once again meet the required leverage ratio that was in place prior to the temporary order in two quarters' time, by June 30, 2024. In addition, using the easement will not prevent the distribution of dividends, subject to a total capital planning aimed at reverting to the required leverage ratio.

The Bank's capital planning and capital adequacy targets

The Leumi Group's capital planning reflects a forward-looking view of its risk appetite and profile, business strategy and the capital adequacy required as a result. The capital plan is approved by the Bank's management and Board of Directors and takes into account the Group's various P&L centers and other factors that affect the Bank's compliance with the capital requirements, such as: profit forecasts, changes in other comprehensive income, regulatory adjustments, the effect of the transitional provisions and the rate of increase in risk-weighted assets. The capital ratios forecast is also subject to various sensitivity tests and stress scenarios.

The Group's policy, which was approved by the Board of Directors, is to maintain a capital adequacy level that is higher than the minimum threshold set by the Bank of Israel from time to time and no less than the rate of capital required to cover the risks as assessed using the ICAAP process. In addition, the Group has set capital targets in case of a stress scenario event. For more information on the ICAAP process and the use of stress tests, please see the Risk Management Report as at December 31, 2022.

Under the regulatory review process, the Banking Supervision Department instructed the banks to set internal capital targets that would match each Bank's risk profile. As a result, the Bank's Board of Directors approved an increase in the Bank's internal Tier 1 capital target to 10.5 percent, as from December 31, 2017.

Upon the outbreak of the coronavirus crisis, the Bank's board of directors decided to decrease the Common Equity Tier 1 internal capital target to 9.5 percent. Due to the expiration of the capital target easements, the Bank's Board of Directors decided, on March 8, 2022, to revise the internal CET1 capital, raising it to 10.5 percent as was prior to the coronavirus crisis.

For more information, please see the immediate report dated March 9, 2022 (Ref. No. 2022-01-027670).

Dividend distribution policy

On March 6, 2019, the Bank's Board of Directors approved a dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 50 percent of the Bank's net income in accordance with the Bank's financial statements for the previous quarter. and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions being passed by the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

On March 13, 2023, the Board of Directors approved a dividend distribution in the amount of approx. NIS 698 million, which constitutes approx. 30% percent of the net income for the fourth quarter of 2022. The dividend approved amounted is 45.20 agorot p.v. per share of NIS 1 par value. The Board of Directors designated March 27, 2023 as the record date for purposes of dividend payment and April 4, 2023 as the payment date.

Details of paid dividend

Declaration date	Payment date	Dividend per share In agorot	Cash dividend In NIS million
August 12, 2021	September 2, 2021	43.36	630
November 15, 2021	December 12, 2021	94.11	1,367
March 9, 2022	April 6, 2022	40.48	588
May 24, 2022	June 15, 2022	22.14	322
August 16, 2022	September 6, 2022	25.82	399
November 29, 2022	December 19, 2022	23.08	356

Adjustments to CET1 capital:

Measurement of the employee benefits liability and hedging assets

For the change in the manner of measuring the pension liabilities to calculate regulatory capital adequacy, see the Capital Adequacy Structure earlier in this chapter.

For more information, please see the immediate report dated September 6, 2022 (Ref. No. 2022-01-113977).

For more information regarding the discounting methodology, please see "Critical Accounting Policies and Estimates".

Relief for operational efficiency plans

In 2016 and 2017, the Banking Supervision Department published letters entitled "Operational Efficiency of the Banking System in Israel" - workforce and real estate. According to the letters, a banking corporation which meets the terms and conditions prescribed, will be granted a relief, according to which it may spread the effect of the plans, on a straight-line basis, over a period of five years.

As part of the understandings regarding the special collective agreement signed with the Workers' Union in July 2019, the Bank's Board of Directors approved a voluntary retirement plan, which amounted to NIS 167 million (after tax). As of December 31, 2022, 70 percent of the plan's costs are attributable to regulatory capital.

Regulatory and other changes in measuring the capital requirements

Developments in the guidance of the Basel Committee on Banking Supervision regarding capital adequacy measurement

In 2017, the Basel Committee on Banking Supervision completed its revision of the total capital adequacy Basel III framework. As part of the revisions, also known as Basel IV, significant revisions were made in the manner of calculating risk-weighted assets for the purpose of the Tier 1 capital requirements. The application of the various standards included in the revision will be postponed by one year and will begin on January 1, 2023. The European Union is expected to postpone the application until 2025.

In accordance with the policy for the adoption of accepted international standards, the Banking Supervision Department is adopting the Basel Committee provisions from 2017 on the calculation of capital requirements in respect of operational risk. On December 29, 2022, the Banking Supervision Department published a draft update to the Proper Conduct of Banking Business Directive 206 "Measurement and Capital Adequacy - Operational Risk". The draft established an updated definition of the calculation of the capital allocation in respect of operational risk so that it is based, among other things, on the business indicator components stipulated in the draft and on the internal loss multiplier based on the average historical losses of the banking corporation. Implementation of the Directive will become effective on January 1, 2026.

Directives pertaining to the attribution of capital for derivative financial instruments

On December 1, 2021, the Banking Supervision Department published a circular revising directives on capital allocation for derivative financial instruments (application of the provisions of Proper Conduct of Banking Business Directives Nos. 203A and 208A), in an effort to adjust the directives of the Bank of Israel to the revised Basel Committee provisions regarding counterparty credit risk.

On March 15, 2022, the Banking Supervision Department published a circular entitled "Treating Counterparty Credit Risk", which includes revisions and various clarifications (FAQ) regarding the implementation of Directive No. 203A.
On April 7, 2022, a circular was published revising Proper Conduct of Banking Business Directive No. 203, "Measurement and Capital Adequacy - The Standardized Approach - Credit Risk" and Directive No. 218, "Leverage Ratio". According to the revisions, the calculation of the exposure will be made according to Directive No. 203A.
As of July 1, 2022, the Bank applies Directive No. 203A, Treating Counterparty Credit Risk, as well as revised Directives Nos. 203 and 218. The effect of the application of the said provisions as at the transition date, led to a 0.2 percent in the Common Equity Tier 1 capital ratio, 0.26 in the total capital ratio and 0.11 in the leverage ratio.

The application date of Directive 208A, Value Adjustment for Credit Risk, will be January 1, 2025.

Circular entitled "Regulatory Capital - Effect of Implementation of Accounting Principles regarding Current Expected Credit Losses", Proper Conduct of Banking Business Directive No. 299 and circular entitled "Expected Loan Losses from Financial Instruments"

As of January 1, 2022, the Bank applies the transitional provisions published by the Banking Supervision Department - Regulatory Capital - Effect of Application of GAAP on current expected credit losses as of December 1, 2020, as well as additional adjustments to Proper Conduct of Banking Business Directives, as a result of the new rules on expected credit losses. Among other things, since January 1, 2022, the Bank is applying Proper Conduct of Banking Business Directive No. 202, "Capital Measurement and Adequacy - Regulatory Capital", and deducts from Common Equity Tier 1 amounts to cover for housing loans classified over time as non-performing.

According to the transitional provisions published by the Banking Supervision Department, and since following the first-time application there was a decrease in the Common Equity Tier 1 capital of the Bank, the Bank partially added to the Common Equity Tier 1 capital 75 percent of the decrease in the Common Equity Tier 1 capital as of the first-time application (as a result, at the beginning of each year from the first-time application, the addition to the Common Equity Tier 1 capital will decrease by 25 percent, until 0 percent is added on January 1 of the fourth application year).

For the effect of the application of the new directives on the Bank's financial statements, please see Note 1.X.1.

Circular amending Proper Conduct of Banking Business Directive No. 203, "The Standardized Approach - Credit Risks"

On May 25, 2022, the Banking Supervision Department published a circular to the amendment to the Proper Conduct of Banking Business Directive No. 203, "The Standardized Approach - Credit Risk". Under the circular, the weight of the risk attributed to loans designated for the purchase of land for development or construction will be raised to 150 percent at an LTV rate exceeding 80 percent of the purchased property, excluding loans to purchase agricultural or forested land with no planning or rezoning prospects or loans for the purchase of land for the self-use of the borrower, who is not classified in the construction and real estate sector according to the sectoral classification in Section 7 of the Banking Supervision Reporting Directive 831 - "Total Credit Risk by Economic Sector". The revisions of the circular are in effect as of June 30, 2022, as clarified by the Banking Supervision Department clarified that the change will be implemented quarterly until in the quarter ending on June 30, 2023, the capital requirement will be fully reflected.

Following on the aforementioned circular, on January 25, 2023 the Bank of Israel issued an update to the FAQ on capital adequacy requirements under the standard approach and the internal credit risk model approach. The Bank will implement the aforementioned updates of the Banking Supervision Department in its financial statements as of December 31, 2022. The effect of the aforementioned implementation on the CET1 capital ratio is a decrease by a rate of 0.15 percent. This decrease will be spread until the quarter ended June 30, 2023.

Following is a sensitivity analysis of the main factors affecting the capital adequacy of the Leumi Group:

- Change in the amount of risk-weighted assets – Leumi's risk-weighted assets – amounted to NIS 425.6 billion as at December 31, 2022. Every NIS 1 billion increase in risk-weighted assets will reduce the CET1 capital ratio by 0.02 percent and total capital ratio by approx. 0.04 percent.
- Change in CET1 - as of December 31, 2022, CET1 totals NIS 48.8 billion. A NIS 100 million decrease in CET1 capital will decrease the CET1 capital ratio by 0.02 percent and total capital ratio by 0.03 percent.
- Change in the foreign exchange rate - a 1 percent depreciation in the shekel's exchange rate against all currencies will decrease the CET1 capital and total capital ratio by 0.02 percent.

- A 1 percent increase in the risk-free interest rate curve across all currencies for the regulatory capital exposure signifies a 0.08 percent decrease in the Common Equity Tier 1 capital ratio and total capital ratio.

The above information regarding capital adequacy and its management refers to the Bank's future activities and constitutes forward-looking information. For the meaning of the term, please see under “Forward-Looking Information”.

Leverage Ratio

Leverage ratio is expressed as a percentage and defined as measured regulatory capital divided by the measured exposure. The regulatory capital for the purpose of leverage ratio measurement is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive No. 202, according to regulatory adjustments regarding the capital calculation. A banking corporation’s exposure is the sum of on-balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and off-balance-sheet items. The leverage ratio complements the capital ratio and constitutes yet another restriction on the banking sector’s leverage level.

The leverage ratio may be affected by changes in the Bank’s regulatory capital. Among other things, when calculating the leverage ratio, the effect of the efficiency plan and adjustments from the change in the measurement method of pension liabilities net were taken into account for the purpose of calculating the regulatory capital as of July 1, 2022, as explained above.

	December 31	
	2022	2021
	In NIS million	
Consolidated data		
Tier 1 capital[c]	**48,797**	43,117
Total exposures[b]	**766,895**	711,125
Leverage ratio		
Leverage Ratio	**6.36%**	6.06%
Minimum total leverage ratio set by the Banking Supervision Department[a]	**5.50%**	5.50%

For additional information regarding capital adequacy and leverage, please see directives pertaining to the attribution of capital for derivative financial instruments above and Note 25.B.

(a) For more information regarding compliance with the leverage ratio temporary order, please see under “Capital adequacy targets” as set by the Bank of Israel above.

(b) Total exposures were calculated after implementing the revisions to Proper Conduct of Banking Business Directive 218, “Leverage Ratio”, following the revision of Directives 203 and 203A, “Measurement and Capital Adequacy - the Standardized Approach - Credit Risk”. Comparative figures were not restated. (For more information, please see directives pertaining to the attribution of capital for derivative financial instruments above).

(c) When calculating the leverage ratio, adjustments in respect of the implementation the new measurement method in respect of certain actuarial liabilities, were taken into account. For more information regarding the effect of the transition to the new method, please see Note 25B.

Operating Segments - Management Approach

An operating segment is a component of the banking corporation engaged in activities from which it may generate income and bear expenses. The operating results of the operating segment are reviewed on an ongoing basis by the Bank's management and Board of Directors in order to make decisions regarding the allocation of resources and the assessment of its performances. Furthermore, separate financial information is available for operating segments.

Operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure.

The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

The Bank's activity in Israel is managed as follows:

1. Banking – provision of banking services to private customers and small businesses. The business line comprises three departments: Retail, Small Businesses, and Private Banking. The services and products are adapted to all the customer segments according to the nature of their banking activity, their characteristics and their needs.
2. Mortgages - provision of loans intended to purchase a residential apartment or loans pledged by a residential apartment or other asset.
3. Commercial - providing banking and financial services to middle-market companies and interested parties in these companies.
4. Corporate banking - providing banking and financial services to large Israeli corporations and international corporations, supporting their domestic and foreign activities.
5. Real estate – providing banking and financial services to the construction and real estate sector.
6. Capital markets – management of the Bank's own portfolio, management of assets and liabilities and management of investments in financial assets.
7. Other – activities not attributed to the other business lines.

Results of operations are attributed to the line of business in charge of the customer's account.

- Net interest income – interest on loans extended by the business line is credited to the business line, net of the cost of raising the loans (transfer price). Furthermore, the business line is credited with a transfer price for deposits raised net of interest paid to customers.
- Noninterest income (noninterest finance income, fees and commissions and other income) – are attributed to the business lines according to the customer's activity.
- Business line expenses – include the direct expenses of business lines; expenses of corporate units providing services to those business lines are also charged to the business lines.
- A portion of the ALM revenues are charged to the business lines, according to their business activities.

The results of business lines' activities, both in terms of their balance sheets and in terms of profit and loss, are regularly reviewed by the Board of Directors and management. The results are compared to objectives set in an annual work plan and to the corresponding period last year. Furthermore, the Bank measures a range of other metrics relating to the business lines' activities.

For more information on the main operating segments according to Management Approach, please see under "Main operating segments according to Management Approach" in the Corporate Governance Report.

Following is a summary of financial performance according to management approach

	For the year ended December 31, 2022											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries[b]	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	786	1,254	2,040	5,168	1,535	1,336	1,776	741	14	121	480	13,211
Inter-segmental	2,480	314	2,794	(3,745)	539	(471)	(659)	1,642	(5)	6	(101)	-
Interest income, net	3,266	1,568	4,834	1,423	2,074	865	1,117	2,383	9	127	379	13,211
Noninterest income	1,592	533	2,125	87	612	298	406	125	778[a]	484	103	5,018
Total income	4,858	2,101	6,959	1,510	2,686	1,163	1,523	2,508	787	611	482	18,229
Loan loss expenses (income)	131	126	257	114	115	(16)	(57)	113	(21)	(7)	-	498
Total operating and other expenses	2,697	1,006	3,703	377	723	278	148	415	682	199	310	6,835
Profit before tax	2,030	969	2,999	1,019	1,848	901	1,432	1,980	126	419	172	10,896
Provision for tax (benefit)	694	331	1,025	348	632	308	490	677	(63)	101	46	3,564
Net income attributable to the Bank's shareholders	1,336	638	1,974	671	1,216	593	942	1,612	189	396	116	7,709
Balance as at December 31, 2022												
Loans to the public, net	32,498	26,688	59,186	120,927	60,820	54,807	54,669	21,310	5,747	871	6,445	384,782
Deposits by the public	202,991	55,415	258,406	-	95,839	39,617	14,423	148,773	7	-	19	557,084

(a) Including income in the amount of NIS 782 million in respect of the Valley merger.
(b) As from April 1, 2022 BLUSA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, these balances were classified as held-for-sale. For more information, please see Note 15.A.

Condensed results of operations according to management approach (cont.)

	For the year ended December 31, 2021											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	Total
	Private Individuals	Small businesses	Banking - total	Mortgages	Commercial	Corporate	Real estate	Capital markets	Other and adjustments			
	In NIS million											
Interest income, net:												
From external	1,108	1,075	2,183	3,251	1,387	1,017	1,072	357	10	106	963	10,346
Inter-segmental	776	84	860	(1,893)	(20)	(312)	(137)	1,520	(2)	-	(16)	-
Interest income, net	1,884	1,159	3,043	1,358	1,367	705	935	1,877	8	106	947	10,346
Noninterest income	1,439	460	1,899	18	468	241	326	1,009	333	969(a)	248	5,511
Total income	3,323	1,619	4,942	1,376	1,835	946	1,261	2,886	341	1,075	1,195	15,857
Loan loss expenses (income)	(33)	(263)	(296)	(137)	(119)	(240)	(39)	31	(21)	13	(4)	(812)
Total operating and other expenses	2,770	982	3,752	322	731	277	134	420	825	206	761	7,428
Profit (loss) before tax	586	900	1,486	1,191	1,223	909	1,166	2,435	(463)	856	438	9,241
Provision for tax (benefit)	200	308	508	407	418	311	399	833	81	216	102	3,275
Net income (loss) attributable to the Bank's shareholders	386	592	978	784	805	598	767	1,605	(544)	738	297	6,028
Balance as at December 31, 2021												
Loans to the public, net	30,335	25,745	56,080	104,525	51,408	41,417	43,665	15,749	5,532	1,006	23,497	342,879
Deposits by the public	185,452	51,329	236,781	-	86,466	33,621	13,395	142,050	3	-	24,953	537,269

(a) Includes the revenues of Leumi Partners Ltd. for realized and unrealized gain totaling NIS 518 million from the shares of IronSource and Retailors.

Regulatory Operating Segments

Regulatory operating segments are reported according to the format and classifications prescribed by the Reporting to the Public Directives of the Banking Supervision Department, as follows:

1. Households segment – private individuals excluding Private Banking customers.
2. Private Banking segment – private individuals with a financial assets portfolio with the Bank whose balance (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.
3. Micro businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) of less than NIS 10 million.
4. Small businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) is equal to or higher than NIS 10 million and less than NIS 50 million.
5. Mid-market segment – businesses whose turnover (or annual revenues) is equal to or higher than NIS 50 million and lower than NIS 250 million.
6. Corporate segment – businesses with a turnover (annual sales turnover or amount of annual revenues) is equal to or higher than NIS 250 million.
7. Institutional entities segment - includes institutional clients as defined by the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, including provident funds, pension funds, study funds, mutual funds, exchange-traded notes (ETNs), insurers, members of the TASE managing customers' money.
8. Financial management segment – includes the following activities:
   a. Trading activities - investment in marketable securities, market-making activity involving securities and derivatives, activity in derivatives that are not designated as hedges nor part of the banking corporation's Asset and Liability Management (ALM) activities, repurchase and lending transactions involving securities, short selling of securities, securities' underwriting services.
   b. Asset and Liability Management (ALM) activities - including investment in available-for-sale bonds and held-to-maturity bonds not allocated to other operating segments (when the borrower has no indebtedness to the Bank, other than securities), hedging derivatives and derivatives used in asset and liability management, deposits with and by domestic and foreign banks, foreign currency hedges or protection for exchange rate differentials of investments in foreign offices, deposits with and by governments.
   c. Non-financial investment activity – investment in equity securities not held for trading and investments in associates of businesses.
   d. Other – management, operating, trust and custodial services to banks, advisory services, sale and management of loan portfolios and development of financial products.
9. Other segment – including discontinued operations, profit from reserves and other results related to employee benefits which were not attributed to other operating segments, activities that were not allocated to other segments and adjustments between all items attributed to segments and all items in the consolidated financial statements.

Customer classification

In accordance with the circular, when a banking corporation has no information regarding the total income of a business customer which has no indebtedness towards the banking corporation (including credit lines, etc.), the banking corporation may classify them into the relevant regulatory segment according to their total financial assets multiplied by a factor of 10. In addition, when the Bank believes that the total income does not represent the customer's activity volume, the customer should be classified as follows: A customer whose indebtedness is less than NIS 100 million - according to the business's total assets, as stated in the FAQ file, and a customer whose indebtedness exceeds NIS 100 million - shall be classified to the corporate segment.

During the period, measures were taken to complete missing information, mainly regarding business customers' turnovers. In cases where the information has not yet been completed, customers were classified using estimates and other information in the Bank's possession. The Bank continues to collect additional information and improve the data.

For more information, please see Note 29A.

Summary of activities by regulatory operating segment

	For the year ended December 31, 2022										
	Activity in Israel									Foreign operations[b]	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized businesses	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest income, net	**1,365**	**2,423**	**206**	**2,720**	**1,365**	**2,430**	**335**	**1,964**	**24**	**379**	**13,211**
Noninterest income	**49**	**947**	**148**	**894**	**344**	**700**	**186**	**798**	**849[b]**	**103**	**5,018**
Total income	**1,414**	**3,370**	**354**	**3,614**	**1,709**	**3,130**	**521**	**2,762**	**873**	**482**	**18,229**
Loan loss expenses (income)	**112**	**111**	**-**	**184**	**(12)**	**20**	**(1)**	**84**	**-**	**-**	**498**
Total operating and other expenses	**377**	**2,307**	**91**	**1,626**	**435**	**511**	**254**	**358**	**566**	**310**	**6,835**
Profit before tax	**925**	**952**	**263**	**1,804**	**1,286**	**2,599**	**268**	**2,320**	**307**	**172**	**10,896**
Provision for tax (benefit)	**320**	**334**	**93**	**634**	**451**	**907**	**95**	**777**	**(93)**	**46**	**3,564**
Net income attributable to the Bank's shareholders	**605**	**618**	**170**	**1,170**	**835**	**1,692**	**173**	**1,930**	**400s**	**116**	**7,709**
Balance as at December 31, 2022											
Loans to the public, gross	**119,495**	**30,683**	**440[a]**	**65,803**	**39,473**	**126,628**	**759**	**-**	**-**	**6,487**	**389,768**
Deposits by the public	**-**	**128,394**	**29,612**	**100,557**	**70,077**	**97,741**	**130,685**	**-**	**-**	**18**	**557,084**

	For the year ended December 31, 2021										
	Activity in Israel									Foreign operations	Total
	Households										
	Housing loans	Other	Private banking	Small- and micro-businesses	Mid-sized business-es	Corporations	Institutionals	Financial management	Other		
	In NIS million										
Interest income (expenses), net	1,126	1,371	40	1,794	780	1,610	54	2,626	(2)	947	10,346
Noninterest income	55	950	169	826	324	593	181	1,909	256	248	5,511
Total income	1,181	2,321	209	2,620	1,104	2,203	235	4,535	254	1,195	15,857
Loan loss expenses (income)	(141)	(44)	-	(240)	(143)	(201)	3	(42)	-	(4)	(812)
Total operating and other expenses	318	2,477	95	1,555	458	445	233	406	680	761	7,428
Profit (loss) before tax	1,004	(112)	114	1,305	789	1,959	(1)	4,171	(426)	438	9,241
Provision for tax (benefit)	351	(38)	40	462	280	689	-	1,495	(106)	102	3,275
Net income (loss) attributable to the Bank's shareholders	653	(74)	74	843	509	1,270	(1)	2,777	(320)	297	6,028

Balance as at December 31, 2021											
Loans to the public, gross	103,429	27,884	429[(a)]	57,527	34,534	93,927	5,824	-	-	23,837	347,391
Deposits by the public	-	120,483	25,965	86,888	60,874	90,223	127,883	-	-	24,953	537,269

(a) Including outstanding housing loans as at December 31, 2022 in the amount of NIS 195 million as at December 31, 2021 totaling NIS 181 million.

(b) Including income of NIS 782 million in respect of the merger with Valley.

(c) As from April 1, 2022 BLUSA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, these balances were classified as held-for-sale. For more information, please see Note 15.A.

Following are the main changes in the operating results of the regulatory segments:

Loan losses are affected by the first-time application of new accounting principles on the subject of provisions for Current Expected Credit Losses (CECL) and by the implementation of relevant provisions regarding the Banking Supervision Department that entered into effect on January 1, 2022, which are not reflected in the comparative figures. In addition, loan losses in 2021 were affected by the release of provisions as a result of the reopening of the economy to activity and the emergence from the coronavirus crisis. In view of this, there was an increase in loan loss expenses in all operating segments in 2022.

For additional information on the subject of Current Expected Credit Losses (CECL) and additional provisions of the Banking Supervision Department, please see Note 1.X.1.

Households segment

Net income attributable to the households segment in 2022 totaled NIS 1,223 million, compared to NIS 579 million in 2021. The increase in profit stems mainly from an increase in net interest income and a decrease in operating expenses, which were partially offset by an increase in the loan loss expense.

Outstanding loans to the public as at December 31, 2022 totaled NIS 150.2 billion compared to NIS 131.3 billion as at the end of 2021.

Balance of deposits by the public as at December 31, 2022 totaled NIS 128.4 billion compared to NIS 120.5 billion at the end of 2021.

Net interest income for 2022 totaled NIS 3,788 million, compared to NIS 2,497 million in 2021. In 2022, there was an increase in income, which stemmed mainly from the growth in the Bank’s loan portfolio and from CPI and interest rate differences between the years.

Noninterest income for 2022 totaled approx. NIS 996 million, similar to the NIS 1,005 million in 2021.

Operating and other expenses in 2022 totaled approx. NIS 2,684 million compared to NIS 2,795 million in 2021.

Retail banking segment

Net income attributable to the retail banking segment in 2022 totaled NIS 170 million, compared to NIS 74 million in 2021. Most of the increase stems the spread on deposits from year to year.

Micro- and small-business segment

Net income attributable to the micro- and small business segment in 2022 totaled approx. NIS 1,170 million, compared to NIS 843 million in 2021. The increase in profit stems mainly from an increase in net interest income which was partially offset by an increase in the loan loss expense.

Outstanding loans to the public as at December 31, 2022 totaled NIS 65.8 billion compared to NIS 57.5 billion as at the end of 2021.

Balance of deposits by the public as at December 31, 2022 totaled NIS 100.6 billion compared to NIS 86.9 billion at the end of 2021.

Net interest income for 2022 totaled approx. NIS 2,720 million, compared to NIS 1,794 million in 2021. Most of the increase stems from an interest rate differences and from an increase in the volume of credit activity.

Noninterest income for 2022 totaled NIS 894 million, compared to approx. NIS 826 million in 2021. In 2022, there was an increase in exchange rate differentials fees and commissions and in account management fees.

Operating and other expenses in 2022 totaled approx. NIS 1,626 million, compared to NIS 1,555 million in 2021.

Mid-market segment

Net income attributable to the mid-market segment in 2022 totaled NIS 835 million, compared to NIS 509 million in 2021. The increase in profit stems mainly from an increase in net interest income which was offset by an increase in the collective loan loss expense.

Outstanding loans to the public as at December 31, 2022 totaled NIS 39.5 billion compared to NIS 34.5 billion as at the end of 2021.

Balance of deposits by the public as at December 31, 2022 totaled NIS 70.1 billion compared to NIS 60.9 billion at the end of 2021.

Net interest income for 2022 totaled NIS 1,365 million, compared to NIS 780 million in 2021. In 2022, there was an increase due interest rate differences and an increase in credit activity.

Noninterest income for 2022 totaled NIS 344 million, similar to the NIS 324 million in 2021.

Corporate segment

Net income attributable to shareholders in respect of the corporate segment in 2022 totaled NIS 1,692 million, compared to NIS 1,270 million in 2021. The increase in profit stems mainly from an increase in net interest income which was offset by an increase in the loan loss expense.

Outstanding loans to the public as at December 31, 2022 totaled NIS 126.6 billion compared to NIS 93.9 billion as at the end of 2021.

Balance of deposits by the public as at December 31, 2022 totaled NIS 97.7 billion compared to NIS 90.2 billion at the end of 2021.

Net interest income for 2022 totaled NIS 2,430 million, compared to NIS 1,610 million in 2021. In 2022, there was an increase in the volume of activity in the real estate industry and in business and commercial credit. In addition, there was an increase due to interest rate differences, which were partially offset by an erosion of credit spreads in the real estate sectors.

Noninterest income for 2022 totaled NIS 700 million, similar to the NIS 593 million in 2021. In 2022, there was an increase in fees and commissions from financing transactions and securities activity.

Operating and other expenses in 2022 totaled NIS 511 million, compared to NIS 445 million in 2021.

Financial management segment

Net income of the financial management segment in 2022 totaled NIS 1,930 million compared to NIS 2,777 million in 2021.

Finance income for 2022 totaled NIS 1,964 million, compared to NIS 2,626 million in 2021.

The decrease in the finance income arises mainly from declines in the capital markets, which were partially offset by an increase in income resulting from an increase in the CPI.

Operating and other expenses in 2022 totaled NIS 358 million, compared to NIS 406 million in 2021.

Information by Geographic Region[a]

Main figures by Geographic Region

	Total assets			Loans to the public, net			Deposits by the public		
	December 31			December 31			December 31		
	2022	2021	Change	**2022**	2021	Change	**2022**	2021	Change
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Israel	**692,327**	623,478	11.0	**378,337**	319,381	18.5	**557,065**	512,316	8.7
USA	**-**	26,026	(100.0)	**-**	17,923	(100.0)	**-**	22,301	(100.0)
UK	**6,798**	6,928	(1.9)	**6,445**	5,575	15.6	**19**	2,652	(99.3)
Other foreign operations	**41**	22	86	**-**	-	-	**-**	-	-
Total	**699,166**	656,454	6.5	**384,782**	342,879	12.2	**557,084**	537,269	3.7

Following is a breakdown of the net income by geographic region

	Net income (loss)			
	For the year ended December 31			
	2022	2021	Change	
	In NIS million			In %
Israel	**7,454**	5,853	1,601	27.4
USA	**56**	213	(157)	(73.7)
UK	**199**	(46)	245	+
Other foreign operations	**-**	8	(8)	(100.0)
Total	**7,709**	6,028	1,681	27.9

(a) Classified by office's location.

For more information, please see sections "Major Investee Companies", "Credit Risk" and Note 29A.b.

Major Investees[1]

As of the report's publication date, the Leumi Group is mainly active in Israel, through the Bank and subsidiaries which serve as financial services companies. In addition, the Group invests in non-financial corporations which do not engage in banking. For information regarding the merger of the subsidiary Bank Leumi USA with Valley on April 1, 2022, and for information regarding a restructuring in Bank Leumi UK (BLUK), please see details later in this section, under "Consolidated Companies Outside Israel".

As of December 31, 2022, the Bank's total investments in investees (including in capital notes) was NIS 13.7 billion, compared with NIS 11.7 billion as at December 31, 2021. In 2022, the investees contributed NIS 868 million to the Group's net income, compared with NIS 991 million in 2021.

For information regarding the investment and contribution of each major Group company to the Group's profit, please see Note 15.

Consolidated Companies in Israel

The Bank's total investments (including in capital notes) in its Israeli consolidated subsidiaries was NIS 8,292 million as of December 31, 2022, compared with NIS 7,998 million as of December 31, 2021. Their contribution to the Group's net income in 2022 was approx. NIS 396 million, compared with NIS 738 million in 2021. In 2022, the Group's return on investment in the Israeli consolidated subsidiaries was 5.1 percent compared with 10.1 percent in 2021.

Leumi Partners Ltd.

Leumi Partners is the Leumi Group's investment and merchant banking arm.

Leumi Partners ended 2022 with a net income of NIS 350 million, derived mainly from investments, fees and commissions, compared to a net income of NIS 742 million in 2021. The revenue in 2021 included gains from the sale of Retailors shares in the amount of approx. NIS 313 million and gains, realized and unrealized, in respect of IronSource shares in the amount of approx. NIS 205 million.

Leumi Partners' equity totaled NIS 4,657 million as of December 31, 2022, compared to NIS 4,369 million as of the end of 2021.

On July 19, 2020, the Bank of Israel informed the Bank that regarding the group limit on non-financial investments, the Bank should follow the risk appetite to be set for that purpose, subject to assessment and challenging procedures to be executed by the lines of defense, including the Internal Audit Division and subject to meeting the regulatory non-financial investment limit, in accordance with Section 23A of the Banking Law (Licensing).

Gain on sale of IronSource shares

On June 28, 2021, Leumi Partners sold 1,290,230 shares of IronSource Ltd., as part of a merger between IronSource and a SPAC, after which IronSource began trading on the NYSE. After the completion of the merger and having sold the abovementioned shares, Leumi Partners held 0.75 percent of IronSource's shares. These shares were subject to contractual lockup provisions for a period of 6 months, which applied to IronSource's shareholders.

After the restriction expired, Leumi Partners sold its remaining IronSource shares.

In 2022, the Bank recorded a loss before tax of approx. NIS 53 million in respect of the holding of IronSource shares. In 2021, the Bank recorded a profit before tax of approx. NIS 205 million in respect thereof.

Leumi Partners focuses on four main areas of activity:

1. **Managing the Leumi Group's non-financial investment portfolio**
   Leumi Partners initiates, identifies and executes direct and indirect investments in companies, projects and private equity funds.

   The Leumi Group's non-financial investment policy is in line with the Group's risk appetite and the restrictions of the Banking Law (Licensing) and therefore only includes minority interests (up to 20 percent of each means of control, with no controlling interest). The Company focuses on mid-term and long-term investments,

[1] For a definition of investees, please see Note 1.B.

according to its policy. The non-financial investment strategy dictates a preference for private companies and high probability of disposal.

During 2022, Leumi Partners made, and committed to make new investments in companies, funds, convertible loans, and mezzanine loans totaling NIS 1.2 billion. The Company's balance of non-financial investments as of December 31, 2022 is approx. NIS 4.3 billion compared to approx. NIS 4.1 Billion as of December 31, 2021. As of December 31, 2022, Leumi Partners has investment commitments totaling approx. NIS 1.2 billion, compared to approx. NIS 0.8 billion as of December 31, 2021.

2. **Underwriting, consulting and management of private and public offerings in Israel**
Leumi Partners provides a wide range of underwriting and consulting services to companies and shareholders through its subsidiary, Leumi Partners Underwriters Ltd.

In 2022, Leumi Partners Underwriters participated in several public offerings where approx. NIS 22 billion were raised and led 30 public offerings where approx. NIS 16 billion were raised.

3. **Consulting for and management of M&As and capital raising**
The services are provided to Israeli and foreign companies wishing to expand strategically through mergers and acquisitions or to investors or controlling shareholders wishing to sell or reduce their holdings.
The services offered in this field include: assistance in characterizing the client's strategic needs and objectives; characterizing the optimal investment or investor to meet them; identifying targets and investors globally; assisting in contacting the target company; assisting through the negotiation process; deal structuring so as to meet the client's objectives; and support in accessing financing resources for the transaction.

Leumi Partners cooperates with investment houses and other entities in Israel and abroad.

4. **Conducting economic analyses and preparing valuations**
Through its subsidiary Leumi Partners Research, the Company performs economic analyses and valuations mainly for the Leumi Group and for external clients.

Foreign Consolidated Companies (Offices)

The Bank's total investments (including in capital notes) in its foreign offices as at the end of 2022 was NIS 1,772 million, compared with NIS 3,625 million as at the end of 2021. In 2022, the foreign offices' contribution to the Group's shekel net income was NIS 163 million, compared with NIS 249 million in 2021.

For more information regarding the affiliates' contribution to the Group's profit, please see Note 15.

Bank Leumi USA and the merger transaction with Valley National Bancorp

On September 23, 2021, BLC, a US-incorporated corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley.

On April 1, 2022, the merger was completed.

Valley is a holding company, which holds Valley National Bank (hereinafter - "Valley Bank"). Valley Bank was founded in 1927.

Following the completion of the transaction and execution of the merger procedures, BLC was merged into Valley and BLUSA was merged into Valley Bank (hereinafter - the "Merger Agreement").

The proceeds of the transaction will be paid to the Bank in Valley shares (90 percent of the proceeds) and the rest - in cash. Once the transaction has been completed, the Bank holds 14.2 percent of Valley's share capital and is not the largest shareholder, but as of the publication date, it is the controlling shareholder in Valley.

As a result of the merger, a profit of approx. NIS 645 million, net of tax, was recorded. Out of that amount, a total of approx. NIS 194 million was recorded in the first quarter of 2022, and a total of NIS 451 million was recorded in the second quarter of 2022.

Starting from April 1, 2022, the Bank has been accounting for the investment in Valley according to the equity method and has classified the investment in Valley as a foreign operation whose functional currency is other than the shekel.

Following are the investment data for Valley as of April 1, 2022

	In NIS million
Value of Valley shares received	3,047
Share in equity that confers the right to receive profits	1,944
Recognized goodwill	1,057

The market value of the Valley shares held by the Bank as of December 31, 2022 amounts to NIS 2,860 million. Shortly before the publication date of the report, the value of Valley's shares held by the Bank ranged from NIS 2.60 to 3.15 billion.

For more information, please see the immediate report dated September 23, 2021 (Ref. No.: 2021-01-080569) and March 6, 2022 (Ref. No. 2022-01-026329).

For more information, please see the section entitled Main Changes in the Past Year.

The Bank's Subsidiary in the UK

The Bank's activity in the UK began in 1902, and in 1959 Bank Leumi (UK) PLC (BLUK) was established.

On March 8, 2022, the Bank's board of Directors approved the recommendation of BLUK's board to implement a measure which includes returning BLUK's regulatory license, such that after the measure will have been completed, BLUK will be a credit provision company. For this purpose, BLUK's activity will be merged into LABL, a subsidiary of BLUK (hereinafter - "Leumi UK Group").

Leumi UK Group provides credit primarily in the fields of real estate, hotels and ABL, only to commercial customers in the UK and Europe, including Israeli customers active in these geographic areas, including investments and development of residential real estate and financing for commercial real estate (retirement homes and student dormitories). Funding is extended both to customers in and outside the UK (mainly Israeli).

On December 31, 2022, all the conditions required for the organizational change process were met, including the transfer of all business activity from BLUK to Leumi UK Group and an announcement of voluntary liquidation of BLUK, so that all that remains is the receipt of the UK regulator's confirmation regarding the cancelation of BLUK's banking license.

Leumi UK Group's net income in 2022 was approx. GBP 12 million, compared with the amount of approx. GBP 17 million in 2021.

Risk Exposure and Management Thereof

Risk Management at Leumi

The Bank's business activity involves managing financial and non-financial risks. The key financial risks managed by the Bank are as follows: Credit risks, which are integral to the Bank's core business, as well as capital market and liquidity risks and environmental and climate-related financial risks. In addition to financial risks, the Bank's activity poses non-financial risks, the management of which is a necessary precondition to meeting the Group's ongoing and long-term goals. These risks include operational risks, such as technological and cyber risks, regulatory risk, compliance risk, legal risk, reputational risk, strategic risk, model risk, conduct risk, and macroeconomic risk.

Leumi's risk strategy management is to maintain the Group's stability and support the achievement of its business objectives. These objectives are achieved while meeting the predefined risk appetite, the policy and the limitations deriving therefrom, which form the boundaries for the Bank's business activity. The risk management framework includes mechanisms for identifying and estimating risks, defining the corporate structure and areas of responsibility for managing risk as well as putting in place adequate control and reporting mechanisms.

The Bank continually upgrades its risk management infrastructure and analyzes the risk outlook, to enable informed decision-making.

Organizational Structure of Leumi Group's Risk Management Function

Leumi's risk management is based on three lines of defense, as required by Proper Conduct of Banking Business Directive No. 310 - "Risk Management".

1. First line of defense – the managements of the business lines, including supportive functions and LeumiTech, bear full responsibility for managing the risks embodied in the products, operations, processes and systems under their purview, and for implementing an adequate control environment over their activities, through processes of identification, measurement, monitoring, control, mitigation and reporting.

2. Second line of defense – The Risk Management Division is an independent function responsible for planning and developing a comprehensive risk management framework for the Bank. The Risk Management Division's main areas of responsibility conform to the requirements of the Proper Conduct of Banking Business Directive No. 310, including: Responsibility for risk management at the Group and Bank levels; creating an up-to-date overall picture of each risk for decision-making purposes; leading the drafting of Leumi's risk policy for all major risks; assisting the Board of Directors in determining the Bank's risk appetite; and leading the process of evaluating the Internal Capital Adequacy Assessment Process (ICAAP), including its various components.

   The second line of defense involves additional functions, such as: the Bank's Chief Legal Counsel - who is responsible for the management of legal risk and the Chief Accountant - who is responsible for financial reporting and SOX.

3. The third line of defense is the Internal Audit Division, which reports directly to the Board of Directors. The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines of defense, ensuring implementation of the legal provisions and instructions of management and the Board of Directors.

The Bank's Board of Directors is responsible, inter alia, for developing the overall risk strategy, including: The risk appetite; supervision of the Group's risk management framework; approval of the corporate structure; approval of the risk management policy for each material risk; overseeing and challenging the risk levels to which the Group and the Bank are exposed, while ensuring compliance with the risk appetite and the provisions of the law and regulations.

The Chief Risk Officer, who is a member of the Bank's management and heads the Risk Management Division, is responsible for managing the Group's and Bank's main risks.

Reporting to the Chief Risk Officer are department managers and managers of the following risk management units (second line of defense), which report to the Risk Management Division – including credit risks, market risks, compliance risks, operational risks, and models risks.

The subsidiaries' credit policies:

The Bank strives to apply a risk management framework at the Group level, which includes corporate governance and control principles that are in line with the provisions of the law and local regulations.

A chief risk officer is appointed for each Israeli and foreign subsidiary, reporting to the subsidiary's CEO and professionally (dotted line) to the Group's Chief Risk Officer.

Changes in the Risk Environment and their Effect on the Group

The Bank's activity is affected, inter alia, by macroeconomic developments and the business environment. The tightening of financial conditions, as a result of measures taken by the central banks and changes in the financial markets, along with the economic effects of the Russia-Ukraine war, have already resulted in a considerable reduction in economic growth forecasts for 2023 by large international entities, such as the OECD.

Another risk relates to the possible need for additional interest rate rises, more than those currently expected by the markets due to continued high level of inflation, putting another burden on economic activity.

Leumi's risk profile is examined on a quarterly basis, as part of the risk exposure report reported to the Board of Directors. The risk profile is examined, inter alia, by using a methodology for classifying the severity level of exposures to different risks. The methodology is based on quantifying the effect of various scenarios being realized on the Group's capital, i.e. its stability, and includes "expert assessments" by relevant functions in the Bank.

For changes in the severity of the risk factors, please see the risk factor severity table.

The Internal Capital Adequacy Assessment Process (ICAAP)

The Capital Adequacy Assessment Process (ICAAP) is aimed at calculating the capital required to support the various risks to which the Group is exposed - both in the ordinary course of business and under stress scenarios - in order to ensure that the Group's effective capital exceeds the capital requirements at any given time. As part of the process, the risk appetite and the risk tolerance were examined, and a comprehensive mapping and assessment process was conducted for the risks to which the Group is exposed.

According to the process, the Bank is in possession of adequate capital and liquidity to handle all of the risks identified - both in the ordinary course of business and under extreme stress scenarios.

The products of the process are summarized in the ICAAP paper that is submitted to the Banking Supervision Department each year.

For more information regarding risk exposure and assessment, please see the Risk Management Report as at December 31, 2022.

The Group's Risk Appetite

The Group's risk appetite outlines the boundaries for its business activity, both on an ongoing basis and under stress scenarios. The risk appetite is adjusted to Leumi's strategy and to the boundaries of its current and future business focal points. The risk appetite addresses Leumi's risk identification, measurement, control, management and mitigation practices, which have direct impact on the Group's residual risk profile. The risk appetite boundaries are re-examined each year in the various dedicated frameworks and approved from an overall perspective at the Board of Directors' level as part of the ICAAP process.

The risk appetite paper constitutes a reference point for all risk-specific policy papers, which outline additional risk boundaries and risk management guidelines.

The Group's risk appetite statement covers the scope and types of aggregate risk the Bank is willing to take in order to achieve its business goals. Quantitative and qualitative measures were set, based on forward-looking assumptions which reflect the Group's aggregate risk appetite statements.

Using Stress Testing as Part of Risk Management

Using a uniform stress test is an accepted global practice; it is required under the Basel Committee rules and contributes to understanding the risks which the banking system and a single bank are exposed to. The process strengthens the banking system's transparency, allows to examine the resilience of banking corporations under adverse market conditions and draw comparisons. The process supports methodology improvements and the understanding of the risk factors by banking corporations as well as by the Banking Supervision Department.

As of 2012, the Bank of Israel's Banking Supervision Department conducts macroeconomic stress tests for the banking system, based on a uniform scenario. In the framework, the Bank estimates the results of the test using a variety of models and methodologies based on subjective "specialist assessments".

During the first quarter of 2023, the effects of the uniform stress scenario – as defined by the Bank of Israel - for 2022 were assessed - a global stress test.

The Banking Supervision Department incorporates the results of the uniform stress scenario as a complementary component of the Supervisory Review and Evaluation Process (SREP), including a quantitative and qualitative analysis. At the same time, the banking corporations are required to integrate the uniform stress test into a single process to assess the capital adequacy (ICAAP).

The Leumi Group also implements a set of internal stress tests, updated on a regular basis, with the aim of assessing key risk focal points, taking into account various developments in the Bank's environment.

The impact of the most severe stress tests is also examined with respect to the Group's capital planning, in order to ensure the Group's compliance with all of the regulatory and internal restrictions set for the realization of the various scenarios.

For more information regarding risk exposure and assessment, please see the Risk Management Report as at December 31, 2022.

Credit Risks

Credit provision is a core activity of the Bank and Group and is conducted in a decentralized manner by various business lines.

Credit risk is the Bank's risk of loss as a result of the possibility that a counterparty fails to meet its agreed commitments towards the banking corporation.

Activities which embody credit risk include on-balance sheet and off-balance sheet credit risk, such as: Loans to the public; loans to banks; loans to governments; deposits with banks; investments in bonds and exposures for activity in derivatives.

The Bank applies a comprehensive risk management policy in line with the requirements of Proper Conduct of Banking Business Directive No. 311, “Credit Risk Management”, Proper Conduct of Banking Business Directive 311A, “Management of Consumer Credit” and Proper Conduct of Banking Business Directive No. 314, “Sound Credit Risk Assessment and Valuation for Debts”, including the accountability of management and the Board of Directors. In addition, the Bank is meticulous about managing risk in compliance with further guidelines and requirements included in the Banking Supervision Department’s directives, implementing corporate governance which includes three "lines of defense".

As part of its credit risk management, the Bank monitors the quality of its credit portfolio, including the overall adequacy of its loan loss provision to cover losses embodied in the loan portfolio; the credit portfolio concentration level and activity by main products, such as: credit granted to the construction and real estate sector; housing loans; credit granted to private individuals; housing loans and leveraged credit. In addition, as part of an organizational concept for comprehensive management of credit risk, climate and environmental risk and the extent of their impact on the risk profile must be taken into account. The Bank formulated a multi-year plan for the construction and assimilation of processes that will enable the identification, measurement, evaluation, monitoring, reporting and control of these risks, including ways of managing them and reducing their impact on the credit exposures. For more information, please see the Environment chapter in the Bank’s Environmental, Social and Governance (ESG) Report for 2022.

As part of the credit risk management, on a regular basis, adjustments are made to the credit risk management and risk appetite, as necessary.

In 2022, there were no material changes in the corporate governance structure related to credit risk.

Macroeconomic effects

The Bank’s activity is affected, among other things, by macroeconomic developments in the local business environment and the slowdown in global economic activity. The Bank monitors - on a regular basis, across all business lines - risk focus areas and also regularly examines the effect of the increase of the interest rate in the economy on portfolio credit risk, including through various sensitivity scenarios.

As of the date of publication of the Report, the economic activity in the local economy continues to grow, but at a slower pace. The slowdown is reflected, among other things, in a real decrease in the pace of new apartment sales, as well as in the consequences of the increase in the interest on borrowers, with an emphasis on leveraged borrowers, private individuals and on economic sectors with considerable credit activity.

Subsequent to the report date, public events – legislative and social - took place, the mid-term and long-term development of which, and degree of effect of which on the Israeli economy, are highly uncertain, and consequently - on the Bank's results.

These events may have an adverse effect on the Israeli economy, and as a result – on the Bank's performance. As of now, there are indications of changes in Israel's financial markets, and the pricing of Israeli financial assets in global markets – including the weakening of the shekel's exchange rate against the currency basket – the US dollar and euro, an increase in the credit default swap (CDS) instruments of the State of Israel, which are traded around the world, and significant volatility in the leading indexes on the TASE.

The military conflict between Russia and Ukraine continues, affecting commodity and energy prices in Europe, but to a decreasing extent. As of now, the direct effect on Leumi's loan portfolio is immaterial, but its development should be followed, with emphasis on supply chain delays.

The tightening of financial conditions, as a result of measures taken by the central banks and changes in the financial markets, along with the economic effects of the Russia-Ukraine war, have already resulted in a considerable reduction in growth estimates and forecasts for 2023 by large international entities, such as the OECD.

The coronavirus crisis - exposure to risks resulting from morbidity surges occurring from time to time is still possible, but is substantially lower than in 2020-2021. In some sectors that were significantly affected by the crisis (with emphasis on foreign hotels and aviation) there are customers who have not yet fully recovered.

For more information on this topic, please see the section entitled "Main Developments in the Israeli Economy" in the Report of the Board of Directors and Management as at December 31, 2022.

As of January 1, 2022, the Bank is applying, for the first time, new rules regarding Current Expected Credit Loss provisions (CECL). As a result of applying the new rules, the Bank updated and adjusted the loan loss provision methodology, as outlined in Note 1.X.1.to the financial Statements.

The loan loss expense in 2022 was approx. NIS 498 million, of which an income of NIS (430) million of the loan loss income was attributed to the specific provision and a NIS 928 million expense - to the collective provision. The collective expense in 2022 is calculated as aforementioned according to new accounting principles - CECL and is therefore affected by them. In addition, the collective expense in 2022 was affected mainly by the growth in the credit portfolio and as a result of the worsening macroeconomic forecasts described above. The loan loss provision serves as an estimate based on significant judgment exercised in 2022 in a changing environment.

The loan loss provision methodology is comprised, inter alia, of past experience, a qualitative level - which includes a comprehensive framework for qualitative adjustments (Q factor) and macroeconomic forecasts, and naturally involves significant judgment.

Due to the uncertainty currently prevalent in the markets and the effects it may have on the condition of households and businesses in Israel, as described above, the provision may change in the future due to developments.

Some of the above information constitutes "forward-looking information". For the meaning and implications of the term, please see under "Forward-Looking Information".

Changes in debt covenants as part of coping with the coronavirus crisis

The Bank has applied the coronavirus guidance of the Bank of Israel and adopted the unified outlines published by the Bank of Israel regarding changes in the loan terms, especially by way of loan deferment for private individuals and business customers; as of the date of the Report, this guidance has expired.

As at December 31, 2022:

Approximately 96 percent of all frozen outstanding mortgages have resumed regular payments and approximately 0.5 percent of the outstanding mortgages are under moratorium.

The Bank is monitoring the credit risk of its customers, especially those who have deferred their loan payments, in order to identify on time any credit deterioration, including potential exposure to loss.

For more information and details regarding developments in the credit portfolio and the qualitative indicators characterizing the portfolio, please see below in this section as well as in the Risk Management Report as at December 31, 2022.

Outstanding debts in Israel the covenants of which were amended as part of dealing with the coronavirus from March 1, 2020 to December 31, 2022, which were not classified as restructuring of troubled debt following the deferment

	Deferred debts as of the reporting date			More information about outstanding loans to the public for which deferment was granted					More information about deferred debts by deferment period[(a)]		Debts whose deferment term has ended, as of the reporting date	
					Non-troubled debts				Non-troubled debts with accrued deferment			
	Outstanding loans for which payments were deferred	No. of loans[(b)]	Amount of payments effectively deferred	Troubled debts	Debts without credit performance rating	Outstanding performance-rated loans in arrears of 30 days or more	Non-delinquent debts with credit performance rating	Total non-troubled debts	More than 3 months to 6 months	More than 6 months	Outstanding loans to the public	Of which: in arrears of 30 days or more
	In NIS million											
Housing loans as of December 31, 2022	**642**	**1,517**	**110**	**31**	**607**	**-**	**4**	**611**	**3**	**608**	**15,430**	**202**

(a) The deferment period is the cumulative period of deferments granted for a debt from the beginning of the coronavirus period and does not include deferment for which the borrower is eligible under any law.

(b) The number of loans is presented in units.

The table includes deferred outstanding debts for housing loans in Israel only. The balance of outstanding debts in the other operating segments is not material.

State-backed loans (the Coronavirus Fund)

Against the background of the coronavirus outbreak, the Bank signed agreements with the state (which were revised from time to time) for extending state-backed loans as part of the "Coronavirus Funds", the purpose of which is to aid businesses (small, mid-sized and large), which encounter cash flow difficulties as a result of the crisis. The loan covenants were determined by the Ministry of Finance and were uniform for all borrowers.

Obtaining guarantees from the State has helped the Bank support the needs of its customers and positively contributed to the quality of the Bank's loan portfolio.
On April 30, 2022, the State decided to end the activity of the coronavirus fund (General Track and High-Risk Track). Applications submitted until April 30, 2022 were treated as usual. The treatment of debt arrangements and forfeitures continues as usual in accordance with the provisions of the agreement.

Information regarding state-backed credit granted as part of the handling of the coronavirus crisis

	Recorded outstanding debt as at December 31	
	2022	2021
Customer classification	In NIS million	
Small- and micro-businesses	**2,591**	3,636
Mid-sized businesses	**836**	1,190
Corporations	**106**	307
Total	**3,533**	5,133

Comments:
1. Customer classification is based on regulatory operating segments.
2. The Bank granted loans totaling NIS 6.8 billion.

Credit risk and non-performing assets

	December 31, 2022			
	Commercial	Housing[e]	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	**251,751**	**118,050**	**28,305**	**398,106**
Off-balance-sheet credit risk[c]	**127,164**	**5,140**	**13,089**	**145,393**
Overall credit risk in credit performance rating	**378,915**	**123,190**	**41,394**	**543,499**
Credit risk not in credit performance rating				
a. Non-troubled	**1,295**	**1,044**	**1,394**	**3,733**
b. Total troubled	**4,629**	**626**	**739**	**5,994**
Troubled performing[d]	**3,502**	**67**	**517**	**4,086**
Troubled non-performing[d]	**1,127**	**559**	**222**	**1,908**
Total on-balance-sheet credit risk	**5,924**	**1,670**	**2,133**	**9,727**
Off-balance-sheet credit risk[c]	**1,285**	**-**	**116**	**1,401**
Credit risk not in credit performance rating	**7,209**	**1,670**	**2,249**	**11,128**
Of which: Performing debts in arrears of 90 days or more	**31**	**-**	**44**	**75**
Total overall credit risk incl. of the public[b]	**386,124**	**124,860**	**43,643**	**554,627**
More information on non-performing assets				
a. Non-performing debts	**1,127**	**559**	**222**	**1,908**
b. Assets received for settled loans	**8**	**-**	**-**	**8**
Total non-performing assets of the public	**1,135**	**559**	**222**	**1,916**
Percentage of non-performing loans to the public (NPL) out of total loans to the public				**0.49%**

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy), including in respect of derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(c) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(d) For more information about the first-time application, as from January 1, 2022, of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.I.
(e) As from January 1, 2022, the Bank applies a new accounting policy regarding identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H, according to which, inter alia, housing loans in arrears of 90 days are classified as non-performing in lieu of performing debts according to the old directive.

Credit risk and non-performing assets (cont.)

	December 31, 2021			
	Commercial	For housing	Private individuals - other	Total
	In NIS million			
Credit risk in credit performance rating:[a]				
On-balance-sheet credit risk	235,658	100,757	25,963	362,378
Off-balance sheet credit risk[d]	107,020	3,724	12,282	123,026
Overall credit risk in credit performance rating	342,678	104,481	38,245	485,404
Credit risk not in credit performance rating				
a. Non-troubled	2,236	2,302	1,400	5,938
b. Total troubled	5,174	629	638	6,441
Troubled performing[b][e]	2,806	609	433	3,848
Troubled non-performing[e]	2,368	20	205	2,593
Total on-balance-sheet credit risk	7,410	2,931	2,038	12,379
Off-balance sheet credit risk[d]	1,221	-	211	1,432
Credit risk not in credit performance rating	8,631	2,931	2,249	13,811
Of which: Performing debts, in arrears of 90 days or more[b]	284	609	48	941
Total overall credit risk incl. of the public[b][c][f]	351,309	107,412	40,494	499,215
More information on non-performing assets				
a. Non-performing debts	2,368	20	205	2,593
b. Assets received for settled loans	9	-	-	9
Total non-performing assets of the public	2,377	20	205	2,602
Percentage of non-performing loans to the public (NPL) out of total loans to the public				0.75%

(a) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.
(b) Including for housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.
(c) On-balance sheet and off-balance sheet credit risk, including for derivatives. Including debts, bonds, securities borrowed or purchased under purchase agreements.
(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(e) Comparative results are presented in accordance with the new disclosure format; for more information about the first-time application, as from January 1, 2022, of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.
(f) The comparative figures were not restated according to the new disclosure format of the definitions for on-balance sheet credit risk and off-balance sheet credit risk, which were revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy).

Change in Non-Performing Loans to the Public

Change in non-performing loans to the public, excluding BLUSA's figures[(a)1]

	For the year ended December 31					
	2022			2021[(c)]		
	Commercial	Private individuals[(d)]	Total	Commercial	Private individuals[(d)]	Total
	In NIS million					
Outstanding balance of non-performing debts at the beginning of the year	**2,047**	**225**	**2,272**	2,791	242	3,033
Effect of first-time application of rules for identification and classification of troubled debts[(b)]	**21**	**583**	**604**	-	-	-
Outstanding balance of non-performing debts at the beginning of the year	**2,068**	**808**	**2,876**	2,791	242	3,033
Loans classified as non-performing debts during the period	**711**	**446**	**1,157**	356	290	646
Debts reclassified as performing	**(834)**	**(243)**	**(1,077)**	(119)	(156)	(275)
Written-off non-performing debts	**(393)**	**(86)**	**(479)**	(248)	(67)	(315)
Repaid non-performing debts	**(425)**	**(144)**	**(569)**	(725)	(84)	(809)
Adjustments from translation of financial statements	**-**	**-**	**-**	(8)	-	(8)
Outstanding balance of non-performing debts at the end of the year	**1,127**	**781**	**1,908**	2,047	225	2,272

[1]Of which: Change in the restructuring of non-performing credit, excluding BLUSA's figures[(a)]

	For the year ended December 31					
	2022			2021[(c)]		
	Commercial	Private individuals[(d)]	Total	Commercial	Private individuals[(d)]	Total
	In NIS million					
Outstanding balance of non-performing debts under restructuring at the beginning of the year	**1,570**	**185**	**1,755**	1,719	196	1,915
Effect of first-time application of rules for identification and classification of troubled debts[(b)]	**1**	**94**	**95**	-	-	-
Outstanding balance of non-performing debts under restructuring at the beginning of the year	**1,571**	**279**	**1,850**	1,719	196	1,915
Restructuring of non-performing debts carried out during the period	**215**	**337**	**552**	614	241	855
Restructured debt reclassified as performing	**(672)**	**(167)**	**(839)**	(88)	(118)	(206)
Written-off non-performing debts under restructuring	**(146)**	**(62)**	**(208)**	(85)	(66)	(151)
Repaid non-performing debts under restructuring	**(351)**	**(103)**	**(454)**	(586)	(68)	(654)
Adjustments from translation of financial statements	**-**	**-**	**-**	(4)	-	(4)
Outstanding balance of non-performing debts under restructuring at the end of the year	**617**	**284**	**901**	1,570	185	1,755

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see the section entitled Main Changes in the Past Year and Note 15.A.

(b) Cumulative effect in respect of first-time application of provision for current expected credit losses, as outlined in US GAAP's ASU 2016-13, Financial Instruments - Credit Losses. Please see Note 1.H.

(c) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.

(d) Including outstanding debts for private individuals - other and including housing loans.

Disclosure, Valuation, Classification and Rules for Loan Loss Provision

For loan loss expenses and classification of troubled debts, the Bank applies the Banking Supervision Department's directives, which became effective on January 1, 2022 and adopt US GAAP for current expected credit losses (CECL) as well as additional specific directives regarding housing loans and additional revised directives of the same date on debt classification. According to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank's estimates are based on past losses after adjustment due to credit characteristics, adjustment for current economic conditions and reasonable future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, current economic and expected conditions, etc. The Bank's estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time. For more information on the application of the new accounting rules, please see Note 1.X.1.

Following is a breakdown of qualitative analysis indicators of loans to the public, expenses and loan loss provision, net of BLUSA results[a]

	December 31							
	2022				2021[c]			
	Com-mercial	Housing	Private individuals - other	Total	Commercial	Housing	Private individuals - other	Total
	In %							
Analysis of quality of loans to the public								
Percentage of non-performing[b] loans to the public out of outstanding loans to the public	**0.47**	**0.47**	**0.73**	**0.49**	1.03	0.02	0.73	0.69
Percentage of non-performing loans to the public[b] or in arrears of 90 days or more out of outstanding loans to the public	**0.48**	**0.47**	**0.87**	**0.51**	1.17	0.61	0.90	0.97
Percentage of troubled loans to the public out of outstanding loans to the public	**1.93**	**0.52**	**2.43**	**1.54**	2.22	0.61	2.28	1.72
Percentage of non-investment grade credit risk out of outstanding loans to the public	**2.47**	**1.15**	**7.01**	**2.42**	2.98	2.83	7.27	3.30
Analysis of expenses (income) for loan losses for the reporting period								
Percentage of loan loss expenses (income) out of the average outstanding balance of loans to the public	**0.10**	**0.10**	**0.38**	**0.13[d]**	(0.37)	(0.15)	(0.17)	(0.28)
Percentage of net write-offs for loans to the public out of average outstanding loans to the public	**0.03**	**0.02**	**0.44**	**0.06**	(0.09)	-[f]	0.07	(0.05)
Analysis of the loan loss provision in respect of loans to the public								
Percentage of balance of the loan loss provision for loans to the public out of outstanding loans to the public	**1.61**	**0.35**	**2.34**	**1.28**	1.54	0.47	2.54	1.29
Percentage of balance of the loan loss provision for loans to the public out of non-performing outstanding loans to the public	**342.24**	**74.78**	**320.27**	**261.32**	163.26	+[g]	346.83	200.00
Percentage of balance of the loan loss provision for loans to the public out of outstanding non-performing loans to the public[b] or in arrears of 90 days or more	**333.07**	**74.78**	**267.29**	**251.44**	143.80	78.06	281.03	141.73
Ratio of outstanding loan loss provision for loans to the public out of the net write-offs for loans to the public[e]	**49.41**	**24.53**	**5.51**	**22.24**	(20.25)	122.75	35.55	(32.23)

Please see comments below.

(a) The figures do not include the balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; for additional information, please see Main Changes in the Previous Period and Note 15.A.
(b) For more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.
(c) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.
(d) Including loan loss expenses for loans to the public, banks, governments and bonds.
(e) In NIS million.
(f) Rate of less than 0.01 percent.
(g) Rate of more than 1,000 percent.

In 2022, an improvement was recorded in the commercial portfolio and in the housing portfolio in the above indicators in relation to 2021.

The Bank continues to closely and meticulously follow the developments in the state of the economy, and their possible implications for credit risks.

For more information and details regarding macroeconomic effects, please see the section Macroeconomic effects at the beginning of this chapter.

In addition, as from January 1, 2022, the Bank applies the Banking Supervision Department's directives for current expected credit expenses (CECL) as well as additional specific directives regarding housing loans and additional revised directives of the same date on troubled debt classification.

The comparative results represent the previous methodology of recording the provision for CECL; however, some are presented according to the new disclosure format of the Banking Supervision Department on identification and classification of performing and non-performing troubled debt (in lieu of impaired debts).

Credit Concentration

Concentration risk is defined as a single exposure or group of exposures having a common attribute, which creates the potential to cause significant losses. Concentration risk is mainly managed by setting limitations and monitoring and controlling compliance therewith.

The sources of concentration relevant to the Bank's loan portfolio are as follows: Economic sectors, single borrowers and groups of borrowers.

The concentration risk is managed by ensuring compliance with all regulatory restrictions, as well as by defining and regularly monitoring compliance with all internal restrictions (which are mostly more stringent than regulatory ones).

Credit portfolio diversification among various economic sectors

To diversify the risk embodied in a high concentration in one sector, the Bank's credit portfolio is split between the various economic sectors. In relatively low risk economic sectors, we aim to reach a higher share than our share of the banking system.

The Bank's credit policy on various operating segments and economic sectors changes from time to time in accordance with the business environment, the Bank's business focus and risk appetite, as well as the Bank of Israel's general and specific directives.

Overall Credit Risk to the Public by Economic Sector

	December 31, 2022						
					Loan losses[c][h]		
	Overall credit risk[a]	Of which: Credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - public - commercial							
Industry	**35,409**	**34,410**	**903**	**143**	**106**	**(24)**	**(471)**
Construction and real estate - construction[f]	**102,609**	**101,088**	**1,259**	**154**	**217**	**(2)**	**(1,041)**
Construction and real estate - real estate activity	**45,236**	**45,000**	**151**	**67**	**(188)**	**(122)**	**(884)**
Commerce	**39,513**	**38,946**	**545**	**128**	**148**	**51**	**(501)**
Financial services	**45,990**	**45,916**	**73**	**54**	**64**	**(15)**	**(219)**
Other industries	**57,579**	**55,919**	**1,082**	**435**	**(83)**	**54**	**(1,056)**
Commercial - total	**326,336**	**321,279**	**4,013**	**981**	**264**	**(58)**	**(4,172)**
Private individuals - housing loans	**124,827**	**123,158**	**626**	**559**[g]	**112**	**17**	**(419)**
Private individuals - Other	**43,572**	**41,326**	**768**	**222**	**111**	**129**	**(732)**
Total public - activity in Israel	**494,735**	**485,763**	**5,407**	**1,762**	**487**	**88**	**(5,323)**
Banks and governments - in Israel	**35,329**	**35,329**	**-**	**-**	**-**	**-**	**(3)**
Total activity in Israel	**530,064**	**521,092**	**5,407**	**1,762**	**487**	**88**	**(5,326)**
For borrower activity outside Israel							
Total, public - activity outside Israel	**59,892**	**57,736**	**1,423**	**300**	**(11)**[i]	**176**[i]	**(260)**
Foreign banks and governments	**53,523**	**53,523**	**-**	**-**	**22**	**-**	**(39)**
Total activity outside Israel	**113,415**	**111,259**	**1,423**	**300**	**11**	**176**	**(299)**
Total activity in and outside Israel	**643,479**	**632,351**	**6,830**	**2,062**	**498**	**264**	**(5,625)**

(a) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy), including in respect of derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, credit risk for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 397,991, 78,597, 3,034, 38,804 and 125,053 million, respectively.

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

(c) Including for off-balance-sheet credit instruments (presented in the balance sheet under “other liabilities”).

(d) On-balance sheet credit risk and off-balance-sheet credit risk that is non-performing, substandard or special mention.

(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(f) Including housing loans extended to certain purchasing groups currently in the process of construction.

(g) For more information about the first-time application, as from January 1, 2022, of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.

(h) Outstanding loan loss provision according to CECL - for more information, please see Note 1.X.1.

(i) Regarding the results without Bank Leumi USA, loan loss income from total foreign operations - public amounted to approx. NIS 25 million and net charge-offs amounted to approx. NIS 136 million.

Overall Credit Risk to the Public by Economic Sector (cont.)

	December 31, 2021						
					Loan losses[c]		
	Overall credit risk[a][e]	Of which: Credit performance rating[e]	Of which: Troubled credit risk[d]	Of which: Non-performing credit risk[g]	Loan loss expenses (income)	Charge-offs, net	Balance of loan loss provision
	In NIS million						
In respect of borrower activity in Israel - public - commercial							
Industry	27,273	26,697	496	130	(1)	17	(417)
Construction and real estate - construction[f]	78,706	78,157	349	79	170	(28)	(682)
Construction and real estate - real estate activity	40,707	40,028	260	152	(2)	(66)	(468)
Commerce	32,951	32,496	394	126	(166)	14	(297)
Financial services	44,925	44,889	33	11	29	(8)	(268)
Other industries	51,911	50,151	1,579	732	(597)	(137)	(814)
Commercial - total[g]	276,473	272,418	3,111	1,230	(567)	(208)	(2,946)
Private individuals - housing loans	107,323	104,392	629	20	(141)	5	(489)
Private individuals - Other	40,133	37,890	653	204	(44)	20	(727)
Total public - activity in Israel	423,929	414,700	4,393	1,454	(752)	(183)	(4,162)
Banks and governments - in Israel	34,854	34,854	-	-	-	-	(1)
Total activity in Israel	458,783	449,554	4,393	1,454	(752)	(183)	(4,163)
For borrower activity outside Israel							
Total, public - activity outside Israel	75,286	70,704	2,944	1,310	(60)	93	(819)
Foreign banks and governments	64,267	64,267	-	-	-	-	(2)
Total activity outside Israel	139,553	134,971	2,944	1,310	(60)	93	(821)
Total activity in and outside Israel	598,336	584,525	7,337	2,764	(812)	(90)	(4,984)

(a) On-balance sheet and off-balance sheet credit risk, including for derivatives. Including debts,[b] bonds, securities borrowed or purchased under reverse repurchase agreements, assets for derivatives and credit risk embodied in off-balance-sheet financial instruments, as calculated for the purpose of per-borrower indebtedness limitations in the amounts of NIS 364,653, 82,568, 2,447, 13,811 and 134,857 million, respectively.

(b) Loans to the public, loans to governments, deposits with banks and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.

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

(d) On-balance sheet credit risk and off-balance-sheet credit risk that is impaired, substandard or special mention, including housing loans which are in arrears of 90 days or more, for which there is a provision based on the extent of arrears and housing loans for which there is no provision based on the extent of arrears.

(e) Credit risk whose credit rating at the reporting date matches the credit rating for granting new credit in accordance with the Bank's policy.

(f) Including housing loans extended to certain purchasing groups currently in the process of construction.

(g) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.

(h) The comparative figures were not restated according to the new disclosure format of the definitions for on-balance sheet credit risk and off-balance sheet credit risk, which were revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy).

Risks to the construction and real estate industries

Activity and risk boundaries in the construction and real estate industry

The construction and real estate sector is an area of activity to which the Bank has a significant credit exposure. As with other economic sectors, the bank's credit policy outlines internal methodologies and criteria for financing transactions in each of the real estate industry's sub-industries.

Leumi's focus on real estate financing is reflected, inter alia, in the fact that a significant part of the Bank's activity is concentrated in a dedicated function specializing in serving customers in this area. The Construction and Real Estate Department finances some of the most extensive and/or complex transactions in this field, leveraging its credit officers' expertise and practical experience.

A significant portion of construction and infrastructure loans are extended under the construction loan model, which is characterized by periodic assessment and close monitoring of relevant criteria (such as: Sales, construction progress, staying within budget, etc.). This is done by relying in part on certified outsourced construction supervisors.

Credit granted to the real estate sector is in line with the Bank's risk appetite, in accordance with strict underwriting, a stringent financing and supervision method, property collateral and adequate pricing.
As a result, and in an effort to continue being a dominant player in the industry, the Bank strives to make optimal and effective use of the internal and regulatory restrictions in light of the macroeconomic forecasts.

The Bank closely monitors the real estate credit portfolio, while following macroeconomic trends and the development of the segment's risk characteristics.

The Bank also analyses the real estate sector's risk under a systemic stress scenario. In this context, loan losses are broken down into sub-sectors and examined against the risk appetite.

In addition to the regulatory restriction and in order to effectively manage the internal credit risk mix, the Bank is careful to maintain geographical diversification of the projects, according to demand and across the various sub-sectors.

As of 2016, the Bank insures its guarantees portfolio in accordance with the Sales Law (Apartments).

These policies, which were purchased from global, high-rated reinsurers, insure the Bank against paying for the forfeiture of Sale Law guarantees, according to the terms and conditions of the policy.

As of December 31, 2021, the Bank also insures a portion of its financial loan portfolio financing land, through global reinsurers with high credit ratings, which cover the Bank if an insured loan for land is not duly repaid. In addition, starting from the third quarter of 2022, the Bank also insures part of the performance and guarantee portfolio associated with the real estate sector.

The insurance transactions enable the Bank to reduce the capital held for the credit risk arising from the issuance of the guarantees or loans extended for lands, while using the policy as a credit risk mitigator (the reduction is in line with the rating of the reinsurers).

Leumi continues to proactively expand the real estate portfolio, focusing on the housing segment and selected financially resilient customers. The Bank is careful to maintain geographical diversification of the projects, according to demand and macroeconomic forecasts.

In recent years, growth in the real estate credit portfolio at Leumi was accompanied by a certain increase in LTV on the back of the growing competition in the market. Most of the increase in the LTV was in the financing of residential land and projects in high-demand areas.

The share of the troubled credit risk in the construction and real estate industries (activity in Israel) was up but continues to be lower than the share of the troubled credit risk in the total portfolio.

On December 27, 2021, the Bank of Israel revised Proper Conduct of Banking Business Directive No. 315, which extends the easement provided by the temporary order[1] to the real estate and construction industry in the banking system, as follows:

- The exposure restriction to the real estate and construction industry was extended from 20 percent to 22 percent of the loan portfolio (excluding national infrastructure).
- The exposure restriction to the real estate and construction industry (including national infrastructure) was extended from 24 percent to 26 percent of the loan portfolio.

The easements will be in effect for a period of up to 24 months as of December 31, 2025, provided that the rate of indebtedness shall not exceed the higher of: the rate as at December 31, 2025 or the rate of the industry-specific restriction prior to the easement.

It was determined that credit for which eligible credit insurance was provided would be classified according to the insuring industry. Such that in order to measure the industry limitation, credit for real estate and construction covered by eligible credit insurance will be deducted from the indebtedness of the real estate and construction industry.

As of December 31, 2022, the Bank complies with the regulatory limitation set out in law. In addition, the Bank set internal limitations that are in line with the Bank's assessment of the risk in the various sub-industries. Nevertheless, considering the significant credit needs in the sector on the one hand and the regulatory limitation on the other, the Bank is working on implementing a plan to reduce the concentration ratio in the sector.

On March 20, 2022, as part of the decision to take additional regulatory measures, the Banking Supervision Department published a letter entitled "Increase in Credit Risk for the Construction and Real Estate Industry"; the following is information regarding the measures listed in the document:

- On May 3, 2022, a final circular was published on the subject, expanding the reporting for the construction and real estate sector, effective from September 30, 2022. The Bank will apply the requirements of the circular.
- On May 18, 2022, the Banking Supervision Department published a document featuring examples of credit underwriting and classification expected of the banks.
- Revision to Directive 203 on capital allocation in respect of financing land at an LTV ratio of over 80 percent.

On January 26, 2023, the Bank of Israel issued the final version of the FAQ on capital adequacy requirements under the standard approach, with respect to the revision of Directive 203, as aforementioned.

For details regarding the effect of the revision on the measurement of the Bank's capital requirements, please see Regulatory and Other Changes in Measuring the Capital Requirements, under Capital and Capital Adequacy in the Risk Management Report.

Some of the above information constitutes "forward-looking information". For the meaning and implications of the term, please see under "Forward-Looking Information".

Macroeconomic effects

In 2020-2021, the residential construction industry was characterized by a significant surge in transactions for the purchase of apartments as a result of the relatively stable demand stemming from the population growth, the supporting macroeconomic environment (strong recovery from the coronavirus crisis, low interest rate environment) and regulatory easements.

However, in the past months, there began a significant decline in demand for housing purchases, on the back of a macroeconomic environment which is growing less supportive of demand for real estate properties as a result of a rapid rise in inflation and interest rates and expectations for lower growth rates. Moreover, it is estimated that the high growth rate of the population in Israel will continue to drive demand in the mid- to long-term. On the supply side, the number of finished apartments continued to be relatively low in the past year for the yearly ongoing housing needs of the economy, while housing starts and building permits exceeded the amount of apartments required according to these current yearly needs.

[1] Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis dated January 10, 2021.

The weakening demand, in addition to the marked increase in housing starts recorded in the past year, may halt the rise in housing prices in the coming year and may even cause a moderate decline therein.

The Bank is reviewing the effects of the rise in interest rates and slowdown in demand for housing in the past months on companies' liquidity. It is currently believed that the effect will be immaterial.

In the commerce domain, since the beginning of 2022, there has been a slowdown in the activity of the commercial sectors, in the context of the increase in Israelis' travel abroad and in view of the diminishing effect of the "pent-up demand" once the coronavirus restrictions have been lifted. Looking forward, the deterioration in the macro environment (the damage from inflation and the rising interest on the public's purchasing power, the entry of a wide supply of commercial space, continued expansion in the share of online commerce) may lead to a continued slowdown in the growth of the commercial centers' activity in the coming year. Most of the slowdown is expected in large shopping centers, while neighborhood shopping centers may continue to fare well.

In the office domain, the strong rise in the office market that occurred in 2021 and in the first half of 2022, in particular in Tel Aviv, stopped in the last months in which a slowdown in market activity is felt. This slowdown is expected to continue in the coming year, along with the deterioration of the macro environment. It is expected that the supply of new office space will continue to grow substantially (especially in the Tel Aviv suburbs), while the economy continues to slow down; these factors are expected to put pressure on continued rise in prices and occupancy rates in the coming year.

As stated at the beginning of the Credit section, subsequent to the reporting period, public events began – legislative and social – the development of which and degree of effect of which on the Israeli economy, and thereby on the Bank's results, is highly uncertain.

These events may have adverse effects on the Israeli economy, and as a result – on the Bank's performance.

Some of the above information constitutes "forward-looking information". For the meaning and implications of the term, please see under "Forward-Looking Information".

Development of overall credit risk for the construction and real estate industry (in and outside Israel)

	December 31		Change compared to December 31, 2021	
	2022	2021		
	In NIS million		In NIS million	In %
On balance-sheet credit risk[b]	**100,500**	90,905	9,595	10.6%
Guarantees for apartment buyers[a]	**9,767**	7,669	2,098	27.4%
Other off-balance-sheet credit risk[a][b]	**47,127**	37,872	9,255	24.4%
Total overall credit risk	**157,394**	136,446	20,948	15.4%

(a) In credit risk terms.
(b) Regarding the comparative results net of Bank Leumi USA, the balance sheet credit risk as of December 31, 2021 amounted to approx. NIS 82,289 million. In addition, the off-balance sheet credit risk as of December 31, 2021 amounted to approx. NIS 36,637 million.

Following are the details on overall credit risk in the real estate and construction sector in Israel, by LTV and absorption capacity - the Bank

	December 31, 2022			
	Overall credit risk[a]			
	Land	Housing real estate under construction	Finished real estate properties	Total
	In NIS million			
LTV ratio[b][e]				
Up to 45%	**1,344**		**9,745**	**11,089**
More than 45% to 65%	**4,515**		**11,439**	**15,954**
More than 65% to 80%	**12,747**		**11,742**	**24,489**
More than 80%	**14,209[f]**		**5,310**	**19,519**
Absorption capacity[c]				
Absorption capacity up to 25[d]		**2,237**		**2,237**
Absorption capacity from 25 to 50		**7,191**		**7,191**
Absorption capacity from 50 to 75		**4,346**		**4,346**
Absorption capacity of 75 or more		**13,452**		**13,452**
Project starts		**6,790**		**6,790**

(a) On-balance sheet credit risk and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of permitted collateral for borrower indebtedness.
(b) Financing rate - the ratio between the balance of total credit risk as of the reporting date and the value of the real estate security guaranteeing the credit risk as of the reporting date.
(c) Absorption capacity – an indicator reflecting the maximum rate of erosion of apartment inventory prices such that it provides adequate coverage to the project's costs, taking into account own capital invested and presale.
(d) Projects with an absorption capacity of up to 25 percent also include rental housing that is not designated for sale.
(e) Starting from the financial statements for 2022, the Bank is implementing the revision of the Bank of Israel circular on the subject of credit risk, with reference to the calculation of the financing rates of land. For more information, please see Regulatory and other changes in measuring the capital requirements.
(f) Of which: NIS 10 billion is credit also backed by a collateral other than land and/or other source of settlement.

Following is the composition of credit secured by real estate properties in Israel (in NIS million) - the Bank

	December 31	
	2022	2021
	Overall credit risk[(a)]	
	In NIS million	
Housing	**67,971**	51,195
Office space	**20,221**	17,249
Industry	**6,206**	4,691
Commerce and services	**22,216**	22,590
Total credit secured by real estate properties in Israel	**116,614**	95,725

(a) On-balance sheet credit risk and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of permitted collateral for borrower indebtedness.

Analysis of the Bank Group's credit quality in the construction and real estate industries

	December 31		
	2022	2021	
	In NIS million		Change in %
Credit risk in credit performance rating			
Non-troubled Credit Risk	**155,309**	134,002	15.9
Credit risk not in credit performance rating			
Non-troubled	**407**	1,165	(65.1)
Troubled performing[(a)]	**1,363**	740	84.2
Non-performing[(a)]	**315**	539	(41.6)
Total credit risk not in credit performance rating	**2,085**	2,444	(14.7)
Total	**157,394**	136,446	15.4

(a) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.

Borrower Groups[1]

The Bank conducts orderly monitoring processes to ensure it complies with the restrictions imposed by Proper Conduct of Banking Business Directive No. 313, "Restrictions on Indebtedness of a Borrower or Group of Borrowers".

As at December 31, 2022, the Bank complies with these Directive's restrictions.

In accordance with the policy for the adoption of accepted international standards, the Banking Supervision Department is adopting the Basel Committee provisions from 2014, which were revised in 2019, regarding the supervision of large exposures for which, on November 17, 2022, the Banking Supervision Department published a draft revision of Proper Conduct of Banking Business Directive 313 "Limitations on the Indebtedness of a Borrower and of a Group of Borrowers". In accordance with this draft, new definitions will be established for a borrower / borrower group, and also adjustments were made to measure the exposure. In accordance with the Banking Supervision Department's requirement, the Bank is preparing to conduct a quantitative survey to examine the impact of implementation of the provisions regarding exposures to counterparties or to a group of related counterparties.

1 A group of borrowers are all of the following together: the borrower, a person controlling it and all those controlled by them. If a corporation is controlled by more than one person, it is necessary to include in the same group of borrowers the controlling parties for which the controlled corporation is material (such as from an equity standpoint), including the corporation or any other entity under their control. An investee which is material to a holder that is not a controlling shareholder, and any entity under their control. Borrowers that are associated with the investee in such a manner that harming the financial stability of any one of them could affect the financial stability of the other or that the same factors could affect the financial stability of both.

Below are additional data regarding the overall credit

Following is a breakdown of total loans to the public and off-balance-sheet credit risk by individual borrowers' loan amount

Maximum credit in NIS thousands		December 31					
		2022			2021		
		% of total no. of borrowers	% of total on-balance sheet credit	% of total off-balance-sheet credit	% of total no. of borrowers	% of total on-balance sheet credit	% of total off-balance-sheet credit
From	To	In %					
-	80	**73.6**	**2.8**	**7.6**	74.1	3.0	8.4
80	600	**19.2**	**15.1**	**5.1**	19.3	15.7	5.9
600	1,200	**4.4**	**14.2**	**2.8**	4.2	14.1	3.2
1,200	2,000	**1.7**	**9.1**	**2.6**	1.4	7.9	2.5
2,000	8,000	**0.8**	**8.9**	**4.1**	0.7	8.6	4.5
8,000	20,000	**0.1**	**5.8**	**3.9**	0.2	6.5	4.4
20,000	40,000	**0.06**	**5.5**	**4.3**	0.06	6.7	4.9
40,000	200,000	**0.07**	**16.7**	**18.2**	0.07	17.5	19.0
200,000	800,000	**0.02**[(a)]	**13.6**	**22.1**	0.01[(a)]	11.8	23.8
Over 800,000		**-**[(b)]	**8.3**	**29.3**	-[(b)]	8.2	23.4
Total		**100.0**	**100.0**	**100.0**	100.0	100.0	100.0

(a) In 2022 - 240 borrower and in 2021 - 201 borrowers.
(b) In 2022 - 46 borrower and in 2021 - 38 borrowers (in percentages - less than 0.01).

For more information regarding credit granting by size - please see Note 30.C.

Following is the credit risk by size of credit totaling more than NIS 800 million extended to a borrower

Maximum credit in NIS millions		December 31					
		2022			2021		
		No. of borrowers	On-balance-sheet credit	Off-balance-sheet credit risk	No. of borrowers	On-balance-sheet credit	Off-balance-sheet credit risk
From	To		In NIS million			In NIS million	
800	1,200	**22**	**9,205**	**12,578**	18	9,227	9,088
1,200	1,600	**11**	**8,115**	**6,892**	7	6,642	2,862
1,600	2,000	**4**	**3,482**	**3,405**	3	1,693	3,318
2,000	2,400	**2**	**3,954**	**316**	5	5,553	5,657
2,400	2,800	**2**	**2,085**	**3,203**	3	3,312	4,538
2,800	3,200	**1**	**1,701**	**1,300**	2	2,295	3,638
3,200	5,468	**4**	**2,705**	**15,299**	-	-	-
Total		**46**	**31,247**	**42,993**	38	28,722	29,101

Exposure to Foreign Countries

Information regarding total exposure to foreign countries and to countries where the total exposure to each country is the lower of the following: More than 1 percent of consolidated total assets or more than 20 percent of total capital for the purpose of calculating the capital ratio:

	December 31					
	2022			2021		
	Exposure[a][b][c][e]			Exposure[a][b]		
	On-balance-sheet	Off-balance-sheet[d]	Total	On-balance-sheet	Off-balance-sheet[d]	Total
	In NIS million					
USA	**30,031**	**9,930**	**39,961**	36,853	8,329	45,182
UK	**16,860**	**21,602**	**38,462**	19,793	10,971	30,764
France	**748**	**1,582**	**2,330**	1,887	2,355	4,242
Switzerland	**2,942**	**3,880**	**6,822**	2,455	2,303	4,758
Germany	**6,334**	**3,590**	**9,924**	3,262	1,501	4,763
Other	**22,019**	**6,402**	**28,421**	23,773	4,637	28,410
Total exposure to foreign countries	**78,934**	**46,986**	**125,920**	88,023	30,096	118,119
Of which: total exposure to GIPS countries[e]	**427**	**170**	**597**	608	300	908
Of which: total exposure to LDC countries[f]	**1,175**	**1,445**	**2,620**	1,331	1,161	2,492
Of which: total exposure to countries with liquidity issues[g]	**250**	**317**	**567**	208	50	258

(a) Exposure to foreign countries is presented based on the final risk.
(b) On-balance sheet credit risk and off-balance-sheet credit risk are stated before the effect of loan loss provision and the effect of deductible collateral for the purpose of restricting indebtedness of individual borrowers and borrower groups.
(c) On balance-sheet credit risk and off-balance-sheet credit risk for derivatives are presented after deducting credit risk.
(d) Credit risk for off-balance sheet financial instruments as calculated for the purpose of per borrower credit indebtedness limitations.
(e) Exposure to the GIPS countries includes: Greece, Italy, Portugal, and Spain.
(f) The Exposure to LDCs line item includes total exposure to countries defined as Less Developed Countries (LDCs), which are classified by the World Bank as low- or mid-income countries.
(g) The Bank set several criteria, according to which a list of several countries was drawn, where the current conditions may reflect liquidity problems and which may have an effect on their solvency. The balance applies to 16 countries (as of December 31, 2021 - 14 countries). As of March 2021, the measurement does not include exposures to investment-grade countries, unless they were individually identified as having liquidity issues which may have a material effect on their solvency.
(h) On-balance sheet credit risk and off-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative figures were not restated.

Credit Exposure to Foreign Financial Institutions

Credit exposure to foreign financial institutions relates to banks, investment banks, brokers/dealers, insurers and institutional entities.

The Bank closely monitors the position of banks worldwide and frequently analyzes their financial robustness. The Bank maintains a shortlist of high-quality banks to which it has collective credit exposures.

The geopolitical events, as well as the measures taken by central banks across the world, may impact the financial position of financial institutions with which the Bank cooperates. The Bank monitors the financial position of the foreign financial institutions, as part of the management of its exposure to foreign financial institutions and is adjusting its exposure thereto in accordance with the changes in the risk environment.

Credit exposure to foreign financial institutions

	December 31, 2022[d]		
	On-balance-sheet credit risk[a][e]	Current off-balance-sheet credit risk[b]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[c]			
AA- to AAA	**28,509**	**1,233**	**29,742**
A- to A+	**3,605**	**1,247**	**4,852**
BBB- to BBB+	**204**	**221**	**425**
B- to BB+	**31**	**21**	**52**
Lower than: B-	**10**	**-**	**10**
No credit rating	**572**	**-**	**572**
Total current credit exposure to foreign financial institutions	**32,931**	**2,722**	**35,653**

	December 31, 2021[d]		
	On-balance-sheet credit risk[a]	Current off-balance-sheet credit risk[b]	Current credit exposure
	In NIS million		
Total current credit exposure to foreign financial institutions[c]			
AA- to AAA	25,761	792	26,553
A- to A+	5,701	1,128	6,829
BBB- to BBB+	168	166	334
B- to BB+	15	18	33
Lower than: B-	-	-	-
No credit rating	94	-	94
Total current credit exposure to foreign financial institutions	31,739	2,104	33,843

(a) On-balance-sheet credit risk includes: Deposits with banks, loans to the public, securities borrowed or purchased under reverse repurchase agreements, other assets in respect of derivatives, and investments in bonds, including subordinated bonds of banks totaled NIS 603 million as at December 31, 2022 and NIS 597 million as at December 31, 2021.
(b) Mainly guarantees and commitments to extend credit (excluding off-balance-sheet derivatives).
(c) The Bank uses ratings of well-known rating agencies (ECAIs).
(d) As of December 31, 2022 and December 31, 2021, there is no troubled credit risk vis a vis foreign financial institutions.
(e) On-balance sheet credit risk, as revised in the Reporting to the Public Directives in a circular dated July 24, 2022 following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). Comparative figures were not restated.

Comments:
1. The credit exposures do not include investments in asset-backed securities (for more information, please see Note 12).
2. Some of the banks received various forms of government support, including by way of direct equity investment, government guarantees for certain asset portfolios, guarantees for raising funds for the banks, etc.
3. For more information regarding the composition of credit exposures for derivatives with banks and brokers/dealers (local and foreign), please see Note 28B.C.

Housing Loans Portfolio Risks

Credit risk developments

Economic developments in Israel in recent years (a low interest environment, the affordable housing program, and an increase in housing prices) have led to a significant increase in housing loans provision, both for housing and investment purposes.
Despite the trend of rising interest and inflation, the level of demand for mortgages in the first three quarters of the year remained high, but in the fourth quarter a significant decrease was observed.

The increase in interest and inflation rates affects housing loans with variable interest, mostly in loans in which the monthly repayment constitutes a high percentage of the income.However, as of the publication date of the Report, the risk level in the portfolio remained low.

The housing loan portfolio is monitored and the trends in its characteristics and risk centers analyzed on a regular basis, including analysis of the effect of the rising interest rate and expected inflation. In addition, as from December, the Bank proactively contacts its customers and offers them alternatives to help them meet their monthly payments.

When providing housing loans, the Bank also provides private loans to participants in purchasing groups.

In addition, the Bank continues to adhere to a balanced underwriting policy that takes into consideration the borrower's repayment capacity, linkage base and interest, loan-to-value ratio (LTV), etc., while complying with all of the requirements of the Banking Supervision Department.
In case of default, the risk of default is managed by the Bank in two ways - the first is preventive, to mitigate the risk of default and the second - collecting debt in case of default.

The first stage - Actions for reducing the probability of default:

- Stringent underwriting - based on regulatory restrictions (Directive No. 329 - examining repayment capacity, LTV and credit mix) and is backed by models testing credit risk, which rely - inter alia - on information from the customer's Leumi account or the Bank of Israel's Central Credit Register.
- Building a mix customized to the customer's needs, which allows meeting monthly repayments.
- Real estate collateral - credit is subject to providing collateral to the Bank's satisfaction, according to the nature of the credit and property. The collateral are examined by the mortgage consultants; in complex cases – an additional review is conducted.
- Payment deferment (grace) - partial grace is optional, in accordance with the provisions of the Banking Law - Service to Customers.

Second stage - collection:

- "Soft collection" - a call center which contacts customers experiencing repayment difficulties immediately when the first default event occurs; assistance is provided to customers, reaching debt settlement agreements and support until the debt is repaid.
- Legal claim -
    - Collection of debt through the Collection System Authority.
    - Disposal of the property through the collateral provided.

During 2022, new housing loan performance in Israel increased compared with 2021.

Performance of new loans and refinancing loans for the purchase of residential apartments and mortgaging of residential apartments in Israel

	2022	2021	
	Total for the year	Total for the year	Rate of change
	In NIS million		In %
By the Bank	**28,607**	26,625	7.4
By the government of Israel	**140**	150	(6.7)
New loans	**28,747**	26,775	7.4
Recycled loans	**1,871**	2,175	(14.0)
Total performance	**30,618**	28,950	5.8

The average loan extended by the Bank in 2022 was NIS 966 thousand, compared to NIS 900 thousand in 2021 and NIS 774 thousand in 2020.

Regulatory changes:

- On January 31, 2022, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 451 - for information about this amendment, see under Legislation and Regulation Governing the Banking Sector in the Corporate Governance Report.
- On August 22, 2022, an amendment to the Banking Law (Customer Service) was published, which set a ceiling for the portfolio opening fee for a housing loan, in the amount of NIS 360.
- On October 6, 2022, Proper Conduct of Banking Business Directive 329B, Selling Housing Loans and Collaboration in Providing Housing Loans was published. The directive became effective upon its publication.
- All the temporary orders published by the Bank of Israel in the coronavirus crisis, which included regulatory expedients, have expired.

Development of total outstanding housing loans in Israel, net

	Outstanding loans portfolio	Rate of change
	In NIS million	In %
December 31, 2020	89,594	7.0
December 31, 2021	103,109	15.1
December 31, 2022	**119,272**	**15.7**

As aforementioned, in 2020 and 2021, there was an increase in the extent of housing loans, inter alia, due to the rallying of the real estate market as a result of the maturing of affordable housing projects and partial recovery of investments. The increase continued in 2022 although in the last months of the year a moderation in housing loans amounts is evident.

As part of its monitoring of risk centers in the housing loans portfolio, the Bank also monitors characteristics of the portfolio and new credit, including the new credit’s breakdown by loan-to-value ratios (loan-to-value ratio (LTV) is the ratio of total credit approved for the borrower - even if it has not yet been actually extended either in full or in part - out of the value of the mortgaged property during the approval of the credit line) and the repayment ratio (the repayment ratio is defined as the ratio between the available monthly income and monthly repayment).

Development of the outstanding housing loans portfolio based on linkage bases and as a percentage of the Bank's outstanding loans portfolio

	Non-linked segment				CPI-linked segment				Foreign currency segment		
	Fixed interest		Variable interest		Fixed interest		Variable interest		Variable interest		
	Outstan-ding balance in NIS millions	Percen-tage of the loans port-folio	Outstan-ding balance in NIS millions	Percen-tage of the loans port-folio	Outstan-ding balance in NIS millions	Percen-tage of the loans port-folio	Outstan-ding balance in NIS millions	Percen-tage of the loans port-folio	Outstan-ding balance in NIS millions	Percen-tage of the loans port-folio	Total loans port-folio, in NIS millions
December 31, 2020	18,904	21.2	36,380	40.6	14,077	15.7	19,658	21.9	575	0.6	89,594
December 31, 2021	23,325	22.6	42,655	41.4	15,203	14.7	21,440	20.8	486	0.5	103,109
December 31, 2022	**29,061**	**24.3**	**49,991**	**41.9**	**16,050**	**13.5**	**23,694**	**19.9**	**476**	**0.4**	**119,272**

Variable interest loans are exposed to an increase in interest and inflation rates, which could affect borrowers' repayment capacity.

Development of new housing loans by interest track, in Israel

The following table outlines the development of the new credit performance by variable and fixed interest tracks (a variable-interest loan's interest rate may change over the loan period):

	2022				2021	2020
	Q4	**Q3**	**Q2**	**Q1**	Annual average	Annual average
	Rate of performance In %					
Fixed - Linked	**12.7**	**9.1**	**8.6**	**9.2**	13.9	16.7
Variable every 5 years or more - linked	**6.0**	**5.9**	**9.3**	**12.4**	15.3	18.5
Variable up to 5 years - linked	**9.8**	**8.9**	**6.6**	**4.5**	1.2	-
Fixed - non-linked	**29.0**	**30.8**	**32.4**	**32.4**	28.2	29.5
Variable every 5 years or more - non-linked	**1.7**	**0.6**	**1.0**	**1.3**	1.5	3.1
Variable up to 5 years - non-linked	**40.6**	**44.6**	**42.0**	**40.0**	39.7	32.2
Variable - Foreign currency	**0.2**	**0.1**	**0.1**	**0.2**	0.1	-

The percentage of new variable-interest housing loans granted by the Bank during 2022 was 58.9 percent compared to approx. 57.9 percent in 2021. As of January 17, 2021, according to the limit on variable interest loans, the ratio between the portion of the loan in variable interest and the total loan amount shall not exceed 66.66 percent.

Following is a balance of the housing loans portfolio and balances of non-performing debts in arrears of over 90 days, in Israel

	Recorded outstanding debt	Amount in arrears	Percentage of amount in arrears
	In NIS million		In %
December 31, 2020	90,228	720	0.80
December 31, 2021	103,599	609	0.59
December 31, 2022	**119,690**	**559**	**0.47**

As of December 31, 2022, the outstanding loan loss provision for the housing loans portfolio is NIS 419 million, constituting 0.35 percent of the housing loans' outstanding balance, compared with NIS 489 million as at December 31, 2021, which constitutes 0.47 percent of the outstanding housing loan balance. The loan loss expense in 2022 was mainly affected by the growth in the housing portfolio and by the worsening of the macroeconomic forecasts.

Development of LTV ratio for new loans over 60 percent, in Israel

Following is the development in new credit granted by the Bank at an LTV ratio of over 60 percent, (LTV ratio is the ratio of the total loan granted to the borrower - even if it has not yet been granted in effect either in full or in part - out of the value of the pledged property during the approval of the credit facility):

	2022				2021	2020
	Q4	**Q3**	**Q2**	**Q1**	Annual average	Annual average
LTV ratio	**In %(a)**					
Over 60 and up to 70, inclusive	**22.6**	**22.4**	**22.7**	**23.2**	21.6	19.7
Over 70 and up to 75, inclusive	**25.4**	**25.6**	**25.8**	**25.4**	23.1	19.1
Over 75	**0.1**	**0.3**	**0.2**	**0.2**	0.1	0.2

(a) Out of total new credit granted by the Bank.

Development of the loan-to-value (LTV) ratio, outstanding loans portfolio in Israel

The average LTV of the outstanding loan portfolio as at December 31, 2022 stands at 48 percent, compared with 47 percent in 2021.

Development of new loans, in which the repayment ratio is lower than 2.5, in Israel

Repayment ratio is defined as the ratio between the monthly available income and the monthly repayment amount.
The percentage of loans with a repayment ratio of less than 2.5 on the loan approval date in 2022 was 0.36 percent of the total number of new loans granted compared with 0.29 percent in 2021.
The calculation is in accordance with the Bank of Israel’s Reporting Directive No. 876.

Development of new loans, for which the loan term is longer than 25 years, in Israel

In 2022, the percentage of new housing loans in which the loan terms under the loan agreements are longer than 25 years, stood at an average of 49.6 percent of the total new loans, compared with an average of 39.5 percent in 2021.

Credit Risk for Loans to Private Individuals (Excluding Housing Loans)

Credit granted to private individuals whose repayment capacity is largely based on their household's earning capacity is characterized by a very significant diversification of borrowers and a variety of credit products (various types of loans, current accounts, credit cards) and - to a lesser extent (on average) - credit per individual customer.
Individual customers' activity is almost entirely concentrated in the Banking Division.

To address the increase in credit granted to private individuals and given the wide span of control required to manage it, and with the aim of implementing adequate corporate governance, several functions have been enhanced, both in the Retail Banking Division - which constitutes the first line of defense, and in the Risk Management Division - which constitutes the second line of defense.

In recent years, the Retail Banking Division has operated special-purpose units. Following are the key ones:

Credit and risk management center - in 2021, it was decided to concentrate under one roof all the loan applications that do not come within the purview of the branches, while separating between account managers and parties which challenge the granting of the loan; serve as a professional resource for loan officers at the branches; regularly monitor and control the provision of credit at the branches, with lessons drawn and conveyed both to the field (branches) and to the Division’s management.

Early collection units and troubled debt centers - coordinate the handling of debts in arrears before classifying the borrower as troubled as well as handling borrowers classified as troubled. These units provide professional services of handling, making arrangements and collection, including through external law firms.

The Risk Management Division monitors and maintains a second line of defense, which includes - inter alia - identification of trends and segments in the private loans portfolio; monitoring the prediction quality of risk estimation models for borrowers; examining the quality and integrity of business entities’ control procedures; reviewing samples of individual portfolios, as needed, etc.

The retail credit policy, formulated by the Risk Management Division in collaboration with the Retail Banking Division, constitutes a key element in outlining the risk appetite and ongoing management of this domain.

The following are some of the key principles of the Bank’s consumer credit policy: Assess each borrower’s credit risk; base underwriting decisions on the borrower’s debt service capacity, especially his/her income and/or based on the account behavior and/or data from the Central Credit Register; create a well-defined, structured chain of command for authorizing credit; adhere to fair business conduct practices (integrity; transparency; match products to customers’ needs; fair pricing; address customer complaints); match the credit to the customers' needs and capacity; and increase awareness of the compliance aspects that could arise from credit provision.

The Bank extended and boosted the ongoing monitoring of its entire consumer credit portfolio, while adhering to strict underwriting, management and control processes at the individual borrower and aggregate level, based, inter alia, on an internal set of indicators.

From time to time, and during 2022, the set of internal measures was revised, both for developments of the entire portfolio ("inventory") and the new credit risk profile, which are monitored on a regular basis, at least quarterly. The parameters under consideration address numerous aspects and characteristics which reflect diverse and complementary points of view about the new credit risk profile. Although these are red flags rather than restrictions (as they are formally defined), they do express the desirable risk appetite at the individual loan portfolio level. In view of the private consumption trends in the Israeli economy, the return to the pre-coronavirus crisis consumption patterns and in the context of the macroeconomic changes that may affect households, especially due to the increase in interest and inflation rates, the Bank closely monitors, on an ongoing basis, the credit portfolio and the effects of these developments on the portfolio's risk profile.

For more information and details regarding macroeconomic effects, please see the section Macroeconomic effects at the beginning of this chapter.

Developments in outstanding overall credit risk (excluding derivatives) for loans granted to private individuals (in Israel, excluding housing loans)

	Balance of credit risk
	In NIS million
December 31, 2020	43,108
December 31, 2021	40,121
December 31, 2022	**43,561**

Following is a distribution of the on-balance sheet credit risk (excluding derivatives) for loans to private individuals, by term to maturity (in Israel, excluding housing loans)

	December 31			
	2022		2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Up to one year	**5,443**	**17.9**	4,785	17.3
Over one year to 3 years	**5,113**	**16.8**	5,253	19.0
Over 3 years to 5 years	**7,675**	**25.3**	7,983	28.9
Over 5 years to 7 years	**6,618**	**21.8**	5,396	19.5
Over 7 years	**2,624**	**8.7**	2,023	7.3
No repayment term[(a)]	**2,896**	**9.5**	2,219	8.0
Total	**30,369**	**100.0**	27,659	100.0

(a) The amount includes outstanding overdrafts in current accounts and outstanding loans in arrears.

Following is a distribution of the overall credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by individual borrower's indebtedness (in Israel, excluding housing loans)

		December 31			
Credit risk amount in NIS thousands		**2022**		2021	
From	To	In NIS million	% of portfolio	In NIS million	% of portfolio
-	25	**6,654**	**15.2**	6,122	15.2
25	50	**5,990**	**13.8**	5,957	14.8
50	75	**5,077**	**11.7**	5,078	12.7
75	100	**4,027**	**9.2**	4,058	10.1
100	150	**6,471**	**14.9**	6,337	15.8
150	200	**4,992**	**11.5**	4,469	11.2
200	300	**5,644**	**12.9**	4,482	11.2
Over 300		**4,706**	**10.8**	3,618	9.0
Total overall credit risk		**43,561**	**100.0**	40,121	100.0

Following is a distribution of the overall credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by main credit products (in Israel, excluding housing loans)

	December 31			
	2022		2021	
	In NIS million	% of portfolio	In NIS million	% of portfolio
Current account balances and utilized credit card balances	**6,669**	**15.3**	5,782	14.4
Car purchase loans (secured)	**1,440**	**3.3**	1,305	3.3
Other loans	**22,260**	**51.1**	20,572	51.3
Total on-balance-sheet credit risk	**30,369**	**69.7**	27,659	69.0
Unutilized current account credit facilities	**7,172**	**16.5**	6,948	17.3
Unutilized credit card facilities	**5,636**	**12.9**	5,265	13.1
Other off-balance-sheet credit risk	**384**	**0.9**	249	0.6
Total off-balance-sheet credit risk	**13,192**	**30.3**	12,462	31.0
Total overall credit risk	**43,561**	**100.0**	40,121	100.0

Distribution of on-balance-sheet credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by linkage segment and interest track (in Israel, excluding housing loans)

	December 31, 2022				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans[(a)]	**28,069**	**33**	**97**	**28,199**	**92.9**
Fixed interest loans	**2,121**	**11**	**38**	**2,170**	**7.1**
Total on-balance-sheet credit risk	**30,190**	**44**	**135**	**30,369**	**100.0**

	December 31, 2021				
	Non-linked	Linked	Foreign currency	Total on-balance-sheet credit risk	% of portfolio
	In NIS million				In %
Variable interest loans	26,245	37	64	26,346	95.3
Fixed interest loans	1,282	16	15	1,313	4.7
Total on-balance-sheet credit risk	27,527	53	79	27,659	100.0

(a) Variable interest loans are exposed to an increase in interest rates, which could affect borrowers' repayment capacity.
As stated above, the Bank monitors the private individuals loan portfolio on an ongoing basis, including analysis of the expected effects in case the interest rate continues to rise.

Balances of financial assets portfolio of private individuals with the Bank, with an overall credit risk (in Israel, excluding housing loans)

	December 31	
	2022	2021
	In NIS million	
Deposits by the public	**104,855**	96,857
Securities portfolios	**51,419**	58,478
Total financial asset portfolio	**156,274**	155,335
Total indebtedness to customers with financial asset portfolios	**31,779**	30,493

Distribution of on-balance-sheet credit risk (excluding derivatives) for loans granted by the Bank to private individuals, by fixed income amount[(a)] (in Israel, excluding housing loans)

	December 31			
	2022		2021	
Level of income	In NIS million	In %	In NIS million	In %
Accounts without fixed income	**3,258**	**10.7**	2,586	9.4
Of which: loan accounts[(b)]	**1,786**	**5.9**	1,732	6.3
Less than NIS 10 thousand	**7,091**	**23.4**	6,891	24.9
More than NIS 10 thousand and less than NIS 20 thousand	**10,381**	**34.2**	9,628	34.8
NIS 20 thousand or more	**9,639**	**31.7**	8,554	30.9
Total	**30,369**	**100.0**	27,659	100.0

(a) The fixed income amount deposited in a customer's current account (by ID number) includes the fixed credits to the customer's account, such as salary, transfers from another bank or bank account, cash deposits, checks, etc. The fixed monthly income is calculated according to the average income on several consecutive months, net of exceptional credits.
(b) A loan account is an account whose only purpose is to repay a loan, while most of the customer's current account activity takes place in another bank.

As aforesaid, the Bank's credit policy towards private individuals is based on a borrower's repayment capacity in relation to his/her income. As a result, over 80 percent of balance-sheet credit is from fixed-income earners.

Distribution of the on-balance-sheet credit risk (excluding derivatives) for loans granted by the Bank to private individuals (in Israel, excluding housing loans)

	December 31	
	2022	2021
	In NIS million	
Non-troubled credit	**29,631**	27,022
Troubled performing credit[(a)]	**516**	433
Non-performing troubled credit[(a)]	**222**	204
Total on-balance-sheet credit risk	**30,369**	27,659
Percentage of troubled credit risk out of total on-balance sheet credit risk to private individuals	**2.4%**	2.3%
Net accounting charge-offs (for the year ended)	**129**	20
Balance of loan loss provision	**711**	716

(a) For more information about the first-time application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H. Comparative figures are presented according to the new disclosure format.

For more information, including regarding troubled debt and loan loss expenses, please see Note 13, Note 30, and the section entitled Risk Exposure, Credit Risk, under the Total Credit Risk to the Public by Economic Sector. And in the Credit Risks section in the Report of the Board of Directors and Management.

The Bank's Exposure to Leveraged Loans

According to Proper Conduct of Banking Business Directive No. 311, the Bank's credit policy should also address leveraged financing. The Bank's credit policy for this segment is subject to unique principles, including with respect to financial criteria, credit authorizations, etc.

As of December 31, 2022, leveraged finance is defined by the Bank in line with the Bank of Israel's directives, and includes loans, borrowers or borrower groups which meet one of the following criteria (the gross indebtedness of each of which does not exceed 0.5 percent of the Bank's Tier 1 capital):

1. Credit for the purpose of equity transactions as defined for the restriction in Proper Conduct of Banking Business Directive No. 323, with credit for acquiring a means of control or against means of control held without recourse is included in each LTV ratio (even if it is lower than prescribed by the Directive).
2. Financing for holding companies the sole purpose of which is to hold subsidiaries (without significant independent operations), as defined by the Bank's policy.
3. Financing for borrowers, by various predefined economic sectors, characterized by significant unusual values of certain parameters in relation to the norms in their respective economic sector.

As of December 31, 2022, the gross outstanding leveraged indebtedness, as defined by the Bank, stands at NIS 4.2 billion, a NIS 1.4 billion increased compared with the previous year. The Bank complies with the Bank of Israel's requirements.

Outstanding aggregated credit granted to leveraged borrowers

	December 31					
	2022			2021		
	On-balance-sheet	Off-balance-sheet	Total	On-balance-sheet	Off-balance-sheet	Total
Economic sector	In NIS million					
Commerce	**372**	**319**	**691**	-	-	-
Transportation and storage	**1,511**	**33**	**1,544**	765	37	802
Hotels, accommodation and food services	**413**	**-**	**413**	557	122	679
Construction and real estate	**152**	**334**	**486**	107	380	487
Financial services and insurance services	**-**	**-**	**-**	244	101	345
Water supply, sewage services, waste and garbage treatment and purification services	**256**	**270**	**526**	265	-	265
Power generation, gas, steam and air conditioning	**234**	**343**	**577**	2	299	301
Total	**2,938**	**1,299**	**4,237**	1,940	939	2,879

For additional qualitative and quantitative information regarding credit risks, please see the Risk Management Report as at December 31, 2022.

Market Risks

Market risk is defined as the risk of loss arising from a change in the value of assets and liabilities due to changes in market prices, interest rates, exchange rates, inflation rate and stock prices. Market risk exposure is reflected in the financial performance, in the fair value of the assets and liabilities, in shareholders' equity and in cash flows.

The Bank complies with the Banking Supervision Department's directives regarding management of the Group's market risks, including Proper Conduct of Banking Business Directive No. 333, "Interest Rate Risk Management", and No. 339, "Market Risk Management". To implement these directives, the Bank established basic principles and control mechanisms for these risks, including defining the purviews of management and the Board of Directors, the means of control and tools for measuring risk and the means of control as well as oversight of these risks, while implementing corporate governance which includes three lines of defense. For a description of the organizational structure and responsibility for the risk management, please see the Additional Information regarding the Exposure to Risk and its Assessment in the Risk Management Report.

During the reporting period, there were no significant changes in the corporate governance structure, policies and market risk management. We shall note that the Bank of Israel has approved to alter the measuring method, for regulatory capital purposes, of pension liabilities and assets designed to hedge these liabilities, as outlined below.

From the end of 2021, there has been a step up with regard to the price increases in the developed countries with an emphasis on the United States and Europe. These price increases are a result of the consequences of the coronavirus crisis relating to the supply chains and the flow of substantial funds from the various central banks, of the effects of the war in Ukraine, including on energy prices, and as a result of other effects related to the demand side in the context of wage increases in the labor market.

The increase in inflation rates and inflation forecasts has resulted in central banks launching sharp interest rate increases in order to slow down price increase rates, even at the cost of a significant slowdown in economic activity. In general, 2022 was also characterized by significant decreases in prices of the leading stock indices and a moderate opening of credit spreads. In the fourth quarter of 2022, the interest rate increases of the central banks in Israel and around the world continued and after three quarter of sharp drops in the stock markets, an increase was recorded in the leading stock indices and a certain reduction in the negotiable credit spreads.

The Bank tracks and monitors developments, applying stringent risk management practices, applying stress scenarios, and continuously examining the development of events and modes of operation in order to prepare in advance and adapt its activity as needed.

Market Risk Management Policy

The market risk management policy is an expression of the Group's market risk management strategy, alongside existing procedures for identifying, measuring, monitoring, developing and controlling market risk. The policy is designed, on the one hand, to support the achievement of business objectives while assessing the risks and rewards that may arise from exposure to the risks compared with the expected gains therefrom and, on the other hand, to mitigate the risk level arising from the Bank's ongoing activities, including by maintaining a high level of liquidity.

The policy constitutes an important tool for defining the Bank's risk appetite for its own (nostro) account, trading rooms and market exposure across the entire Leumi Group. The policy outlines the corporate governance, division of organizational responsibilities and escalation mechanisms. The risk appetite is reflected in the established restrictions.

As part of the market risk management policy, the Board of Directors prescribed restrictions for each material market risk. In addition, restrictions were placed at the Chief Risk Officer level as well as additional restrictions complementing them. The purpose of the restrictions is to limit the damage that can be caused as a result of unexpected changes in various market risk factors, such as interest rates, inflation, exchange rates, marketable credit spreads and stock prices.

The market risks are routinely managed at the Group level.

Market risk management is performed in two risk centers – the banking portfolio and the held-for-trading portfolio.

In order to oversee and monitor the implementation of the market risk management policy, the Board of Directors receives, once every quarter, a report on the main market risk exposures vs. the restrictions placed and main risks by business line, the Group's product and risk focal points, as well as reports on unusual events.

For more information regarding activities by portfolio, please see the Risk Management Report as at December 31, 2022.

Exposure to market risks arising from the employee pension liabilities

The Bank applies US GAAP to employee benefits, as prescribed by the Bank of Israel. The long average duration actuarial obligation to employees is significantly impacted by changes in the discount rate. The discount rate used for calculating the actuarial liabilities for employee benefits is based - according to the directives of the Bank of Israel - on the Government of Israel's bond yield curve plus the fixed spread curve of globally rated AA corporate bonds which match the average durations of the liabilities for employee benefits.

Manner of measuring the pension liabilities for regulatory capital purposes

On September 5, 2022, the Bank's Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to alter the manner of measuring the pension liabilities for the purpose of regulatory capital. For details regarding the effect of the transition to the new method, see Note 25B.

For quantitative information regarding market risks, please see section entitled Market Risks in the Risk Management Report as at December 31, 2022.

For an analysis of the changes in other comprehensive income, please see the section entitled "Material Developments in Income, Expenses and Other Comprehensive Income" in the Report of the Board of Directors and Management.

Market Risks to which the Bank Is Exposed

Interest Rate Risk

Interest rate risk is the risk of gains or capital arising from interest rate fluctuations and stems from several sources, as follows: repricing risk (timing differences in terms to maturity and repricing dates of assets, off-balance-sheet liabilities and positions); yield curve risk (unexpected fluctuations in the yield curve); basis risk (less than perfect correlation between interest rate changes in various financial markets or in various instruments with similar repricing characteristics); and optionality risk (change in the timing or scope of cash flows from a financial instrument due to changes in market interest rates).

The Bank manages the interest rate risk and its effect on profitability, equity, assets and liabilities, under various assumptions of interest rate changes, including severe interest rate stress scenarios based on historic scenarios and hypothetical simulations. The Bank also uses a model which estimates the change in the expected finance income as a result of changes in the interest rate and future interest rate spread as well as the sensitivity of regulatory capital, which includes the effects on capital and capital reserve of a sudden change in the interest rate. These indicators are restricted by various hierarchical levels.

In effect, the interest rate risk is measured and managed on the basis of various behavioral assumptions regarding repayment dates of the assets and liabilities. According to past experience, the Bank treats some of the current account balances as a long-term liability. In addition, assumptions about early repayments of mortgages are based on a statistical model that attempts to forecast early repayment based on interest rates. Such estimates are of great significance in managing interest rate risks, inter alia, due to the marked increase in these balances in recent years. In the context of the sharp interest rate increases in 2022, there is ongoing monitoring and examination of the need to update these models.

The tools for managing the exposures in the banking portfolio are: the price policy; the management of the Bank's own bonds portfolio; the issue of debt instruments; off-balance sheet transactions, and more. In addition, the exposures management relies, inter alia, on forecasts and work assumptions regarding the expected developments in the money and capital markets in Israel and abroad.

The exposure to interest rate changes is measured for both increases and decreases in interest rates in each linkage segment. The measurement is designed to test the sensitivity of the current value structure of assets and liabilities, including pension liabilities, to an interest rate change.

As a rule, interest rate sensitivity is measured at least once a month.

For more information, please see the section entitled Interest Rate Risk, please see the Risk Management Report as at December 31, 2021.

Discontinuation of LIBOR

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the USD LIBOR, which will be discontinued in June of 2023.

On October 3, 2021, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 250A, "Transitioning from LIBOR". The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure proper preparation, while addressing the potential risks embodied in the transition. In addition, the directive addresses aspects of fairness and disclosure required vis-a-vis customers. The directive refers both to existing agreements and new ones.

When selecting the new interest base rates and adopting the alternative calculation methods, the Bank took into account the recommendations of the committees and work groups for the various currencies, including the International Swaps and Derivatives Association (ISDA) and fairness considerations. The Bank updated the relevant customers regarding the expected change, and posted it on its website. As of January 2022, the Bank is transitioning to the new base rates for each of the relevant currencies, and continues its preparations, inter alia, for the discontinuation of the USD LIBOR.

Following is a breakdown of outstanding balances of contracts at the Group level, as of December 31, 2022, which are affected by the LIBOR interest, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR*:

	December 31, 2022
	In NIS million
Loans	**4,066**
Securities	**3,563**
Derivatives (gross) - par value	**76,781**

* LIBOR transactions were converted in all currencies after December 2021, and in USD - they will be converted after June 2023.

Quantitative information about interest rate risk - sensitivity analysis

Net adjusted fair value[(a)] of financial instruments of the Bank and its consolidated companies

	December 31					
	2022			2021		
	NIS	Foreign currency	Total	NIS	Foreign currency	Total
	In NIS million					
Adjusted net fair value[(a)]	**40,072**	**(7,824)**	**32,248**	28,797	(815)	27,982
Of which: banking portfolio	**38,933**	**(7,823)**	**31,110**	27,762	(992)	26,770

(a) Net fair value of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability, which takes into account the relating plan assets and attribution of demand deposits to periods.

For more information regarding the assumptions used to calculate the adjusted fair value of the financial instruments, please see Note 33A.

The effect of scenarios of interest rate changes on the net adjusted fair value[(a)] of the Bank and its consolidated companies

	December 31					
	2022			2021		
	NIS	Foreign currency	Total*	NIS	Foreign currency	Total*
						In NIS million
Simultaneous changes						
Simultaneous increase of 1%	**(697)**	**(475)**	**(1,172)**	233	19	252
Of which: banking portfolio	**(613)**	**(474)**	**(1,087)**	331	(17)	314
Simultaneous decrease of 1 percent	**235**	**398**	**633**	(1,186)	(136)	(1,322)
Of which: banking portfolio	**147**	**398**	**545**	(1,290)	(131)	(1,421)
Non-simultaneous changes						
Steepening[(b)]	**(317)**	**(368)**	**(685)**	247	11	258
Flattening[(c)]	**236**	**(41)**	**195**	(259)	(175)	(434)
Short-term interest rate increase	**157**	**(323)**	**(166)**	26	(199)	(173)
Short-term interest rate decrease	**(152)**	**165**	**13**	(2)	211	209

(a) Net fair value of the financial instruments, excluding non-monetary items and after the effect of the employee benefits liability, which takes into account the relating plan assets and attribution of demand deposits to periods.
(b) Steepening - a short-term decrease in the interest rate and long-term increase in the interest rate.
(c) Flattening - increase in interest rate in the short-term and decrease in the long-term.

* After netting effects.

Comment: The table presents the change in the net adjusted fair value of all the financial instruments, under the assumption that the noted change occurred for all interest curves in all linkage segments.

- The difference between the exposure to interest rate changes as reported in the above table and the one reflected in the detailed disclosure by period in the Risk Management Report as at December 31, 2022 arises from the exposure to the interest rate in the above table being in a full change scenario of 1 percent in the curve, which is affected differently from models and the curve's convexity.

The difference between the interest rate exposure as reported in the above table and the economic value exposure presented in the Risk Management Report as at December 31, 2022 stems from a different treatment of pension liabilities. The exposure of the fair value to a 1 percent interest rate increase amounts to approx. NIS 1.2 billion. During 2022, there was an increase in the fair value exposure for a 1 percent increase in interest, mainly a result of the effect of the provision of credit, including mortgages, which was partially offset by bond issuances and the raising and lengthening of public deposits. In addition, the increase in the interest rate recorded during the year had an effect on the sensitivity of the value of assets and liabilities to changes in the interest rate.

Effect of scenarios of interest rate changes on net interest income and on noninterest finance income

	December 31					
	2022			2021		
	Interest income	Noninterest finance income	Total*	Interest income	Noninteres t finance income	Total*
	In NIS million					
Simultaneous changes						
Simultaneous increase of 1 percent	**1,098**	**(150)**	**948**	1,092	191	1,283
Of which: banking portfolio	**1,098**	**(69)**	**1,029**	1,092	254	1,346
Simultaneous decrease of 1 percent	**(1,098)**	**153**	**(945)**	(1,464)	(154)	(1,618)
Of which: banking portfolio	**(1,098)**	**69**	**(1,029)**	(1,465)	(253)	(1,718)

* After netting effects.

The sensitivity of the income in the above table is a theoretical estimate calculated on the basis of parallel change in all interest rate curves, using assumptions regarding changes in deposit and credit spreads, as well as changes in the structure of the assets and liabilities under certain scenarios.

During the fourth quarter and on the back of the interest environment, adjustments were made to the calculation's underlying data.

During 2022, the Group complied with all interest exposure restrictions set by the Board of Directors.

For more information, please see the Risk Management Report as at December 31, 2022.

Basis Risk (Foreign Currency and CPI)

Linkage basis risk is the risk of loss as a result of changes in the consumer price index or foreign exchange rates, due to the difference between the value of the assets and the value of the liabilities, including in respect of future transactions in each of the linkage bases.

Leumi is active in currency markets through spot, forward and option transactions both for its customers and its own account. Transactions in derivatives in the banking portfolio are mainly used to financially hedge the on-balance sheet activity. These, however, most are not considered a perfect hedge under accounting principles, and therefore affect the accounting profit and loss as a result of the difference in accounting for on-balance sheet assets and liabilities and derivatives. The effect is managed, monitored and reported to the Investment Committee and Assets and Liabilities Management committee.

The linkage basis exposure is managed according to the Board of Directors' restrictions.

The actual group-level economic exposure; the data are presented as a percentage of the accounting capital

	Actual situation December 31	
	2022	2021
	In %	
Non-linked	**(41.1)**	(36.9)
CPI-linked[(a)]	**42.6**	37.5
Foreign currency	**(1.5)**	(0.6)

(a) The exposure does not account for the effect of index floors on the capital invested in the segment.

In 2022, the effect of the change in foreign currency rates on the net income was immaterial since the Bank does not have substantial Forex exposures.

For quantitative information regarding balances in the linkage bases, please see Note 31.

The sensitivity to changes in the exchange rates of the main currencies as at December 31, 2022. The measurement relates to the effect of the changes on the Bank's capital and includes the on-balance sheet and off-balance-sheet instrument activity

	USD	EUR	GBP	CHF	YEN
	In NIS million				
10 percent increase in the exchange rate	**(27)**	**(4)**	**10**	**1**	**-**
10 percent decrease in the exchange rate	**78**	**20**	**(7)**	**-**	**1**

The sensitivity to changes in the CPI as at December 31, 2022. The measurement relates to the effect of the changes on the Bank's capital and includes the on-balance sheet and off-balance-sheet instrument activity

	Effect of the changes on the Bank's capital
	In NIS million
3% increase in the CPI	**632**
3% decrease in the CPI	**(632)**

Investment in Equity Securities and Mutual Funds

The Bank has defined the Group's investment policy, including restrictions both on the overall investment amount and the amount per company, the investment mix and the different risk levels for various types of investments.

Exposure of the investments in equity securities and mutual funds in the banking portfolio

	Book balance and fair value	
	December 31	
	2022	2021
	In NIS million	
Marketable equity securities and mutual funds in the not held-for-trading portfolio	**2,020**	2,601
Non-marketable shares in the not held-for-trading portfolio	**2,333**	1,743
Total	**4,353**	4,344

For additional qualitative and quantitative information regarding the share price risk, please see under "Share Price Risk" in the Risk Management Report as at December 31, 2022.

For additional qualitative and quantitative information regarding market risks, please see the Risk Management Report as at December 31, 2022.

Liquidity and Financial Risk

Liquidity risk is the risk to the banking corporation's profits and stability resulting from the inability to meet its liquidity needs.
Financing risk is the risk of an insufficiently stable financing source structure which fails to serve its designated utilization rate in the long term.

Leumi maintains an adequate liquidity level. Leumi's main financing base in NIS is the deposits by the public and promissory notes, which constitute a stable financing source. In foreign currency, Leumi's main financing base is deposits of corporations, financial deposits and deposits of Israeli and foreign resident individuals.

The concentration of the sources is audited and managed by the Bank as part of its liquidity risk management. The Bank performs follow-up on the composition and concentration of sources by several categories, including: Customer size and type, single depositor. Ongoing daily measurement of the liquidity indicators, minimum coverage ratio, and monitoring of warning signs enable dynamic management and follow up to ensure that the sources are sufficiently diversified, and that the liquidity status and trends are adequately supervised and controlled.
The Leumi Group's liquidity risk management policy is part and parcel of its strategic business management and is adapted to the requirements of Proper Conduct of Banking Business Directive No. 342, Liquidity Risk Management, and also the requirements of Proper Banking Management Directive No. 221, Liquidity Coverage Ratio, and the requirements of Proper Conduct of Banking Business Directive No. 222 - Net Stable Funding Ratio, which adopt the recommendations of the Basel III Committee, with adjustments for the Israeli economy.

Proper Conduct of Banking Business Directive 221 - Liquidity Coverage Ratio is intended to ensure that a banking corporation will hold an adequate inventory of high quality unencumbered liquid assets, comprised of cash or assets that can be converted into cash in private markets with little or no loss of value, in order to meet the banking corporation's liquidity needs in an extreme liquidity scenario lasting 30 days.

The regulatory requirement is to meet a liquidity coverage ratio of at least 100 percent.

The liquidity coverage ratio is routinely used on a daily basis to assist in monitoring and control of the liquidity risk. The report on the liquidity coverage ratio to the senior management is made at least once each month and to the Board of Directors at least once each quarter. In accordance with the Directive's requirements, in extreme situations the reporting frequency will be increased to weekly and even daily. In special situations, an immediate report will be submitted to the senior management and to the Board of Directors.

Proper Conduct of Banking Business Directive No. 222, Net Stable Funding Ratio, demands that banking corporations maintain a stable funding profile according to their asset composition and off-balance sheet operations. Maintaining a sustainable financing structure over time is intended to reduce the chances that disruptions in the banking corporation's permanent sources of financing will erode its liquidity situation in a way that will increase its risk of default and lead to a broader systemic scenario.

The regulatory requirement is to meet an NFSR ratio of at least 100 percent. The Net Stable Funding Ratio must be reported to the senior management and Board of Directors at least once each quarter.

The Bank has a contingency plan in place for early identification handling of a liquidity crisis, which includes a system of warning signs that can indicate a change in the Bank's liquidity status. Upon the appearance of warning signs, a special forum at the Bank will convene to examine the need to activate the plan, based on the level of severity. The contingency plan includes a list of detailed operational measures outlining, among other things, the order of asset disposal, customer care policies, and systems of reporting to all business entities, the Board of Directors and the Bank of Israel.

On January 1, 2023, updates of Proper Conduct of Banking Business Directives 221 and 222 entered into effect. The effect of these revisions on the date of implementation on the liquidity coverage ratio is a decrease of approx. 10 percent. Also after implementation, the LCR ratio is above the set limits.

Leumi maintains an adequate liquidity level by investing its own (nostro) portfolio in high-quality diversified assets in NIS and foreign currencies, so as to meet all liquidity needs under a variety of stress scenarios, as well as through a policy of raising diversified and solid sources for different periods of time, with emphasis on raising deposits from retail customers and issuing long-maturity bonds.

Leumi monitors its liquidity position using indicators capable of providing early warning of changes in the liquidity position, inter alia, by using a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel's directives and accepted international standards.

During the fourth quarter of 2022, there was an increase in the liquidity coverage ratio compared to the end of the third quarter of 2022 and end of 2021. This is due to the increase in the stable sources exceeding the increase in the uses. In 2022, the LCR in foreign exchange and across all currencies was above the regulatory requirement.

The banking corporation's liquidity coverage ratio (regulatory model) is based on an average of daily observations.

Liquidity coverage ratio

	For the three months ended December 31	
	2022	2021
	In %	
a. Consolidated data		
Liquidity coverage ratio	**131**	124
Minimum liquidity coverage ratio required by the Banking Supervision Department[(a)]	**100**	100
b. Banking corporation's data		
Liquidity coverage ratio	**129**	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100

Comment: Based on an average of daily observations.

The Bank meets the regulatory requirement as at December 31, 2022.

For more information, please see the section entitled Liquidity Risk in the Risk Management Report as of December 31, 2022 and Note 25.B.

Net stable funding ratio

	As at December 31	
	2022	2021
	In %	
a. Consolidated data		
Net stable funding ratio	**128**	131
Net stable funding ratio set by the Banking Supervision Department	**100**	100
b. Banking corporation's data		
Net stable funding ratio	**127**	131
Net stable funding ratio set by the Banking Supervision Department	**100**	100

The Bank set internal Net Stable Funding Ratio restrictions, in addition to the Liquidity Risk Management restrictions.

The Bank is in compliance with a regulatory requirement as of December 31, 2022.

For additional qualitative and quantitative information regarding liquidity risk, please see under "Liquidity Risk" in the Risk Management Report as at December 31, 2022, as well as Note 32.

For qualitative and quantitative information regarding financing risk, please see under "Additional Information on Liquidity Risk and Financing Risk" in the Risk Management Report as at December 31, 2022.

Linkage Status, Repayment Periods and Liquidity Position

A. Linkage Status

Following is a summary of the linkage balances, according to Note 31 to the financial statements

	December 31					
	2022			2021		
	Non-linked	CPI-linked	Foreign currency[b]	Non-linked	CPI-linked	Foreign currency[b]
	In NIS million					
Total assets[a]	**498,325**	**58,869**	**166,641**	456,597	54,144	186,271
Total liabilities[a]	**474,383**	**37,620**	**175,684**	437,018	37,868	188,324
Surplus (deficit) of segment assets	**23,942**	**21,249**	**(9,043)**[c]	19,579	16,276	(2,053)[c]

(a) Including forward contracts and options.
(b) Including foreign currency-linked.
(c) The excess foreign currency liabilities stems mainly from an insurance coverage transaction against a tax exposure for investments in the Bank's foreign operation, investment in equity securities and mutual funds classified as a non-monetary item.

The ongoing management and reporting of the Bank's exposure to basis risks are made in line with the economic approach, which includes adjustments and additions to the accounting approach presented above. The basis exposure calculated according to the economic approach is detailed in the section entitled "Risk Exposure and Management Thereof".

In 2022, the deposits by the public grew by a total of NIS 32 billion (including subordinated bonds and capital notes). The loans to the public increased by NIS 42 billion; investments in bonds decreased by NIS 4 billion; deposits with banks, net, decreased by a total of NIS 8 billion.

B. Repayment Periods

In 2022, the Bank was characterized by a high level of shekel liquidity, due to the increase in deposits by the public, and mainly as a result of the Bank's express policy to raise funds from stable and diverse resources, by raising deposits from a large number of customers for various time frames, including long-term.

About 33 percent of the Bank's assets are deposited for short terms in banks and invested in marketable securities, especially government bonds.

In 2022, the Bank met all of the liquidity restrictions in the various scenarios, pursuant to the policy, which aims to secure resilience even under theoretical severe stress scenarios.

Following are the future cash flows of the assets and liabilities by repayment periods and linkage basis (including derivatives and excluding non-monetary items) (for more information, please see Note 32).
According to the directives of the Bank of Israel, cash flows for a liability with several repayment dates shall be classified according to management's assessment, at its discretion, or according to the earliest contractual payment date.

A banking corporation is required to present its cash flows for assets and liabilities separately for shekels (including shekels linked to foreign currencies) and foreign currencies. In addition, cash flows for net settled derivatives shall be classified into shekels or foreign currencies according to the currency in which it is settled. Off-balance-sheet amounts of these derivatives may not be reported.

Excess assets over liabilities*

	As at December 31, 2022		
	NIS	Foreign currency	Total
Term to maturity:	In NIS million		
Up to one month	**(78,611)**	**(51,340)**	**(129,951)**
From one month to one year	**(44,542)**	**(3,095)**	**(47,637)**
From one year to 5 years	**88,779**	**28,043**	**116,822**
5-10 years	**63,763**	**16,999**	**80,762**
Over 10 years	**87,508**	**15,538**	**103,046**
Without repayment date	**3,028**	**2,311**	**5,339**
Total	**119,925**	**8,456**	**128,381**

	As at December 31, 2021		
	NIS	Foreign currency	Total
Term to maturity:	In NIS million		
Up to one month	(111,411)	(62,282)	(173,693)
From one month to one year	(3,827)	21,138	17,311
From one year to 5 years	74,363	22,381	96,744
5-10 years	54,335	5,869	60,204
Over 10 years	64,122	15,728	79,850
Without repayment date	1,035	1,463	2,498
Total	78,617	4,297	82,914

* Less excess (deficit) in balances for derivatives.

c. Liquidity Position and Raising Financial Sources

Liquidity position and raising financial sources from the Bank

In 2022, there was a decrease in liquidity surplus levels of the banking system in Israel, among other things in the context of the increased volume of the Bank of Israel's short-term loan issuances. To absorb the surplus in the system, the Bank of Israel conducts monetary tenders each day, week and liquidity period. The short-term loan is a supplementary monetary tool used by the Bank of Israel.

The composition of the Bank's assets and liabilities continues to indicate a high level of liquidity, as a result of a policy intended to raise funds from stable and diverse resources, with emphasis on raising resources from a large number of customers, diverse customer segments, for different time frames and in various currencies.

Leumi monitors its liquidity position using indicators capable of providing early warning of changes in the liquidity position, inter alia, by using a regulatory model, as well as internal models developed by Leumi in accordance with the Bank of Israel's directives and accepted international standards.

The balances of the banking industry (current accounts and monetary deposits) in the Bank of Israel as at the end of December 2022, was NIS 476 billion, compared with NIS 548 billion as at the end of December 2021.

Leumi's balances (current accounts and monetary deposits) in the Bank of Israel as at the end of December 2022 was NIS 166 billion, compared with NIS 173 billion as at the end of December 2021.

The net balance of cash and deposits with banks as at December 31, 2022 was NIS 164 billion, compared with NIS 172 billion as at the end of December 2021.

In addition, the Bank has a securities portfolio valued at NIS 79 billion, which is invested primarily in Israeli government bonds, foreign government bonds and bonds of foreign-based banks, compared with a balance of NIS 83 billion as at December 31, 2021.

During the reporting period, the customers' off-balance-sheet monetary assets were down by NIS 218 billion, amounting to a total of NIS 1,270 billion.

The deposit balances of the three largest depositor groups totaled NIS 42,498 million as at December 31, 2022.

Main regulatory restrictions on the transfer of liquid means or regulatory capital between the Group's companies in Israeli and foreign operations are as follows

The Bank of Israel does not restrict the Bank's deposits with the Group's subsidiaries in Israel and abroad, but has imposed restrictions on the Bank's capital investments and bonds in foreign companies abroad. Any increase in investment or a decrease in holding any type of means of control to less than 80 percent requires prior approval by the Bank of Israel.

Operational Risks

Operational risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.

The Leumi Group engages in a wide range of financial activities and is therefore exposed to operational risks which include, inter alia: Information security and cyber risks, technological risk, business continuity risk as well as embezzlement and fraud risks.

The risk management approach is consistent with the Leumi Group's strategy, constitutes a basis for defining its risk tolerance, the manner of managing risk and corporate governance and determining the focus and emphases in operational risk management processes, allowing for informed and well-focused risk management as well as prioritizing tasks and resources.

The regulatory capital required for operational risks is calculated using the standardized approach in the capital adequacy measurement directives of the Banking Supervision Department.

To mitigate potential damage in the event of risks materializing, the Leumi Group has a range of insurance policies covering various operational risks, including, inter alia, a banking insurance policy, a directors' insurance and officer insurance policy as well as a cyber insurance policy. The insurance policies are reviewed from time to time.

For more information on regulatory changes in the reporting period and anticipated changes regarding the measurement of capital adequacy, please see Capital and Capital Adequacy in the Report of the Board of Directors and Management.

Corporate governance structure

In addition to information about the corporate governance structure of risk management in the Bank, which is described in the section entitled "Additional Information about Risk Exposure and Assessment Thereof", following is more information regarding operational risk management:

First line of defense - The business lines' managements, support units and Leumi Technologies are responsible for managing the operational risks in their respective purviews, both on an ongoing basis and for new projects and products.

Second line of defense - the Operational, IT and Cybersecurity Risk Department in the Risk Management Division is responsible for, and leads, the operational risk management process, while developing risk policy and risk tolerance recommendations, formulating methodologies, as well as professional responsibility for, guidance of and challenging of the effectiveness level (subject to materiality) the first line of defense in the risk management process.

Third line of defense - Internal Audit. The Internal Audit Division is responsible for conducting an independent, objective audit and for challenging controls, processes and automated systems in the banking corporation. The audit is usually performed retrospectively on the first and second lines, ensuring implementation of the guidance of management and the Board of Directors.

Management and board of directors' committees - Each quarter, the committees hold a discussion on the material exposures to operational risks. The operational risk management policy is brought before the Board of Directors for discussion and approval at a frequency not less than once every two years.

The operational risk policy and management framework

The Group's operational risk management policy outlines Leumi's operational risk management principles, guidelines and framework, including: Risk-oriented management adapted to each business line and a focus on risks with potentially significant consequences for the Bank's activity.

To allow the Board of Directors and management to exercise appropriate corporate governance, operational risk tolerance was defined through quantitative restrictions and qualitative declarations.

The operational risk profile is periodically monitored and reported on a quarterly basis to the Bank's management and Board of Directors, serving as a basis for decision-making.

The Bank revises the operational risk map from time to time. The revision is made by the first line units, with the Risk Management Division providing guidance, challenging, and assistance. The process includes identification and (qualitative and quantitative) assessment of the risks and recommendations for minimizing the risks (risk mitigation plans). In addition, there is a system in place supporting risk reporting, documentation of controls, mitigation plans and failure events.

The Bank manages risks in material new projects and products on the basis of a methodology which includes risk identification and mitigation with the aim of complying with Leumi's business and operating goals.

Since the operational risks are cross-organizational, the Risk Management Division is taking steps to instill an advanced risk management culture, including reporting on incidents and drawing conclusions.

Main operational risk areas:

Information security and cyber risk

Leumi continues to promote the provision of financial services through digital platforms and expands the use of advanced technologies. As a result, the risk of cyber-attacks is growing, and Leumi's exposure to the materialization of cyber risks grows, respectively.

Cyber-space is highly dynamic and characterized by uncertainty in terms of the type, scope and force of the attacks. A materialization of a cyber event may result in monetary damage, theft of sensitive banking information, disruption of activity and operational continuity and even damage to the Bank's reputation.

Managing cyber risk and protection are implemented by investing significant resources. The resources are invested according to the business strategy and risk tolerance.

As part of the efforts to reinforce cyber protection and manage cyber risk, Leumi developed a policy and tolerance, drew up a cyber risk map, implements mitigating programs and recovery capabilities and conducts cyber drills.

Leumi operates Fusion Center - a cyber protection center, which features a range of cyber security specialists who monitor, collect and manage intelligence and handle cyber incidents, with the purpose of identifying and neutralizing unusual incidents which may harm the Bank and its customers.

The increase in cyber-attacks on financial organizations in Israel and around the world, as well as on entities in their supply chains continues. The characteristics of the attacks are varied and include ransomware attacks, phishing and social engineering attempts. The exposure to the probability of a cyber event materializing increases as a result of a wider use of digital channels by customers and extensive and remote work by employees and suppliers.

Leumi takes several steps to mitigate the risks, including: implementing preventive and detective controls, conducting information security surveys, boosting monitoring to remove fictitious websites, rendering authorization management and control processes more stringent, and increasing awareness to information security guidance among the employees.

During 2022, no cyber incidents were discovered which affected Leumi's financial statements.

Technological risk

Leumi attributes great importance to ensuring that the technological infrastructure servicing its customers and employees will enable business and operational availability and continuity, and invests considerable resources to that end. The Bank implements a new product policy, which outlines the risk management processes involved in introducing new products, including new technological initiatives and innovation.

Leumi is implementing a business-technological (modernization) plan to achieve its business goals in the coming years. The plan is subject to stringent corporate governance.

Business continuity risk

Leumi manages and implements processes with the purpose of allowing quick recovery in case of emergency and stress events, while minimizing the damage to the business activity. The processes include the following:

- A business continuity policy that defines corporate governance, principles, and the key principles and processes in case of an emergency, including a set of responses and redundancy.

- A work framework that includes business continuity plans, business impact analysis based on risk surveys, recovery strategies and a drill methodology.
- Maintaining stability of technological infrastructures, recovery capabilities, including backup and recovery.

An emergency preparedness plan has been developed an implemented for two types of events - a brief emergency event and a prolonged emergency event. The policy, means, processes and solutions were adjusted to a wide range of scenarios, including a prolonged emergency event. A redundancy solution was defined, including resource redundancy (defining critical units and classifying employees for emergencies or prolonged emergency situations; training employees on versatility and back-up); physical redundancy; defining back-up facilities for critical units and technological redundancy: expanding infrastructure for emergency work and telecommuting.

Outsourcing and supplier risk

Leumi contracts suppliers and sub-suppliers for various business needs and adopts new products and services developed by external entities. Its dependence on suppliers exposes the Bank to various risks, including business continuity, disruption and information leakage. Such risks are managed on an ongoing basis through risk management and a new product, procurement processes, information security, business continuity and cyber security workflows and anchored accordingly in policy papers and procedures.

An outsourcing policy was formulated and is being implemented, addressing third party risk issues as part of the operational risk policy.

Embezzlement

To address the embezzlement risk, the Bank works on several levels to increase awareness among all Bank employees, with emphasis on risk managers and heightened monitoring of employees on the verge of leaving the Bank, a speakup mechanism which encourages employees to report breaches, etc.

A chapter was dedicated to managing fraud and embezzlement risks as part of the operational risk management policy and a special embezzlement forum was appointed to handle the issue.

Fraud

The expanded use of digital channels could increase exposure to embezzlement risks in terms of identity, money and information theft, as well as compromise functionality and cause customer information leaks and misuse of information. Leumi invests significant resources in identifying and mitigating these risks through focused, ongoing monitoring.

The human resource risk

The changes in the business and banking environment have had a bank-wide effect of the human capital domain as well, inter alia due to the need to adjust the work force and boost managerial skills in a changing world, including managing telecommuting and employee engagement. Leumi uses various means to handle risk, including: improving hiring capabilities, expanding hiring channels.

On December 31, 2022, the collective agreement on employee pay and benefits expired; the agreement was effective during 2019-2022. Currently, the Bank's management and employee representatives are holding negotiations to sign a new collective agreement.

For more information about operational risk and main risk areas, please see the “Operational Risks” section in the Annual Risk Management Report as at December 31, 2022.

Climate and Environmental Risk

Environmental and climate-related risks to the Bank are exposure to potential damage which may be caused as a result of events or processes related to the environment, including climate change.

Environmental risks arise from the Bank's exposure to activities which may potentially cause environmental damage or be affected therefrom, such as: greenhouse gas emissions, waste creation, air or water pollution, soil contamination, compromised biodiversity, deforestation and extreme weather events.
Environmental and climate-related risks are usually divided into three types:

- Physical risks - financial risks due to the exposure to damage from acute extreme events related to climate or weather (such as heat waves, droughts, avalanches, floods, fires, storms and more) and/or exposure to damage from gradual chronic processes related to climate change (such as a rise in the sea level, an increasing average temperature).
- Transition risks - financial risks due to exposure to the transition process to an economy with low greenhouse gas emissions, which may include changes in climate and environmental policy, technological changes or changes in the public's preferences.
- Liability risk - financial risks due to the exposure to legal claims, in which the plaintiffs demand the imposition of responsibility and/or request compensation for damages or losses related to climate change.

The Bank is exposed to these risks both directly and indirectly.

Environmental risks may have a financial and non-financial impact on the Bank, such as: credit risk, market risk and liquidity risk, as well as operational risk, compliance risk, legal risk, regulatory risk, reputational risk (such as in a case where the Bank is attributed a connection to an environmental hazard, either directly as the creator of the hazard or indirectly as the financier of the hazard).

The Bank's Board of Directors considers the management of environmental and climate risks an integral part of the Bank's business strategy and goals, to preserve the Bank's stability, in view of its centrality and importance for the economy and the Israeli society and as a business-strategic opportunity. Leumi recognizes the economic, social and environmental responsibility assigned to it in accompanying and supporting our customers in the transition process through the provision of credit and supporting investments. Focus on the management and assessment of exposure to climate-related risk along with identification of the opportunities is an integral part of the process.

Management of environmental and climate risks is done in accordance with today's leading global practices and regulatory developments, for example, the work framework of the Task Force on Climate-Related Financial Disclosures (TCFD), which serves as a basis for regulations on the subject of environmental and climate risk management in the financial sector around the work and for guidelines and principles published from time to time by the Banking Supervision Department in Israel.

In December 2022, the Banking Supervision Department published another circular (in continuation to the circular dated December 5, 2021) which includes recommendations for disclosure regarding the Bank's risk management issues and environmental opportunities, including climate risks. These examples include a broader reference to how the Bank manages the environmental risk and opportunities, a broader description of the factors of environmental risk and opportunities that have been identified and their impact, as well as quantitative disclosure of indices and targets used by the Bank to manage environmental risks and opportunities.

Corporate governance structure

Bank Leumi has formulated an organizational structure and framework for environmental and climate risk management that is integrated into the existing corporate governance and constitutes an integral part thereof. The framework includes the determining of a strategy and long-term targets, policy, allocation of responsibility between the various Bank units, reporting mechanisms and supervision and control mechanisms over the implementation of the policy and strategy.

The Board of Directors and its committees are responsible for defining the strategy and policy, determining the risk appetite and supervising their implementation. The management is responsible for the implementation of the Board of Directors' decisions on climate issues, setting of targets according to the risk appetite approved by the Board of Directors, identifying opportunities and monitoring the meeting of targets. The Risk Management Committee is responsible for supervising the climate and environmental risk management, approval of the risk management policy in the relevant areas, receipt of reports on significant changes in policy and holding periodic discussion regarding the policy once every two years.

For more information regarding the organizational structure for environmental and climate risk management, please see the chapter Corporate Governance in this report and in the ESG Report.

Climate risk management framework and policy

The Bank has formulated a framework and policy for managing environmental and climate aspects, which establishes principles for identifying and managing risks and defines the areas of responsibility and reporting mechanisms. In addition, it is formulating a work plan that includes improved methodologies and measurement methods. Alongside actions taken by the Bank to identify and map the exposure to climate and environmental risks and to reduce them.
The Bank is working to identify and promote business opportunities, encourages "green" initiatives, is developing the tools and expertise to develop financing products for "green" activity and invest in smart systems in order to preserve and develop the current situation. The Bank strives to reach a target of NIS 35 billion in financing such initiatives by 2030. In addition, the Bank is developing "green" products and value propositions for retail customers and is examining how to support its business customers in transitioning to sustainable activity. On December 31, 2022, the initiatives amounted to NIS 18 billion.

This constitutes forward-looking information, the materialization of which is uncertain and not under the Bank's sole control, taking into account that this is an "evolving" domain.

The Bank is formulating, assisted by a consulting firm, a methodology for evaluating the exposure potential of sectors in Israel to key risk factors in environmental and climate risk aspects and methodologies for evaluating individual credit risks to borrowers in the sectors. Implementation of the individual measurement will be carried out according to the risk and materiality based multi-year work plan.

In 2022, training was conducted for the business units that provide credit and make investments to identify activities and opportunities that contribute to reducing and dealing with environmental and climate aspects.

Identification and management of climate risks in principal risk management

The Bank recognizes that the identification and assessment of the environmental risk is part of an adequate risk assessment process and is working to implement environmental risk exposure management, including climate risk (physical risk and transfer risk), as follows:

- **Risk management as part of credit activity** - The Bank formulated a plan for the construction and assimilation of processes that will enable the identification, measurement, evaluation, monitoring, reporting and control of these risks, including ways of managing them and reducing their impact on the credit exposures.

- **Investments and nostro risk** - market and investment risk management policy determines guidelines for managing the risk, including **combining** environmental and climate risks in the investment decision making process and in the **management** of existing investments. The work plan to improve the methodologies and measurement tools for managing environmental and climate-related risks also include investments; the aim is to develop tools and expertise to promote environmentally-friendly measures and business opportunities. **Operational risk** - The Bank has set itself a goal that the direct and indirect impact of its activity will lead to a reduction in the negative effects of the environment. From 2013 until now, the Bank's carbon footprint has cumulatively declined by 49 percent.

  For that purpose, for the past decade, the Bank has, among other things, held ISO 14001 certification, under which regulations related to environmental risks are managed and monitored, the Bank set long-term targets which aim to reduce the Bank's carbon footprint.

- **Reputational risk** - A policy has been formulated for the management of reputational risk, which is adapted to the Bank's strategy and includes reference to the issue of environment and climate. The annual work plan includes communication of business moves on the subject.

Scenario analysis

A key component in determining the framework for the management of environmental and climate risks is the ability to identify, evaluate and manage risks and opportunities in the various economic sectors, including an individual analysis of key borrowers that will provide the Bank with insights regarding how the borrowers are likely to be affected by the materialization of the risks. The Bank prepared an initial qualitative analysis for mapping the main climate risk factors with a breakdown by economic sector. For more information on the subject, please see the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2022.

Environmental risk is an "evolving" risk. Evolving risks are characterized by lack of quantitative data of adequate historical depth for their estimate and by high variance compared to other risks over time; this requires well-structured processes to adjust their management and measurement tools.

The Bank is monitoring regulatory, technologies and company-based developments, studying them and adjusting the risk management tools and methodologies on an ongoing basis.

The information in this section constitutes forward-looking information. For the meaning of the term, please see under "Forward-Looking Information".

For more information, please see the Environment chapter in the Bank's Environmental, Social and Governance (ESG) Report for 2022.

Other Risks

Regulatory Risk

Regulatory risk is the risk of legislative and regulatory changes affecting the income and expenses of the Group, its capital, areas of activity or the business environment in which it operates.

The Leumi Group operates in a complex and multi-dimensional environment. Continuous material changes in a variety of regulatory fields require adequate, ongoing preparations by the Bank.

Recently, the emphasis had been placed mainly on guidance in the following areas:

Directives regarding boosting competition in the financial sector, especially in the area of Open Banking, directives addressing the conduct and fees and commissions, risk management directives - especially ESG risk management, privacy protection and information security directives.

For more information, please see Laws and Regulations Governing the Banking System.

The abovementioned trends and changes affect, and are expected to continue to affect, the Israeli banking system in the coming years. The Bank monitors and identifies relevant regulatory provisions, and examines its preparedness for the following: changing market conditions; increased competition and transparency; entry of new players into traditional banking domains; use of databases and information of the Bank's customers by non-banking entities; and providing customers with tailored value propositions. At the same time, the regulation erodes income, increases compliance expenses and requires constant improvement of the service and innovation levels.

Compliance Risk

Compliance risk is the risk of a legal or regulatory sanction being imposed, or a material financial loss or a reputational damage incurred, by the banking corporation as a result of failing to comply with the provisions of the law or regulations.

Proper Conduct of Banking Business Directive No. 308, "Compliance and the Compliance Function in Banking Corporations", formally defines the compliance function's areas of responsibility at the Group level. The directive stipulates that a bank must assess the effectiveness of its compliance risk management, and find means to measure it, with the risk derived from the entire body of laws governing the Bank's activity.

According to the Bank's policy, compliance risk is managed at the Group level. In this context, various steps are taken to supervise and control foreign office and subsidiaries in order to monitor implementation of compliance aspects as a whole and apply the Group's compliance policy. To effectively manage compliance risk, Leumi has in place a compliance and enforcement function, headed by the Chief Compliance Officer. The Chief Compliance Officer is responsible, among other things, for meeting the legal requirements of the prohibition on money laundering and terror financing and implementation of the international sanction regimes in accordance with the Bank's policy.

The Compliance Officer, responsible for implementing global sanction regimes, conducts the necessary reviews and makes the relevant adjustments on a regular basis. During the past year, following a significant expansion of global sanction regimes against Russia and Belarus, the compliance program on the subject was revised.

The Chief Compliance Officer also serves as the securities law enforcement officer, the privacy protection officer, and the officer responsible for FATCA implementation, the CRS and the QI agreement.

The Compliance and Enforcement Department reports to the Chief Risk Officer.

A. Prohibition on money laundering and prohibition on financing of terrorism

Maintaining proper compliance culture across the entire organization requires an effective control and enforcement framework. To this end, strict work procedures and control and enforcement processes have been established for all workflows and their relevant compliance risks. The purpose of the control and enforcement framework is, among other things, to identify existing and potential gaps and exposures in order to determine whether work processes and training programs should be revised.

The Compliance Department is in regular contact with subsidiaries in Israel and abroad, for the purpose of monitoring the implementation of compliance issues as a whole as well as the implementation of the Group's compliance policy.

Among other things, the Bank focuses on risk areas in financial technology domains (such as FinTech, P2P, hedge funds, financial service providers, virtual currencies, etc.) – managing compliance risk and prohibition on money laundering risk in an evolving financial technology environment characterized by professional complexity and a lack of practices incorporated into the control processes due to the novelty of the issues at hand.

B. Administrative enforcement

The Law of Efficiency of Enforcement Procedures in the Israel Securities Authority (Legislative Amendments), 2011 was designed to streamline the enforcement of legislative provisions in the securities domain. The law allows the regulator to impose various sanctions on a corporation, its officers and employees if they have violated the relevant provisions.

The Group's Chief Compliance Officer also serves as the Chief Compliance Enforcement Officer, responsible for the implementation of the internal enforcement program in the area of securities and investment management which was approved by the Bank's Board of Directors.

C. Foreign Account Tax Compliance Act (FATCA) - Common Reporting Standard (CRS) and the reported funds policy and Declared Money Policy (DMP)

On July 14, 2016, the Income Tax Ordinance Amendment Law (No. 227), 2016 was published, on the implementation of the FATCA agreement between the State of Israel and the United States and agreements for information exchange between Israel and other countries, pursuant to the Standard for Automatic Exchange of Financial Account Information published by the OECD.

The Income Tax (Implementation of a Uniform Standard for Reporting and Due Diligence of Information on Financial Accounts) Regulations, 2019, were published on February 6, 2019. Pursuant to the regulations, the Bank is required to authenticate customers who are residents of foreign countries, and to report customers identified as residents of countries with which Israel has information exchange agreements to the Israel Tax Authority, which will forward the information to the competent authorities in the customers' countries of residence.

The Bank reports to the Israel Tax Authority according to the provisions of the said law.

The Bank implements a Declared Money Policy (DMP) while ensuring that there are no funds managed by the Bank that are not reported to the relevant tax authorities; in this context, various measures were taken to locate and identify the relevant target audiences. If needed, customers are required to provide various statements and approvals.

On November 27, 2022 and on February 1, 2023, two financial sanctions were imposed on Pepper by the Banking Supervision Department. For additional information regarding the financial sanctions, please see Note 26.D to the financial statements as of December 31, 2022.

Legal Risks

The legal risk is defined as exposure to damage resulting from claims against the Bank, provision of a defective legal opinion, preparation of defective agreements, non-provision of appropriate instructions following changes in legislation and rulings and fines and supervisory activity.

Legal risks arise from five main areas:

- Legislation risks - risks attributable to the Bank's activity in case such activity does not comply with a primary or secondary legal provision, a Bank of Israel directive or a directive issued by other competent authorities.
- Contractual risks - risks attributable to the Bank's activity with customers, suppliers and other parties with whom the Bank contracts, if the activity is not backed by an agreement that fully establishes the Bank's interests, or the agreement is not fully enforceable or includes illegal terms and conditions.
- Court ruling risks – risks arising from the Bank's activity if it does not comply with case law.
- Risks attributable to legal proceedings conducted against the Bank.
- Risks arising from changes in enforcement policy.

Legal risk policy and management framework

The Chief Legal Counsel, who is a member of the Bank's management and Head of the Legal Counsel Division, is responsible for leading legal risk management.

The Group implements a program for managing legal risk, which aims to identify, prevent, manage and mitigate legal risk. The program includes policy papers and an interface between the Legal Counsel Department and units of the Bank, as well as internal procedures applicable to the Legal Counsel Department, the purpose of which is to ensure that legal counseling provided within the Bank is professional and up-to-date. The Bank’s subsidiaries, domestic and foreign, implement a policy for legal risk management as part of dedicated policy papers and internal procedures for managing legal risks in with its activity and the Group’s policy on the subject. According to the policy papers, the subsidiaries are required to seek adequate legal advice for certain issues. In addition, the subsidiaries send periodic and immediate reports to the Bank’s Legal Risk Manager, as required by the policy papers. In 2022, the procedures for managing legal risk were refreshed and the legal risk stress scenario was challenged and revised.

In the context of the legal risk management program, the following points have been emphasized:

- Identifying and handling sources of material legal risks.
- Preventing and mitigating legal risk, inter alia, through:
  - Preparing adequate agreements, guidelines and procedures.
  - Reviewing regulatory and legal provisions (including judgments), and their implications for the Bank’s activity.
  - Drawing conclusions on various topics and implementing the conclusions drawn in legal documents used by the Bank, as well as providing opinions on these topics to the relevant units in the Bank.

The parties responsible for executing the legal risk management program include various officials and committees within the Legal Counsel Department, special purpose factors and committees - whose function is to review, coordinate and handle new legislation and rulings applicable to the Bank’s activities.
In addition, the Legal Counsel Department identifies and handles, as needed, new regulation (primary legislation, secondary legislation, directives issued by regulators), as early as the proposed law or regulation formulation stage.

The activity of each of the abovementioned officials and committees is prescribed by internal work procedures of the Legal Counsel Department. The procedures stipulate, inter alia, the information interfaces between each of these parties and the legal risk team of the Department, the Department’s management and the Legal Risk Manager.

General legal exposure

There is a general legal exposure, which cannot be assessed or quantified, arising, inter alia, from the complexity of the services rendered by the Bank and the consolidated companies to their customers. The complexity of these services embodies, inter alia, a potential for claims, interpretative and other, relating to a long list of commercial and regulatory terms and conditions. It is impossible to foresee all of the types of claims which may be raised in this area and the exposure deriving from these and other claims in connection with the services provided by the Bank and its consolidated companies, which are filed, inter alia, in respect of motions to approve class actions suits.

There is also legal exposure due to regulatory changes and guidance issued by the Banking Supervision Department, the Israel Securities Authority and other regulators to which the Bank is subjected.

Some engagements with customers last many years, in the course of which policies, regulations and legal trends, as well as court rulings, may change. The Bank and the consolidated companies use complex automated systems, which are adjusted on a regular basis according to the changing reality. All the above create an increased operating and legal exposure.

There is also a general legal exposure arising from complaints filed from time to time with the Banking Supervision Department against the Bank and the consolidated companies, which may, under certain circumstances, result in legal proceedings against the Bank. Currently, it is impossible to assess whether there is exposure in respect of such complaints and whether the Banking Supervision Department will issue an industry-wide decision about the complaints and/or whether class actions or other type of lawsuits will be brought as a result of such proceedings. It is therefore impossible to assess the potential exposure for the such complaints. As a result, no provision was made for the said exposure.

Reputational Risk

Reputational risk is the risk of compromising the trust of various stakeholders (such as customers, bondholders, shareholders, etc.) in the Leumi Group, as a result of conduct, an act, or an omission by the Group, officers in the Group, its employees or other involved parties.
Reputational risk refers to the perceptions of the shareholders, stakeholders, the public, influencers and the media, whether they are based on facts or otherwise. Reputational risk is dynamic and changes depending on various topics and populations.

The reputational risk management policy was approved by the Bank's management and Board of Directors with the approach that trust is vital to business activity. The policy defines the organizational structure and areas of responsibility supporting the management of reputational risk.

Strategic Risk

Strategic risk is the risk of significant harm to current and future financial resilience and a result of harmful business decisions, faulty implementation of strategic decisions or failure to respond to changes in the banking sector and operating environment.

The financial industry and banking sector are experiencing significant changes affecting strategic risk and requiring adjustment to the business model, including:

Entry of new players, such as BigTechs (Google, Amazon, Facebook, Apple), FinTechs, insurance companies, non-banking credit companies and digital banks, which often enjoy regulatory arbitrage compared to the regulation applicable to banks, as well as agile business systems.

Regulatory changes supporting encouragement of competition, such as the duty to reduce credit facilities, using the Central Credit Register, the Interbank Transition Law and Open Banking initiative. It should be noted that while the regulatory changes often restrict the banks' activity, in many cases they do not apply to competitors such as insurance companies, FinTechs and sizable tech companies, such as Apple and Google.

The Bank's strategic plan is for three years, and has been approved by management and the Board of Directors. The strategic plan is set following an extensive process of examining trends and changes in the business environment, competitive environment, technological environment and customer preferences, in an effort to identify threats and opportunities. In addition, an annual refresher process is undertaken, in which the key external trends are examined, as well as their potential impact on Leumi. The strategic risk is managed by the Bank's Board of Directors and management, with the assistance of the Strategy, Digital and Data Division.

Models Risk

Models risk is the risk of a loss or harm to the Bank's reputation due to erroneous, model-based decision-making, as a result of using an erroneous model, reliance on non-representative data, errors in implementing the model or faulty use of the model.

The models risk management policy was approved by the Bank's management and Board of Directors with the approach that the nature and quality of models are vital to ongoing business activity. The policy covers principles of model risk management, definition of corporate governance, officers and reporting hierarchies.
Under the policy, a multi-year risk-based work plan was developed to manage and mitigate model risks; the Bank continues to apply the risk mitigation work plan.
The Bank's strategy for transitioning to using digital tools and models-based processes increase the reliance on models in work processes. This trend increases the efficiency, transparency and objectivity of the processes, thereby mitigating fair conduct, service, credit underwriting risks but increasing models risks. The work plan to manage and monitor models risks has been adjusted to these heightened risks.

In view of the increase in the interest and inflationary environment and the macroeconomic changes, during the year, the Bank tightened the model risk management processes, the ongoing monitoring processes were increased by the model owners, who validated, performed adjustments that were found to be required and performed a model risk assessment adjusted for the increased risk at the Bank level.

In addition, for the purpose of tightening and examining the control environment for the management of model risks, the Bank engaged international consultants to challenge the model risk management work processes and to assess the model risks in view of the update of the provisions of the new OCC and accepted practice.

Conduct Risk

Conduct risk is the risk that the Bank's conduct will lead to an unwanted outcome for a customer due to inadequate service, inappropriate service or unfair conduct. The risk also includes inappropriate conduct affecting market integrity (the public's trust in the banking sector). The materialization of the risk may cause the Bank losses as a result of lawsuits (including class action lawsuits), sanctions or fines imposed (due to violating conduct-related provisions) and/or reputational damage.

The Bank adheres to transparent and fair practices in an effort to provide its customers with valuable services and products. This principle is reflected in the Bank's vision – to champion proactive, innovative banking for the customers and to grow expeditiously with the customers in focus. In addition, the proactive and sale processes are subject to procedures and controls that support proper conduct and which are assessed on a regular basis, with the aim of continuously upgrading them.

The consumer-focused regulation trend continues, with emphasis on conduct. In this context, the Bank continues to adhere to the principles of fairness.

The Bank continues to promote the provision of financial services using digital platforms and models; the assumption is that this measure will, among its other advantages, mitigates the conduct risk.

Macroeconomic Risk

Macroeconomic risk is the risk to the Group's income and capital arising from macroeconomic conditions, including a low interest rate environment, global political power relations and their impact on international trade.

The main macroeconomic changes currently relate to the contractionary monetary process that is taking place in most countries around the world, in response to the acceleration of inflation. The acceleration of inflation occurred due to the severe disruption in supply chains during the first part of the coronavirus crisis alongside changes in the composition of the aggregate demand and supply. In response, during 2022, central banks began to take various steps to restore monetary restraint by raising the interest rate, quantitative tightening and other measures. The main risks relate to the extent to which the course of monetary tightening, which has not yet reached its peak, will moderate economic activity. Another risk relates to the possible need for additional interest rate rises, more than those currently expected by the markets due to continued inflation, putting another burden on economic activity.

The coronavirus crisis still represents a global macroeconomic risk, but to a lesser extent on the domestic economy, and therefore this is a factor with a possible impact on the Bank's business. A significant resurgence of morbidity, if such occurs, may harm business activity of sensitive industries such as tourism, aviation, leisure, entertainment, food services, etc., as well as significant indirect impacts on a wide range of industries in the fields of commerce, services and non-residential real estate. This crisis left many economies around the world with a significant increase in sovereign debt, a development which is liable to pose a future risk to the stability of financial markets. In addition, there are significant risks arising from climate change and various geopolitical risks, including the Ukrainian-Russian crisis, which increase the potential for volatile global economic processes.

Subsequent to the report date, public events – legislative and social - took place, the mid-term and long-term development of which, and degree of effect of which on the Israeli economy, are highly uncertain, and consequently - on the Bank's results. These events may have an adverse effect on the Israeli economy, and as a result – on the Bank's performance. As of now, there are indications of changes in Israel's financial markets, and the pricing of Israeli financial assets in global markets – including the weakening of the shekel's exchange rate against the currency basket – the US dollar and euro, an increase in the credit default swap (CDS) instruments of the State of Israel, which are traded around the world, and significant volatility in the leading indexes on the TASE.

The Bank is assessing its ability to withstand adverse developments in the macroeconomic environment using systemic stress scenarios. In this context, the Bank conducts uniform stress scenarios following a request by the Banking Supervision Department. In addition, ongoing monitoring and follow up of market developments are conducted in order to prepare in advance and adapt the activity, as needed.

Risk Profile - Defining Risk Factors' Severity

The methodology for classifying the severity of the exposures to various risks, as depicted in the risk factors' severity table below, is based on quantifying the effect of various scenarios being realized on the Group's capital, i.e. its stability. There are five levels of severity, with a highly severe risk defined as damage leading to a decrease of the capital adequacy ratio of CET1 capital under the risk appetite level (a CET1 capital ratio of 6.5 percent). The classification into other risk levels is made as a function of the potential damage to the Group's CET1 capital adequacy and a relevant subjective assessment. Factors affecting the assessments include various considerations, such as: Risk management processes, effect of interaction with other risks and changes in the external risk environment which can increase or decrease the severity of the risks beyond the quantitative damage to the Bank's capital. The subjective assessment also includes expert assessments by relevant functions in the Bank. In cases where a specific quantitative scenario does not adequately express the severity of a risk factor, greater weight will be given to a qualitative estimate.

In light of the above, it should be emphasized that the effect of the various risk factors varies among the banks, so extra care should be exercised in making various comparisons.

Some of the information in this section constitutes "forward-looking information". For the meaning of the term, please see under "Forward-Looking Information".

Table of risk factor severity

	Risk	Definition	Level of severity*	
			2022	2021
1	Overall credit risk	The Bank's risk of loss as a result of the possibility that a counterparty fails to meet its commitments towards the banking corporation. This relates to on-balance-sheet and off-balance-sheet credit risk.	Moderate	Moderate
1.1	Borrowers and collaterals quality risk	Risk for default by a borrower or counterparty which causes them to fail to meet their contractual financial obligations, such as default by a borrower or counterparty in derivatives and the residual risk for failure to realize a collateral.	Moderate	Moderate
1.2	Concentration risk of a large borrower or group of borrowers	The credit risk arises from the borrowers' relatively large portion of the Bank's loan portfolio.	Low	Low
1.3	Concentration risk per industry or segment	The credit risk arises from concentration of loans to borrowers in certain economic sectors or segments.	Moderate	Moderate
2	Overall market risk	Risk of exposure of the Group's assets to changes in foreign exchange rates, inflation and asset prices, the correlation between them and their volatility.	Low to moderate	Low to moderate
2.1	Basis Risk	The risk arising from exchange rate fluctuations, including inflation (held-for-trading and banking portfolios).	Low	Low
2.2	Interest rate risk	The risk arising from interest rate fluctuations (held-for-trading and banking portfolios).	Low to moderate	Low to moderate
2.3	Interest spread and share price risk	The risk arising from fluctuations in share and bond prices in the commercial and banking portfolios for assets revalued to market prices.	Low to moderate	Low to moderate

	Risk	Definition	Level of severity* 2022	2021
3	Liquidity Risk **	The risk arising due to the inability to withstand uncertainty as to the ability to raise funding and/or dispose of assets, unexpectedly and within a very short time, without incurring a substantial loss.	Low to moderate	Low
4	Operational risk	The risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events.	Moderate	Moderate
4.1	Information security and cyber risk	A risk arising from attack on the IT systems and/or IT infrastructure, which may result in information theft, in theft of financial assets (cash and cash equivalents) and/or disruption to the operational continuity (by disrupting information and/or compromising availability).	Moderate to high	Moderate to high
4.2	Technology risk	The risk of loss as a result of malfunctions and mechanical failures, as a result of processes for advancing and implementing technological innovation/innovative products and services and/or projects	Moderate	Moderate
5	Models Risk	The exposure to loss or harm to the Bank's reputation due to erroneous, model-based decision-making, as a result of: Using an erroneous model, reliance on non-representative data, errors in implementing the model or faulty use of the model.	Moderate	Moderate
6	Legal and regulatory risk	Total risks included in the legal risk and regulation risk outlined in the report.	Moderate	Moderate
7	Compliance Risk	Risk arising from non-compliance with legal provisions and binding regulations.	Moderate	Moderate
8	Reputational Risk	The risk that negative publicity will reduce the customer base, cause a decline in income or liquidity or lead to high legal expenses.	Low to moderate	Low to moderate
9	Strategic Risk	Strategic risk is the risk of substantial harm to the current and future financial robustness as a result of harmful strategic decisions, inadequate implementation of strategic decisions or lack of response to changes in the banking sector and operating environment.	Moderate	Moderate
10	Global systemic risk	Risks caused due to global external events which may bring about the materialization of several risks at once.	Moderate to high	Moderate to high
11	Local systemic risk	Risks resulting from local events which may lead to the materialization of several risks at once.	Moderate to high	Moderate to high

* In reference to a possible damage to the capital adequacy and subjective assessment of risks that are not easily quantifiable. The level of risk does not express the probability for its occurrence but rather the damage to the Bank if the scenario were to materialize.

** In the third quarter, the severity level of the liquidity risk was raised from "low" to "low-moderate" on the back of changes in the macro environment and the increase in raising financing in Israel and around the world.

*** Comment: Interest rate risk and margin risk are calculated for all the Bank's assets and liabilities, including liabilities to employees, and it was therefore decided that as of the 2022 financial statements it is not required to present the pension risk factor separately.

Critical Accounting Policies and Estimates

Overview

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles and directives of the Banking Supervision Department requires Management to use estimates and assessments which affect the reported amounts of assets and liabilities (including contingent liabilities) as well as income and expense amounts.

In most cases, the estimates and assessments are based on economic forecasts, assessments regarding different markets and past experience, while exercising discretion, and which Management believes to be reasonable at the time of preparing the financial statements. Some of these estimates and assessments embody a high level of uncertainty and may be affected by, or highly sensitive to, future changes. These estimates and assessment, the level of change in which may materially affect the Bank's financial results, are considered critical estimates and assessments.

The actual results of these line items may differ from the estimates and/or assessments.

Note 1 provides a detailed description of the significant accounting policies applied by the Leumi Group.

Set forth below is a condensed description of principal critical accounting issues which required management to make estimates and assumptions and which were discussed by the Board of Directors, management and the joint auditors:

Loan Loss Provision and Classification of Troubled Debts

As of January 1, 2022, the Bank is implementing the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL) ASC 326, Financial Instruments - Credit Losses. The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses. The purpose of the new rules is to improve the quality of reporting on a banking corporation’s financial position by early recording of the loan loss provisions so as to in order to support a swifter response by banks to a deterioration in borrowers’ credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The rules are based on existing methods and processes.

As a result of applying the new rules, the Bank updated and adjusted the loan loss provision methodology; according to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank’s estimates are based on past losses after adjustment due to credit characteristics, adjustment for current economic conditions and reasonable future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups’ risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, current economic and expected conditions, etc. The Bank’s estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time.

The Bank has set procedures to maintain a loan loss provision adequate for covering the current expected credit losses arising from its loan portfolio, including off-balance sheet credit risk.

As a rule, the estimate of a current expected credit losses is calculated over the contractual period of the financial asset, taking into account early repayment estimates according to quantitative methods formulated by the Bank, and taking into account expected restructuring of troubled debt with the borrower, as applicable. A provision calculated on a collective basis for loans is based, as a rule, on the recorded outstanding debt, net of interest accrued as at the reporting date.

The measurement of the loan loss provision is based on segmenting the Bank’s credit portfolio into groups sharing similar risk characteristics (a process called “segmentation”). Following is a summary of the Bank’s approach to segmentation relating to portfolios, economic sectors and business functions: The Bank segments the loans to the public to four main portfolios, each of which is divided into sub-groups: (1) Business-commercial credit in the Corporate

Division; (2) Commercial credit, which mainly reflects credit to small businesses, in the Banking Division; (3) Non-housing loans to private individuals; and (4) Housing loans. In general, commercial credit is segmented into economic sectors, while credit to private individuals is segmented into main business lines. As for housing loans, the measurement is based on characteristics at the individual loan level. In the next stage, the Bank distinguishes between non-troubled and troubled credit.

The provision to cover the current expected credit losses in the loan portfolio is estimated through one of the two tracks: a collective provision and an individual provision. For information, please see Note 1.H.

Collective provision

1. In non-housing segments, the provision is usually estimated using the loss-rate method. This process is initially based on average past losses in the portfolio, represented by net charge-offs as from 2011 and until the quarter preceding the reporting date. Past losses are adjusted later in the process, using a series of risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, concentration of the credit portfolio, risk ratings, the Bank's credit provision policy and procedures, and additional terms and conditions. The process is intended to adjust the historic information so as to reflect the level at which the current term conditions and reasonable supportable forecasts may be different than the terms and conditions prevalent during the period in which the historic information was assessed. In the next stage, the Bank incorporates reasonable and well-substantiated forecasts for one year, followed by one year for historical data, adjusting for current conditions, on a linear basis. At the end of the process, the provision for estimates is adjusted for expected recoveries in respect of charged off debts. Changes in these estimates are recognized as incurred against the loan loss provision.

   The provision for off-balance sheet credit is recognized for obligations that may not be unconditionally terminated by the Bank, and is based on the segmentation described above, taking into account the Bank's estimates regarding the reasonableness of utilizing the various off-balance sheet items (i.e., credit conversion coefficients). These estimates are based both on past experience of the Bank - which indicates utilization rates - and on subjective judgment. The provision is presented in the balance sheet under "Other liabilities".

   This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding current expected credit losses.

2. In the housing loans segment, the Bank measures the current expected credit losses based on the probability of default and loss given default. The process also begins with historic information, which is adjusted for current conditions and reasonable substantiable forecasts or a period of one year. Following this period, the Bank reverts to three years of historic information adjusted for current conditions on a linear basis. The provision for off-balance sheet credit is recognized based on the Bank's estimates relating to the probability of utilizing the binding credit facilities. Changes in the loan loss provision for housing loans, including for housing loans classified as non-performing, are presented as loan loss expense for debts examined on a collective basis.

Classification of troubled debts and specific provision

The Bank assesses the loan portfolio on an ongoing basis and in accordance with procedures in order to identify, as soon as possible, borrowers whose risk level and exposure increased and who require special supervision and close monitoring by management. either due to risk characteristics or as a result of economic/market conditions that might have an adverse effect on the borrowers, aiming to improve their condition. As to corporate customers, judgment is exercised by corporate department's employees dealing with the borrower in order to assess the extent of the problem, which is then assessed by the Credit Risk Management units of the Risk Management Division with the aim of making an objective assessment, to the extent possible, of the identified problems in order to determine the borrower's risk rating.

As a rule, a commercial debt with a contractual balance of NIS 1 million or more is examined on an individual basis by the competent functions at the Bank regarding their classification as troubled debts, including recording a charge-off if relevant. As a rule, other Bank customers are examined for the purpose of their classification on the basis of their extent of arrears and according to certain automated defined negative indicators.

Non-performing debts, excluding housing loans, are debts which the Bank believes do not share the risk characteristics with performing debts, and therefore assesses their respective provision on a specific basis.

As part of its credit risk management activities, the Bank applies measures to identify troubled debts across each business line (in accordance with its unique characteristics) as early as possible. In the Corporate Division, the assessment is based, inter alia, on criteria which constitute red flags for troubled debts. Accordingly, if needed, the risk rating is updated and the debt is defined as sensitive. The Retail Banking Division identifies sensitive customers mainly in an automated manner, based on criteria predefined for this type of customers.

Customers identified as sensitive are reassessed each quarter, prior to the publication of the financial statements.

The methodology for dealing with troubled debts requires, among other things, a methodical assessment of the adequacy of the loan loss provision for debts classified as non-performing. The provision is assessed according to the difference between the recorded outstanding debt and the present value of the future cash flows expected to service the debt from the customer's activity and the realization of collaterals and other assets, discounted at the effective interest rate of the debt. For debts the repayment of which relies on collaterals (collateral-contingent debts) and there are no other available and reliable sources of repayment, the provision is determined based on the fair value of the collateral less costs of disposal and after triggering buffers for the collateral’s value so that it will be possible to realize the collateral and have the debt repaid therefrom. In this context, it should be noted that the Bank is implementing the requirements of the Bank of Israel, according to which debts are classified based on the debtor's repayment capacity; i.e. – the expected strength of the primary repayment source of the debt, despite support by secondary and tertiary repayment sources, such as collateral and guarantors.

Similarly, to examining the adequacy of the classifications, the liability adequacy was also tested on a quarterly basis, in accordance with the requirements of the Bank of Israel.

According to revised Proper Conduct of Banking Business Directives, the Risk Management Division is responsible for setting appropriate classifications and allowances for credit losses. In addition to the discussions held by business divisions’ managements and by representatives of the Risk Management Division, the Bank’s Provisions Committee, headed by the President and CEO, holds quarterly discussions as to the aggregate amount of the provisions required for that quarter and the classification of specific provisions (in excess for a stipulated threshold amount).

For more information regarding first-time application of the directives of the Banking Supervision Department on Current Expected Credit Losses (CECL), please see Note 1.X.1.

Fair value measurements

The Bank applies the rules set in ASC 820, which defines fair value and sets a consistent basis for fair value measurement by defining fair value valuation techniques to be used to measure the value of assets and liabilities, setting the fair value hierarchy and providing detailed implementation guidelines. In addition, the Bank applies the directives of the Banking Supervision Department on the subject. The main items measured at fair value by the Bank in each period are available-for-sale bonds, held-for-trading securities, not held for trading equity securities for which there is an available fair value and derivatives.

Fair value is the amount/price that would be received to sell an asset or the price that would have been paid to transfer a liability in an orderly transaction between knowledgeable, willing parties at measurement date. Among other things, the provisions require to maximize the use of observable inputs and minimize the use of unobservable inputs in fair value measurement. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect, as a rule, the banking corporation’s assumptions.

ASC 820 outlines a hierarchy of measurement techniques based on the assertion whether the input used to determine the fair value are observable or non-observable. The following types of inputs create a fair value hierarchy:

- Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 inputs: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; prices derived from fair value measurement models whose principal data are observable or corroborated market inputs.
- Level 3 inputs: Unobservable inputs for the asset or liability.

The categorization of a financial instrument's fair value measurement within the fair value hierarchy is determined based on the lowest level input that is significant to the entire fair value measurement.

The fair value of Israeli securities is based mainly on quoted prices on the Tel Aviv Stock Exchange; the fair value of foreign securities is based on prices received from external sources. As to fair value of foreign securities, most of the portfolio is calculated on a daily basis by a reputable international entity engaged in fair value measurement of financial assets for purposes of disclosure in financial statements. This entity is not dependent on issuing and marketing entities. The calculation is mainly based on transaction prices in active markets and on revaluation of similar transactions. The calculation reflects the price that a willing buyer would pay for securities based on current observable market inputs. Since only some of the securities are traded worldwide on a daily basis, the revaluing entity establishes its data for purposes of determining a price by applying a pricing algorithm to actual transactions and quotes from global and domestic banks, brokers and stock exchanges. If little or no market inputs are available, the revaluing entity uses sophisticated valuation models, taking into consideration the issuing entity's identity and the relevant industry.

Fair value of non-marketable bonds of Israeli companies is based on inputs received from Fair Spread Ltd. The Bank validated the model and verified the fair value to a reasonable degree of certainty.

Sometimes, for reasons of conservatism, when there are indicators justifying such adjustments, the Bank adjusts the model and/or market price in order to establish a more accurate fair value. As for derivatives, the Bank applies Topic 815 and the Banking Supervision Department's directives on the subject.

In particular, the Bank reflects the credit risk and nonperformance risk in the measurement of fair value of debt, including derivatives, issued by it and measured at fair value. Non-performance risk includes, but is not limited to, the banking corporation's credit risk.

Specific guidelines were set as to the methodology and inputs to be used in the calculation of derivatives' fair value. The Bank calculates the credit risk provision at customer level, using a credit quality index, based on internal valuation models or market inputs.

For more information regarding the effect of the credit risk on derivatives, see Note 28.B.c

For more information regarding measurement of fair value, please see Note 1.G.

Impairment of securities in the available-for-sale portfolio

The Bank estimates the current expected credit losses for bonds in the available-for-sale portfolio at each reporting date if the fair value of the security is lower than its amortized cost. In any such case, the Bank examines whether there is an intent to sell the security or whether the Bank believes that it is more likely than not that it will be required to sell the security before recovering its carrying amount. If yes - the entire difference between the carrying amount and the fair value is recognized in profit and loss. If not - the Bank examines whether the impairment arises from loan losses or other factors, and if the Bank believes that the impairment stems from loan losses, it is recognized under the loan loss provision, while other types of impairments are recognized against other comprehensive income. A loan loss exists when the Bank does not expect principal and interest inflows to adequately recover the entire amortized cost of the security. The loan loss provision is limited to the amount in which it exceeds the security's amortized cost over its fair value. The provision amount is updated upwards or downwards according to changes in assessments in subsequent periods.

As part of the Bank's assessment regarding the existence of a loan loss, the Bank examines data, assessments and various information items.

According to the new rules, the Bank does not take into consideration the time during which the security's fair value was lower than its cost.

If the Bank decides to carry out a quantitative test, the latter shall be done using the PD LGD method. As part of the test, a comparison is made between the discounted cash flows and the fair value and amortized cost. If the expected discounted cash flow amount is lower than the amortized cost, the difference is recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, the provision is recognized up to the minimum fair value.

For more information regarding impairment testing, please see Note 1.H.

For more information, please see under "Structure and Development of Assets and Liabilities, Equity and Capital Adequacy", under "Securities".

Liabilities for Employee Benefits

Retirement and pension benefits are determined according to a classification of different employment periods at the Bank: Employees who began working at the Bank from January 1 1999 and have yet to receive permanent employee status as of the date of signing the special collective agreement in 2000 regarding the pension arrangement, make ongoing contributions to an external pension plan, for which the Bank has no pension liability, except for supplementary severance pay in some cases (Generation B employees). Employees who began working at the Bank prior to January 1 1999 and have received permanent employee status by the signing of the agreement may choose, on reaching retirement age, to either receive severance pay and compensation from the Bank or a pension annuity, all in accordance with, and subject to, the provisions of the various agreements applicable to these employees (Generation A employees). For these employees, the Bank deposits contributions for pension and severance pay in the Bank employees' provident fund, which is managed by a management company held by the fund's planholders.

The Bank makes, from time to time, contributions for severance pay and pension which accumulated or will be accumulated in the severance and pension funds of employees who have opted for or will opt for a social security arrangement to a paying fund. The Bank also purchases, from time to time, an insurance policy for its retirees, at its own expense.

The calculation of the pension liabilities amounts is based on actuarial models. The discount rate used to calculate the actuarial liability for employee benefits is based on market yields under the directives of the Bank of Israel from among, according to which the yield curve is composed of yields of Israeli Government bonds plus a spread curve of AA-rated corporate bonds which match the average durations of the liabilities for employee benefits.

In addition, the actuarial calculations take into account the projected nominal pay raise, based on past experience, which varies according to the employees' age.

Moreover, according to the Reporting to the Public Directives, the Bank estimates the expected long-term rate of return on plan assets by using historic rates of return over the long term in a portfolio with a similar asset composition.

The actuarial models include, inter alia, assumptions about: Life expectancy, departure rates, exit rates with preferential terms and conditions, percentage of utilizing retirement benefits and percentage of withdrawal of pension and severance pay, etc. These criteria were set using judgment and based on internal and external estimates; it is clarified that a change in any or several of the actuarial criteria and/or discount rate and/or pay raise rates may result in a material change in the Bank's liabilities amount.

The calculation of the actuarial liability is affected by assumptions based on multiple studies and estimates; the actuarial assumptions are validated by studies conducted at least every three years. The criteria for determining the actuarial assumption include:

- External sources - in certain criteria, such as mortality schedules published by the Commissioner of the Capital Market or express assumptions by the Banking Supervision Department on the discount rate, the Bank uses external sources.
- Internal estimates - in certain criteria specific to the Bank, the Bank uses internal estimates that are mainly based on past experience (such as studies regarding pay raise rates, studies on departures, etc.) and the Bank’s work plans, which are approved by the Bank's management and Board of Directors.

The calculation of the actuarial assumptions is independently validated each year by the Bank’s validating actuary.

During 2022, the following assumptions were revised, among others: the pay raise assumption, the early retirement assumption (retirement benefits beyond the contractual obligation) and the mortality rates assumption.

Set forth below is a quantitative sensitivity analysis of the impact of principal assumptions on the calculation of the actuarial liability

A 1.0 percent increase/decrease in the discount rate of the abovementioned liabilities will result in a NIS 2.1/2.6 billion decrease/increase, respectively, in total liabilities. A 1.0 percent increase/decrease in pay raise will result in a NIS 0.3/0.4 billion increase/decrease in total liabilities. A 0.5 percent increase in life expectancy will result in a NIS 311 million increase in total liabilities.

The actuarial assessment of the employee benefits is on the Israel Securities Authority's website, on the following address www.magna.isa.gov.il.

As at December 31, 2022, the balance of accumulated other comprehensive income for employee benefits amounted to a negative post-tax balance of NIS 1,397 million, compared to a negative post-tax reserve of NIS 3,478 million as at December 31, 2021.

The outstanding balance of the liability for employee benefits as at December 31, 2022, according to a discount rate based on Israeli corporate bonds ("deep market according to the Israel Securities Authority’s approach") is NIS 1.4 billion less than the actual outstanding balance of the liability.

Liabilities for Legal Claims

The Bank’s liabilities also include provisions for various legal claims lodged against the Bank, including motions to approve class action suits. The provisions are determined based on management’s estimates according to legal opinions.

The Bank’s Provisions Committee, headed by the Company’s President and CEO, and the Board of Directors’ Audit Committee hold quarterly discussions on provisions for legal claims lodged against the Bank whose amounts exceed a certain threshold.

In order to assess the risks arising from legal claims lodged against the Bank, management relies on the opinion of external legal advisors representing the Bank in those legal claims.

These legal opinions are issued by the external legal advisors according to the best of their judgment, based on the facts presented to them by the Bank and based on the legal position (set out in law and case law) as known on assessment date, and which are quite often subject to interpretation and to potential conflicting arguments.

The assessment of the risks inherent in motions to approve legal claims as class actions is a complex process since this is a developing field and laws and case law relating thereto are still being established, even with regard to important aspects thereof. Furthermore, in view of the preliminary stage of some legal claims, the external legal advisors are unable to assess the risk arising therefrom.

In view of the above, the actual outcomes of the legal claims may be different than the provisions made in respect thereof.

Income Tax

Current and deferred taxes are carried to the income statement or directly to equity if they arise from items that are recorded directly in equity.

As from January 1, 2017 the Group applies US GAAP to taxes on income pursuant to a circular published by the Banking Supervision Department on October 22, 2015 on “Reporting by banking corporations in Israel according to US GAAP on the subject of taxes on income” and pursuant to a circular published on October 13, 2016 on “Reporting by Banking Corporations Pursuant to US GAAP”.

Current taxes

Current tax is the amount of income taxes payable (recoverable) for the taxable income for the tax year calculated at the applicable tax rates under tax laws that have been enacted as at the end of the reporting period. A law shall be considered as having been enacted only after its publication in the Official Gazette.

Deferred taxes

Deferred taxes receivable/payable are recognized for temporary differences between the book value of assets and liabilities as reported in the financial statements and those taken into account for tax purposes. Deferred tax balances are measured at the tax rates expected to be in effect at the time the deferred tax asset is utilized, based on the tax rates and tax laws enacted as at the end of the reporting period. A law shall be considered as having been enacted only after its publication in the Official Gazette.

Deferred tax assets for carryforward losses, tax benefits and deductible temporary differences are recognized in the books of accounts when it is more likely than not that the Group will have future taxable income against which it will be able to utilize its deferred tax assets.

Uncertain tax positions

The Bank applies the recognition and measurement rules prescribed by ASC 740 regarding uncertain tax positions; as a result, the Bank recognizes the effect of tax positions only if it more likely than not that the positions will be accepted by the tax authorities or court. Recognized tax positions are measured at the highest amount that has a greater than 50 percent likelihood of being realized.

Controls and Procedures Regarding Financial Statements Disclosures

The Banking Supervision Department's directives impose the requirements of Sections 302 and 404 of the SOX Act on banking corporations. The SEC and the Public Company Accounting Oversight Board have established provisions with regard to the abovementioned sections, on management's responsibility for instating and maintaining disclosure controls and procedures and for exercising internal control over financial reporting and the opinion of the independent auditors on the audit of internal control over financial reporting.

The Banking Supervision Department's directives require the following:

- Banking corporations shall apply Sections 302 and 404 and the SEC directives issued thereunder.
- Adequate internal control requires an auditing system that follows a predefined, recognized framework, and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) meets these requirements and can be used to evaluate the internal controls.

The Bank regularly applies the directive to the Leumi Group.

During 2022, the Bank validated and updated material control processes and conducted effective evaluations of its entire system of internal control over financial reporting.

Evaluation of disclosure controls and procedures

The Bank's management, with the cooperation of the President and CEO and Head of the Finance Division and Chief Accountant, have evaluated the effectiveness of the Bank's disclosure controls and procedures as at the end of the reporting period. Based on this evaluation, the Bank's President and CEO and the Head of the Finance Division and the Chief Accountant have concluded that, as at the end of the reporting period, the Bank's disclosure controls and procedures are effective for the purpose of recording, processing, summarizing and reporting the information the Bank is required to disclose in its financial statements pursuant to the Banking Supervision Department's Reporting to the Public Directives and as at the date prescribed by the Directives.

Internal control changes

In the quarter ended December 31, 2022, no material change has occurred in the Bank's internal control over financial reporting which has had a material effect, or is reasonably expected to have a material effect, on the Bank's internal control over financial reporting.

The Board of Directors

In 2022, Leumi's Board of Directors held 35 plenum meetings and its committees held 53 meetings.

At a meeting held on March 13, 2023, the Board resolved to approve and publish the Group's condensed consolidated audited financial statements as at December 31, 2022 and for the period then ended.

The Bank's Board of Directors would like to express its appreciation and gratitude to the employees and managers of the Bank and the Group's subsidiaries - both in Israel and overseas - for their dedicated work and contribution to the Group's business.

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

March 13, 2023

Certification

I, Hanan Friedman, hereby certify as follows:

1. I have reviewed the annual report of Bank Leumi le-Israel B.M. (hereinafter - the “Bank") for 2022 (hereinafter - the “Report").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.

3. To my knowledge, the financial statements and other financial information included in the report fairly represent, in all material aspects, the Bank’s financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.

4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding “Report of the Board of Directors and Management"). In addition:

    A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;

    B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;

    C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and

    D. The Report discloses any change in the Bank’s internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Bank’s internal control over financial reporting; and

5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors’ committees, based on our most recent evaluation of the internal control over financial reporting, the following:

    A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank’s ability to record, process, calculate and report financial information; and

    B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 13, 2023

Hanan Friedman
President and Chief
Executive Officer

Certification

I, Omer Ziv, hereby certify as follows:

1. I have reviewed the annual report of Bank Leumi le-Israel B.M. (hereinafter - the "Bank") for 2022 (hereinafter - the "Report").
2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the financial statements and other financial information included in the report fairly represent, in all material aspects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.
4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding "Report of the Board of Directors and Management"). In addition:
   A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;
   B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;
   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and
   D. The Report discloses any change in the Bank's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and
5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' committees, based on our most recent evaluation of the internal control over financial reporting, the following:
   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank's ability to record, process, calculate and report financial information; and
   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 13, 2023

Omer Ziv

Deputy CEO

Head of the Capital Markets Division

Chief Financial Officer until February 12, 2023

Certification

I, Hagit Argov, hereby certify as follows:

1. I have reviewed the annual report of Bank Leumi le-Israel B.M. (hereinafter - the "Bank") for 2022 (hereinafter - the "Report").

2. To my knowledge, the Financial Statements do not contain any misrepresentation of a material fact, nor do they omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period.

3. To my knowledge, the financial statements and other financial information included in the report fairly represent, in all material aspects, the Bank's financial position, financial performance and changes in shareholders' equity and cash flows as at the dates and for the periods presented in the Report.

4. I and others at the Bank signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Bank's disclosure and internal control over financial reporting (as defined in the Reporting to the Public Directives regarding "Report of the Board of Directors and Management"). In addition:

   A. We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Bank and its consolidated companies is brought to our attention by others in the Bank and said companies, especially during the preparation of the Financial Statements;

   B. We have established such internal control over financial reporting or have caused such internal control to be established under our oversight, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with the generally accepted accounting principles and the directives and guidance of the Banking Supervision Department;

   C. We have evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in the report our conclusions regarding the effectiveness of the disclosure controls and procedures as at the end of the reporting period according to our evaluation; and

   D. The Report discloses any change in the Bank's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Bank's internal control over financial reporting; and

5. I and others at the Bank signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' committees, based on our most recent evaluation of the internal control over financial reporting, the following:

   A. All significant deficiencies and material weaknesses in the establishment or implementation of the internal control over financial reporting that are reasonably expected to harm the Bank's ability to record, process, calculate and report financial information; and

   B. Any fraud, whether or not material, involving management or other employees who have a significant role in the Bank's internal control over financial reporting.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

March 13, 2023

Hagit Argov
Executive Vice President
Chief Accounting Officer
Head of Finance and Accounting
Division

Report of the Board of Directors and Management regarding the Internal Control over Financial Reporting

The Board of Directors and management of Bank Leumi le-Israel B.M. are responsible for the creation and existence of adequate internal control over financial reporting (as defined in the Reporting to the Public Directives regarding the "Report of the Board of Directors and Management"). The Bank's internal control system was designed to provide a reasonable degree of assurance to the Bank's Board of Directors and management regarding adequate preparation and presentation of financial statements published in accordance with Generally Accepted Accounting Principles and the directives and guidance of the Banking Supervision Department. Regardless of the level of their design, all internal control systems have inherent limitations. As a result, even if it has been established that these systems are effective, they can provide only a reasonable degree of assurance regarding preparation and presentation of financial statements.

Management, under the Board of Directors' supervision, has in place a comprehensive system of controls designed to ensure that transactions are carried out in accordance with management's authorizations, that assets are protected and that the accounting entries are reliable. In addition, management, under the Board of Directors' supervision, takes steps to ensure that the information and communication channels are effective and monitors execution, including the execution of internal control procedures.

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

The effectiveness of the Bank's internal control over financial reporting as at December 31, 2022 was audited by the Bank's joint independent auditors - Brightman Almagor Zohar & Co. and Somekh Chaikin, as noted in their report, which included an unqualified opinion regarding the effectiveness of the Bank's internal control over financial reporting as at December 31 2022.

March 13, 2023

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

Omer Ziv
First Executive Vice President
Head of the Capital Markets Division
CFO until February 12, 2023

Hagit Argov
Executive Vice President
Chief Accounting Officer
Head of Finance and Accounting Division

Report of the Joint Independent Auditors to the Shareholders of Bank Leumi le-Israel B.M. In accordance with the Reporting to the Public Directives of the Banking Supervision Department regarding Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Bank Leumi le-Israel B.M. and its subsidiaries (hereinafter, jointly - the “Bank”) as at December 31, 2022, based on criteria established by the Internal Control - Integrated Framework published by the COSO (Committee of Sponsoring Organizations of the Treadway Commission) (hereinafter - “COSO”). The Bank’s Board of Directors and management are responsible for the existence of effective internal control over financial reporting and for their assessment of the effectiveness of the internal control over the financial statements, which is included in the Report of the Board of Directors and Management regarding the Internal Control over the attached financial report. Our responsibility is to express an opinion regarding the internal control over financial reporting of the Bank’s based on our audit.

We have prepared our audit in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) in the US regarding auditing of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel. According to these standards, we are required to plan and perform the audit so as to obtain a reasonable degree of assurance that effective internal control over financial reporting has been exercised, from all material respects. Our audit included obtaining an understanding regarding internal control over financial reporting, assessment of the risk of a material weakness as well as consideration and assessment of the effectiveness of the planning and operation of internal control based on the assessed risk. Our audit also included implementation of other procedures we believed necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A bank’s internal control over financial reporting is a process designed to provide reasonable assurance as to the reliability of the financial reporting and that the financial statements for external purposes have been prepared in accordance with generally accepted accounting principles in Israel (hereinafter – "Israeli GAAP) and the directives and guidance of the Banking Supervision Department. A bank’s internal control over financial reporting includes policies and procedures which: (1) Relate to management of records which, if reasonably detailed, precisely and adequately reflect the transactions and transfers of the Bank’s assets (including their removal from its possession); (2) Provide a reasonable degree of assurance that transactions are adequately recorded in order to enable the preparation of financial statements in accordance with Israeli GAAP and the directives and guidance of the Banking Supervision Department and that accepting and spending the bank’s money is made only in accordance with the authorizations of the bank’s Board of Directors and management; and (3) Provide a reasonable degree of assurance regarding the timely prevention or disclosure of an unauthorized purchase, use or transfer (including removal from possession) of the bank’s assets, which may have a material effect on the financial statements.

Due to its inherent limitations, internal control over financial reporting may not prevent or identify misstatement. In addition, drawing conclusions regarding the future based on any current effectiveness assessment is exposed to the risk that the controls become inadequate due to changes in circumstances or that the level of compliance with the policies or procedures may adversely change.

In our opinion, the Bank has exercised, from all material respects, effective internal control over financial reporting as at December 31, 2022, based on criteria determined by the Internal Control - Integrated Framework published by the COSO.

We have also, in accordance with Israeli GAAP and certain auditing standards applied to the auditing of banking corporations in accordance with the directives and guidance of the Banking Supervision Department, audited the Bank’s consolidated balance sheets as at December 31, 2022 and 2021 and the consolidated income statements, comprehensive income statements and the consolidated statement of changes in equity and the consolidated statements of cash flows for each of the two years ended on December 31, 2022 and our report dated March 13, 2023 included an unqualified opinion regarding these financial statements.

Brightman Almagor Zohar & Co.
A Firm in the Deloitte Global Network
Certified Public Accountants

Somekh Chaikin
A registered partnership in Israel and a partner firm in the global KPMG network, which is comprised of independent firms affiliated with KPMG International Limited, a privately-owned limited liability British company
Certified Public Accountants

Joint Independent Auditors

March 13, 2023

Report of the Joint Independent Auditors to the Shareholders of Bank Leumi le-Israel B.M. - Annual Financial Statements

We have audited the attached consolidated balance sheets of Bank Leumi le-Israel B.M. and its consolidated companies (hereinafter - the "Bank") as at December 31, 2022 and 2021 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows - of the Bank and consolidated - for each of the two years in the period ended December 31, 2022. These financial statements are the responsibility of the Bank's Board of Directors and management. Our responsibility is to express an opinion of these financial statements based on our audit.

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

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

We have also audited, in accordance with the standards of the United States Public Company Accounting Oversight Board (PCAOB) regarding the audit of internal control over financial reporting, as adopted by the Institute of Certified Public Accountants in Israel, the Bank's internal control over financial reporting as at December 31, 2022, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 13, 2023 included an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

Key audit matters

The key audit matters detailed below are the matters that have been communicated, or were required to be communicated, to the Board of Directors of the Bank and which, according to our professional judgment, were very material to the current period audit of the consolidated financial statements. These matters include, inter alia, any matter that: (1) Relates to accounts or disclosures that are material to the financial statements and (2) Involved challenging, subjective or especially complex auditor judgment. A response to these matters is provided in the framework of our audit and the preparation of our opinion on the consolidated financial statements as a whole. Communication of the following matters does not change our opinion on the consolidated financial statements as a whole and does not constitute a separate opinion on these matters or on the items or disclosures to which they relate.

Provision for credit losses

Why the matter was deemed a key audit matter

As from January 1, 2022, the Bank applies generally accepted accounting principles in the United States regarding expected credit losses (ASC 326) - CECL, according to which the Bank makes an estimate of the lifetime expected credit losses. This estimate is based on methodology formulated by the Bank in accordance with the Standard's principles, based on historical data and additional adjustments required in order to predict the expected credit losses (hereinafter - "collective provision").

In addition, the Bank performs a specific examination of the expected loss from certain debts based on the borrower's situation, anticipated collection and collateral for each borrower examined (hereinafter - "specific provision").

The total provision for credit losses of the Bank is NIS 5,625 million as at December 31, 2022 and includes a specific provision and a collective provision. The accounting policy is detailed in Notes 1, 13 and 30 to the consolidated financial statements.

The process of evaluating the expected loss in the credit portfolio is based on significant estimates that involve uncertainty and on subjective assessments at both the stage of identifying and classifying the debts as troubled or performing debts, and the stage of measuring the specific provision and the collective provision. Changes in these estimates or assessments may have a significant effect on the provision for credit losses presented in the Bank's financial statements.

Main estimates serving as the basis for calculating the provision for expected credit losses:

- When identifying and classifying the debts, judgment is exercised to identify troubled debts according to predefined criteria that may indicate that a debt has become troubled, an estimate of the possible or actual impairment of the primary repayment source of the borrower, the existence of expected cash flows of the borrower for repaying the debt in its entirety and on time, as well as an assessment of other financial data of the borrower that may be indicators of weaknesses or potential weaknesses of the borrower.
- In calculating the specific provision, judgment is exercised regarding the expected future cash flows to service the debt from the borrower's activity and from realizing collateral and guarantees.
- When calculating the collective provision, judgment is exercised in estimating the provision expected in the credit portfolio while implementing methodologies and assumptions, on the basis of average past losses for various economic sectors and the adjustments that are needed on the basis of indicators defined by the Bank, which should reflect the changes in the credit risk of the loans as of the balance sheet date compared to average past losses due to macroeconomic factors as well as internal factors.

We have identified the estimates serving as the basis for calculating the provision for credit losses as a key audit matter.

An audit of the provision for credit losses requires judgment of the independent auditor as well as knowledge and experience in order to examine reasonableness of the methodology, assumptions and data used by management to estimate the provision.

Response given to key audit matter

The following are the main procedures we performed for addressing this key audit matter in the framework of our audit:

We have examined the process of calculating the provision and the design and operating effectiveness of certain internal controls over financial reporting related to determining the estimate of the provision, including controls related to the following matters:

- Examining adequacy of the methodology used to determine the provision
- Adequacy of the basic data used to calculate the provision
- Identifying debts with negative indicators
- Classifying debts according to the Bank's procedures
- Analyzing reasonableness of the provision as a whole

We performed substantive procedures for testing the provision on the basis of internal and external representations we received. These procedures included, inter alia:

- Examining the methodology used to determine the provision and checking that it is consistent with the accounting principles applicable to the Bank
- Examining the completeness and accuracy of the information and data used in the collective provision model
- Examining adequacy of the classification for a sample of performing and troubled debts
- Examining adequacy of the provision for impaired debts for a sample of debts
- Examining reasonableness of the estimate of the provision for credit losses as a whole

Management's assumptions used in the actuarial calculation of the estimated liability for employee benefits

Why the matter was deemed a key audit matter

Deloitte.

KPMG
Somekh Chaikin

As outlined in Note 23 to the consolidated financial statements, the Bank presents a liability for severance pay and pension of employees according to an actuarial calculation that is based on significant estimates, including the expected rise in the CPI, discount rate and life expectancy, as well as on management's assumptions, including departure rates and rate of increase in compensation (hereinafter - "Management's Assumptions" or "Assumptions"). The liability for employee benefits totaled NIS 17,214 million as at December 31, 2022.

We have identified Management's Assumptions used to calculate the liability for employee benefits (hereinafter - the "Liability") as a key audit matter.

In establishing these Assumptions, management exercises significant judgment and relies on past experience, current economic forecasts and management's expectations, in order to assess the data of the Assumptions during the forecast period for which the Liability is calculated.

An audit of the liability for severance pay and pension requires the auditor to exercise judgment in order to examine how management substantiated the Assumptions, as well as knowledge and expertise in order to examine adequacy of the Assumptions used in the actuarial calculation of the Liability.

Response given to key audit matter

The following are the main procedures we performed for addressing this key audit matter in the framework of our audit:

We have examined the work processes regarding the determination of Management's Assumptions and the design and operating effectiveness of certain internal controls over financial reporting associated with substantiating Management's Assumptions and their implementation, including controls related to the following matters:

- Assessing the methodology used to determine the Assumptions
- The underlying data used to determine the Assumptions
- Validation of the Assumptions
- Implementation of the Assumptions in the calculation of the liability for severance pay and pension

As part of our audit, we performed substantive procedures for testing the reasonableness of Management's Assumptions on the basis of internal and external representations we received. In order to perform the procedures, we engaged, inter alia, an expert actuary. These procedures included, inter alia:

- Interviewing the Bank and the actuary regarding material changes in the data, Assumptions and actuarial methods compared to the estimate for the previous year
- Carrying out sensitivity analyses on Management's Assumptions used as a basis for estimating the liability for employee benefits in order to assess the effect of changes in these assumptions on the Liability
- Assessing the reasonableness of Management's Assumptions according to past data and management's expectations about the future
- Examining the databases on which Management's Assumptions are based

Brightman Almagor Zohar & Co.
A Firm in the Deloitte Global Network
Certified Public Accountants

Somekh Chaikin
A registered partnership in Israel and a partner firm in the global KPMG network, which is comprised of independent firms affiliated with KPMG International Limited, a privately-owned limited liability British company
Certified Public Accountants

Joint Independent Auditors

March 13, 2023

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Income Statement
For the year ended December 31

	Note	2022	2021	2020
		In NIS millions		
Interest income	2	18,795	11,672	10,175
Interest expenses	2	5,584	1,326	1,452
Interest income, net	2	13,211	10,346	8,723
Loan loss expenses (income)	13, 30	498	(812)	2,552
Interest income, net after loan loss expenses (income)		12,713	11,158	6,171
Noninterest income				
Noninterest finance income	3	1,408	1,714	1,026
Fees and commissions	4, 4A	3,535	3,506	3,281
Other income	5	75	291	59
Total noninterest income		5,018	5,511	4,366
Operating and other expenses				
Salaries and related expenses	6	3,935	4,242	3,742
Buildings and equipment - maintenance and depreciation	16	1,357	1,535	1,602
Other expenses	7	1,543	1,651	1,702
Total operating and other expenses		6,835	7,428	7,046
Profit before taxes		10,896	9,241	3,491
Provision for profit tax	8	3,564	3,275	1,356
Profit after taxes		7,332	5,966	2,135
The Bank's share in associates' profits (losses), net after tax	15	387	101	(13)
Net income				
Before attribution to non-controlling interests		7,719	6,067	2,122
Attributable to non-controlling interests		(10)	(39)	(20)
Attributable to the Bank's shareholders		7,709	6,028	2,102
Basic and diluted earnings per share (in NIS)				
Basic diluted earnings attributable to the Bank's shareholders	9	5.14	4.15	1.44

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 35.

Dr. Samer Haj Yehia
Chairman of the Board

Hanan Friedman
President and Chief Executive Officer

Omer Ziv
First Executive Vice President
Head of the Capital Markets Division
CFO until February 12, 2023

Hagit Argov
Executive VP
Chief Accounting Officer
Head of Finance and Accounting Division

Date on which the financial statements were approved: March 13, 2023

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Statement of Comprehensive Income
For the year ended December 31

	2022	2021	2020
	In NIS millions		
Net income before amount attributable to non-controlling interests	**7,719**	6,067	2,122
Less net income attributable to non-controlling interests	**10**	39	20
Net income attributable to the Bank's shareholders	**7,709**	6,028	2,102
Other comprehensive income (loss), before taxes:			
Adjustments in respect of presentation of available-for-sale bonds at fair value, net	**(4,265)**	(438)	814
Adjustments from translation of financial statements, net,[(a)] after the effect of hedges[(b)]	**436**	(24)	(46)
Net gains (losses) for cash flow hedges	**(3)**	(40)	43
Adjustments of liabilities for employee benefits[(c)]	**3,133**	392	336
The Bank's share in other comprehensive loss of associates	**(16)**	(11)	(5)
Other comprehensive income (loss), before taxes	**(715)**	(121)	1,142
Related tax effect	**335**	4	(460)
Other comprehensive income (loss) before attribution to non-controlling interests, after taxes	**(380)**	(117)	682
Less other comprehensive income (loss) attributable to non-controlling interests	**96**	(32)	(21)
Other comprehensive income (loss) attributable to the Bank's shareholders, after taxes	**(476)**	(85)	703
Comprehensive income before attribution to non-controlling interests	**7,339**	5,950	2,804
Net of other comprehensive income (loss) attributable to non-controlling interests	**106**	7	(1)
Comprehensive income attributable to the Bank's shareholders	**7,233**	5,943	2,805

(a) Adjustments from translation of the financial statements of a foreign operations the functional currency of which is different from the Bank's functional currency.
(b) Hedges - net gains (losses) for hedging a net investment in foreign currency.
(c) Mostly reflects adjustments in respect of actuarial estimates, as at the end of the year, of defined benefit pension plans and deduction of amounts previously recorded in other comprehensive income. Please see also Note 23.

Please see also Note 10, under accumulated other comprehensive income.

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

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Balance Sheet
As at December 31

	Note	2022	2021
		In NIS millions	
Assets			
Cash and deposits with banks	**11**	**186,569**	197,402
Securities:			
Held-to-maturity bonds		**14,528**	8,031
Available-for-sale bonds		**61,809**	71,430
Equity securities not held for trading		**4,353**	4,344
Held-for-trading securities		**2,260**	3,122
Total securities[(a)(b)]	**12**	**82,950**	86,927
Securities borrowed or purchased under reverse repurchase agreements		**3,034**	2,447
Loans to the public	**13, 30**	**389,768**	347,391
Loan loss provision	**13, 30**	**(4,986)**	(4,512)
Loans to the public, net		**384,782**	342,879
Loans to governments	**14**	**1,109**	940
Investments in associates	**15**	**4,947**	1,113
Buildings and equipment	**16**	**2,735**	2,720
Goodwill	**17**	**-**	14
Assets in respect of derivatives	**28A, 28B**	**26,638**	14,027
Other assets	**18**	**6,402**	7,985
Total assets		**699,166**	656,454
Liabilities and equity			
Deposits by the public	**19**	**557,084**	537,269
Deposits by banks	**20**	**22,306**	25,370
Deposits from governments		**247**	300
Securities loaned or sold under repurchase agreements		**3,952**	2,282
Bonds, promissory notes and subordinated bonds	**21**	**27,805**	15,428
Liabilities for derivatives	**28A, 28B**	**23,311**	15,551
Other liabilities[(a)(c)]	**22, 30D**	**15,018**	18,202
Total liabilities		**649,723**	614,402
Shareholders' equity	**25A**	**49,438**	41,610
Non-controlling interests		**5**	442
Total equity		**49,443**	42,052
Total liabilities and equity		**699,166**	656,454

(a) For additional information regarding amounts measured at fair value, please see Note 33A.
(b) Of which: securities totaling NIS 17,405 million (December 31, 2021 - NIS 21,206 million) pledged to lenders.
(c) Of which: A provision for loan losses for off-balance-sheet credit instruments of NIS 585 million (as at December 31 2021 - NIS 469 million).

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 35.

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Statement of Changes in Equity
For the year ended December 31, 2022

		Capital reserves	
	Share capital	Premium	Stock-based compensation and other transactions[(a)]
	In NIS millions		
Balance as at January 1, 2020	7,054	421	53
Net income	-	-	-
Other comprehensive income (loss), net of tax effect	-	-	-
Dividend paid by consolidated companies	-	-	-
Dividend paid	-	-	-
Share buyback	(13)	(237)	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at December 31, 2020	7,041	184	53
Net income	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Employee benefit for stock-based compensation transactions	-	-	-
Balance as at December 31, 2021	7,041	184	53
Cumulative effect for first-time application of US GAAP[(c)]	-	-	-
Net income	-	-	-
Other comprehensive loss, net of tax effect	-	-	-
Dividend paid	-	-	-
Issuance of shares	**91**	**2,645**	-
Employee benefit for stock-based compensation transactions	-	-	**3**
Sale of equity of a consolidated company to non-controlling interests[(d)]	-	-	-
Balance as at December 31, 2022	**7,132**	**2,829**	**56**

(a) Including NIS 10 million in other capital reserves.
(b) Including NIS 5,287 million that are non-distributable as dividend, of which NIS 1,650 million in respect of share buyback (2021 - NIS 5,656 million, of which NIS 1,650 million for share buyback, 2020 - NIS 5,805 million, of which NIS 1,650 million for share buyback); the remaining distributable amount is subject to the Bank of Israel's directives and to the restrictions set out in the Proper Conduct of Banking Business Directives.
(c) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.X.1.
(d) For more information, see Note 15.A.

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

Total share capital and capital reserves	Accumulated other comprehensive income (loss)	Retained earnings[b]	Total	Non-controlling interests	Total equity
7,528	(3,495)	31,373	35,406	468	35,874
-	-	2,102	2,102	20	2,122
-	703	-	703	(21)	682
-	-	-	-	(39)	(39)
-	-	(297)	(297)	-	(297)
(250)	-	-	(250)	-	(250)
-	-	-	-	3	3
7,278	(2,792)	33,178	37,664	431	38,095
-	-	6,028	6,028	39	6,067
-	(85)	-	(85)	(32)	(117)
-	-	(1,997)	(1,997)	-	(1,997)
-	-	-	-	4	4
7,278	(2,877)	37,209	41,610	442	42,052
-	**-**	**(479)**	**(479)**	**(4)**	**(483)**
-	**-**	**7,709**	**7,709**	**10**	**7,719**
-	**(921)**	**-**	**(921)**	**(21)**	**(942)**
-	**-**	**(1,665)**	**(1,665)**	**-**	**(1,665)**
2,736	**-**	**-**	**2,736**	**-**	**2,736**
3	**-**	**-**	**3**	**1**	**4**
-	**445**	**-**	**445**	**(423)**	**22**
10,017	**(3,353)**	**42,774**	**49,438**	**5**	**49,443**

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Cash Flow Statement
For the year ended December 31

	2022	2021	2020
	In NIS millions		
Cash flows from operating activities			
Net income for the year	**7,719**	6,067	2,122
Adjustments:			
Group's share in net undistributed losses (profits) of associates[a]	**(282)**	114	26
Depreciation of buildings and equipment (including impairment)	**598**	694	678
Loan loss expenses (income)	**498**	(812)	2,552
Gains on sale of loan portfolios	**(57)**	-	-
Net losses (gains) on sale of available-for-sale bonds	**136**	(231)	(410)
Net realized and unrealized losses (gains) from fair value adjustments of held-for-trading securities	**164**	19	(58)
Losses (gains) on sale of investees' equity	**(830)**	-	2
Losses (gains) on disposal of buildings and equipment - net	**(52)**	(119)	7
Provision for impairment of available-for-sale bonds	**42**	-	33
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	**(338)**	(881)	(283)
Provision for impairment of equity securities not held-for-trading	**5**	66	66
Expenses for stock-based compensation transactions	**4**	-	-
Deferred taxes - net	**(312)**	422	(729)
Severance pay and pension – increase (decrease) in excess of provision over fund	**48**	225	(980)
Excess of interest received (receivable) for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	**(127)**	379	253
Accrual differences and rate in respect of bonds and subordinated bonds	**934**	(41)	(393)
Effect of exchange rate differentials on cash and cash equivalent balances	**(740)**	557	1,274
Other, net	**(1)**	(4)	-
Net change in current assets:			
Assets in respect of derivatives	**(12,667)**	1,224	(4,298)
Held-for-trading securities	**698**	892	(451)
Other assets	**(603)**	442	(1,917)
Net change in current liabilities:			
Liabilities for derivatives	**8,728**	(1,516)	5,684
Other liabilities	**2,527**	(2,299)	2,379
Net cash provided by operating activities	**6,092**	5,198	5,557

(a) Net of dividend received.

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 35.

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Cash Flow Statement (cont.)
For the year ended December 31

	2022	2021	2020
	In NIS millions		
Cash flows for investing activities			
Net change in deposits with banks with original maturities of more than three months	**(2,699)**	292	(1,113)
Net change in loans to the public[(a)]	**(62,038)**	(47,480)	(16,583)
Net change in loans to the Israeli Government	**(171)**	(308)	112
Net change in securities borrowed or purchased under reverse repurchase agreements	**(592)**	572	(1,902)
Purchase of held-to-maturity bonds	**(8,550)**	(1,510)	(3,026)
Proceeds from redemption of held-to-maturity bonds	**418**	1,130	1,402
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(114,657)**	(106,548)	(136,675)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**96,945**	86,553	99,757
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**19,487**	24,626	32,700
Purchase of associates' equity	**(285)**	(442)	(67)
Proceeds from disposal of investment in associates	**158**	-	-
Proceeds from disposal of investment in previously-consolidated subsidiaries (Appendix B)	**(904)**	-	-
Proceeds from sale of loan portfolios	**562**	217	-
Purchase of buildings and equipment	**(765)**	(543)	(594)
Proceeds from disposal of buildings and equipment	**112**	179	11
Central severance pay fund	**91**	(9)	137
Net cash for investing activities	**(72,888)**	(43,271)	(25,841)
Cash flow from financing activities			
Net change in deposits by banks with original maturities of more than three months	**(3,149)**	10,232	9,012
Net change in deposits by the public	**41,560**	91,073	74,967
Net change in deposits by the government	**(53)**	92	(106)
Net change in securities loaned or sold under repurchase agreements	**1,665**	1,673	482
Proceeds from issue of bonds and subordinated bonds	**11,435**	2,262	4,986
Redemption of bonds and subordinated bonds	**(61)**	(3,096)	(8,248)
Dividend paid to shareholders	**(1,665)**	(1,997)	(297)
Issuance of shares	**2,736**	-	-
Dividend paid to external shareholders in consolidated companies	**-**	-	(39)
Share buyback	**-**	-	(250)
Net cash from financing activities	**52,468**	100,239	80,507
Increase (decrease) in cash and cash equivalents	**(14,328)**	62,166	60,223
Balance of cash and cash equivalents at the beginning of the year	**194,225**	132,616	73,667
Effect of exchange rate fluctuations on cash and cash equivalent balances	**740**	(557)	(1,274)
Balance of cash and cash equivalents at the end of the year	**180,637**	194,225	132,616

(a) Including operating activities from invoice factoring. Please see Note 30F.

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 35.

BANK LEUMI LE-ISRAEL B.M. AND ITS CONSOLIDATED COMPANIES
Consolidated Cash Flow Statement (cont.)
For the year ended December 31

Interest and taxes paid and/or received and dividends received

	2022	2021	2020
	In NIS millions		
Interest received	**15,821**	10,806	10,555
Interest paid	**(3,462)**	(1,414)	(2,523)
Dividends received	**145**	243	23
Income tax paid	**(2,508)**	(3,043)	(1,725)
Income tax received	**200**	88	237

Appendix A - Non-Cash Investments and Financing Activities in the Reporting Period:

For the year ended December 31, 2022

On September 23, 2021, Bank Leumi Corporation (hereinafter - "BLC"), a US-based corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley.

On April 1, 2022, the merger was completed and, part of the consideration - NIS 3,047 million in Valley shares - was received.

For more information, please see Note 15.A.

For the year ended December 31, 2021

On March 1, 2021, a NIS 750 million balance was reclassified from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

For the year ended December 31, 2020

As of December 31, 2020, a right-of-use asset and liabilities recognized for new operating leases were included as non-cash activity.

For more information, please see Note 1.N.and Note 16.G.

Appendix B - Proceeds from Disposal of Investments in a Previously-Consolidated Subsidiaries:[a]

Assets and liabilities of the previously consolidated subsidiaries and inflow from disposal of investments in previously consolidated subsidiaries as of the sale date

	For the year ended December 31, 2022
	In NIS millions
Derecognized cash	**1,210**
Assets (excluding cash)[b]	**24,855**
Liabilities	**(23,378)**
Identified assets and liabilities	**2,687**
Assets and liabilities attributable to non-controlling interests	**(423)**
Derecognized assets and liabilities	**2,264**
Capital gain on disposal of investment in previously-consolidated subsidiaries[c]	**1,089**
Total proceeds from disposal of previously-consolidated subsidiaries	**3,353**
Net of non-cash proceeds from disposal of investments in previously-consolidated subsidiaries	**3,047**
Cash proceeds	**306**
Less derecognized cash	**1,210**
Inflows from disposal of investments in previously consolidated subsidiaries	**(904)**

(a) For more information, please see Note 15.A.
(b) Including goodwill totaling NIS 14 million.
(c) Profit after elimination of capital reserves and taxes totaling NIS 752 million.

The notes to the consolidated financial statements form an integral part thereof.
For the Bank's separate condensed financial statements, please see Note 35.

List of Notes

Note 1 - Significant Accounting Policies

A. Overview

The Group's consolidated financial statements as at December 31, 2022 include those of the Bank and its subsidiaries, as well as the Group's interests in associates. The financial statements are prepared in accordance with the generally accepted accounting principles in Israel (Israeli GAAP) and the directives and guidelines of the Banking Supervision Department.

These financial statements are presented on a consolidated basis only. The Bank's separate financial statements are presented in Note 35.

The Bank's Board of Directors approved the publication of the financial statements on March 13, 2023.

B. Definitions

In these financial statements -

The Bank - Bank Leumi le-Israel B.M.

The Group – the Bank and its subsidiaries.

Consolidated companies – companies whose financial statements were fully consolidated, whether directly or indirectly, with those of the Bank.

Associates – companies, excluding consolidated companies, including partnerships or joint ventures, the Bank's direct or indirect investment in which is presented in the financial statements according to the equity method.

Investees – consolidated companies and associates.

Foreign offices – representative offices, agencies, branches or consolidated companies of the Bank based overseas.

Functional currency – the currency of the primary economic environment in which the Bank operates; this is generally the currency of the environment in which a bank generates and expends most of its cash.

Presentation currency – the currency in which the financial statements are presented.

Related parties and interested parties – as defined in Section 80 of the Reporting to the Public Directives.

The CPI – The Israeli Consumer Price Index as published by the Israel Central Bureau of Statistics.

Adjusted amount – nominal historical amount adjusted to reflect the CPI in respect of December 2003, pursuant to the provisions of Opinions 23 and 36 of the Institute of Certified Public Accountants in Israel.

Reported amount – adjusted amount as of the Transition Date (December 31, 2003) plus amounts in nominal values that were added after the Transition Date, less amounts derecognized after the Transition Date.

Nominal financial reporting – financial reporting based on reported amounts.

Adjusted financial reporting – reporting in amounts adjusted for the changes in the general purchasing power of Israeli currency pursuant to the provisions of the Opinions of the Institute of Certified Public Accountants in Israel.

Cost – costs in reported amounts.

Fair value - the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

US GAAP for banks - Accounting principles set by the banking regulatory agencies in the USA, the Securities and Exchange Commission, the Financial Accounting Standards Board and other entities in the USA. The principles are implemented according to the hierarchy established in ASC 105-10, FASB Accounting Statements Codification, of the Financial Accounting Standards Board (FASB) in the USA and the hierarchy of generally accepted accounting principles. Additionally, according to the Banking Supervision Department's guidance,

Note 1 - Significant Accounting Policies (cont.)

despite the hierarchy prescribed by FAS 168, any position published by the US banking regulators or by their teams regarding the implementation of US GAAP, constitutes part of US GAAP.

International Financial Reporting Standards (IFRS) – standards and interpretations adopted by the International Accounting Standards Board (IASB), including International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and interpretations issued by the Standing Interpretations Committee (SIC).

C. Basis of Preparation of the Financial Statements

1. Reporting principles

The Bank's financial statements are prepared in accordance with the generally accepted accounting principles in Israel (Israeli GAAP) and with the Reporting to the Public Directives and the guidance of the Banking Supervision Department. In most areas, the directives are based on US GAAP for Banks. In other, less material, topics, the directives are based on IFRSs and on Israeli GAAP.

When IFRSs allow for several alternatives, or do not include a specific reference to a particular situation, the Banking Supervision Department's directives provide specific application guidelines that are usually based on US GAAP for Banks.

2. Functional currency and presentation currency

Unless otherwise stated, the consolidated financial statements are presented in New Israeli Shekels (NIS) and are rounded to the nearest million.

The New Israeli Shekel (NIS) is the currency representing the primary economic environment in which the Bank operates.

For information regarding the functional currency of banking offices abroad, please see Section (d) below.

3. Measurement basis

The financial statements were prepared in accordance with the historical cost, excluding the assets and liabilities outlined below:

- Derivatives and other financial instruments measured at fair value through profit and loss.
- Financial instruments classified as available-for-sale.
- Non-current held-for-sale assets.
- Deferred tax assets and liabilities.
- Provisions.
- Assets and liabilities for employee benefits.
- Investments in associates.

The value of non-monetary assets and equity items measured at historic cost, adjusted for changes in the Consumer Price Index until December 31, 2003. As of January 1, 2004, the Bank prepares its financial statements using reported amounts.

4. Use of estimates

The preparation of the financial statements in conformity with Israeli GAAP and the directives and guidance of the Banking Supervision Department requires the Bank's management to use estimates and assumptions and to exercise judgment that affect the reported amounts of assets and liabilities and disclosure of assets and contingent liabilities and income and expense amounts during the reporting period. It is clarified that the actual results may differ from those estimates.

Note 1 - Significant Accounting Policies (cont.)

When developing accounting estimates used in the preparation of the Bank's financial statements, the Bank's management is required to make assumptions regarding circumstances and events involving significant uncertainty. In exercising its judgment to determine the accounting estimates, the Bank's management relies on past experience, various facts, external factors and reasonable assumptions, in accordance with each estimate's particular circumstances.

Change in estimates

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimates were adjusted and for any future affected period.

D. Foreign Currency and Linkage

Foreign currency transactions

Assets and liabilities denominated in foreign currency or linked thereto are translated according to the representative exchange rates published by the Bank of Israel as of the balance sheet date, or another appropriate date, as follows:

- Assets and liabilities denominated in foreign currency or linked thereto are translated into the functional currency at the exchange rate as of reporting date.
- Non-monetary assets and liabilities denominated in foreign currency or linked thereto and measured at fair value are translated into the functional currency at the exchange rate as of the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currency or linked thereto and measured at historical cost are translated at the exchange rate as of the transaction date.

  In the income statement, foreign currency income and expenses and gains and losses are stated at the current representative exchange rates as of the transaction dates; exchange rate differentials on assets and liabilities in respect of which the aforesaid income and expenses arose are also included in the income statement, excluding:

  - Profit or loss for a hedging instrument in a hedge of a net investment in a foreign operations or cash flow hedge, excluding fair value changes of components excluded from the hedge effectiveness assessment and we will choose to recognize them in profit and loss.
  - Exchange rate differentials for items that form part of the net investment.

  According to the transitional provisions for 2021, exchange rate differentials for available-for-sale debt instruments will continue to be recognized in the income statement until January 1, 2024. As of that date - they will be recognized in other comprehensive income. In the case of other-than-temporary impairment, translation differences recognized in other comprehensive income shall be reclassified to profit and loss.

Functional currency of foreign offices

An entity's functional currency is the currency of the primary economic environment in which the entity operates. This is usually the currency of the environment in which an entity generates cash.
The functional currency of foreign offices is determined according to the following criteria:

- The office generates and expends cash in foreign currency and the scope of its NIS-denominated operations is insignificant.
- The office acquired its customers independently, such that its activities with the Bank's customers or parties closely affiliated therewith are insignificant.
- The office's activity with the Bank and related parties thereof is insignificant and the foreign office is not dependent, among other things, on the Bank's funding resources or related parties thereof.
- The office's activity is independent and does not constitute an extension of the Bank's domestic activity, nor is it complementary to this activity.

Note 1 - Significant Accounting Policies (cont.)

When it is clear that one of the aforementioned criteria is not met, the office should be accounted for as a foreign operations whose functional currency is the NIS.

Foreign operations

Assets and liabilities for foreign operations, including goodwill and fair value adjustments arising on acquisition, were translated into NIS at exchange rates in effect on reporting date. Income and expenses and gains and losses of foreign operations were translated into NIS at exchange rates in effect on transaction dates.

Exchange rate differentials are recognized in other comprehensive income and presented in equity under “Adjustments from translation of financial statements”.

Upon disposal, the cumulative amount in the translation reserve arising from the foreign operations is reclassified to profit and loss as part of the gain or loss from disposal.

When the Group disposes of part of its investment in an associate that includes a foreign operations while maintaining significant influence, the proportion of the cumulative amount in the translation reserve is reclassified to profit and loss.

Hedges of a net investment in a foreign operations

The Group applies hedge accounting to exchange rate differentials between the foreign operation’s functional currency and the Bank’s functional currency (NIS).

The exchange rate differentials arising from translation of a financial liability hedging a net investment in a foreign operations are carried to other comprehensive income and presented in equity under “Adjustments from translation of financial statements”. Upon disposal of the hedged investment, the relevant amount that has accumulated in “Adjustments from translation of financial statements” is transferred to profit and loss as part of the gain or loss on disposal of the investment.

CPI-Linked assets and liabilities not measured at fair value

CPI-linked assets and liabilities are stated according to the linkage terms and conditions set for each balance.

Set forth below are data regarding the representative exchange rates and CPI and changes therein:

	December 31			Rate of change in		
	2022	2021	2020	**2022**	2021	2020
	(In NIS)			(%)		
Exchange rate of:						
USD	**3.519**	3.110	3.215	**13.15**	(3.27)	(6.97)
Euro	**3.753**	3.520	3.944	**6.62**	(10.75)	1.70
Pound sterling	**4.238**	4.203	4.392	**0.83**	(4.30)	(3.68)
Swiss franc	**3.815**	3.405	3.650	**12.04**	(6.71)	2.10
Consumer Price Index:	(Points)	(Points)	(Points)			
November – known CPI	**107.7**	102.3	99.9	**5.3**	2.4	(0.6)

E. Basis of Consolidation

1. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control ceases. The accounting policies of subsidiaries were amended, as needed, so as to align them with the accounting policy adopted by the Group.

Intercompany balances and transactions between the consolidated companies were eliminated in the consolidated financial statements.

The financial statements of two wholly-owned asset and service subsidiaries of the Bank have been consolidated in the Bank’s separate financial statements.

Note 1 - Significant Accounting Policies (cont.)

Non-controlling interests

Non-controlling interests are that portion of subsidiaries' equity that is not attributable, whether directly or indirectly, to the parent company and that include additional components, such as stock-based compensation that will be settled using an equity instrument of the subsidiaries. These interests, which confer upon their holder a share of the net assets of the acquire, are measured at fair value on acquisition date.

Profit or loss and any other component of other comprehensive income are attributed to the Bank's shareholders and to non-controlling interests. The total amount of profit, loss and other comprehensive income is attributed to the Bank's owners and to non-controlling interests even if this results in the non-controlling interests having a negative balance.

Transactions with non-controlling interests that do not result in change of control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in non-controlling interests is recognized directly in equity, to the portion attributable to the Bank's shareholders.

When the Bank's interest in a subsidiary changes without loss of control, the Bank reallocates the accumulated amounts recognized in other comprehensive income between the Bank's shareholders and non-controlling interests.

On loss of control of a subsidiary, the Bank derecognizes the subsidiary's assets and liabilities as well as other equity components attributed to the subsidiary. Any retained investment in a former subsidiary is measured at fair value on the date on which control is lost. The difference between the consideration received and the fair value of the retained investment in the former subsidiary and any derecognized balances is recognized in profit and loss. Amounts recognized in equity through other comprehensive income in respect of that subsidiary are reclassified to profit or loss. As of that date, the remaining investment is equity-accounted or treated as a financial asset according to the Bank's influence on the relating company.

2. Associates

Associates are entities in which the Group has significant influence, but not control, over the financial and operating policies. There is a presumption that the holding of 20% to 50% in an investee confers significant influence, but in addition to the rate of holding, the Bank uses other indicators to check the existence of significant influence, such as significant representation on the Board of Directors and its committees and the ability to influence and make decisions.

Investments in associates' shares is accounted for by the equity method; such investment is initially recorded as cost. When the Bank first obtains significant influence over an investment that was not equity-accounted until significant influence was attained, then the equity method is applied prospectively.

The consolidated financial statements include the Group's share in income and expenses, profit and loss and other comprehensive income of equity-accounted entities.

When there is a decrease in the Group's interest in an associate accounted for by the equity method, but the Group retains significant influence, the Group derecognizes a proportionate share of its investment and recognizes the gain or loss from the disposal. Furthermore, when such decrease occurs, a pro rata share of the amounts recognized in capital reserves through other comprehensive income in respect of that associate is reclassified to profit and loss.

Upon loss of significant influence, the Group stops using the equity method and accounts for the remaining investment as a financial asset classified to the held-for-trading securities portfolio or to the not held-for-trading equity securities portfolio, in accordance with its nature.

Note 1 - Significant Accounting Policies (cont.)

Furthermore, when significant influence is lost, a pro rata share of the amounts recognized in respect of that associate in capital reserves through other comprehensive income is reclassified to the income statement.

The Bank assesses the need to record impairment in respect of its investments in associates; please see Section (V.4) below.

F. Basis of Recognition of Income and Expenses

Income and expenses are stated on accrual basis, except as described below:

- Income and expenses from held-for-trading securities, equity securities not held for trading, and derivatives are recognized according to changes in fair value.
- Interest income and expenses are stated on an accrual basis, except as described below:
  - Interest accrued on troubled debts that were classified as impaired debts is recognized as income on a cash basis when it is certain that the remaining recorded balance of an impaired debt will be collected. In such situations, an amount collected on account of interest that will be recognized as interest income will be the amount that would have accrued during the reporting period on the remaining recorded balance of the debt according to the contractual interest rate. Cash-basis interest income is classified as interest income within the relevant line item of the income statement. When there is significant doubt as to the collection of the remaining recorded balance, all collected payments are used to reduce the loan's principal. Furthermore, interest payable on amounts in arrears in respect of housing loans is recorded in the income statement on the basis of actual collection.
- Loan origination fees – fees charged in respect of issuing the loan, except for loans for a period of up to three months, are recognized over the term of the loan as an adjustment of the return, except in cases of troubled debt restructuring, where the fees and commissions are recognized immediately in profit and loss.
- Early repayment fees - fees charged in respect of early repayment are recognized immediately in interest income, except such fees and commissions that are included as part of the net investment in the new loan and recognized as return adjustment.
- Changes to the debt's terms and conditions - in cases of refinancing or restructuring of non-troubled debts, the Bank assesses whether or not the changes made to the terms and conditions of the loan are minor. Changes to the terms of the debt instrument are not minor when the present value of the cash flows of the new loan is at least 10 percent different than the present value of the cash flows according to the original loan terms. If the loan terms and conditions change is minor, all unamortized fees and commissions as well as early repayment fees that were collected from the customer in respect of changes to the loan terms and conditions are included within the net investment in the new loan and recognized as adjustment of return as stated above. If the change in the loan terms and conditions is other than minor, the fees and commissions will be stated directly in profit and loss.
- Credit service charges are accounted for according to the likelihood that the undertaking to extend the loan will be fulfilled. If the likelihood is remote, the fee is recognized on a straight-line basis over the term of the undertaking; otherwise the Bank defers the revenue recognition from those fees until the undertaking is fulfilled or until it expires, the earlier of the two. If the undertaking is fulfilled, then the fees and commissions are recognized by way of adjusting the return over the term of the loan as stated above. If the undertaking has expired unexercised, the fees are recognized on expiry date and reported in income from fees and commissions.
- Income from fees and commissions in respect of provision of services is charged to profit and loss when the service is provided.

Note 1 - Significant Accounting Policies (cont.)

- Other fees and commissions, such as for guarantees and granting facilities to projects, are recognized pro rata over the transaction period.

G. Fair Value of Financial Instruments

The Bank applies the rules set in ASC 820, which defines fair value and sets a consistent basis for fair value measurement by defining fair value valuation techniques to be used to measure the value of assets and liabilities, setting the fair value hierarchy and providing detailed implementation guidelines. Furthermore, the Bank implements the Banking Supervision Department's directive regarding fair value measurement, which integrates the rules that were set in ASU 2011-04 - "Fair Value Measurement" into the Reporting to the Public Directives.

The standard requires to maximize the use of observable inputs and minimize the use of unobservable inputs in fair value measurement. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect the Bank's assumptions.

Subtopic 820-10 established a hierarchy of valuation techniques, which are based on whether the inputs used to measure fair value are observable or unobservable.

The following types of inputs create a fair value hierarchy:

- Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 inputs: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; prices derived from fair value measurement models whose principal data are observable or corroborated market inputs.
- Level 3 inputs: Unobservable inputs for the asset or liability.

This hierarchy requires the use of observable market inputs, where such inputs are available. Where possible, the Bank takes into account relevant observable market inputs when measuring fair value. The scope and frequency of transactions, the size of the bid-ask spread and the amount of adjustment necessary when comparing similar transactions are all factors in determining the liquidity of markets and the relevance of observable prices in these markets.

The categorization of a financial instrument's fair value measurement within the fair value hierarchy is determined based on the lowest level input that is significant to the entire measurement.

The valuation techniques used by the Bank in measuring fair value are assessed while taking into consideration the relevant circumstances of the various transactions, including last transaction prices, indicative prices of pricing services and results of back-testing of similar transactions.

Credit risk and nonperformance risk assessment

FASB Accounting Standard Codification Topic 820 requires incorporating the credit risk and nonperformance risk into the fair value measurement of a debt, including derivatives issued by the Bank and measured at fair value. Nonperformance risk includes, but is not limited to, the Bank's credit risk.

For additional information regarding the principal methods and assumptions used in measuring the fair value of the financial instruments, please see Note 33A - "Balances and Fair Value Estimates of Financial Instruments".

Note 1 - Significant Accounting Policies (cont.)

Securities

The fair value of held-for-trading securities, equity securities not held for trading (for which there is readily available fair value), and available-for-sale bonds is determined based on quoted market prices in the principal market. The quoted price is not adjusted due to the size of the Bank's position in relation to the trading volume (holding size factor). Where quoted market prices are unavailable, the fair value estimate is based on the best available information while maximizing the use of observable inputs and taking into account the risks inherent in the financial instrument. Fair value is determined using generally acceptable pricing models, based on valuations carried out by financial instruments valuation experts or based on the Bank's independent system. The valuation techniques include using various parameters, such as interest curves, exchange rates and standard deviations, taking into consideration the risks inherent in the financial instrument (market risk, credit risk, lack of marketability, etc.).

Most of the portfolio is calculated on a monthly basis by a reputable international entity which is engaged in fair value measurement and is not dependent on issuing and marketing entities. The calculation is mainly based on transaction prices in active markets. The portfolio's balance is revalued based on quotes from brokers or the issuers of the instruments, or based on the Bank's system.

Derivatives

The fair value of derivatives with an active market is determined based on quoted market prices in a principal market.

Where a quoted market price is not available, the fair value is estimated using models that incorporate the risks inherent in the derivative instrument.

Non-derivative financial instruments

Most financial instruments included in this category do not have an active market in which they are traded. Accordingly, fair value is measured using generally accepted pricing models, such as the present value of future cash flows discounted at an interest rate reflecting the level of risk inherent in the financial instrument. For this purpose, pursuant to Banking Supervision Department's guidelines, future cash flows in respect of impaired debts and other debts were calculated after deducting the effect of charge-offs and loan loss provisions in respect of the debts.

H. Non-performing debts, credit risk and current expected credit losses

The accounting framework

The Bank applies the Banking Supervision Department's guidelines on measurement and disclosure of non-performing debts, credit risk, and loan loss provision, the positions of the US banking supervisory authorities and the Securities and Exchange Commission, as adopted by the Banking Supervision Department's Reporting to the Public Directives. According to these guidelines, inter alia, a banking corporation shall apply US GAAP for Banks for measuring loan losses arising from financial instruments as outlined in ASC 326, "Financial instruments - Credit Losses".

These guidelines are applied to all outstanding receivables, such as deposits with banks, bonds, securities borrowed or purchased under reverse repurchase agreements, loans to the public, and loans to the Israeli Government.

Provision for CECL: measurement

The Bank has set procedures to maintain a loan loss provision able to cover current expected credit losses arising from its loan portfolio, including off-balance-sheet credit risk.

As a rule, the estimate of a current expected credit losses provision is calculated over the contractual period of the financial asset, taking into account early repayment estimates according to quantitative methods formulated by the Bank, and taking into account expected restructuring of troubled debt with the borrower, as applicable. A provision calculated on a collective basis for loans is based, as a rule, on the recorded outstanding debt, net of interest accrued as at the reporting date.

Note 1 - Significant Accounting Policies (cont.)

The measurement of the loan loss provision is based on segmenting the Bank's credit portfolio into groups sharing similar risk characteristics (a process called "segmentation"). Following is a summary of the Bank's approach to segmentation relating to portfolios, economic sectors and business functions: The Bank segments the loans to the public to four main portfolios, each of which is divided into sub-groups: (1) Business-commercial credit in the Corporate Division; (2) Commercial credit, which mainly reflects credit to small businesses, in the Banking Division; (3) Non-housing loans to private individuals; and (4) Housing loans. In general, commercial credit is segmented into economic sectors, while credit to private individuals is segmented into main business lines. As for housing loans, the measurement is based on characteristics at the individual loan level. In the next stage, the Bank distinguishes between non-troubled and troubled credit.

The loan loss provision is comprised both from a quantitative level and a qualitative level, as follows: past losses, loss given default, a comprehensive framework for qualitative adjustments (Q-factor) and one-year macroeconomic forecasts.

The provision to cover the current expected credit losses in the loan portfolio is estimated through one of the following tracks:

Specific loan loss provision

Non-performing debts, excluding housing loans, are debts which the Bank believes do not share the risk characteristics of performing debts and therefore estimates the provision for them on a specific basis.

With regards to commercial debt, the outstanding contractual balance of which (without deducting: charge-offs not involving legal waiver, deferred interest, loan loss provisions and collateral) is NIS 1 million or more, the provision is measured based on the present value of the expected cash flow discounted by the original effective interest rate of the debt, or when the debt is a collateral-dependent debt or when an asset is expected to be foreclosed, according to the fair value of the collateral that was pledged to secure that loan (net of costs to sell).

Collective loan loss provision

1. In non-housing segments, the provision is usually estimated using the loss-rate method. This process is initially based on average past losses in the portfolio, represented by net charge-offs as from 2011 and until the quarter preceding the reporting date. Past losses are adjusted later in the process, using a series of risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, concentration of the credit portfolio, risk ratings, the Bank's credit provision policy and procedures, and additional terms and conditions. The process is intended to adjust the historic information so as to reflect the level at which the current term conditions and reasonable supportable forecasts may be different than the terms and conditions prevalent during the period in which the historic information was assessed. In the next stage, the Bank incorporates reasonable and well-substantiated forecasts for one year, followed by one year for historical data, adjusting for current conditions, on a linear basis. At the end of the process, the provision for estimates is adjusted for expected recoveries in respect of charged off debts. Changes in these estimates are recognized as incurred against the loan loss provision.

   The provision for off-balance-sheet credit is recognized for obligations that may not be unconditionally terminated by the Bank, and is based on the segmentation described above, taking into account the Bank's estimates regarding the reasonableness of utilizing the various off-balance-sheet items (i.e., credit conversion coefficients). These estimates are based both on past experience of the Bank - which indicates utilization rates - and on subjective judgment. The provision is presented in the balance sheet under "Other liabilities".

   This process involves significant judgment and expert assumptions, in order to reflect the best expectations and assessments of management regarding current expected credit losses.

Note 1 - Significant Accounting Policies (cont.)

2. In the housing loans segment, the Bank measures the current expected credit losses based on the probability of default and loss given default. The process also begins with historic information, which is adjusted for current conditions and reasonable substantial forecasts or a period of one year. Following this period, the Bank reverts to three years of historic information adjusted for current conditions on a linear basis. The provision for off-balance-sheet credit is recognized based on the Bank's estimates relating to the probability of utilizing the binding credit facilities. Changes in the loan loss provision for housing loans, including for housing loans classified as non-performing, are presented as loan loss expense for debts examined on a collective basis.

Held-to-maturity securities and additional exposures

The current expected credit losses provision for the held-to-maturity bonds portfolio is based on the probability of default and loss given default methods. The Bank does not recognize a loan loss provision for certain government bonds and credit agencies for which the Bank believes the probability of non-payment is zero.

In addition, the Bank's exposure for securities loaned or sold under reverse repurchase agreements relates to agreements which include provisions for retention of collateral by the counterparty. In this context, the Bank determines that the expectation of non-payment based on amortized cost of these exposures is zero if the entity which transferred the financial assets to the Bank continuously replenishes the collateral amount in response to fair value changes. The Bank ensures, on a regular basis, that the entity complies with the provision to retain a collateral and reasonably expects the borrower to continue to renew the collateral as needed. The application of the new rules did not materially affect the loan loss provision for held-to-maturity bonds.

Liability adequacy testing of the entire provision and finalizing its quantification process

The process of liability adequacy testing is entwined in the process of developing various components in estimating the loan loss provision, such as adjustments of historic information from past periods for current conditions, assessing the risk of various economic sectors, economic forecasts for reasonable and substantial periods, assessment of the recovery amounts expected for debts under financial difficulties, estimates of expected recoveries from previous charge-offs, and estimate of early repayment in respect of the contractual period of the credit provided.

However, the Bank is examining the overall adequacy of the loan loss provision based on management's judgment, taking into account the risks embodied in the credit portfolio, in order to ensure that the provision estimates over the entire reporting period adequately represent the best expectations and estimates of management. To this end, management reviews a wide range of data - both factors specific to the borrower and factors relevant to the entire operating environment. In this context, management examines the loss estimates against managerial and financial information at its disposal. In addition, as part of quantifying the provision, the Bank sometimes calculates scenarios which represent circumstances that management believes are within a reasonable range, and to which management attributes weights for the purpose of obtaining the best estimate.

Impairment of available-for-sale bonds

The Bank estimates the current expected credit losses for bonds in the available-for-sale portfolio at each reporting date when the fair value of the security is lower than its depreciated cost. In any such case, the Bank examines whether there is an intention to sell the security or whether the Bank believes that it is more likely than not that it will be required to sell the security before recovering its carrying amount. If the answer is positive - the entire difference between the carrying amount and the fair value is recognized in profit and loss. If the answer is negative, the Bank examines whether the fair value impairment arises from loan losses or other factors, and if the Bank believes that the impairment arises from loan losses - it is recognized through the loan loss provision, while any other impairment is recognized against other comprehensive income. A loan loss exists when the Bank does not expect to receive principal and interest inflows that are sufficient to recover the entire amortized cost of the security. The loan loss provision is limited to the amount by which it exceeds the amortized cost of the security over its fair value. The provision amount is revised upwards or downwards according to changes in assessments in subsequent periods.

Note 1 - Significant Accounting Policies (cont.)

When testing for loan losses, the Bank reviews various inputs, assessments and information items. The main criteria for determining whether the impairment stems from the existence of a credit loss pertain both to factors specific to the issuer and to other factors, as follows:

- Credit rating downgrade
- Adverse legal or regulatory event (such as imposition of a regulatory restriction on the issuer, the issuer is unable to obtain a significant patent or meet its requirements)
- Unpaid interest or principal payments or default
- Deterioration in the issuer's or analysts' expectations regarding the future functioning of the issuer
- Increase in the credit spreads at the rating group level
- Adverse legal or regulatory changes affecting the issuer's industry
- Significant deterioration in the market environment which may affect the value of the collateral (such as a decline in prices of real estate properties)
- A significant deterioration in economic conditions
- Disruptions in the business model as a result of technological changes or new competitors in the industry

According to the new rules, the Bank does not take into account - for this purpose - the length of time in which the fair value of the security was lower than its cost.

In cases where the Bank decided to conduct a quantitative test, the test will be conducted using the PD LGD method. In the context of this test, a comparison will be made between the discounted cash flows, fair value and amortized cost. If the expected cash flows are lower than the amortized cost, the difference will be recognized as a loan loss provision. If the fair value of the bond is higher than the discounted cash flow amount, a provision will be recognized up to the fair value amount.

If the Bank expects that the bond shall not be collectible, the loan loss provision amount will be recognized as a charge-off.

Identification and classification of troubled debts

The Bank has set procedures for identifying troubled loans and for classifying debts as non-performing (see definition in subsection (1) below) Interest income According to these procedures, the Bank classified the outstanding on-balance-sheet troubled debts and the off-balance-sheet items as follows: special mention, substandard or non-performing. Non-performing debts were classified and presented in periods preceding January 1, 2022 as part of impaired debts.

Since July 1, 2017, the Bank applies the Banking Supervision Department's revised "Frequently Asked Questions and Examples of Implementation of Reporting to the Public Directives on Impaired Debts, Credit Risk, and Loan Loss Provision". The revision focuses on establishing debt classifications based on the debtor's repayment capacity, i.e.: The expected strength of the primary repayment source, notwithstanding the support of secondary and tertiary repayment sources, such as collateral and guarantors. Primary repayment source – a sustainable source of cash which must be under the borrower's control, must be reserved, explicitly or implicitly, to cover the debt obligation. For a source of repayment to be considered primary, the Bank must show that the borrower is highly likely to generate, within a reasonable period of time, an adequate cash flow from a continuing business operation, which shall be used to repay all of the required installments in full and according to the repayment schedule set in the agreement.
Past due debts are considered delinquent if their principal or interest were not paid after becoming due. In addition, revolving debtor accounts or current accounts are reported as delinquent debts of 30 days or more, when the account remains continuously in deviation from the approved credit limit for 30 days or more or if within the credit limit, no amounts were credited to that account to cover the debt within a period of 365/366 days. As of January 1, 2022, after applying the new rules on loan losses, housing loans are managed according to the number of calendar days in arrears, while in previous periods, the extent of arrears of housing loans was determined using the extent of arrears method, in according with Proper Conduct of Banking Business Directive No. 314.

Note 1 - Significant Accounting Policies (cont.)

To classify and treat troubled debt (including charge-off), the Bank distinguishes, in accordance with the Reporting to the Public Directives, between:

1. Commercial credit for debt whose contractual balance (without deducting: charge-offs not involving a legal waiver, unrecognized interest, loan loss provisions and collateral) is at least NIS 1 million or more, except for certain exclusions:
   Such credit is mainly classified based on the repayment capacity of the debtor, as described above, while distinguishing between potential weaknesses and existing or well-defined weaknesses. A debt is classified as non-performing when it is expected that the Bank will not be able to back all the amounts it due, based on the contractual terms and conditions of the debt agreement, based on up-to-date information and events, such as: The debt's extent of arrears; the borrower's financial position and solvency; an assessment of the primary repayment source for the debt; status of the collateral; the guarantors' financial position, etc. A debt shall be classified as non-performing whenever the principal or interest has been in arrears of 90 days or more, unless it is both well secured and in the process of collection. A well-secured debt is one that is secured by a collateral by placing a lien on a tangible or personal asset, including securities, the realization value of which is sufficient to repay the debt (including accrued interest) or collateral of a party with proven financial responsibility. A debt is "under collection processes" if its collection is properly conducted through a legal proceeding, under the proper circumstances, collection efforts that are non-legal but which are expected to bring about, in the near future, the repayment of the debt or its return to a performing status.
   Off-balance-sheet credit are classified depending on the probability of realizing the contingent liability and if the debts that may be recognized as a result of the realization of the contingent liability meet the criteria for classification into the adequate category.

2. Credit to private individuals, housing loans, and commercial credit in respect of debt the outstanding contractual balance of which (as defined above) is lower than NIS 1 million, except for certain exclusions:
   Such credit is classified based on the extent of arrears and according to certain negative symptoms that are defined and automatically activated. Housing loans are classified as non-performing debt when the principal or interest thereof are in arrears of 90 days or more.

Restructured troubled debts

A troubled debt which underwent formal restructuring is considered a debt for which, for economic or legal reasons related to the debtor's financial difficulties, the Bank had granted a concession by changing the terms and conditions of the debt to alleviate the burden of the debtor's near-term cash payments or by accepting other assets in satisfaction of the debt. In order to determine whether a debt restructuring carried out by the Bank constitutes restructuring of a troubled debt, the Bank carries out a qualitative assessment of the debt restructuring's terms and conditions and circumstances with the aim of determining whether (1) the borrower has financial difficulties and (2) the Bank granted a concession to the borrower as part of the debt restructuring.

In order to determine whether the debtor has financial difficulties, the Bank assesses whether there are indications that the borrower has difficulties as of restructuring date or whether it is reasonably probable that the borrower will have financial difficulties were it not for the restructuring.

Among other things, the Bank assesses whether one or more of the following criteria are met:

- As at the restructuring date, the borrower is in financial difficulties;
- With regards to debts which are not in arrears as of restructuring date, the Bank assesses whether - under the customer's current repayment capacity - it is probable that the customer will default in the foreseeable future and will fail to meet the original contractual terms and conditions of the debt;
- The debtor has declared bankruptcy, is under receivership, or there are significant doubts as to the borrower's continued existence as a going concern;

Note 1 - Significant Accounting Policies (cont.)

- If the terms and conditions of the debt are not changed, the borrower will be unable to raise debt from other sources at the market interest rate applicable to borrowers who have not defaulted.

The borrower was granted a concession even if - as part of the restructuring - the contractual interest rate was increased, provided that one or more of the following criteria are met:

- As a result of the restructuring, the Bank is not expected to collect all outstanding amounts (including interest accrued) according to contractual terms and conditions;
- The up-to-date fair value of the collateral for collateral-dependent debts does not cover the outstanding contractual debt and indicates that it will be impossible to collect all amounts due;
- The borrower is unable to raise debt at prevailing market interest rate for a debt with terms, conditions and characteristics, such as those of the debt extended as part of the restructuring.

The Bank does not classify a debt as a restructured troubled debt if - as part of the restructuring - the borrower was granted an immaterial payments deferral, given the frequency of payments, contractual term to maturity and expected average duration of the original debt. In this regard, if several restructurings were carried out that involve changing the debt's terms and conditions, the Bank takes into account the cumulative effect of the previous restructurings when determining if the payments deferral is immaterial.

In accordance with the Bank of Israel's guidance, when a debt that was not considered non-performing previously is restructured and it is determined to be compliant with the definition of a troubled debt under restructuring, with no partial charge-off, it is usually inadequate to decrease the loan loss provision estimate at the restructuring date as a result of changing the impairment measurement method.

As a rule, a restructured troubled debt will be classified as such until it is fully repaid, excluding housing loans. However, the debt was restructured (without forgiving the principal) and subsequently the banking corporation and the debtor entered into another restructuring agreement (a process called "subsequent restructuring"), provided that on the date of the subsequent restructuring, the borrower is no longer experiencing financial difficulties and, under the terms and conditions of the subsequent restructuring agreement, the banking corporation granted no concession to the borrower; in this case, the subsequent restructured debt will no longer be classified as restructuring of troubled debt. This section applies to restructuring carried out or renewed as of December 31, 2016.

A troubled debt under restructuring the terms and conditions of which have been changed may be classified as performing or non-performing at the change date. As a rule, a troubled debt which has formally undergone restructuring of terms and conditions so as to give rise to reasonable assurance that the debt will be repaid (principal and interest income) and perform according to its new terms and conditions, it need not be classified as non-performing debt, provided that the restructuring and any charge-off made to the debt are supported by an up-to-date and well-documented credit assessment of the debtor's financial status and the repayment capacity under the new terms and conditions. The assessment includes a review of ongoing historic repayment performance of the debtor for a period of at least 6 months. Accordingly, a debt the terms and conditions of which have been changed under restructuring of troubled debt, and which was adequately classified as performing debt prior to the restructuring, can continue to accrue interest provided that subsequent the restructuring: (1) The collection of the principal and interest in accordance with the new rules is reasonably assured, based on an up-to-date and well-substantiated analysis; (2) The debtor has a reasonable history of ongoing repayment performance for a reasonable period prior to the change of the terms and conditions that does not exclusively rely on interest payments; and (3) the restructuring improves the collection odds of the loan, according to a reasonable repayment schedule.

Note 1 - Significant Accounting Policies (cont.)

Classification of a debt as restructured troubled debt does not automatically require the debt to be classified as troubled. However, at the date on which the terms and conditions were changed, the required classification should be reassessed. All the relevant parties, including the extent of the debtor's financial difficulties, should be taken into account when conducting the risk assessment. Classifying a debt as non-troubled or troubled shall be conducted in accordance with the Bank's procedures.

As of January 1, 2022, the rules described above also apply to housing loans, with the necessary adjustments. As a rule, rescheduling or recycling of a defaulted housing loan shall be defined as troubled debt under restructuring. The same applies to restructuring which includes rescheduling late charges. The Bank applied also these directives to restructurings conducted prior to January 1, 2022 that have yet to be repaid. In addition, with the entry in force of these directives, the Bank updated the classification of the opening balance, for the reporting period, of debts classified as troubled debt under restructuring and adjusted to the new rules, such that debts which, as at December 31, 2021, were classified as performing under restructuring were reclassified - according to the new rules - as non-troubled or troubled debt and accordingly, the current expected credit losses provision in their respect was classified according to the above rules.

For information regarding ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures, please see Section Y.2.below.

Reinstatement of non-performing debt as performing debt

Non-performing debt is reclassified as performing debt if one of the following is met:

- Principal or interest are no longer past due and unpaid and the Bank expects full repayment of the outstanding principal and interest pursuant to the terms and conditions of the contract (including charge-offs or amounts that have been provided for).
- The debt is both well secured and in the process of collection.

In addition, in order to reinstate a non-performing loan as performing - following restructuring of troubled debt - an up-to-date and well-documented credit analysis of the debtor's financial position and the repayment odds under the updated terms and conditions should be made. The analysis takes into account the debtor's history of ongoing repayment performance for a reasonable period prior to debt's reinstatement as performing, but may take into account payments made during a reasonable period prior to the restructuring, if the payments are in line with the updated terms and conditions. A period of ongoing repayment performance is usually at least 6 months as of the assessment date. Reclassification of a non-performing debt shall entail classifying the debt as non-troubled or troubled in accordance with the Bank's procedures.

Accordingly, as of January 1, 2022, debts amounting to NIS 317 million of the impaired debts were classified to performing debts under one of the following categories: substandard, special mention and non-troubled, for which a NIS 150 million provision was reclassified from a specific provision to the collective provision (the income generated from reducing the loan loss provisions recorded on January 1, 2022 in respect of debts classified as non-troubled is in an immaterial amount).

Revenue recognition

As at the date of the debt's classification as non-performing, the Bank no longer accrues interest income therefrom. Furthermore, when the debt is classified as non-performing debt, the Bank cancels all interest income which has been accrued but not yet collected which had been recognized as income in profit and loss. The debt is classified as non-performing as long as its "non-performing" classification has not been canceled. As for performing debts examined and provided for on a collective basis, excluding housing loans, that are in arrears of 90 days or more, the Bank continues to accrue interest income.

Note 1 - Significant Accounting Policies (cont.)

Charge-off

The Bank performs charge-offs in the following cases:

- Any debt or part thereof which is assessed on a specific basis and is considered uncollectible and has a low value such that maintaining it as an asset is unjustifiable or a debt which the Bank has attempted to collect over a considerable period of time (normally for more than two years).
- In the case of a collateral-dependent debt, any portion of such debt in excess of the value of the collateral which is identified as uncollectible shall be written off immediately against the loan loss provision.
- Troubled debts which are tested on a collective basis (i.e., non-housing loans for private individuals and commercial credit for a debt the contractual outstanding balance of which, as defined above, is less than NIS 1 million, except for certain exclusions) and their extent of arrears is 150 days or more, except in case of debts under restructuring, for which the need for immediate write-off is examined. In addition, troubled debts under restructuring which were tested collectively and failed, are written off when in arrears of 60 days or more under the restructuring terms and conditions and are classified as non-performing. As for housing loans, an up-to-date assessment of the value of the collateral should be made no later than the date in which the debts are in arrears of 180 days or more, and charge off the portion of the recorded outstanding balance that exceeds the collateral's value (less costs to sell).

It should be clarified that charge-offs do not involve a legal concession and reduce the reported outstanding debt for accounting purposes only, while establishing a new cost basis for the debt in the Bank's books of accounts.

Disclosure requirements

The Bank applies the disclosure requirements to the credit quality of debts and to the loan loss provision set forth by ASC 310, "Receivables", and ASC 326, "Financial instruments - Credit Losses", with the required adjustments and as adopted by the Reporting to the Public Directives. The Bank adjusted the disclosure format to the new rules, and reclassified comparative results as needed.

I. Securities

1. The securities in which the Bank invests are classified into four portfolios, as follows:

A. Held-to-maturity bonds

Bonds which the Bank intends to and can hold to maturity. Held-to-maturity bonds are stated at their par value plus accrued interest and exchange rate and linkage differentials, taking into account the premium or discount pro rata, and net of impairment, as outlined in Section (h) above.

Available-for-sale bonds

Bonds not classified as held-to-maturity or held-for-trading. Available-for-sale bonds are stated in the balance sheet at fair value as at the reporting date. The differences between the fair value and amortized cost net of tax reserve are carried to a separate line item in shareholders' equity under other comprehensive income. The impairment is carried to the income statement, as stated in Section (h) above.

Unrealized gains or losses from fair value adjustments in respect of available-for-sale bonds designated as being hedged by fair value hedges were carried to the income statement over the hedging period in respect of the hedged risk.

B. Held-for-trading securities

Securities that were purchased and are held with the intent of selling them within a short period of time. Held-for-trading securities are stated at fair value on the balance sheet as at the reporting date. Realized and unrealized gains and losses are carried to the income statement.

Note 1 - Significant Accounting Policies (cont.)

C. Equity securities not held for trading

Equity securities with an available fair value are stated in the balance sheet at their fair value as at the reporting date. Unrealized gains or losses from fair value adjustments are stated in the income statement.

Equity securities with no available fair value are stated in the balance sheet at cost, less impairment, with the addition or deduction of changes in observable prices in orderly transactions in similar or identical investments of the same issuer. Unrealized gains or losses from adjustments to changes in observable prices are stated, as aforesaid, in the income statement.

2. Dividend income, accrued interest, linkage and exchange rate differentials, amortization of premium or discount (according to the effective interest method) and impairment losses from other-than-temporary amortization are carried to the income statement.

3. Interest income in respect of purchased beneficial interests - e.g. asset-backed financial instruments such as CDO, CLO, MBS and CMO (except for instruments with high quality credit) - is recognized according to the prospective interest method (the future interest rate which also incorporates prospective changes), while adjusting the interest rate used to recognize interest income to reflect changes in the estimated future cash flows. Beneficial interests of high credit quality are beneficial interests issued by the US Government and are guaranteed thereby or by US Government agencies, as well as asset-backed securities whose international credit rating is at least AA.

4. Fair value

For additional information about the methods applied to determine fair value, please see Section (G) above.

5. Impairment

Regarding the treatment of impairment of available-for-sale or held-to-maturity bonds, please see Section (H) above.

For equity securities not held for trading for which there is no available fair value, the Bank makes a qualitative assessment in order to test the equity securities for impairment, and if needed - assesses the fair value of the investment to determine total impairment loss.

J. Derivatives Including Hedge Accounting

The Bank holds derivative financial instruments in order to hedge foreign currency, interest rate risks and CPI risks; the Bank also carries out derivative activity for purposes other than hedging, including embedded derivatives that have been bifurcated.

Hedge accounting

As part of the Bank's overall strategy for managing the above risk exposures, the Bank designates certain financial instruments as fair value hedges, cash flow hedges and foreign currency hedges. The Bank formally documents the hedge relationships at the hedge's inception. The documentation includes: The hedging instrument, the hedged instrument, the nature of the hedged risk and the method for assessing the hedge effectiveness.

1. Fair value hedges

The Bank designates derivatives as hedging the exposure to changes in the fair value of an asset or liability. Changes in the fair value of derivatives designated to hedge fair value are carried to the income statement on a current basis and presented in the same line item as effects of the hedged item. The hedged item is also stated at fair value and changes in fair value that can be attributed to the hedged risk are carried to the income statement.

Note 1 - Significant Accounting Policies (cont.)

2. Cash flow hedges

   Both the Bank and the US subsidiary designate derivatives as hedging the exposure to the change in future expected cash flows which is attributable to a certain risk. Changes in the fair value of a derivative designated as cash flow hedges are carried to the other comprehensive income.

   If the hedging instrument no longer meets the hedge accounting criteria, or if it expires, sold, terminated or exercised, or if the Bank cancels the designation of the fair value hedge, then it is no longer accounted for according to hedge accounting.

3. For hedges of foreign operations – please see Section (D) above.

Economic hedging

Hedge accounting is not applied to derivatives used by the Bank in its Asset and Liability Management (ALM) activities. Changes in the fair value of these derivatives are recognized in profit and loss as incurred.

Other derivatives

Derivatives which do not serve for hedging purposes, are measured at fair value with the changes in the fair value of these derivatives carried immediately to profit and loss.

Embedded derivatives

Embedded derivatives are bifurcated from the host contract and accounted for separately as derivatives in accordance with ASC 815-10 if: (a) There is no clear and close connection between the economic characteristics and risks of the host contract and embedded derivative, including credit risks arising from certain embedded credit derivatives, (b) a separate instrument with the same terms and conditions as the embedded instrument would have qualified as a derivative, and (c) the hybrid derivative is not measured at fair value through profit and loss.

Bifurcated embedded derivatives are presented in the balance sheet together with the host contract and changes in their fair value are carried immediately to profit and loss.

In certain cases, (such as when the Bank is unable to bifurcate an embedded derivative from the host contract), the Bank elects not to bifurcate the embedded derivative and to measure the fair value of the hybrid instrument in its entirety and carry any changes in fair value to the income statement as incurred. Such election is made when the hybrid instrument is purchased or upon the occurrence of certain events in which the instrument is subject to re-measurement (a re-measurement event), such as a result of business combinations or material changes in debt instruments. Such fair value election is irrevocable.

Fair value

For additional information about the methods applied to determine fair value, please see Section (G) above.

As of January 1, 2021, the Bank applies ASU 2020-01, “Clarifying the Interactions between Topic 321, and Topic 323.

K. Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

The Bank applies the measurement and disclosure principles prescribed in Subtopic 860-10 – Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, for the purpose of dealing with transfers of financial assets and extinguishment of liabilities. According to these rules, the transfer of an entire financial asset, a group of financial assets or a participating interest in an entire financial asset will be accounted for as a sale, if and only if, all of the following conditions are met: (1) The transferred financial asset has been isolated from the transferor, even under bankruptcy or other type of receivership; (2) each transferee may pledge or exchange the assets it had received, and no condition also restricts the transferee or holder from exercising its right to pledge or exchange and confers upon the transferor more than a trivial benefit to the transferor; (3) the transferor does not maintain effective control over the transferred financial assets.

Note 1 - Significant Accounting Policies (cont.)

In this context, a participating interest has all of the following attributes: (1) As of the transfer date, it represents a pro rata ownership interest in the entire financial asset; (2) as of the transfer date, all of the cash flows received from the entire financial asset are divided pro rate between the holders of the participating interests relative to their respective ownership holdings; (3) the interests of each of the participating interest (including the transferor in its capacity as a holder of participating interests) have the same preference, and none of the interests of any particular interest holder is subordinate to the interest of another holder; and (4) no party has the right to pledge or replace the entire financial asset, unless all of the holders of the participating interests agree to pledge or replace the entire financial asset.

If the transfer meets the criteria for accounting for it as a sale, the transferred financial assets are derecognized from the Bank's balance sheet. The difference between the proceeds and the value of the derecognized asset will be recognized in the income statement. If the transfer does not meet the conditions for accounting as a sale, it shall be accounted for as a secured debt. The financial assets shall continue to be stated in the Bank's balance sheet, without change to their value, and the proceeds of the sale are recognized as a liability of the Bank.

Securities lending transactions

The Bank applies specific provisions included in the Reporting to the Public Directives regarding lending or loaning of securities. The securities are not derecognized from the balance sheet and continue to be presented in the securities line item; the collateral put up to secure the securities is presented in the securities loaned or sold under repurchase agreements line item or under the securities borrowed or purchased under reverse repurchase agreements line item or securities borrowed under repurchase agreements, as applicable and according to their value on the transaction date.

The Bank monitors changes in fair value on a daily basis and where applicable demands collateral. Interest received or paid in respect of such securities is reported under net interest income (expense).

Pursuant to the directives of the Banking Supervision Department, unsecured securities lending or borrowing transactions in which the borrower does not provide the banking corporation with a security margin relating specifically to the securities lending transaction, are accounted for as follows:

A. Unsecured lending out of the Bank's available-for-sale bonds and equity securities not held for trading or from the held-for-trading portfolios – when the Bank lends securities, it derecognizes the borrowed securities and recognizes a loan at the transferred securities' market value as of the transfer date. In subsequent periods, the Bank measures the loans in the same way in which the securities were measured prior to the lending thereof. Income on accrual basis is recognized as interest income on loans; changes in market value (other than accrual basis changes) are classified as noninterest finance income if the relevant securities are held-for-trading securities and equity securities not held for trading or as other comprehensive income if the relevant securities are available-for-sale bonds. At the end of the lending period, the Bank derecognizes the loan and re-recognizes the security.

B. Unsecured borrowing of securities – when the Bank borrows a security in an unsecured borrowing transaction, the Bank recognizes the security and a deposit against that security, at the security's market value as of the borrowing date. Such securities are classified to the held-for-trading portfolio. In subsequent periods, changes in the reporting period arising from changes in the security's market value are classified as noninterest finance income. When the Bank sells a borrowed security short, the Bank recognizes, in noninterest finance income at each reporting date, the difference - only if positive - between the market value of the shorted security at the reporting date and the balance for the unsecured borrowing transaction included in the deposits line item.

Note 1 - Significant Accounting Policies (cont.)

Extinguishing of a liability

The Bank derecognizes a liability if it has been extinguished. The Bank derecognizes a liability if one of the two following conditions has been met: (1) The Bank paid the lender and was released from its obligation in respect of the liability, or (2) the Bank was legally released, through legal proceedings or by obtaining the lender's consent, from being the principal debtor in respect of the liability.

L. Employee Benefits

Retirement benefits - pension, severance pay and other benefits - defined benefit plans

Pension benefit is part of the compensation paid to employees for their services. In a defined benefit pension plan, the Bank undertakes to pay employees' salaries during years of employment as well as post-retirement pension annuities. The amount of the benefit paid depends on certain future events taken into consideration in the plan's benefit formula, including, inter alia, the remaining life of the employees or his/her survivors, the number of the employees' years of service and his/her salary in the work years preceding his/her retirement.

Definitions:

- Discount rate applied to employee benefits liabilities – The discount rate used to calculate the actuarial liability in respect of the Bank's employee benefits is based on market yields according to the option selected by the Bank out of the alternatives set forth by the Bank of Israel, which is the Government of Israel's bonds yield curve plus the spread curve of corporate bonds rated AA or more in the U.S.
- Actuarial gain/loss – the change in the value of a projected obligation or plan assets resulting from the fact that actual payments differ from estimated amounts or arising from a change in an actuarial assumption.
- Expected return on plan assets – the Bank calculates the expected long-term rate of return on plan assets using historical rates of return over a long period of time for a portfolio comprising similar assets.
- Expected benefit obligation – the actuarial present value of all benefits attributed to the employee's service provided prior to the balance sheet date in accordance with the plan's benefit formula.
- Cost of pension, net - the amount recognized in the Bank's financial statements as the cost of a pension plan for a specific period. This cost includes costs charged to profit and loss: Cost of service, interest cost, expected return on plan assets and amortization of net actuarial gain/loss and costs charged to other comprehensive income: Actuarial profit and loss.

Actuarial gains and losses stated in comprehensive income arise, inter alia, from:
Current changes in the discount rates.
Changes arising from the difference between the actual experience and the actuarial assumption used to calculate the liability.
From the difference between the expected return and the actual return on plan assets.

Actuarial gains and losses as outlined below are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits according to the plan. When all or almost all of the plan participants shall no longer be active, the average remaining life expectancy of the inactive employees shall replace the average remaining service period.

The expected benefit obligation in the balance sheet is recorded net of the fair value of plan assets. When the expected benefit obligation exceeds the fair value of plan assets, the Bank will record in the balance sheet a liability at the total amount of the said difference. If the fair value of plan assets exceeds the expected benefit obligation, the Bank will record in the balance sheet an asset at the total amount of the said difference.

The Bank carries out an actuarial measurement on a quarterly basis.

Note 1 - Significant Accounting Policies (cont.)

Retirement benefits – defined contribution plans

A defined contribution plan is a plan which pays retirement benefits for services rendered. The plan provides an individual account for each participant in the plan and defines how employee's contributions will be determined. In this type of plan, the benefits paid to a participant will receive contingencies depending solely on the amounts contributed to the participant's account, the returns accumulated from investing these contributions, and forfeitures of benefits of other participants that may be allocated to the account of that participant. In this case, the net benefit cost for the period is the contribution required for that period.

The Bank's liability to pay severance pay under Section 14 of the Severance Pay Law is accounted for as a defined contribution plan.

Other post-employment benefits

The Bank accrues the liability across the employment period, under the predetermined terms and conditions.

Paid leave

The Bank accrues a liability for employees' compensation in respect of future absences, if all of the following conditions are met:

- The Bank's obligation is related to services already provided by the employees.
- The obligation relates to vested or accrued rights.
- Payment of the expected compensation.
- The amount can be reasonably estimated.

Vacation leave

The liability in respect of vacation leave is measured on a current basis without using discount rates and actuarial assumptions. Changes in the liability are carried immediately to the income statement.

Jubilee vacation leave

Discount rates and actuarial assumptions are taken into account in the calculation of the liability in respect of long-service (jubilee) leave.
Changes in the liability in respect of long-service leave (jubilee) are carried immediately to the income statement.

Sick leave

The Bank is accruing the liability as absences qualifying for compensation. To calculate the liability, discount rates and actuarial assumptions are taken into account. Changes in the liability are carried immediately to the income statement.

Discharges

The Bank recognizes gains or losses in respect of discharges in its defined benefit plans, with the non-recurring payments relating to the plan expected to be - cumulatively during the year - higher than the cost of service and cost of annual interest. The loss is calculated at the rate on which the actuarial obligation decreases as a result of the discharge, multiplied by the balance of actuarial gains and losses accrued in other comprehensive income.

Stock-based compensation transactions

Stock-based compensation transactions are transactions in which the Bank receives services from the employee and the consideration is provided in equity instruments.
As a rule, the Bank recognizes an expense in respect of the stock-based compensation it grants to its employees on the date in which the services are provided. An expense is recorded if it is probable that the conditions for performance will be met.
The Bank recognizes an increase in capital or liability depending on whether the bonus is equity-settled or liability-based.
Equity-settled awards are measured according to the fair value of the equity instruments issued, on the grant date.

Note 1 - Significant Accounting Policies (cont.)

The measurement of the cost of capital instruments that are granted to employees is according to the fair value on the grant date of the capital instruments, which the Bank is obligated to issue on the date the employees will complete the required service and all other conditions required in order to earn the right to benefit from the capital instruments (for example, to exercise options). This estimate is based on the share price and other relevant parameters (such as the expected volatility) on the grant date.

If a grant requires the fulfillment of market conditions, performance conditions or service conditions, one or more, the compensation cost is recognized only if the required service conditions were reached. The Bank does not recognize expenses for bonuses that were forfeited due to the employee's non-fulfillment of service conditions or performance conditions.

Cash-settled awards are measured at fair value on grant date and the liability is remeasured at each balance sheet date until settled.

The tax effects of stock-based compensation transactions are recognized at the extinguishment (or expiry) date through profit and loss.

For more details regarding issuance of option warrants, see Note 24.A

M. Offsetting Assets and Liabilities

The Bank offsets assets and liabilities arising from the same counterparty and states their net balance in the balance sheet, when the following cumulative conditions are met:

- There is a legally enforceable right to offset the liabilities against the assets in respect of those liabilities;
- There is an intention to settle the liability and realize the assets on a net basis or simultaneously;
- The Bank and the counter-party owe each other determinable amounts.

The Bank offsets deposits whose repayment to the depositor is contingent on the extent of collection of the loans and the loans that were extended out of these deposits, with the Bank having no loan loss risk. The margin on this activity is included in the income statement under the fees and commissions line item.

The Bank offsets derivatives entered into with the same counterparty which are subject to a master netting arrangement, only for the purpose of calculating customer's debt as presented in the various notes to the financial statements. Such offsetting is not carried out in the balance sheet.

N. Buildings and equipment

Recognition and measurement

Buildings and equipment are presented at cost, net of accumulated depreciation and impairment losses. Cost includes expenses directly attributable to the purchase of the asset. The cost of self-constructed assets includes the cost of materials and direct salaries as well as any additional cost directly attributable to bringing the asset to an active state as intended by management. Cost of purchased software that constitutes an integral part of operating the related equipment, is recognized as part of the cost of that equipment.

Held-for-sale buildings are presented at the lower of their carrying amount or fair value less costs to sell.

Gain or loss on sale of property, plant and equipment is included in the "other income" line item in the income statement.

Subsequent costs

The carrying amount of an item of property, plant and equipment will include the cost of replacing the part of such an item if it is expected that the future economic benefits associated with the replaced part will flow to the Bank and if its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

Current maintenance costs of property, plant and equipment items are carried to profit and loss as incurred.

Note 1 - Significant Accounting Policies (cont.)

Software costs

Pursuant to the Reporting to the Public Directives, the Bank classifies under this line item, the costs in respect of software assets acquired or costs capitalized as an asset in respect of internally-developed and used software.

Purchased software is measured at cost net of accumulated depreciation and impairment losses.

Costs associated with the development and customization of internal use software are capitalized when the first phase of the project has been completed and only if the development costs can be measured reliably, if future economic benefits are expected and if the Bank intends to complete the development of the software and use it and has sufficient resources to do so. The Bank has also set a materiality threshold of NIS 750 thousand for capitalization of internally-used software. Capitalized costs include direct costs of materials and services and direct labor costs. These costs are measured at cost net of accumulated depreciation and impairment losses. Other costs are carried to profit and loss as incurred. Subsequent software costs are capitalized only if it is expected that the incurred costs will increase the economic benefits associated with the software. All other costs are carried to the income statement as incurred.

Depreciation

Depreciation is stated in the income statement according to the straight-line basis over the useful life of the asset as of the date on which the asset is ready for use. The Bank depreciates separately each part of property, plant and equipment with a different useful life. Leasehold improvements are amortized over the shorter of the term of the lease, including an option which is likely to be exercised, or the estimated useful life of the improvements.
The Bank reviews the useful life and residual value when events or changes in circumstances indicate that the current estimates are no longer adequate, in which case they are adjusted as necessary.

For additional information regarding impairment of non-financial assets, please see Section (v) below.

Derecognition

Gain or loss from derecognition of a property, plant and equipment item is the difference between the asset's derecognition amount and book balance. This difference will be recorded net in the other income line item in the income statement.

Leases

Contracts, including lease rights of land from the Israel Land Administration or other third parties, which provide the Bank with control over the use of the assets under a lease for a period of time in return for consideration, are accounted for as leases. Upon initial recognition, the liability is recognized at the present value amount of the future lease payments during the lease period (these payments do not include variable lease payment) and at the same time, the right-of-use asset is recognized at the amount of the lease liability, with the addition of initial costs and lease prepayments, less incentives received. For operating leases, a liability and right-of-use asset shall be recorded if the lease period is greater than 12 months.

Subsequent to initial recognition, a liability for an (operating and finance) lease is measured at amortized cost according to the effective interest method. In addition, the Bank is testing a right-of-use asset (for an operating and finance lease) for impairment according to the provisions of Topic 360-10-35 of the FASB Accounting Standards Codification, Impairment Testing of Long-Lived Assets.

The lease period is the non-cancelable period in respect of which the lessee has entered into an agreement to lease the asset, together with any other periods in respect of which the lessee has an option to continue the lease for additional payment or without an additional payment, if it is reasonably certain that the lessee will exercise the option.
The Bank chose the practical relief of not bifurcating non-lease components, such as services or maintenance, but rather treating them as a single lease component.

Note 1 - Significant Accounting Policies (cont.)

Lease payments

Lease payments made in advance to the Israel Land Administration in respect of operating leases are stated in the income statement on a straight-line basis over the lease period. Fixed and variable rent payments are carried to profit and loss in the period for which they were paid.

O. Issuance Costs

Costs relating to issuance of bonds, promissory notes and subordinated bonds are amortized according to the effective interest method over the expected life of the issued instrument.

P. Contingent Liabilities

The financial statements include adequate provisions for legal claims, in accordance with the assessment of the Bank's management and the managements of its consolidated companies, based on the opinions of their legal counsel.

Contingent liabilities are accounted for in accordance with the directives of the Banking Supervision Department, classifying the claims files so far against the Bank into three groups, according to the probability of the risk exposures materializing, as follows:

- Probable risk – the probability that the risk will materialize exceeds 70 percent. Appropriate provisions are included in the financial statements for legal claims in this risk group; the claims are disclosed according to materiality.
- Possible risk – the probability that the risk will materialize ranges from 20 percent to 70 percent. Provisions are generally not included in the financial statements for legal claims in this risk group; the claims are disclosed according to materiality.
- Remote risk – the probability that the risk will materialize is smaller than or equal to 20 percent. No provisions were included in the financial statements for legal claims included in this risk group and they were not disclosed in the financial statements.

There may be cases, where - in the opinion of the Bank's management, based on the opinion of its legal counsel - it is impossible to assess the prospects of a risk materializing as a result of an ordinary legal claim or a class action certification motion before 4 quarters will have elapsed (including one annual report) from the claim filing date. No provision was made for legal claims included in this risk group and they were disclosed in the financial statements in accordance with their materiality.

The Group is also exposed to legal requirements for which a legal claim has not yet been filed or that it had been informed of. In its assessment of the risk arising from demands/legal claims that have not yet been put forward, the Group's management relies on internal assessments made by management and by the parties responsible; these assessments weigh the prospects that a legal claim will be filed, the chances of the legal claim being successful, if and to the extent that it is filed, and amounts that may be payable if a compromise is reached. The assessment is based on past experience and on an analysis of the legal claims on their own merit. If a legal claim is filed, the actual result may be different than the assessment made prior to the filing of the claim.

A legal claim in respect of which the Banking Supervision Department determines that the Bank is required to make refunds is classified as "probable" and a provision is made in respect of the amount the Bank is required to refund.

In Note 26, Contingent Liabilities and Special Commitments, a disclosure was made in respect of claims against the Bank and consolidated companies the amount claimed in which is material. The materiality threshold is the higher of: 0.5 percent of the Bank's shareholders' equity or 5 percent of the Bank's annual net income.

Note 1 - Significant Accounting Policies (cont.)

In addition, disclosure was made to the additional exposure amount arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote.

Q. Guarantees

Guarantees are contracts which include contingent payments requiring the guarantor to make payments for the guaranteed party according to the terms and conditions of the letter of guarantee. The liability in respect of the guarantee is recognized in the books at fair value even if no payments are expected to be made. In cases where, upon initial recognition, the Bank is required to recognize a provision for a contingent loss in respect of the guarantee, the liability for the guarantee will be measured at the higher of the fair value and the provision amount, in accordance with the provisions of Topic 450 of the FASB Accounting Standards Codification. The liability is derecognized on the date in which the Bank is released from the risk.

R. Income Tax

The provision for income tax by the Bank and by those of its consolidated companies which are considered financial institutions for Value Added Tax purposes include a provision for profit tax levied on the income pursuant to the Value Added Tax Law. Value Added Tax levied on salaries in financial institutions is included in the income statement under “Salaries and related expenses”. The financial statements include current taxes and deferred taxes.

Current taxes

Current taxes are the amounts of taxes which are expected to be payable (or recoverable) in respect of the taxable income for the year calculated at the applicable tax rates under tax laws that have been enacted or substantively enacted until the end of the reporting period. Current tax expenses also include the changes in the tax payments related to previous years.

Deferred taxes

Deferred tax liabilities and deferred tax assets are created in respect of temporary differences and carried forward losses as at the end of the period.

Deferred tax balances are measured at the tax rates expected to be in effect for the temporary differences at the time the they are utilized, based on the tax rates and tax laws enacted as at the end of the reporting period. A law shall be considered as having been enacted only after its publication in the Official Gazette.

Deferred tax liabilities are recognized by the Bank for all taxable temporary differences except for tax liabilities arising from temporary differences related to goodwill which is not tax deductible or deferred tax liabilities in respect of temporary differences arising from investment in domestic subsidiaries until December 31, 2016. As of January 1, 2017, the Bank recognizes a deferred tax liability in respect of temporary differences accrued as of that date in respect of domestic subsidiaries. The Bank does not recognize deferred tax liabilities in respect of investment in foreign companies since it does not intend to reinvest the undistributed profits for an indefinite period nor does it have the ability to do so.

Deferred tax assets are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future. When recognizing a deferred tax asset, an entity must determine whether it will have future taxable profit from which to deduct the difference. At the same time, the Bank recognizes a separate valuation allowance in respect of the same amount included in the asset which - more likely than not - shall not be disposed of. Subsequent changes in the valuation allowance will be recognized in profit and loss in the current period even if the allowance was initially recorded in equity.

The Bank classifies interest income and expenses in respect of income taxes and fines imposed by the tax authorities to the income taxes line item.

Note 1 - Significant Accounting Policies (cont.)

Offsetting deferred tax assets and liabilities

The Bank offsets assets and liabilities in respect of deferred taxes as described in Section (M) above.

Uncertain tax positions

The Bank recognizes the effect of tax positions only if it is more likely than not that the positions will be accepted by the tax authorities or the Court. Recognized tax positions are measured at the highest amount that has a greater than 50 percent likelihood of being realized. Changes in recognition or measurement of deferred taxes are reflected in the period in which the circumstances leading to a change in judgment occurred. The Bank implements the rules for recognition and measurement set out in ASC 740.

S. Earnings per Share

The Bank presents basic and diluted earnings per share data for the Bank's ordinary share capital. Basic earnings per share is calculated by dividing the profit or loss attributed to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The diluted earnings per share is determined by adjusting the profit or loss attributed to holders of ordinary shares and the weighted average number of ordinary shares outstanding, to the effects of all dilutive potential ordinary shares.

T. Reporting operating segments

A. Regulatory operating segments

The Bank reports regulatory operating segments using a uniform and comparable format prescribed by the Banking Supervision Department.

A regulatory operating segment is defined mainly based on the classification of the customers. Retail customers are classified according to total financial assets for the Household Segment and Retail Banking Segment. Customers who are not private individuals are mainly classified according to their turnovers - into business segments (separated into micro- and small businesses, mid-market, and corporations), institutional entities and financial management segment.

B. Operating segments according to management approach

According to the directives of the Banking Supervision Department, a bank whose operating segments according to management approach are materially different than the regulatory operating segments will also provide disclosure on operating segments according to the management approach.

An operating segment is a component of a bank engaged in activities from which it may generate income and bear expenses; the operating results of the operating segment are reviewed on an ongoing basis by the bank's management and board of directors in order to make decisions regarding the allocation of resources and assessment of its performance; there is also separate financial information regarding such segments.

The operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure. The results of the product segment which are not attributable to the relevant customer segments are included in "Other and adjustments".

U. Controlling Shareholders Transactions

The Bank implements the accounting treatment set under US GAAP in its accounting for transactions between a banking corporation and its controlling shareholder and a company controlled by the Bank. In such cases, where the said rules do not refer to the accounting treatment, the Bank implements the rules set out in Standard No. 23 of the Israel Accounting Standards Board on the matter.

Assets and liabilities in respect of which a transaction was carried out with a controlling shareholder are measured at fair value as of the transaction date. Due to the fact that the transaction in question is an equity transaction, the Group carries to equity the difference between the fair value and the consideration from the transaction.

Note 1 - Significant Accounting Policies (cont.)

V. Impairment of Non-Financial Assets

1. The Bank assesses the need to record a provision for impairment in respect of non-financial assets (such as: buildings and equipment, investments in associates and intangible assets excluding goodwill and excluding internally-used software) when events or changes in circumstances indicate that the book balance of its assets exceed their recoverable amount. Impairment losses are recognized only if the carrying amount of a non-current asset is non-recoverable and exceeds its fair value. In other words, the total undiscounted cash flows expected to arise from the use of the asset and its disposal is lower than its carrying amount.
In this case, the Bank will recognize an impairment loss equal to the difference between the asset's carrying amount and its fair value. This loss will be charged to the income statement.

   When such a loss is recognized, the impaired carrying amount constitutes a new cost basis. The recognized loss shall not be reversed in subsequent periods, unless an appreciation occurs.

2. Impairment of goodwill
The Bank tests for impairment once every certain period or if events or changes in circumstances indicate such a need. Goodwill impairment should be recognized as the difference between the fair value of the reported unit and its carrying amount. The impairment loss may not exceed the goodwill amount attributed to the reporting unit.

3. Impairment of internally-developed software
The Bank tests for impairment intangible assets remaining from a software project when there are events or changes in circumstance which indicate that the amortized cost may be unrecoverable.

   Set forth below are examples for events or changes in circumstance that indicate an impairment:

   a. Internal-use computer software is not expected to provide substantive service potential;

   b. A significant change occurs in the extent or manner in which the software is used or is expected to be used;

   c. A significant change is made or will be made to the software;

   d. Costs of developing or modifying internal-use software significantly exceed the amount originally expected to develop or modify the software;

   e. It is no longer probable that the development of the software will be completed and that the software will be placed in service.

   The Bank recognizes impairment loss when the carrying amount is unrecoverable and exceeds the fair value. A recognized impairment loss will not be reversed in the subsequent period even if the value appreciates.

4. Impairment of investments in associates presented according to the equity method
An investment in an associate is tested for impairment when events or changes in circumstances indicate that the investment's carrying amount is unrecoverable. In such a case, the Bank tests whether the impairment is other-than-temporary, based on the time during which the fair value of the investment is lower than its carrying amount and the severity of the impairment; the financial position of the investee; as well as the intention and ability of the banking corporation to continue to hold the investment until a date on which the investment is not expected to be sold at a loss. Impairment that is other-than-temporary shall be recognized in the income statement and not reversed in subsequent periods.

Note 1 - Significant Accounting Policies (cont.)

5. Non-current held-for-sale assets

A non-current asset (or disposal group) shall be classified as held-for-sale when management commits to an active plan to sell the asset, the asset is available-for-sale immediately at its current state, it is expected that the sale of the asset will be completed in one year and the asset is actively marketed for sale purposes.
The asset (or disposal group) shall be presented at the lower of the carrying amounts or fair value less selling costs. An impairment loss recognized upon initial classification of an asset as held-for-sale and subsequent gains or losses resulting from the remeasurement are stated in profit and loss. Appreciation gains are recognized up to total amount of impairment losses recorded since the asset was classified as held-for-sale.
A depreciable asset classified as held-for-sale shall not be amortized as long as it is classified as held-for-sale.

W. Share buyback

At the time of the Bank's share buyback, the amount of the proceeds that is paid, including direct costs, is deducted from equity. When the shares are sold or bought back, the consideration received is recognized as an increase in equity and the surplus or deficit from the transaction is stated in the premium balance.

X. First-Time Application of New Accounting Standards, Accounting Standard Revisions, and New Directives Issued by the Banking Supervision Department

As of the reporting periods commencing on January 1, 2022, the Bank applies the following accounting standards and directives:

1. First-time application of new rules of current expected current losses (CECL) and additional provisions published by the Banking Supervision Department

Overview

The directives of the Banking Supervision Department have adopted US GAAP on current expected credit losses (CECL) ASC 326, "Financial Instruments - Credit Losses". The new rules present a new methodology for recording loan losses, which primarily results in earlier recognition of loan losses.

The purpose of the new rules is to improve the quality of reporting on a banking corporation's financial position by early recording of the loan loss provisions so as to in order to support a swifter response by banks to a deterioration in borrowers' credit quality and enhance the correlation between credit risk management and the manner in which these risks are reflected in the financial statements. The rules are based on existing methods and processes.
The main changes arising from the application of the new rules are as follows:

- The loan loss provision is calculated according to the expected loss over the life of a loan rather than the estimated loss that has been incurred but not yet identified.
- The measurement of the loan loss provision is based on segmenting the Bank's credit portfolio into groups sharing similar risk characteristics.
- When estimating the loan loss provision, use is made of forward-looking information which reflects reasonable forecasts regarding future economic events.
- The new rules for calculating the loan loss provision apply to loans, including housing loans, held-to-maturity bonds and certain off-balance-sheet credit exposures.
- There was a change in the conditions for, and manner of, recording impairments of available-for-sale bonds.
- Revision of the classification and charge-off rules applicable to housing loans: classification of housing loans in arrears of 90 days or more as non-performing loans, consideration of the need to

Note 1 - Significant Accounting Policies (cont.)

classify housing debts as debt under restructuring of troubled debt, and a requirement to made a charge-off no later than the date on which the debt became a debt in arrears of 180 days or more for housing loans secured by a residential property. In the amount of the part of the recorded outstanding debt over the value of the security.

- The credit portfolio will be broken down into performing and non-performing credit, such that the current definitions of impaired debts and impaired credit risk will be replaced by definitions of non-performing debts and non-performing credit risk, respectively.
- Disclosure of the effect of the loan granting date on the credit quality of the loan portfolio was expanded.

The Bank's preparations for the application of the new rules included, inter alia, mapping of the requirements, defining a methodology to calculate the loan loss provision estimates, segmentation of the credit portfolio into groups sharing similar risk characteristics., estimating various components in the estimation process, parallel runs, assessing reasonableness, approving the methodologies and estimates, implementing the disclosure provisions and adjusting the framework of the financial reporting controls.
It should be clarified that the new rules do not alter the credit risk embodied in the Bank's credit portfolio.

Impact of the new rules on capital adequacy

In December 2020, the Banking Supervision Department published a circular entitled "Regulatory Capital - Effect of Applying Accounting Principles to Current Expected Current Losses". The circular sets transitional provisions for first-time adoption of new rules on current expected current losses in order to mitigate the unexpected effects of the implementation of the rules on regulatory capital.

Additional directives specific to housing loans

In February 2021, the Banking Supervision Department published a circular entitled "Current Expected Current Losses from Financial Instruments", which reversed, among other things, the requirement to calculate a minimum collective provision of 0.35 percent for housing loans as well as the requirement to calculate a minimum provision according to the extent of arrears method; it also added the requirement to deduct from CET1, amounts for housing loans classified as non-performing loans over time.

Description of the effect of first-time application

As a result of applying the new rules, the Bank revised and adjusted its loan loss provision methodology, its classification policy, and the presentation format of troubled debt under restructuring, the presentation format of non-performing credit (i.e., impaired debt), the write-off policy of housing loans and disclosure requirements relating to the loan loss provision.

The Bank is applying these rules as of January 1, 2022, by recording the cumulative effect arising from their implementation in retained earnings, net of deferred taxes, on first-time application.

This effect reflects, inter alia, the composition of the credit portfolio of the Bank, as well as the Bank's preparations for the current state of the economy and the expected economic conditions.

Note 1 - Significant Accounting Policies (cont.)

Effect in respect of first-time application of the new accounting rules on CECL on the main line items

	December 31, 2021	Effect of the application of CECL[(a)]	January 1, 2022
	Audited	Unaudited	
		In NIS millions	
1. Balance Sheet			
Loans to the public, gross	347,391	(43)[(b)]	**347,348**
Total increase (decrease) of loan loss provision:	4,512	625	**5,137**
Of which: Loan loss provision - commercial portfolio	3,312	784	**4,096**
Of which: Loan loss provision - housing loans	489	(166)	**323**
Of which: Loan loss provision - private individuals, other	711	7	**718**
Loans to the public, net	342,879	(668)	**342,211**
2. Shareholders' equity			
Retained earnings, before tax	-	(725)	-
Tax effect	-	246	-
Retained earnings, after tax	37,209	(479)	**36,730**

(a) Due to non-materiality, effects due to other liabilities, credit to banks, governments and bonds, as well as the effect on the Bank's capital ratios were not included in the table.

(b) Regarding housing loans: first-time recording of 180-day write-offs and interest rate write-offs, due to first-time classification of loans in arrears of 90 days and more as non-performing loans.

According to the revised methodology, the loan loss provision is comprised both of a quantitative element and a qualitative element. As a rule, the Bank's estimates are based on past losses after adjustment due to changes in credit characteristics, adjustment for current economic conditions and future forecasts. Depending on the credit portfolio, the quantitative components are based, inter alia, on net charge-offs, probability of default and loss given default. These estimates take into account several risk and economic characteristics, such as past losses, the risk groups' risk profile, debt classification, composition of the credit portfolio, state of collateral, risk appetite, state of the economy, etc. The Bank's estimates include assessments which reflect, inter alia, conditions of uncertainty and may naturally change from time to time.

In addition, the Bank adopted - as at the first-time application date - certain easements sanctioned by the transitional provisions, including spreading the effect of first-time application relating to its effect on Common Equity Tier 1 capital over 3 years, according to the transitional provisions.

In addition, the application of the new rules led to an immaterial deduction from the Common Equity Tier 1 capital on first-time application, due to the requirement to deduct from Common Equity Tier 1 capital amounts in respect of housing loans classified over time as non-performing loans, as detailed above. The amount is not subject to the easements provided under the transitional provisions.

The application of the new rules, as aforesaid, did not materially affect the Bank's capital ratios (CET1 and total capital) as at the transition date. For additional details regarding effects on the capital ratios for December 31, 2022, see Note 25.B.

Note 1 - Significant Accounting Policies (cont.)

2. Revision of Reporting to the Public Directives regarding manner of calculating and presenting the return on equity

On August 3, 2021, the Banking Supervision Department published a revision of the disclosure requirements as part of the Reporting to the Public Directives on net stable funding ratio (NSFR) and presentation of return on equity.

Under the circular, the presentation method of the rate of return on equity as well as of income and expense rates calculated on a quarterly basis were revised to annualized terms, according to the practice in US banks, such that the translation of the quarterly ratios will be made by way of a linear calculation, in lieu of exponentiation, as was the case under the previous presentation method. According to the requirement in the circular, the Bank reclassified the comparative results relating to previous quarterly periods presented in the 2022 reports in line with the presentation method prescribed.

3. Discontinuation of the LIBOR rates

In March 2021, the British Financial Conduct Authority (FCA) officially announced the discontinuation of all LIBORs as of the end of 2021, with the exception of the USD LIBOR, which will be discontinued in June of 2023.

On October 3, 2021, the Banking Supervision Department published the new Proper Conduct of Banking Business Directive No. 250A, Transition from LIBOR. The directive outlines principles for implementing the transition from LIBOR to alternative base interest rates, in order to ensure adequate preparations and taking into account the potential risks involved in the transition. The directive takes into account the required fairness and disclosure aspects vis-a-vis customers. The directive covers both current agreements and new agreements.

When selecting the new interest base rates and adopting the alternative calculation methods, the Bank took into account the recommendations of the committees and work groups for the various currencies, including the International Swaps and Derivatives Association (ISDA) and fairness considerations. The Bank updated the relevant customers regarding the expected change, and posted it on its website. As of January 2022, the Bank transitioned to the new base rates for each of the relevant currencies, and continues its preparations, inter alia, for the discontinuation of the USD LIBOR.

Following is a breakdown of outstanding balances of contracts at the Group level, as of December 31 2022, which are affected by the LIBOR interest, and transactions in respect of which, that will continue beyond the discontinuation of the LIBOR*:

	December 31, 2022
	In NIS millions
Loans	**4,066**
Securities	**3,563**
Derivatives (gross) - nominal value	**76,781**

*LIBOR transactions which transitioned in all currencies after December 2021, and in USD - after June 2023.

Y. New accounting standards, revised accounting standards and new directives of the Banking Supervision Department in the period before their application

1. ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures

On March 31, 2022, the Financial Accounting Standards Board (FASB) published ASU 2022-02, Financial Instruments - Credit Losses: Troubled Debt Restructurings and Vintage Disclosures (hereinafter - the "ASU").

The ASU revokes the provisions relating to restructuring of troubled debts by lenders, while improving disclosure requirements regarding borrowers in financial difficulties. The ASU also adds a disclosure requirements of gross write-offs, by credit granting year.

Note 1 - Significant Accounting Policies (cont.)

The provisions of ASU 2016-13 will be applicable to entities which have adopted it as of the annual and interim periods commencing after December 15, 2022. At this stage, a date has not yet been set for the start of implementation in banks in Israel. The Bank is reviewing the effect of the new directives on its financial statements.

2. ASU 2022-03 regarding the fair value measurement of equity securities that are restricted for trading

On June 29, 2022, the US Financial Accounting Standards Board (hereinafter - the "FASB") published ASU 2022-03 regarding the fair value measurement of equity securities that are restricted for trading (hereinafter - the "ASU").

The ASU clarifies that contractual restriction of trading in a capital security constitutes a specific restriction for the entity and is not part of the security's accounting unit of measure and therefore will not be taken into account in the fair value measurement. In addition, the ASU emphasizes that it is not possible to recognize and measure the contractual restriction on trading separately.

Moreover, the ASU contains new disclosure requirements for entities holding contractually restricted securities, including disclosure regarding the securities' fair value, the nature and remaining period of the restriction and the circumstances that may result in cancelation of the restriction.

The provisions of the ASU will be applicable to publicly-traded entities in the US as of the annual and interim periods commencing after December 15, 2023 or on early adoption, if the entity opted for early adoption of the ASU. Entities that are not investment entities, upon the first-time application, are required to apply this ASU prospectively. Adjustments resulting from the application will be recognized in the income statement and disclosure will be provided regarding their amount on the date of application.

Note 2 - Interest Income and Expenses

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
a. Interest income[(a)]			
From loans to the public	**15,308**	10,537	8,969
From loans to governments	**46**	26	24
From deposits with banks	**215**	58	85
From deposits with central banks and cash	**1,698**	122	93
From securities borrowed or purchased under reverse repurchase agreements	**33**	6	6
From bonds[(b)]	**1,495**	923	998
Total interest income	**18,795**	11,672	10,175
b. Interest expenses[(a)]			
For deposits by the public	**(4,404)**	(847)	(1,053)
For deposits by governments	**(2)**	(2)	(3)
For deposits by the Bank of Israel	**(11)**	(10)	(3)
For deposits by banks	**(33)**	(4)	(11)
For securities loaned or sold under repurchase agreements	**(61)**	(2)	(8)
For bonds, promissory notes and subordinated bonds	**(1,073)**	(461)	(374)
Total interest expense	**(5,584)**	(1,326)	(1,452)
Total interest income, net	**13,211**	10,346	8,723
C. Details on the net effect of hedging derivatives[(c)]			
From interest income	**(2)**	(60)	(50)
From interest expenses	**(2)**	-	-
d. Details on interest income from bonds, on accrual basis			
Available-for-sale	**1,168**	739	806
Held-for-trading	**57**	22	25
Held to maturity	**270**	162	167
Total included in interest income	**1,495**	923	998

(a) Including the effect of hedge relationships.
(b) Including interest in respect of mortgage-backed bonds (MBS) totaling NIS 223 million (2021 – NIS 223 million, 2020 – NIS 219 million).
(c) Additional information about the effect of hedging derivatives on subsection a and b.

Note 3 - Noninterest Finance Income

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
a. Noninterest finance income (expenses) for not held-for-trading activities			
a.1. From derivative activities[(a)]			
Net income (expenses) in respect of ALM derivatives[(b)]	**7,387**	(1,652)	(1,787)
Total from derivatives activity	**7,387**	(1,652)	(1,787)
a.2. From investment in bonds			
Gains on sale of available-for-sale bonds[(g)]	**49**	256	414
Losses on sale of available-for-sale bonds[(g)]	**(185)**	(25)	(4)
Provision for impairment of available-for-sale bonds	**(42)**	-	(33)
Total from investment in bonds	**(178)**	231	377
a.3. Exchange rate differentials, net	**(7,151)**	1,962	1,786
a.4. Gains (losses) on investment in shares			
Gains on sale of equity securities not held for trading	**304**	835	224
Provision for impairment for equity securities not held for trading	**(5)**	(66)	(66)
Losses on sale of equity securities not held-for-trading	**(107)**	(50)	(55)
Dividend from not held-for-trading equity securities	**40**	27	10
Unrealized gains, net from equity securities not held for trading[(e)]	**141**	96	114
Gain on sale of investees' equity	**830**	-	-
Losses on sale of investees' equity	**-**	-	(2)
Total from investment in equity securities	**1,203**	842	225
a.5. Gains on sold loans, net	**57**	-	-
Total noninterest finance income for equity securities not held-for-trading	**1,318**	1,383	601
B. Non-interest finance income for trading activities			
Income in respect of held-for-trading derivatives, net	**254**	349	367
Realized and unrealized (losses) gains from fair value adjustments of held-for-trading bonds, net[(c)(f)]	**(166)**	(18)	51
Realized and unrealized gains (losses) from adjustments to fair value of held-for-trading equity securities, net[(d)(f)]	**2**	(1)	7
Dividend from held-for-trading equity securities	**-**	1	-
Total from trading activities[(e)]	**90**	331	425
Details of noninterest finance income (expenses) due to trading activities, by risk exposure:			
Interest rate exposure	**(318)**	86	(117)
Foreign exchange exposure	**342**	176	501
Equity exposure	**64**	54	37
Exposure to commodities and other contracts	**2**	15	4
Total	**90**	331	425
Total noninterest finance income	**1,408**	1,714	1,026

Please see comments below.

Note 3 - Noninterest Finance Income (cont.)

(a) Excluding the effect of hedge relationships.
(b) Derivatives which constitute part of the Bank's assets and liabilities management system that are not designated for hedge relationships.
(c) Of which the share of losses totaling NIS 113 million (2021 – gains of NIS 9 million, 2020 – gains of NIS 40 million) associated with unrealized held-for-trading bonds still held as of the balance sheet date.
(d) Of which the share of losses is NIS 1 million associated with held-for-trading equity securities still held as at the balance sheet date (2021 - losses totaling NIS 1 million and 2020 - there were no gains (losses) in respect of held-for-trading equity securities still held as at the balance sheet date).
(e) For interest income from investments in held-for-trading bonds, please see Note 2.
(f) Including exchange rate differentials from trading activities.
(g) Reclassified from accumulated other comprehensive income.
(h) Including gains and losses from fair value measurement of equity securities for which there is available fair value as well as upward or downward adjustments of equity securities for which there is no available fair value.

Note 4 - Fees and Commissions

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Account management	**651**	649	642
Credit cards	**384**	365	327
Activity in securities and certain derivatives[a]	**664**	784	727
Fees and commissions for distribution of financial products[b]	**211**	234	215
Management, operating and trust services provided to institutional entities[c]	**97**	88	80
Handling of credit	**211**	203	173
Exchange rate differentials	**477**	402	392
Foreign trade activity	**131**	120	114
Net income from loan portfolio servicing	**5**	7	9
Management fees and commissions on life and home insurance	**46**	47	53
Loan fees and commissions	**551**	495	442
Other fees and commissions	**107**	112	107
Total operating fees and commissions	**3,535**	3,506	3,281

(a) Including fees and commissions from underwriting activity.
(b) Primarily mutual funds' distribution fees.
(c) Primarily operation of provident funds.

Note 4A - Revenue from Contracts with Customers[(a)]

	For the year ended December 31, 2022											
	Private individuals	Small businesses	Retail banking - total	Mortgages	Mid-market	Corporate	Real estate	Capital markets	Other and adjustments	Subsidiaries in Israel	Foreign subsidiaries	Total
	In NIS millions											
Account management	318	147	465	-	86	23	6	23	-	-	48	651
Credit cards	308	59	367	-	13	1	-	-	1	-	2	384
Activity in securities and certain derivatives	387	48	435	-	21	5	2	167	-	20	14	664
Fees and commissions for financial product distribution	186	14	200	2	4	-	-	-	-	-	5	211
Management, operating and trust services provided to institutional entities	-	-	-	-	-	-	-	-	-	97	-	97
Handling of credit	7	28	35	10	76	18	65	1	-	-	6	211
Exchange rate differentials	160	102	262	-	125	23	3	64	-	-	-	477
Foreign trade activity	4	36	40	-	70	15	1	5	-	-	-	131
Management fees and commissions on life and home insurance	-	-	-	-	-	-	-	-	-	45	1	46
Net income from loan portfolio servicing	-	-	-	5	-	-	-	-	-	-	-	5
Fees and commissions from loans and other	40	34	74	-	115	125	277	39	25	-	3	658
Total fees and commissions from main services	**1,410**	**468**	**1,878**	**17**	**510**	**210**	**354**	**299**	**26**	**162**	**79**	**3,535**

	For the year ended December 31, 2021											
	Private indivi-dua-s	Small busi-nesses	Retail banking - total	Mortgages	Mid-market	Corpo-rate	Real estate	Capital mar-kets	Other and adjust-ments	Subsi-diaries in Israel	Foreign subsi-diaries	Total
	In NIS millions											
Account management	305	144	449	-	78	21	5	23	-	-	73	649
Credit cards	285	57	342	-	13	1	-	-	-	-	9	365
Activity in securities and certain derivatives	442	55	497	-	22	4	2	157	-	43	59	784
Fees and commissions for financial product distribution	192	15	207	-	5	-	-	-	-	1	21	234
Management, operating and trust services provided to institutional entities	-	-	-	-	-	-	-	-	-	88	-	88
Handling of credit	5	25	30	12	60	29	61	1	-	-	10	203
Exchange rate differentials	147	92	239	-	102	16	2	43	-	-	-	402
Foreign trade activity	4	31	35	-	62	14	1	6	-	-	2	120
Management fees and commissions on life and home insurance	-	-	-	2	-	-	-	-	-	43	2	47
Net income from loan portfolio servicing	-	-	-	7	-	-	-	-	-	-	-	7
Fees and commissions from loans and other	32	35	67	-	95	127	249	17	24	-	28	607
Total fees and commissions from main services	1,412	454	1,866	21	437	212	320	247	24	175	204	3,506

Note 4A - Revenue from Contracts with Customers (cont.)

	For the year ended December 31, 2020											
	Private indivi-duals	Small busi-nesses	Retail banking - total	Mortgages	Mid-market	Corpo-rate	Real estate	Capital mar-kets	Other and adjust-ments	Subsi-diaries in Israel	Foreign subsi-diaries	Total
	In NIS millions											
Account management	300	152	452	-	75	21	5	24	-	-	65	642
Credit cards	258	51	309	-	11	1	-	-	-	-	6	327
Activity in securities and certain derivatives	422	52	474	-	20	5	3	147	-	30	48	727
Fees and commissions for financial product distribution	179	14	193	-	4	-	-	-	-	-	18	215
Management, operating and trust services provided to institutional entities	-	-	-	-	-	-	-	-	-	80	-	80
Handling of credit	5	27	32	13	45	23	58	-	-	-	2	173
Exchange rate differentials	130	82	212	-	90	15	3	72	-	-	-	392
Foreign trade activity	2	27	29	-	61	14	1	7	-	-	2	114
Management fees and commissions on life and home insurance	-	-	-	3	-	-	-	-	-	45	5	53
Net income from loan portfolio servicing	1	-	1	8	-	-	-	-	-	-	-	9
Fees and commissions from loans and other	12	36	48	-	80	115	235	21	21	-	29	549
Total fees and commissions from main services	1,309	441	1,750	24	386	194	305	271	21	155	175	3,281

(a) The revenue was classified pursuant to the operating segments according to management approach.

Note 5 - Other Income

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Capital gains on sale of buildings and equipment	**81**	163	1
Capital losses on sale of buildings and equipment	**(15)**	(7)	(11)
(Losses) gains on central severance pay fund	**(12)**	83	9
Other, net	**21**	52	60
Total other income	**75**	291	59

Note 6 - Salaries and Related Expenses

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Salaries	**2,667**	2,918	2,551
Expense (income) arising from stock-based compensation transactions	**4**[(b)]	4	(7)[(c)]
Other related expenses, including study fund, paid leave and sick leave	**210**	230	228
Long-term benefits	**(11)**	(6)	-
National Insurance fees and payroll tax	**732**	725	602
Pension-related expenses (including severance pay and pension):[(a)]			
Defined benefit	**142**	189	175
Defined contribution	**199**	185	181
Other post-employment benefits and non-pension retirement benefits[(a)]	**(8)**	(3)	12
Total salaries and related expenses	**3,935**	4,242	3,742
Of which: Salaries and related expenses payable abroad[(d)]	**177**	476	449

(a) Of which: Service cost in respect of other post-employment benefits and non-pension retirement benefits for 2022, 2021 and 2020 is NIS 8 million, NIS 2 million and NIS 11 million, respectively. For additional information regarding employee benefits, please see Note 23.
(b) For additional information regarding share-based-payment transactions, please see Note 24.
(c) Please see Note 23I. to the financial statements dated December 31, 2019, under “Stock-based compensation transactions”.
(d) The lower salaries and related expenses abroad arise from the merger between Bank Leumi USA and Valley National Bank. For more information, please see Note 15.A.

Note 7 - Other Expenses

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Pension expenses - Defined benefit and other post-employment benefits, excluding service cost	**591**	662	691
Marketing and advertising	**119**	134	130
Professional fees: Legal fees, audit fees	**189**	226	218
Communication: Postage, telephone, couriers, etc.	**115**	113	119
Computer[(a)]	**38**	50	54
Office supplies	**28**	33	43
Insurance	**33**	19	29
Training and courses	**5**	8	6
Fees and commissions	**131**	122	118
Loss on assets received for loans extinguishment	**1**	3	-
Fines paid to the Bank of Israel	**1**	1	-
Others[(b)]	**292**	280	294
Total other expenses	**1,543**	1,651	1,702

(a) The line item includes outsourcing expenses, but does not include the Bank's IT expenses since the Operations Division is part of the Bank and its expenses were recorded and classified into the various expense line items.

(b) For additional information regarding the compensation of Bank's directors included in this line item – please see Note 34C.

Note 8 - Provision for Profit Tax

A. Composition of the Line Item

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Current taxes:			
For the reporting year	**3,847**	2,823	2,053
For previous years	**29**	30	32
Current taxes - total	**3,876**	2,853	2,085
Including (excluding) changes in deferred taxes:			
For the reporting year	**(312)**	422	(729)
Total changes in deferred taxes	**(312)**	422	(729)
Provision for income taxes	**3,564**	3,275	1,356
Of which: Provision for taxes abroad	**47**	101	35

Note 8 - Provision for Profit Tax (cont.)

A. Composition of the Line Item (cont.)

The composition of deferred tax expenses (income) allocated to continuing operations is as follows

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Deferred tax expenses (income) before the effect of the following items:	**(312)**	421	(729)
Decrease in deductions carried forward for tax purposes	-	1	-
Total deferred tax expenses (income)	**(312)**	422	(729)

The table does not include the tax effect on other comprehensive income. For additional information, please see Note 10.

Note 8 - Provision for Profit Tax (cont.)

B. Reconciliation of the Theoretical Tax Expense and the Provision for Taxes

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Profit before taxes	**10,896**	9,241	3,491
Statutory tax rate applicable to the Bank	**34.19%**	34.19%	34.19%
Tax amount based on the statutory tax rate	**3,725**	3,160	1,194
Tax (tax saving) in respect of:			
Income of foreign consolidated companies	**(20)**	(14)	19
Exempt income and income taxable at limited rates	**(4)**	(7)	(1)
Differences in depreciation, depreciation adjustments and capital gain	**(5)**	(14)	2
Other non-deductible expenses	**10**	14	12
Losses and timing differences in respect of which deferred taxes were not recorded	**(155)**	2	25
Tax for previous years	**29**	30	32
Other	**(16)**	104	73
Provision for income taxes	**3,564**	3,275	1,356

Note 8 - Provision for Profit Tax (cont.)

C. Tax Assessments

The Bank has final tax assessments up to and including the 2018 tax year. As of the beginning of 2022, the Bank signed an agreement with the Israel Tax Authority for the 2017-2018 tax years.
The main consolidated subsidiaries have final tax assessments up to and including the 2017 tax year.

Note 8 - Provision for Profit Tax (cont.)

D. Changes in Deferred Tax Assets and Liabilities Are Attributed to the Following Items

	Balance as at December 31, 2021	Sale of equity in subsidiaries to non-controlling interests[(c)]	Changes carried to profit and loss	Changes carried to other comprehesive income	Translation differences in respect of deferred tax balances	Cumulative effect for first-time application of US GAAP[(b)]	Balance as at December 31, 2022	Average tax rates in 2022 (in %)
	In NIS millions							
Deferred tax assets								
From loan loss provision	**1,491**	**(61)**	**242**	**-**	**2**	**246**	**1,920**	**34%**
From provision for paid leave and bonuses	**190**	**(36)**	**(16)**	**-**	**1**	**-**	**139**	**34%**
From excess of employee benefits liability over plan assets	**4,422**	**(8)**	**10**	**(1,041)**	**-**	**-**	**3,383**	**34%**
From interest not recognized in current year's income	**13**	**-**	**(13)**	**-**	**-**	**-**	**-**	**-**
Tax credit and losses carried forward for tax purposes	**129**	**-**	**50**	**-**	**-**	**-**	**179**	**19%**
From securities	**15**	**(95)**	**38**	**135**	**-**	**-**	**93**	**25%**
Property, plant and equipment and leases	**4**	**(20)**	**57**	**-**	**-**	**-**	**41**	**32%**
Other from non-monetary items	**84**	**(28)**	**14**	**-**	**1**	**-**	**71**	**16%**
Balance of deferred tax assets, gross	**6,348**	**(248)**	**382**	**(906)**	**4**	**246**	**5,826**	
Provision for deferred tax asset	**(101)**	**-**	**(46)**	**-**	**-**	**-**	**(147)**	
Balance of deferred tax assets less deferred tax provision	**6,247**	**(248)**	**336**	**(906)**	**4**	**246**	**5,679**	
Offsettable balances[(a)]	**(390)**	**-**	**-**	**-**	**-**	**-**	**(480)**	
Balance of deferred taxes less provision	**5,857**	**-**	**-**	**-**	**-**	**-**	**5,199**	
Deferred tax liability								
For investments in investees	**(325)**	**-**	**(91)**	**(58)**	**-**	**-**	**(474)**	**12%**
Adjustment of depreciable non-monetary assets	**(141)**	**21**	**39**	**-**	**-**	**-**	**(81)**	**23%**
Other from monetary items	**-**	**(21)**	**-**	**22**	**-**	**-**	**1**	**24%**
Other from non-monetary items	**(10)**	**-**	**-**	**-**	**-**	**-**	**(10)**	**16%**
Balance of deferred tax liabilities, gross	**(476)**	**-**	**(52)**	**(36)**	**-**	**-**	**(564)**	
Offset table balances[(a)]	**(390)**	**-**	**-**	**-**	**-**	**-**	**(480)**	
Balance of deferred tax liabilities	**(86)**	**-**	**-**	**-**	**-**	**-**	**(84)**	
Balance of deferred taxes, net	**5,771**	**(248)**	**284**	**(942)**	**4**	**246**	**5,115**	

(a) Balance of deferred taxes are presented in the consolidated balance sheet according to the net balance's classification in the books of accounts of the Bank and its consolidated subsidiaries.

(b) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.H.

(c) For more information, please see Note 15.A.

Note 8 - Provision for Profit Tax (cont.)

D. Changes in Deferred Tax Assets and Liabilities Are Attributed to the Following Items (cont.)

	Balance as at December 31, 2020	Changes carried to profit and loss	Changes carried to other comprehensive income	Translation differences in respect of deferred tax balances	Other	Balance as at December 31, 2021	Average tax rates in 2021 (in %)
	In NIS millions						
Deferred tax assets							
From loan loss provision	1,752	(259)	-	(2)	-	1,491	34%
From provision for paid leave and bonuses	200	(9)	-	(1)	-	190	33%
From excess of employee benefits liability over plan assets	4,457	101	(136)	-	-	4,422	34%
From interest not recognized in current year's income	13	-	-	-	-	13	29%
Tax credit and losses carried forward for tax purposes	158	(29)	-	-	-	129	16%
From securities[(b)]	19	-	-	-	(4)	15	26%
Property, plant and equipment and leases	3	1	-	-	-	4	20%
Other from monetary items	68	17	-	(1)	-	84	17%
Balance of deferred tax assets, gross	6,670	(178)	(136)	(4)	(4)	6,348	
Provision for deferred tax asset	(130)	29	-	-	-	(101)	
Balance of deferred tax asset less deferred tax provision	6,540	(149)	(136)	(4)	(4)	6,247	
Offset table balances[(a)]	(282)	-	-	-	-	(390)	
Balance of deferred taxes less provision	6,258	-	-	-	-	5,857	
Deferred tax liability							
For investments in investees	(204)	(122)	1	-	-	(325)	12%
Adjustment of depreciable non-monetary assets	(140)	(1)	-	-	-	(141)	27%
Other from monetary items	(14)	-	14	-	-	-	25%
Other from non-monetary items	(10)	-	-	-	-	(10)	18%
Balance of deferred tax liabilities, gross	(368)	(123)	15	-	-	(476)	
Offset table balances[(a)]	(282)	-	-	-	-	(390)	
Balance of deferred tax liabilities	(86)	-	-	-	-	(86)	
Balance of deferred taxes, net	6,172	(272)	(121)	(4)	(4)	5,771	

(a) Balance of deferred taxes are presented in the consolidated balance sheet according to the net balance's classification in the books of accounts of the Bank and its consolidated subsidiaries.
(b) Restated.

Note 8 - Provision for Profit Tax (cont.)

E. Deferred Tax Liabilities that Were Not Recognized in Respect of Temporary Differences Related to Investments in Local Subsidiaries

Pursuant to the transitional provisions set forth in the Banking Supervision Department's directives, the Bank did not record a deferred tax liability in respect of certain temporary differences related to the Bank's investment in local subsidiaries, which is permanent in nature. The said amount will be taxed only upon disposal or liquidation of the subsidiaries.

Note 8 - Provision for Profit Tax (cont.)

F. Carried Forward Tax Losses and Tax Credits

	For the year ended December 31, 2022				
	Deferred tax assets	Provision for deferred tax assets	Deferred tax assets, net	Accumulated loss	First expiry year
	In NIS millions				
Losses for tax purposes					
Subsidiaries in Israel	**20**	**(20)**	**-**	**57**	**-**
Foreign subsidiaries	-	-	-	-	-
Tax credits					
The Bank	**159**	**(127)**	**32**	**-**	**-**

	For the year ended December 31, 2021				
	Deferred tax assets	Provision for deferred tax assets	Deferred tax assets, net	Accumulated loss	First expiry year
	In NIS millions				
Losses for tax purposes					
Subsidiaries in Israel	15	(15)	-	44	-
Foreign subsidiaries	-	-	-	-	-
Tax credits					
The Bank	114	(86)	28	-	-

G. Deferred tax balances are measured at the tax rates expected to be in effect for the temporary differences at the time the they are utilized, based on the tax rates and tax laws enacted as at the end of the reporting period. A law shall be considered as having been enacted only after its publication in the Official Gazette.

H. Following the publication of the Banking Supervision Department's circular regarding the measurement and disclosure of impaired debts, loans and loan loss provisions, the banks (including the Bank) and the Israel Tax Authority reached an agreement regarding the recognition of loan loss provisions for tax purposes. The agreement was signed on March 19, 2012; it applies to impaired debts recorded beginning on January 1, 2011 (the previous agreement applies to doubtful debts recorded until December 31, 2010). The agreement in principle is effective through the 2022 tax year, inclusive.

Following are the main points of the agreement:

Specifically assessed large impaired debts – the provision is deductible for tax purposes in the year in which it was recorded as an expense in the financial statements. In a tax year in which the outstanding loan loss provision decreased (for reasons other than an accounting "write-off" or "loan forgiveness"), an "additional tax" will be added to the Bank's tax liability with the addition of interest and linkage differentials; such "additional tax" will trigger the collection of the tax that would have been collected had the deductible provision not been recorded in the first place.

For these purposes – a "large debt" is a debt of NIS 1 million or more, or a lower amount as set out in the Bank's notice to the Assessment Officer and according to the Bank's characteristics.

Impaired debts which are not sizable – half of the expenses in respect of net "charge-offs" (net of collections during that year) will be deductible for tax purposes in the first tax year after the tax year in which they were recorded; the other half will become deductible in the second tax year after the tax year in which the expenses were recorded.

Note 8 - Provision for Profit Tax (cont.)

Collective provision – not deductible for tax purposes.

I. Settlement agreement that regulates tax payments in Israel in respect of profits of the Bank's foreign subsidiaries, signed between the Bank and the Assessing Officer for Large Enterprises, from August 1987.

J. According to an arrangement with the tax authorities dated April 14, 2005, June 29, 2014 and December 30, 2018, the Bank may deduct tax amounts under certain conditions if the overall tax rate on the Bank's domestic income is higher than the tax rate applicable to foreign subsidiaries. The amount which has not yet been deducted from the tax liability and for which there are no tax savings in the future included in the balance sheet as at December 31, 2022 is USD 16 million (as at December 31, 2021 - approx. USD 5 million). The maximum deductible tax amount per year is USD 5-8 million.

K. As a rule, the Bank, under agreement with the tax authorities, is taxed based on the appreciation of its securities, according to their presentation in the financial statements financial entities.

L. Tax rate

The taxes applicable to the profit of banking corporations include corporate tax levied pursuant to the Income Tax Ordinance and profit tax levied pursuant to the Value Added Tax Law. Set forth below are the statutory tax rates applicable to banking corporations from 2018 onwards:

- Corporate tax rate - 23.00 percent.
- Profit tax rate - 17.00 percent.
- Total tax rate - 34.19 percent.

The deferred tax balances were calculated in accordance with the new tax rates applicable at the date of reversal.

Note 9 - Earnings per Ordinary Share

A. Basic Earnings Attributable to Shareholders

The Bank's diluted earnings per share are calculated by dividing the gain attributed to the Bank's ordinary shareholders by the weighted average of the number of the Bank's outstanding ordinary shares, as follows:

	For the year ended December 31		
	2022	2021	2020
Basic earnings			
Net income attributable to the Bank's shareholders (in NIS millions)	**7,709**	6,028	2,102
Weighted average of the number of shares (in thousands of shares)			
Balance as at beginning of period[(a)]	**1,452,896**	1,452,896	1,466,191
Weighted effect of exercised PSUs and RSUs and the issuance of shares	**47,572**	-	163
Weighted effect for share buyback	**-**	-	(10,582)
Weighted average of number of shares	**1,500,468**	1,452,896	1,455,772
Basic earnings per share (in NIS)	**5.14**	4.15	1.44

(a) Balance at the beginning of the period less share buyback until the cut-off date.

B. Diluted Earnings Per Share

The calculated diluted earnings per share is divided by the weighted average of the number of the Bank's outstanding ordinary shares, after adjustment for all the potentially dilutive ordinary shares, as follows:

	For the year ended December 31		
	2022	2021	2020
Diluted earnings			
Net income attributable to the Bank's shareholders (in NIS millions)	**7,709**	6,028	2,102
Weighted average of the number of shares (in thousands of shares)			
Weighted average of the number of ordinary shares used to calculate basic earnings per share	**1,500,468**	1,452,896	1,455,772
Weighted effect of yet unexercised PSUs and RSUs[(a)]	**-**	-	30
Weighted average of the number of shares, fully diluted	**1,500,468**	1,452,896	1,455,802
Diluted earnings per share (in NIS)	**5.14**	4.15	1.44

(a) There are instruments with dilution potential, but they were not included in the calculation in the reporting period since their effect is anti-dilutive. Please see Note 24.A.

C. Share Capital

As of December 31, 2022, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,543,805,097 ordinary shares of NIS 1 p.v. each.

As at December 31, 2021 and December 31, 2020, the Bank's issued and paid up share capital less the Bank's share buyback plan during 2018 to 2020 is 1,452,896,006 ordinary shares of NIS 1 p.v. each.

Note 10 - Accumulated Other Comprehensive Income (Loss)

D. Changes in Accumulated Other Comprehensive Income (Loss) After Tax Effect

	For the year ended December 31, 2022							
	Other comprehensive income before attribution to non-controlling interests							
	Adjust-ments in respect of presen-tation of available-for-sale bonds at fair value	Net translation adjust-ments,[(a)] after the effect of hedges[(b)]	Net gains (losses) for cash flow hedges	The Bank's share in other compre-hensive income of equity-accounted investees	Adjust-ments in respect of employee benefits[(c)]	Total	Other compre-hensive income (loss) attribu-table to non-controlling interests	Other compre-hensive income (loss) attribu-table to the Bank's share-holders
	In NIS millions							
Balance as at January 1, 2020	624	(199)	(2)	(13)	(3,948)	(3,538)	(43)	(3,495)
Net change during the year	539	(96)	28	(3)	214	682	(21)	703
Balance as at December 31, 2020	1,163	(295)	26	(16)	(3,734)	(2,856)	(64)	(2,792)
Net change during the year	(289)	(48)	(26)	(10)	256	(117)	(32)	(85)
Balance as at December 31, 2021	874	(343)	-	(26)	(3,478)	(2,973)	(96)	(2,877)
Net change during the year	**(2,999)**	**30**	**(43)**	**16**	**2,054**	**(942)**	**(21)**	**(921)**
Sale of equity in subsidiaries to non-controlling interests[(d)]	**181**	**313**	**41**	**-**	**27**	**562**	**117**	**445**
Balance as at December 31, 2022	**(1,944)**	**-**	**(2)**	**(10)**	**(1,397)**	**(3,353)**	**-**	**(3,353)**

(a) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.
(b) Net losses for hedging a net investment in foreign currency.
(c) The adjustments for employee benefits are net of adjustments for plan assets.
(d) For more information, please see Note 15.A.

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Note 10 - Accumulated Other Comprehensive Income (Loss) (cont.)

E. Changes in Accumulated Other Comprehensive Income (Loss) Components, Before and After Tax Effect

	For the year ended December 31								
	2022			2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
	In NIS millions								
Changes in other comprehensive income (loss) components before attribution to non-controlling interests:									
Adjustments in respect of presentation of available-for-sale bonds at fair value:									
Net unrealized gains (losses) from fair value adjustments	(4,719)	1,603	(3,116)	(207)	70	(137)	1,191	(404)	787
Net losses (gains) for available-for-sale bonds reclassified to income statement[a]	178	(61)	117	(231)	79	(152)	(377)	129	(248)
Sale of equity in subsidiaries to non-controlling interests[f]	276	(95)	181	-	-	-	-	-	-
Net change during the period	(4,265)	1,447	(2,818)	(438)	149	(289)	814	(275)	539
Translation adjustments:[b]									
Adjustments from translation of Financial Statements	59	-	59	(95)	-	(95)	(193)	-	(193)
Hedges[c]	(44)	15	(29)	71	(24)	47	147	(50)	97
Sale of equity in subsidiaries to non-controlling interests[f] - Hedging effect	421	(108)	313	-	-	-	-	-	-
Net change during the year	436	(93)	343	(24)	(24)	(48)	(46)	(50)	(96)
Cash flow hedges									
Net gains (losses) for cash flow hedges	(65)	22	(43)	(40)	14	(26)	43	(15)	28
Sale of equity in subsidiaries to non-controlling interests[f]	62	(21)	41	-	-	-	-	-	-
Net change during the year	(3)	1	(2)	(40)	14	(26)	43	(15)	28
Investee companies accounted for using the equity method									
The Bank's share in other comprehensive income (loss) of investees, equity-accounted	246	(58)	188	(11)	1	(10)	(5)	2	(3)
Hedges[c]	(262)	90	(172)	-	-	-	-	-	-
Net change during the year	(16)	32	16	(11)	1	(10)	(5)	2	(3)
Employee benefits:[d]									
Net actuarial gain (loss)	2,826	(949)	1,877	(101)	33	(68)	(134)	39	(95)
Net losses reclassified to the income statement[e]	269	(92)	177	493	(169)	324	470	(161)	309
Sale of equity in subsidiaries to non-controlling interests[f]	38	(11)	27	-	-	-	-	-	-
Net change during the year	3,133	(1,052)	2,081	392	(136)	256	336	(122)	214
Total change during the year, net	(715)	335	(380)	(121)	4	(117)	1,142	(460)	682
Less changes in other comprehensive income (loss) components attributable to non-controlling interests									
Total change during the year, net	101	(5)	96	(40)	8	(32)	(17)	(4)	(21)
Changes in other comprehensive income attributable to the Bank's shareholders									
Total change during the year, net	(816)	340	(476)	(81)	(4)	(85)	1,159	(456)	703

(a) The before tax amount is reported in the income statement under the noninterest finance income line item. Please see also Note 3.

(b) Adjustments arising from the translation of financial statements of foreign operations whose functional currency is different from the Bank's functional currency.

(c) Net gains (losses) for hedging a net investment in foreign currency.

(d) Adjustments for employee benefits are net of adjustments for plan assets.

(e) The pre-tax amount is reported in the income statement under the other expenses for employee benefits line item. For additional information, please see Note 23.

(f) For more information, please see Note 15.A.

Note 11 - Cash and Deposits with Banks

	December 31	
	2022	2021
	In NIS millions	
Cash and deposits with central banks	**168,621**	183,844
Deposits with commercial banks[(a)]	**17,948**	13,558
Total[(b)]	**186,569**	197,402
Of which: Cash, deposits with banks and deposits with central banks with original maturities of up to three months	**180,637**	194,225

(a) Less loan loss provision.
(b) Of which: pledged cash amounting to NIS 4,597 million (December 31, 2021 – NIS 1,247 million).

Comment: For information on pledges, please see Note 27.

Note 12 - Securities

	December 31										
	2022						2021[(f)]				
	Balance sheet value	Amortized cost	Outstanding loan loss provision[(g)]	Deferred gains from fair value adjustments	Deferred losses from fair value adjustments	Fair value[(a)]	Balance sheet value	Amortized cost	Deferred gains from fair value adjustments	Deferred losses from fair value adjustments	Fair value[(a)]
	In NIS millions										
Held-to-maturity bonds:											
Of the Israeli Government	**9,631**	**9,631**	**-**	**2**	**(670)**	**8,963**	4,023	4,023	389	(2)	4,410
Of foreign financial institutions	**1,321**	**1,321**	**2**	**-**	**(56)**	**1,267**	-	-	-	-	-
Asset-backed (ABS) or mortgage-backed (MBS)	**3,256**	**3,256**	**1**	**-**	**(432)**	**2,825**	2,315	2,315	14	(38)	2,291
Of other foreign entities	**320**	**320**	**1**	**-**	**(19)**	**302**	1,693	1,693	63	(60)	1,696
Total held-to-maturity bonds[(e)]	**14,528**	**14,528**	**4**	**2**	**(1,177)**	**13,357**	8,031	8,031	466	(100)	8,397

Please see comments below.

Note 12 - Securities (cont.)

	December 31										
	2022						2021[f]				
				Accumulated Other Comprehensive Income (Loss)					Accumulated Other Comprehensive Income (Loss)		
	Balance sheet value	Amortized cost	Outstanding loan loss provision[g]	Gains	Losses	Fair value[a]	Balance sheet value	Amortized cost	Gains	Losses	Fair value[a]
	In NIS millions										
Available-for-sale bonds:											
Of the Israeli Government	**21,842**	**23,691**	**-**	**63**	**(1,912)**	**21,842**	23,666	22,482	1,198	(14)	23,666
Of foreign governments	**16,995**	**17,291**	**-**	**2**	**(298)**	**16,995**	26,512	26,559	32	(79)	26,512
Of Israeli financial institutions	**46**	**49**	**-**	**-**	**(3)**	**46**	54	48	6	-	54
Of foreign financial institutions	**9,627**	**10,001**	**24**	**11**	**(409)**	**9,627**	8,302	8,192	123	(13)	8,302
Asset-backed (ABS) or mortgage-backed (MBS)	**7,710**	**8,353**	**-**	**7**	**(650)**	**7,710**	7,175	7,234	27	(86)	7,175
Of other Israeli entities	**670**	**717**	**2**	**7**	**(56)**	**670**	585	561	24	-	585
Of other foreign entities	**4,919**	**5,486**	**7**	**2**	**(576)**	**4,919**	5,136	5,017	158	(39)	5,136
Total available-for-sale bonds:[e]	**61,809**	**65,588**	**33**	**92[c]**	**(3,904)[c]**	**61,809**	71,430	70,093	1,568[c]	(231)[c]	71,430

	December 31										
	2022						2021				
	Balance sheet value	Cost	Outstanding loan loss provision[g]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]	Balance sheet value	Cost	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS millions										
Investment in not held-for-trading equity securities and mutual funds:											
Equity securities and mutual funds	**4,353**	**4,097**	**-**	**290**	**(34)**	**4,353**	4,344	4,058	377	(91)	4,344
Of which: equity securities and mutual funds for which there is no available fair value[b]	**2,333**	**2,333**	**-**			**2,333**	1,743	1,743			1,743
Total equity securities and mutual funds not held-for-trading	**4,353**	**4,097**	**-**	**290[d]**	**(34)[d]**	**4,353**	4,344	4,058	377[d]	(91)[d]	4,344
Total not held-for-trading securities	**80,690**	**84,213**	**37**	**384**	**(5,115)**	**79,519**	83,805	82,182	2,411	(422)	84,171

Please see comments below.

Note 12 - Securities (cont.)

	December 31										
	2022						2021				
	Balance sheet value	Amortized cost (in equity securities - cost)	Outstanding loan loss provision[g]	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]	Balance sheet value	Amortized cost (in equity securities - cost)	Unrealized gains from fair value adjustments	Unrealized losses from fair value adjustments	Fair value[a]
	In NIS millions										
Held-for-trading securities: Bonds -											
Of the Israeli Government	**1,263**	**1,274**	**-**	**1**	**(12)**	**1,263**	2,591	2,589	4	(2)	2,591
Of Israeli financial institutions	**580**	**627**	**-**	**-**	**(47)**	**580**	288	284	4	-	288
Of foreign financial institutions	**53**	**59**	**-**	**-**	**(6)**	**53**	27	27	-	-	27
Asset-backed (ABS) or mortgage-backed (MBS)	**33**	**36**	**-**	**-**	**(3)**	**33**	42	44	-	(2)	42
Of other Israeli entities	**257**	**296**	**-**	**-**	**(39)**	**257**	106	103	3	-	106
Of other foreign entities	**71**	**78**	**-**	**-**	**(7)**	**71**	53	51	2	-	53
Total bonds	**2,257**	**2,370**	**-**	**1**	**(114)**	**2,257**	3,107	3,098	13	(4)	3,107
Equity securities and mutual funds	**3**	**3**	**-**	**-**	**-**	**3**	15	16	-	(1)	15
Total held-for-trading securities	**2,260**	**2,373**	**-**	**1[d]**	**(114)[d]**	**2,260**	3,122	3,114	13[d]	(5)[d]	3,122
Total securities	**82,950**	**86,586**	**37**	**385**	**(5,229)**	**81,779**	86,927	85,296	2,424	(427)	87,293

Comments:

(a) In most cases, fair value inputs are based on quoted share prices, which do not necessarily reflect the price that can be obtained from selling large blocks of securities.

(b) Shares for which no fair value is available are presented at cost less impairment, adjusted upwards or downwards for observable prices in similar transactions or identical transactions of the same issuer.

(c) Included in equity under the “Adjustments in respect of the presentation of available-for-sale securities at fair value” under other comprehensive income, except for securities designated to be hedged at fair value.

(d) Carried to the income statement.

(e) Total of NIS 12.8 billion out of total foreign currency securities are rated SSA (Supranational, Sovereign and Agencies) (December 31, 2021 – NIS 9.1 billion).

(f) On March 1, 2021, the subsidiary in the US classified a NIS 750 million (USD 225 million) balance from the available-for-sale bonds portfolio to the held-to-maturity bonds portfolio.

(g) Balance of loan loss provision - for additional information, please see Note 1.X.1.

General comments:

Loaned securities in the amount of NIS 52 million (December 31, 2021 - NIS 25 million) are presented under the loans to the public line item.

Pledged securities totaled NIS 17,405 million (December 31, 2021 - NIS 21,206 million).

For additional information on the financial performance of investments in bonds, shares and mutual funds, please see Notes 2 and 3.

The distinction between Israeli and foreign bonds was made according to the issuer’s country of residence.

Note 12 - Securities (cont.)

Additional information on Amortized Cost and Deferred Losses, by Duration and Impairment Percentage, of Held-to-Maturity Bonds in an Deferred Loss Position

	December 31, 2022									
	Less than 12 months[a]					12 months or more[b]				
		Deferred losses from fair value adjustments					Deferred losses from fair value adjustments			
	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	**9,417**	**467**	**166**	**-**	**633**	**183**	**29**	**8**	**-**	**37**
Asset-backed (ABS) or mortgage-backed (MBS)	**1,541**	**121**	**14**	**-**	**135**	**1,715**	**217**	**80**	**-**	**297**
Of foreign financial institutions	**1,321**	**56**	**-**	**-**	**56**	**-**	**-**	**-**	**-**	**-**
Of other foreign entities	**320**	**19**	**-**	**-**	**19**	**-**	**-**	**-**	**-**	**-**
Total held-to-maturity bonds	**12,599**	**663**	**180**	**-**	**843**	**1,898**	**246**	**88**	**-**	**334**

	December 31, 2021									
	Less than 12 months[a]					12 months or more[b]				
		Deferred losses from fair value adjustments					Deferred losses from fair value adjustments			
	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Amortized cost	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS millions									
Bonds										
Of the Israeli Government	156	-[f]	-	-	-	31	2	-	-	2
Of foreign financial institutions	-	-	-	-	-	-	-	-	-	-
Mortgage-backed (MBS)	1,724	32	-	-	32	65	6	-	-	6
Of other foreign entities	926	60	-	-	60	-	-	-	-	-
Total held-to-maturity bonds	2,806	92	-	-	92	96	8	-	-	8

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Losses of less than NIS 1 million.

Note 12 - Securities (cont.)

More Information on Fair Value and Unrealized Losses, by Duration and Impairment Percentage, of Available-for-Sale Bonds in an Unrealized Loss Position

	December 31, 2022									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[g]					Unrealized losses[g]			
	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS millions									
Bonds										
Of governments and financial institutions	**31,823**	**1,741**	**441**	**-**	**2,182**	**5,240**	**367**	**61**	**12**	**440**
Asset-backed (ABS) or mortgage-backed (MBS)	**4,004**	**160**	**4**	**-**	**164**	**3,163**	**301**	**185**	**-**	**486**
Of others	**3,881**	**282**	**69**	**-**	**351**	**1,582**	**148**	**133**	**-**	**281**
Total available-for-sale bonds	**39,708**	**2,183**	**514**	**-**	**2,697**	**9,985**	**816**	**379**	**12**	**1,207**

	December 31, 2021									
	Less than 12 months[a]					12 months or more[b]				
		Unrealized losses[f]					Unrealized losses[f]			
	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total	Fair value	0-20%[c]	20%-40%[d]	Over 40%[e]	Total
	In NIS millions									
Bonds										
Of governments and financial institutions	17,067	105	-	-	105	26	1	-	-	1
Asset-backed (ABS) or mortgage-backed (MBS)	3,485	55	-	-	55	1,040	31	-	-	31
Of others	1,698	29	-	-	29	195	10	-	-	10
Total available-for-sale bonds	22,250	189	-	-	189	1,261	42	-	-	42

(a) Investments in a continuous unrealized loss position for a period of less than 12 months.
(b) Investments in a continuous unrealized loss position for a period of 12 months or more.
(c) Investments whose unrealized loss represents up to 20 percent of their amortized cost.
(d) Investments whose unrealized loss represents over 20 percent but no more than 40 percent of their amortized cost.
(e) Investments whose unrealized loss represents over 40 percent of their amortized cost.
(f) Amounts charged to the capital reserve as part of “other comprehensive income, net”, after the tax effect.

Note 12 - Securities (cont.)

More information on mortgage-backed and asset-backed available-for-sale bonds in an unrealized loss position

	December 31, 2022					
	Less than 12 months[b]		12 months or more[c]		Total	
	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]	Fair value	Unrealized losses from fair value adjust-ments[a]
	In NIS millions					
Mortgage-backed bonds (MBSs)	**691**	**(46)**	**1,438**	**(300)**	**2,129**	**(346)**
Other mortgage-backed bonds (including CMO, REMIC and stripped MBSs)	**886**	**(39)**	**755**	**(142)**	**1,641**	**(181)**
Asset-backed bonds (ABSs)	**2,427**	**(79)**	**970**	**(44)**	**3,397**	**(123)**
Total	**4,004**	**(164)**	**3,163**	**(486)**	**7,167**	**(650)**

	December 31, 2021					
	Less than 12 months[b]		12 months or more[c]		Total	
	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]	Fair value	Unrealized losses from fair value adjustments[a]
	In NIS millions					
Mortgage-backed bonds (MBSs)	2,486	(35)	34	(2)	2,520	(37)
Other mortgage-backed bonds (including CMO, REMIC and stripped MBSs)	609	(19)	373	(16)	982	(35)
Asset-backed bonds (ABSs)	390	(1)	633	(13)	1,023	(14)
Total	3,485	(55)	1,040	(31)	4,525	(86)

(a) Amounts charged to the capital reserve as part of “other comprehensive income, net”, after the tax effect.
(b) Investments in a continuous unrealized loss position for a period of less than 12 months.
(c) Investments in a continuous unrealized loss position for a period of 12 months or more.

Note 12 - Securities (cont.)

More Information on Held-to-Maturity Mortgage-Backed Bonds

	December 31							
	2022				2021			
	Amortized cost[(a)]	Deferred gains from fair value adjustments	Deferred losses from fair value adjustments	Fair value	Amortized cost	Deferred gains from fair value adjustments	Deferred losses from fair value adjustments	Fair value
	In NIS millions							
Mortgage-backed bonds (MBSs)								
Pass-through type held-to-maturity bonds	**2,968**	**-**	**(426)**	**2,542**	2,274	14	(34)	2,254
Of which: GNMA-guaranteed securities	**1,807**	**-**	**(246)**	**1,561**	1,343	8	(19)	1,332
Securities issued by FNMA or FHLMC	**1,161**	**-**	**(180)**	**981**	931	6	(15)	922
Other mortgage-backed bonds (including CMOs and stripped MBSs)	**51**	**-**	**(2)**	**49**	41	-	(4)	37
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	**51**	**-**	**(2)**	**49**	41	-	(4)	37
Total mortgage-backed bonds (MBS)	**3,019**	**-**	**(428)**	**2,591**	2,315	14	(38)	2,291
Asset-backed bonds (ABSs)	**238**	**-**	**(4)**	**234**	-	-	-	-
Of which: Loans to other than private individuals - CLO-type bonds	**238**	**-**	**(4)**	**234**	-	-	-	-
Total mortgage-backed held-to-maturity bonds	**3,257**	**-**	**(432)**	**2,825**	2,315	14	(38)	2,291

(a) Including a provision balance for credit differences in the amount of NIS 1 million.

Note 12 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Available-for-Sale Bonds

	December 31							
	2022				2021			
		Accumulated other comprehensive income (loss)[(a)]				Accumulated other comprehensive income (loss)[(a)]		
	Amortized cost	Gains	Losses	Fair value	Amortized cost	Gains	Losses	Fair value
	In NIS millions							
Mortgage-backed bonds (MBSs)								
Pass-through bonds	**2,663**	**1**	**(346)**	**2,318**	3,093	8	(37)	3,064
Of which: GNMA-backed bonds	**1,957**	**1**	**(231)**	**1,727**	1,458	2	(19)	1,441
Bonds issued by FNMA or FHLMC	**706**	**-**	**(115)**	**591**	1,635	6	(18)	1,623
Other mortgage-backed bonds (including CMOs and stripped MBSs)	**1,939**	**4**	**(181)**	**1,762**	2,033	12	(35)	2,010
Of which: bonds issued or guaranteed by GNMA, FNMA, or FHLMC	**1,615**	**-**	**(174)**	**1,441**	1,683	10	(33)	1,660
Total mortgage-backed bonds (MBS)	**4,602**	**5**	**(527)**	**4,080**	5,126	20	(72)	5,074
Asset-backed bonds (ABSs)	**3,751**	**2**	**(123)**	**3,630**	2,108	7	(14)	2,101
Of which: Loans to other than private individuals - CLO-type bonds	**2,460**	**2**	**(84)**	**2,378**	1,757	6	(2)	1,761
Loans to non-individuals - SBA-guaranteed securities	**1,042**	**-**	**(27)**	**1,015**	250	-	(12)	238
Total available-for-sale mortgage-backed and asset-backed bonds	**8,353**	**7**	**(650)**	**7,710**	7,234	27	(86)	7,175

(a) Amounts carried to the capital reserve as part of other comprehensive income, net, after the tax effect.

Note 12 - Securities (cont.)

More Information on Mortgage-Backed and Asset-Backed Held-for-Trading Securities

	December 31							
	2022				2021			
	Amortized cost	Unrealized gains from fair value adjustments[(a)]	Unrealized losses from fair value adjustments[(a)]	Fair value	Amortized cost	Unrealized gains from fair value adjust-ments[(a)]	Unrealized losses from fair value adjust-ments[(a)]	Fair value
	In NIS millions							
Mortgage-backed securities (MBS)								
Pass-through securities	**1**	**-**	**-**	**1**	2	-	-	2
Of which: Securities issued by FNMA or FHLMC	**1**	**-**	**-**	**1**	2	-	-	2
Other mortgage-backed securities (including CMO and Stripped MBS)	**25**	**-**	**(1)**	**24**	25	-	(1)	24
Of which: Securities issued or guaranteed by GNMA, FNMA, or FHLMC	**-**	**-**	**-**	**-**	-	-	-	-
Total mortgage-backed securities (MBS)	**26**	**-**	**(1)**	**25**	27	-	(1)	26
Total asset-backed securities (ABS)	**10**	**-**	**(2)**	**8**	17	-	(1)	16
Total mortgage-backed and asset-backed held-for-trading securities	**36**	**-**	**(3)**	**33**	44	-	(2)	42

(a) Gains (losses) carried to the income statement.

Change in outstanding loan loss provision for available-for-sale bonds

	For the year ended December 31, 2022[(a)]			
	Governments and financial institutions	Asset-backed (ABS) or mortgage-backed (MBS)	Of others	Total
	In NIS millions			
Balance of loan loss provision as at the beginning of the year	-	-	-	-
Additions in respect of loan losses for which loan losses were not previously recorded	**24**	**-**	**9**	**33**
Balance of loan loss provision as at year end	**24**	**-**	**9**	**33**

(a) As of January 1, 2022, for the first time, the Bank has applied new rules regarding the current expected credit losses (CECL). For more information, please see Note 1.X.1.

Note 13 - Credit Risk, Loans to the Public and Loan Loss Provision

A. Debts,[(a)] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision

	December 31, 2022					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS millions					
Recorded outstanding debt:						
Examined on a specific basis	213,711	-	460	214,171	95,502	309,673
Examined on a collective basis	25,902	119,720	29,975	175,597	22	175,619
Total[1]	239,613	119,720	30,435	389,768	95,524	485,292
[1]Of which:						
Non-performing debts	1,127	559[(b)]	222	1,908	-	1,908
Debts in arrears of 90 days or more	31	-	44	75	-	75
Other troubled debts	3,471	67	473	4,011	-	4,011
Total troubled debts	4,629	626	739	5,994	-	5,994
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	3,286	-	163	3,449	54	3,503
Examined on a collective basis	571	418	548	1,537	-	1,537
Total loan loss provision[2]	3,857	418	711	4,986	54	5,040
[2]Of which:						
For non-performing debts	250	77	115	442	-	442
For other troubled debts	633	9	253	895	-	895

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding securities borrowed or purchased under reverse repurchase agreements.

(b) As from January 1, 2022, the Bank applies a new accounting policy regarding identification and classification of performing debts and non-performing debts (in lieu of impaired debts), see Note 1.H, according to which, inter alia, housing loans in arears of more than 90 days will be classified as non-performing debts in lieu of performing debts in accordance with the former directive.

Note 13 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts,[a] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision (cont.)

	December 31, 2021[b]					
	Loans to the public				Banks, governments and bonds	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS millions					
Recorded outstanding debt:						
Examined on a specific basis	172,551	-	914	173,465	95,015	268,480
Examined on a collective basis	43,157	103,688	27,081	173,926	1,708	175,634
Total[1]	215,708	103,688	27,995	347,391	96,723	444,114
[1]Of which:						
Non-performing debts	2,368	20	205	2,593	-[c]	2,593
Debts in arrears of 90 days or more	284	609	48	941	-	941
Other troubled debts	2,522	-	385	2,907	-	2,907
Total troubled debts	5,174	629	638	6,441	-	6,441
Outstanding loan loss provision in respect of debts:						
Examined on a specific basis	2,641	-	295	2,936	3	2,939
Examined on a collective basis	671	489	416	1,576	-	1,576
Total loan loss provision[2]	3,312	489	711	4,512	3	4,515
[2]Of which:						
For non-performing debts	657	5	155	817	-[c]	817
For other troubled debts	477	123	199	799	-	799

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding securities borrowed or purchased under reverse repurchase agreements.

(b) Comparative figures are presented according to the new disclosure format. For more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.

(c) Balances of less than NIS 1 million.

Note 13 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Change in Outstanding Loan Loss Provision

	For the year ended December 31, 2022					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS millions					
Balance of loan loss provision as at the beginning of the year	**3,765**	**489**	**727**	**4,981**	**3**	**4,984**
Adjustment to the opening balance due to the effect of first-time application[(a)]	**804**	**(165)**	**22**	**661**	**26**	**687**
Balance as at January 1, 2022	**4,569**	**324**	**749**	**5,642**	**29**	**5,671**
Loan loss expenses	**240**	**112**	**112**	**464**	**34**	**498**
Charge-offs	**(589)**	**(17)**	**(370)**	**(976)**	**-**	**(976)**
Collection of debts written off in previous years	**471**	**-**	**241**	**712**	**-**	**712**
Net charge-offs	**(118)**	**(17)**	**(129)**	**(264)**	**-**	**(264)**
Adjustments from translation of Financial Statements	**5**	**-**	**-**	**5**	**-**	**5**
Less balances of the subsidiary in the United States that was sold[(b)]	**(276)**	**-**	**-**	**(276)**	**(9)**	**(285)**
Balance of loan loss provision as at year end[1]	**4,420**	**419**	**732**	**5,571**	**54**	**5,625**
[1]Of which: in respect of off-balance-sheet credit instruments	**563**	**1**	**21**	**585**	**-**	**585**

	For the year ended December 31, 2021					
	Loan loss provision					
	Loans to the public				Banks and governments	Total
	Commercial	Housing	Private - other	Total - public		
	In NIS millions					
Balance of loan loss provision as at the beginning of the year	4,284	636	792	5,712	3	5,715
Loan loss income	(622)	(145)	(45)	(812)	-	(812)
Charge-offs	(472)	(6)	(279)	(757)	-	(757)
Collection of debts written off in previous years	584	4	259	847	-	847
Net charge-offs	112	(2)	(20)	90	-	90
Adjustments from translation of Financial Statements	(9)	-	-	(9)	-	(9)
Balance of loan loss provision as at year end[1]	3,765	489	727	4,981	3	4,984
[1]Of which: in respect of off-balance-sheet credit instruments	453	-	16	469	-	469

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.H.

(b) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see Note 15.A.

Note 13 - Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Change in Outstanding Loan Loss Provision (cont.)

	For the year ended December 31, 2020					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the year	2,590	467	657	3,714	2	3,716
Loan loss expenses	2,105	175	271	2,551	1	2,552
Charge-offs	(816)	(6)	(383)	(1,205)	-	(1,205)
Collection of debts written off in previous years	429	-	247	676	-	676
Net charge-offs	(387)	(6)	(136)	(529)	-	(529)
Adjustments from translation of Financial Statements	(24)	-	-	(24)	-	(24)
Balance of loan loss provision as at year end[1]	4,284	636	792	5,712	3	5,715
[1]Of which: in respect of off-balance-sheet credit instruments	402	-	20	422	-	422

Note 14 - Loans to Governments

	December 31	
	2022	2021
	In NIS millions	
Loans to the Israeli Government	**317**	205
Loans to foreign governments	**792**	735
Total loans to governments	**1,109**	940

Note 15 - Investments in Investees and Details Thereof

A. Bank Leumi USA and the merger transaction with Valley National Bancorp

On September 23, 2021, BLC, a US-incorporated corporation (85 percent of which is held by the Bank), which wholly owns BLUSA, entered into a merger agreement with Valley.

On April 1 2022, the merger was completed.

Valley is a banking holding company, which holds Valley National Bank (hereinafter - "Valley Bank"). Valley Bank was founded in 1927.

Following the completion of the transaction and execution of the merger procedures, BLC was merged into Valley and BLUSA was merged into Valley Bank (hereinafter - the "Merger Agreement").

The proceeds of the transaction will be paid to the Bank in Valley shares (90 percent of the proceeds) and the rest - in cash. Once the transaction has been completed, the Bank holds 14.2 percent of Valley's share capital and is not the largest shareholder, but as of the publication date, it is the largest shareholder in Valley.

As a result of the merger, a profit of NIS 645 million, net of tax, was recorded. Out of the above amount, a total of approx. NIS 194 million was recorded in the first quarter of 2022 and a total of NIS 451 million was recorded in the second quarter.

Starting from April 1, 2022, the Bank is accounting for the investment in Valley according to the equity method and classifies its investment in Valley as a foreign operation whose functional currency is other than the shekel.

Following are data for the investment in Valley as at April 1, 2022

	In NIS millions
Value of Valley shares received	3,047
Share in equity conferring rights to receive profits	1,944
Recognized goodwill	1,057

The market value of the Valley shares held by the Bank as at December 31, 2022 is NIS 2,860 million. Shortly before the report's publication date, the market value of Valley's shares held by the Bank was in the NIS 2.60 to 3.15 billion range.

Balances of the assets of Bank Leumi USA derecognized from the Bank's books as at the transaction completion date

	March 31 2022 (unaudited)
	In NIS millions
Cash and deposits with banks	1,253
Securities	4,431
Loans to the public, gross	19,187
Loan loss provision	(272)
Loans to the public, net	18,915
Buildings and equipment	100
Goodwill	14
Assets in respect of derivatives	58
Other Assets	1,125
Total assets	25,896

Note 15 - Investments in Investees and Details Thereof (cont.)

Balances of the liabilities of Bank Leumi USA derecognized from the Bank's books for deconsolidation purposes as at the transaction completion date

	March 31 2022 (unaudited)
	In NIS millions
Deposits by the public	22,536
Deposits by banks	88
Liabilities for derivatives	88
Other liabilities	593
Total liabilities	23,305

B. Composition of Associates

	December 31	
	2022	2021
	Associates	
	In NIS millions	
Total investments in equity securities accounted for by the equity method (including goodwill)	**4,947**	1,113
Of which – Gains accrued since the acquisition date	**235**	38
Items accrued in equity since the acquisition date:		
Adjustments for associates	**212**	(34)
Information regarding goodwill and other excess cost:		
Net original amount	**1,471**[(a)]	226
Carrying value	**1,407**	164

(a) Attribution of the acquisition price to assets and liabilities ceases following the reporting date.

Details Regarding the Carrying Amounts and the Market Value of Tradable Investments

	December 31			
	2022		2021	
	Carrying amount	Market value	Carrying amount	Market value
	In NIS millions			
Valley National Bancorp	**3,567**	**2,860**	-	-
Teralight Ltd.	**135**	**58**	132	83
Sunflower Sustainable Investments Ltd.	**61**	**32**	68	58
Total	**3,763**	**2,950**	200	141

C. Group's Share in Associates' Profits or Losses

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Group's share in associates' profits (losses)	**490**	102	(19)
Provision for taxes	**(103)**	(1)	6
Group's share in associates' profits (losses) after tax effect	**387**	101	(13)

Note 15 - Investments in Investees and Details Thereof (cont.)

D. Details Regarding Major Investees

		December 31			
		2022	2021	**2022**	2021
		Share in equity conferring rights to receive profits		Share in voting rights	
Company	Information about the company	In %			
Consolidated subsidiaries[(a)]					
In Israel					
Leumi Partners Ltd.[(c)]	Business and financial services	**100.0**	100.0	**100.0**	100.0
LeumiTech Ltd.[(d)]	Loans to high-tech companies	**99.8**	99.8	**99.8**	99.8
Leumi Capital Market Services Ltd.	Operating services provided to provident and mutual funds	**100.0**	100.0	**100.0**	100.0
Leumi Financial Holdings Ltd.	Financial holdings	**100.0**	100.0	**100.0**	100.0
Abroad					
Bank Leumi of Israel Corporation[(e)]	Holding company – registered in the USA	**0.0**	84.7	**0.0**	84.7
Bank Leumi USA[(e)]	General banking – registered in the USA	**0.0**	84.6	**0.0**	84.6
Bank Leumi (UK) PLC[(f)]	General banking – registered in the UK	**100.0**	100.0	**100.0**	100.0
Leumi Re Limited	Insurance – registered in the Channel Islands	**100.0**	100.0	**100.0**	100.0
Associates					
Valley National Bancorp	Banking	**14.2**	-	**14.2**	-

(a) Data regarding consolidated companies reflect the Bank's investment therein net of each company's investment in other Group companies and the Bank's share in their results of operations net of each company's share in the financial performance of operations of other Group companies in respect of said investments.
(b) Other equity investments include capital notes.
(c) The Bank's share in a capital reserve in respect of a benefit arising from NIS 190 million in controlling shareholders' loans (2021 – NIS 190 million).
(d) The Bank's share in a capital reserve in respect of a benefit arising from NIS 82 million in controlling shareholders' loans (2021 – NIS 82 million).
The functional currency of Bank Leumi USA and Bank Leumi of Israel Corporation is other than NIS. Please see Note 1D.As of April 1, 2022, the merger was completed with Valley. For additional information, please see Section A above
(e) For additional information regarding the organizational change in Bank Leumi UK, please see Note 15.A.
(f) For more information regarding the merger transaction with Valley, please see Section A above.
(g) Carrying amount includes attributable excess cost balances and goodwill in the amount of NIS 186 million and NIS 1,160 million, respectively. The contribution to the profit includes deduction of excess cost.

2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Investment in equity securities accounted for according to the equity method		Other equity investments[b]		Contribution to net income (loss) attributable to the Bank's shareholders		Dividends received		Other comprehensive income (loss)		Guarantees on behalf of the Company in favor of entities outside the Company	
In NIS millions											
4,612	4,293	**226**	224	**361**	712	**-**	-	**(42)**	(6)	**1,359**	971
1,001	1,031	**-**	-	**5**	4	**-**	-	**(35)**	3	**-**	-
47	37	**-**	-	**10**	5	**-**	-	**-**	-	**-**	-
1,640	1,644	**-**	-	**-**	(1)	**-**	-	**(7)**	-	**-**	-
-	73	**-**	-	**(2)**	(9)	**-**	-	**-**	-	**-**	-
-	2,270	**-**	-	**57**	221	**-**	-	**(112)**	(170)	**-**	-
1,334	963	**227**	225	**75**	30	**-**	-	**1**	13	**-**	-
80	60	**-**	-	**20**	10	**-**	-	**-**	-	**179**	159
3,567 [g]	-	**-**	-	**306**[g]	-	**81**	-	**(54)**	-	**-**	-

Note 16 - Buildings and Equipment

A. Composition

	Buildings and land[a]	Equipment, furniture and vehicles	Software costs[b]	Total
	In NIS millions			
Cost of assets				
Balance as at December 31, 2020	2,969	3,521	4,177	10,667
Additions	45	79	419	543
Derecognitions	(127)	(74)	(72)	(273)
Adjustments from translation of financial statements	(9)	(6)	(7)	(22)
Balance as at December 31, 2021	2,878	3,520	4,517	10,915
Additions	**49**	**136**	**584**	**769**
Derecognitions	**(93)**	**(76)**	**(509)**	**(678)**
Deconsolidation[c]	**(281)**	**(185)**	**(194)**	**(660)**
Adjustments from translation of financial statements	**6**	**4**	**4**	**14**
Balance as at December 31, 2022	**2,559**	**3,399**	**4,402**	**10,360**
Depreciation and impairment losses				
Balance as at December 31, 2020	1,630	2,722	3,383	7,735
Depreciation for the year	56	115	523	694
Derecognitions	(76)	(70)	(67)	(213)
Adjustments from translation of Financial Statements	(8)	(7)	(6)	(21)
Balance as at December 31, 2021	1,602	2,760	3,833	8,195
Depreciation for the year	**50**	**97**	**451**	**598**
Derecognitions	**(65)**	**(70)**	**(483)**	**(618)**
Deconsolidation[c]	**(215)**	**(180)**	**(166)**	**(561)**
Adjustments from translation of Financial Statements	**4**	**4**	**3**	**11**
Balance as at December 31, 2022	**1,376**	**2,611**	**3,638**	**7,625**
Carrying amount as at December 31, 2020	1,339	799	794	2,932
Carrying amount as at December 31, 2021	1,276	760	684	2,720
Carrying amount as at December 31, 2022	**1,183**	**788**	**764**	**2,735**

(a) Including installations and leasehold improvements.
(b) Including expenses capitalized in connection with costs of development of internal use software totaling NIS 577 million as of December 31, 2022 (2021 – NIS 575 million).
(c) The balances of Bank Leumi USA, which from April 1, 2022 is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley; please see Main Changes in the Previous Year and Note 15.A.

B. Average Depreciation Rate

	December 31	
	2022	2021
Buildings and land	**2.10%**	2.26%
Equipment, furniture and vehicles	**11.48%**	13.19%
Software costs	**26.81%**	26.16%

Note 16 - Buildings and Equipment (cont.)

C. Buildings and land not used by the Group, mainly leased buildings, are stated in the balance sheet at NIS 34 million (December 31, 2021 – NIS 20 million).

D. Assets amounting to NIS 42 million (December 31, 2021 – NIS 44 million) have not been registered in the Bank's name with the Land Registry Office, the main reasons being the lack of land registry arrangements ("parcellation") and a building project that was not registered as a condominium by the contractor/developer.

E. The book balance of held-for-sale buildings and equipment as of December 31, 2022 is NIS 102 million (December 31, 2021 – NIS 13 million). No loss is expected from disposal of available-for-sale buildings and equipment in excess of the provisions made in respect thereof.

F. The book balance of property, plant & equipment under construction totaled as at December 31, 2022 NIS 60 million (December 31, 2021 - NIS 16 million).

G. The buildings and equipment line item includes leasehold improvements and lease rights, including payments in respect of some of the buildings on leased land.

H. Information on Leases

1. Expenses for leases

	December 31	
	2022	2021
	In NIS millions	
Expenses for operating leases	**132**	149
Expenses short-term leases	**-**	1
Expenses for variable lease payments	**2**	1
Total expenses for leases	**134**	151

2. Additional Information on Leases

	December 31	
	2022	2021
	In NIS millions	
Cash paid for balances included in measurement of lease liabilities:		
Cash flow for operating activities for operating leases	**135**	143
Right of use assets recognized for new operating leases	**125**	81
Remaining weighted average term (in years):		
For operating leases	**4.2**	4.1
Weighted average discount rate (in %):		
For operating leases	**1.00**	1.00

Note 16 - Buildings and Equipment (cont.)

3. Undiscounted cash flows and liabilities for operating leases by repayment term

	December 31			
	2022		2021	
	Undiscounted cash flows	Lease liability	Undiscounted cash flows	Lease liability
Up to one year	**110**	**108**	146	146
Over one year and up to two years	**90**	**88**	112	109
Over two years and up to 3 years	**69**	**67**	88	86
Over 3 years and up to 4 years	**52**	**50**	79	76
Over 4 years and up to 5 years	**46**	**45**	71	68
Over 5 years	**228**	**209**	344	317
Total	**595**	**567**	840	802

Note 17 - Goodwill

	Goodwill - total[(a)]
	In NIS millions
Cost	
As at December 31, 2020	15
Adjustments from translation of Financial Statements	(1)
As at December 31, 2021	14
Less balances of the subsidiary in the United States that was sold[(b)]	**(14)**
As at December 31, 2022	**-**
Amortization and impairment losses	
As at December 31, 2020	-
Amortization for the year	-
As at December 31, 2021	-
Amortization for the year	**-**
As at December 31, 2022	**-**
Amortized balance as at December 31, 2022	**-**
Carrying amount	
As at December 31, 2020	15
As at December 31, 2021	14
As at December 31, 2022	**-**

(a) Goodwill by regulatory operating segments and Management Approach attributable to foreign operations.

(b) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 15.A.

Note 18 - Other Assets

	December 31	
	2022	2021
	In NIS millions	
Deferred tax receivable, net – please see Note 8(D)	**5,199**	5,857
Excess of advance tax payments over current provisions	**21**	35
Central severance pay fund	**85**	202
Assets received for repaid loans	**8**	9
Balance of amortizable issuance expenses of bonds, promissory notes and subordinated bonds	**80**	52
Assets for activity in the MAOF Clearing House[(a)]	**10**	18
Value of insurance policy for foreign office	**-**	393
Prepaid expenses	**186**	194
Receivables	**157**	189
Other receivables and debt balances	**85**	239
Right of use assets for operating lease[(b)]	**571**	797
Total other assets	**6,402**	7,985

(a) Stated at fair value.
(b) For information regarding leases, please see Note 1.N. and Note 16.H.

Note 19 - Deposits by the Public

A. Types of Deposits by Location and Type of Depositor

	December 31	
	2022	2021
	In NIS millions	
In Israel		
Demand deposits		
Noninterest bearing deposits	**134,511**	161,327
Interest-bearing deposits	**184,704**	210,393
Total demand deposits	**319,215**	371,720
Fixed deposits	**237,851**	140,596
Total deposits in Israel[1]	**557,066**	512,316
Outside Israel		
Demand deposits		
Noninterest bearing deposits	**-**	14,737
Interest-bearing deposits	**18**	6,677
Total demand deposits	**18**	21,414
Fixed deposits	**-**	3,539
Total deposits outside Israel	**18**	24,953
Total deposits by the public	**557,084**	537,269
[1]Of which:		
Deposits by private individuals	**158,006**	146,235
Deposits by institutional entities	**130,685**	127,883
Deposits by corporations and others	**268,375**	238,198

B. Deposits by the Public by Amount

	December 31	
	2022	2021
Maximum deposit	In NIS millions	
Up to 1	**119,053**	120,656
Over 1 and up to 10	**117,207**	111,186
Over 10 and up to 100	**91,492**	86,924
Over 100 and up to 500	**68,403**	65,715
Over 500	**160,929**	152,788
Total	**557,084**	537,269

Note 20 - Deposits by Banks

	December 31	
	2022	2021
	In NIS millions	
In Israel		
Commercial banks:		
Demand deposits	**4,280**	7,152
Fixed deposits	**439**	477
Acceptances	**675**	531
Central banks:[(a)]		
Demand deposits	**-**	216
Fixed deposits	**16,912**	16,902
Outside Israel		
Commercial banks:		
Demand deposits	**-**[(b)]	6
Acceptances	**-**	39
Central banks:		
Demand deposits	**-**	47
Total deposits by banks	**22,306**	25,370

(a) Deposits by the Bank of Israel.
(b) Balances of less than NIS 1 million.

Note 21 - Bonds, Promissory Notes and Subordinated Bonds[(a)]

	Average duration[(b)]	Internal rate of return[(c)]	December 31	
			2022	2021
	Years	In %	In NIS millions	
Non-convertible bonds, promissory notes and capital notes in NIS:				
In Israeli currency unlinked to the CPI	**1.6**	**2.9**	**7,153**	2,877
CPI-linked	**3.2**	**0.4**	**10,978**	6,528
In USD	**4.1**	**5.1**	**1,654**	-
Total[1]			**19,785**	9,405
[1]Of which: held-for-trading	**-**	**-**	**19,251**	8,834
Convertible bonds:				
In Israeli currency unlinked to the CPI	**-**	**-**	**-**	-
CPI-linked	**2.8**[(d)]	**1.9**	**5,277**	3,659
In USD	**2.9**[(d)]	**3.3**	**2,743**	2,364
Total bonds, promissory notes and subordinated bonds			**27,805**	15,428
Of which subordinated bonds included in Tier 2 capital[(e)]			**7,547**	6,072

(a) The balance of discount net of the premium on bonds and subordinated bonds not yet carried to the income statement was offset against the bonds.
(b) Average duration is the average of the payments periods weighted by the projected cash flows discounted at the internal rate of return.
(c) Internal rate of return is an interest rate that discounts the projected payments flow to the book balance stated in the financial statements.
(d) The average duration as of interest rate change date is based on calculation of the effective average duration as calculated for purposes of the exposure to changes in interest rates. In subordinated bonds, in CPI-linked - 2.64 years, in USD - 2.90 years (as of December 31, 2021 - CPI-linked - 3.96 years, and USD - 3.65 years).
(e) Tier 2 capital according to Basel III's transitional provisions.

Comment:
For more information, please see Note 25A.

Note 22 - Other Liabilities

	December 31	
	2022	2021
	In NIS millions	
Deferred tax reserve, net – please see Note 8(D)	**84**	86
Excess of current provisions for income tax over advances paid	**1,133**	1,178
Excess of liabilities in respect of employee benefits over plan assets – see Note 23(I)	**8,400**	11,470
Prepaid income	**452**	403
Payables for credit card activities	**1,176**	987
Accrued expenses for salaries and related expenses	**922**	876
Market value of securities sold short	**132**	441
Loan loss provision for off-balance-sheet items	**585**	469
Accrued expenses	**296**	276
Other provisions for employee benefits	**329**	429
Provision for paid leave	**201**	227
Accrued jubilee vacation leave	**19**	30
Liabilities for activity in the MAOF Clearing House[(a)]	**10**	18
Other payables and credit balances	**712**	510
Liabilities for operating leases[(b)]	**567**	802
Total other liabilities	**15,018**	18,202

(a) Stated at fair value.

(b) For information regarding leases, please see Note 1.N. For information on liabilities for operating leases by repayment terms, please see Note 16.H.3.

Note 23 - Employee Benefits

A. Pension and Severance Pay

1. Overview

Ongoing contributions for an external pension plan have been made for employees who began working with the Bank as from January 1 1999 and have not yet received permanent employee status as at the signing of the 2000 special external pension agreement (hereinafter - "Generation B Employees"). The Bank shall have no pension obligations in respect of these employees, except for supplementary contributions towards severance pay, in certain cases, pursuant to the agreement.

Employees who started working for the Bank before January 1 1999 and were granted permanent employee status before the date of signing the aforementioned agreement (hereinafter - "Generation A Employees"), and who retire from the Bank at retirement age, except those mentioned above and in Section B. below, may choose between receiving severance pay and pension savings or a pension from the Bank while waiving the severance pay and savings, all subject to the provisions of the law. Entitlement to a pension is calculated at a rate of 40 percent in respect of the first fifteen years of employment, i.e. 2.67 percent per annum, and 1.5 percent for each additional year, up to a maximum rate of 70 percent.

The pension reserves are based on an actuarial calculation that factors in the retirement age pursuant to studies and based on past experience. The actuarial calculation was made according to the accrued benefits valuation method, taking into account various parameters including the probability, based on past experience, as to the rate of utilization of pension benefits and the rate of withdrawal of severance pay and pension savings, disability benefits, etc. The calculation also factors in a nominal pay increase, which is based on past experience and varies according to the employee's age.

The liability is accrued on a straight-line basis until the early retirement age (the average of actual retirement ages of Generation A Employees in recent years, both men and women). After this date, additional benefits attributed to subsequent years are accrued based on the formula of Generation A Employees' benefit plan.

The actuarial calculation is based on revised directives of the Chief Actuary at the Ministry of Finance regarding mortality rates, published in June 2022, which were established for insurance companies by the Commissioner of the Capital Market, Insurance and Savings and applied to the Bank's employees.

The employee benefits liability amount is affected by several key variables, which include market variables (discount rates of the liabilities for various periods) and actuarial variables, with some of the actuarial variables being associated with employee behavior. There may be a correlation between changes in market variables and changes in the behavioral actuarial variables.

The Bank's actuarial liability for pension was calculated based on the yield on Israeli Government bonds plus an average spread on corporate bonds rated AA or higher as of the reporting date. It was decided that the calculation of the spread will be based on spreads of US corporate bonds. In 2022, most of the change in the pension liability stems from interest rate changes.

The Bank's pension liability for retired employees who have opted for pension and the Bank's liability mentioned in Section B. below are covered by a pension provision calculated according to the present value of the liability, as calculated by an actuary.

2. Benefits for "Leumi Alumni"

In addition to their pension and/or pension savings and severance pay, "Leumi Alumni" are entitled to further benefits comprising mainly holiday gifts, as well as tuition for the retiree's children and medical tests.

Leumi Alumni are former employees who left their jobs at the Bank after 25 years, or whose age is at least 50 and have left the Bank after 15 years of service.

Note 23 - Employee Benefits (cont.)

B. Employment and Retirement Terms and Conditions of Employees with Personal Employment Contracts

1. Overview

The accepted terms and conditions of employment and retirement for employees with personal contracts with the Bank include fixed compensation components, such as a monthly salary, social benefits, related benefits, such as study fund, health insurance, insurance arrangements, exemption and indemnification, as well as terms and conditions of retirement and severance and termination of employment, such as paid early notice. Employees who have personal contracts with the Bank also enjoy variable compensation components, such as any award that is not given on a regular basis, i.e., annual performance bonus, personal mission bonus, and special bonus for special events and equity compensation by way of options. Key employees who are not officers may be entitled to additional bonuses such as retention bonus and outstanding excellence award. Members of Bank's management may also be entitled to an adaptation bonus of up to 6 monthly salaries on termination of their employment by the Bank. In addition, employees with personal contracts at the Bank may be required to sign a non-compete clause of up to 6 months from leaving the Bank.

Retirement and pension arrangements for employees with personal contracts

The retirement and pension benefits of Bank employees with personal contracts are determined according to their classification into the Bank's employment period categories and according to the circumstances under which their employment ended (such as redundancy, resignation or retirement). The Bank's retirement arrangement with these employees includes entitlement to their severance pay fund, in accordance with Section 14 of the Severance Pay Law, 1963 or to severance pay ranging between 100 percent and 250 percent, in addition to the funds accrued in their pension savings, and the possibility, in certain cases, of receiving a monthly annuity. This right is in lieu of the employees' legal severance pay benefits and includes the funds and benefits accrued in the employee's severance pay funds during his/her employment period (including any gains).

In case of termination of employer-employee relations (due to redundancy, resignation or retirement, as relevant and according to the terms and conditions of the personal contract), Generation A Employees may waive the benefits and funds which they have accrued in their severance pay and pension savings (in respect of Generation A benefits) in return for being eligible for unfunded pension from the Bank (hereinafter - the "Pension Annuity"). Employees are eligible for a Pension Annuity on reaching retirement age or, alternatively - subject to meeting seniority and age criteria - to receive the Pension Annuity immediately or at a later stage (in full or in part, as relevant).

Some contracts stipulate that, in case of termination of employer-employee relations (due to redundancy, resignation or retirement, as relevant and according to the personal contract's terms and conditions) and subject to meeting certain conditions, including seniority and/or age conditions, some Generation B employees may opt to receive an Interim Annuity from the Bank (in full or in part, as relevant) in lieu of severance pay, until they become eligible for the amount saved pursuant to the pension fund's Articles of Association and the provisions of the law.

The percentage of the Pension Annuity or interim annuity, as relevant, is 2.67 percent per annum for the first 15 years of employment. Subsequently – 1.5 percent per annum for each year until a personal contract is signed; 2 percent per annum for each year of employment under a personal contract and 2.5 percent per annum for each year of service as member of management, up to a maximum of 70 percent. Eligibility for Pension Annuity from the Bank is subject to the employee having all the benefits and funds accrued in the pension savings and severance pay fund (in respect of Generation A benefits) in his/her name available as the source from which the Pension Annuity will be paid by the Bank as aforesaid.

Note 23 - Employee Benefits (cont.)

The maximum additional expense incurred by the Bank, assuming that the employees included in this section are made redundant effective immediately and according to the eligibility for each period, shall total NIS 103 million (including salary tax payable on pension) (2021 – NIS 128 million). The decrease is due to changes in assumptions regarding the date and likelihood of termination.

2. President and CEO

Mr. Hanan Friedman serves as an officer with the Bank as of September 1, 2014, and as the Bank's President and CEO from November 1, 2019 (the "Effective Date"). On December 23, 2019, the Bank's general meeting approved the service and employment terms and conditions of the Bank's President and CEO, which become effective on the Effective Date. The service and employment terms and conditions of the President and CEO are in line with the Bank's Officer Compensation Policy, and in line with Directive 301A and the limitations prescribed in the Compensation Limitation Law.

The President and CEO's service and employment terms and conditions:

1. **Salary** – as from the Effective Date, the President and CEO is entitled to a monthly salary totaling NIS 228,000, linked to the increase in the known Consumer Price Index (CPI) on the Effective Date[1] and will also be linked to the Bank's lowest compensation increase rate as set out in the Compensation Limitation Law and subject to its provisions (hereinafter - the "Salary").

   The President and CEO is eligible to an additional fixed compensation component that will be calculated such that the total amount of the compensation components payable to the President and CEO (excluding compensation the payment of which is not expected under generally accepted accounting principles) will not exceed the ceiling set forth in Section 2(b) of the Compensation Limitation Law.[2] No provisions for social benefits will be made in respect of this fixed component, except for provisions for severance pay and pension savings as required by law.

2. **Termination of employment by giving advance notice** – The employment term of the President and CEO's employment agreement is indefinite. Each of the parties may terminate the agreement by giving a 6-month advance notice.

3. **Contributions and deductions for pension, severance pay and social benefits** - the Bank shall make contributions towards pension and disability insurance for the President and CEO; these contributions, amounting to 7.5 percent of the President and CEO's Salary, will be transferred, on a monthly basis, to managers' insurance policies, provident funds and/or a pension arrangement, as agreed between the parties from time to time; the Bank will also deduct an additional 6 percent of the President and CEO's Salary in respect of pension contributions (hereinafter - "Pension Contributions"). The Bank will make contributions towards severance pay, which will be transferred, on a monthly basis, to a severance pay fund, at a rate of $8^1/_3$ percent of the Salary[3] of the President and CEO; the Bank will also make monthly contributions to a study fund for the President and CEO at a rate of 7.5 percent of the Salary; at the same time, the Bank shall deduct a total of 2.5 percent, at the expense of the President and CEO, from the Salary, up to the maximum tax deductible amount and shall remit it to a study fund.

4. **Retirement terms and conditions -** as aforesaid, the President and CEO serves as an officer with the Bank as of September 1, 2014. On the date on which the Compensation Limitation Law entered into effect, on October 12, 2016 (the "Effective Date") the service and employment terms and conditions of office and employment of the incumbent Bank officers according to the provisions of

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[1] It is hereby clarified, that if the CPI decreases, the Salary will not be decreased accordingly.

[2] It should be noted that the contributions for severance pay and pension as required by law will not be included in the calculation of the ceilings set forth in the Compensation Limitation Law. It should also be noted that since the total cost of the President and CEO's compensation exceeds the ceiling set forth in the Compensation Limitation Law, a portion of the compensation is not deductible for tax purposes as set forth in Section 32(17) of the Income Tax Ordinance.

[3] Including all components in respect of which severance pay is payable by law.

Note 23 - Employee Benefits (cont.)

the said Law were updated, including the service and employment terms and conditions of Mr. Friedman, including his benefits in the event of retirement. Therefore, in the event of retirement, the President and CEO will be entitled to retirement benefits for his service term with the Bank from the Effective Date of his service with the Bank until the Effective Date, and to retirement benefits for his terms of office with the Bank from the Effective Date until the termination of his employment relations with the Bank, as specified below: In the event that the employment relations between the President and CEO and the Bank are severed (dismissal, resignation or retirement), the President and CEO will be entitled to the following benefits (cumulatively):

(1) For the term of the President and CEO's employment as of the Effective Date: The President and CEO will be entitled to severance pay in an amount equal to 100 percent [4] of the last known monthly Salary on the termination of employment relations with the Bank multiplied by the number of years from the Effective Date until the termination date of the employment relations as aforesaid, plus the funds and benefits accumulated in the pension funds from pension contributions made by the Bank and by the President and CEO in respect of the President and CEO's term of employment during the abovementioned term (from the Effective Date until the termination date of the employment relations).

(2) For the term of the President and CEO's employment until the Effective Date: The President and CEO will be entitled to severance pay in an amount equal to 250 percent of the monthly Salary immediately prior to the Effective Date multiplied by the number of years he will have been employed by the Bank until the Effective Date, plus the funds and benefits accumulated in the pension funds from pension contributions made by the Bank and by the President and CEO for the President and CEO's term of employment during the above period (until the Effective Date).[5] In addition, the President and CEO will also be entitled to a bonus in the amount of the adaptation bonus allocated to him in the Bank's books immediately prior to the Effective Date.[6]

5. **Non-compete** - The President and CEO will undertake towards the Bank to maintain a 6 month non-compete period from the date of termination of his office (hereinafter - the “Non-Compete Period"). During the Non-Compete Period the President and CEO will be entitled to receive a Salary and all other related benefits, excluding contributions for social benefits.

6. **Exemption, insurance and indemnification -** The President and CEO will be entitled to exemption, insurance and indemnification of officers, as is customary at the Bank, from time to time.

7. **Paid leave, convalescence pay and sick leave** – as normally paid to the Bank’s senior officers according to Bank’s procedures.

8. **Related benefits** - The President and CEO is entitled to benefits as is customary for senior executives of the Bank.

9. **Provisions regarding annual bonuses -** The President and CEO will not be entitled to an annual variable bonus as of the Effective Date.

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4 Entitlement to severance pay as aforesaid is conditional on the transfer to the Bank of the contributions towards severance pay made during that period, or of an amount equal to the amount of those contributions.

5 Entitlement to severance pay as aforesaid is subject to the transfer to the Bank of the contributions to the severance pay fund.

6 Six times the monthly Salary immediately prior to the Effective Date.

Note 23 - Employee Benefits (cont.)

3. The Bank's Chairman of the Board

Dr. Samer Haj Yehia serves as a director of the Bank as of September 30, 2014, and began serving as Chairman of the Board (hereinafter - the "Chairman" or "Chairman of the Board") on July 22, 2019 (in this Section, the "Effective Date").

On December 23, 2019, the Bank's general meeting approved the service terms and conditions of the Bank's President and CEO, which become effective on the Effective Date. The service terms and conditions of the Chairman of the Board as aforesaid are in compliance with the Bank's officer compensation policy and in accordance with Directive 301A.

On September 21, 2022, after receipt of approval from the Compensation Committee, the Bank's Board of Directors approved the revision of the terms of office of the Chairman of the Board, effective from October 19, 2022, due to the revision of Directive 301A regarding the compensation structure of the Chairman of the Board in a banking corporation without a controlling core (which was published in April 2022)' according to which the revised terms of office of the Chairman of the Board will not include other rights in respect of non-competition and prior notice and the Chairman of the Board will be entitled to reimbursement of expenses according and subject to Directive 301A.

The Chairman of the Board's service terms and conditions:

As of September 2021, the Chairman of the Board began providing services to the Bank through a management company he owns, against a tax invoice provided to the Bank. In return for these services, the Chairman is entitled to a consideration of NIS 3.5 million per annum (NIS 295 thousand per month), with added VAT; the amount is linked to the increase in the known CPI as at the Effective Date,[7] may be linked to the Bank's lowest compensation increase rate as set out in the Compensation Limitation Law and subject to its provisions.

Term of service and end thereof - The terms and conditions of service of the Chairman of the Board (please see above and below) apply as of the Effective Date (the "Tenure Period") and shall be in effect as long as he serves as the Bank's Chairman of the Board, or as required under the directive of the Banking Supervision Department in this matter. In accordance with the decision of the Bank's Compensation Committee and Board of Directors on September 21, 2022 as aforesaid, the revised terms of office of the Chairman of the Board will not include other rights in respect of non-competition and prior notice.

The Chairman will also be entitled to exemption, insurance and indemnification arrangements of officers, as is the practice in the Bank, from time to time, as well as to benefits for the reimbursement of expenses according and subject to that stipulated in Directive 301A, provided that the total annual cost for the Bank for the entire terms and conditions of service shall not exceed the above annual consideration.

It is clarified that the Chairman of the Board is not entitled to a variable yearly bonus.

C. Provision for Paid Leave

The "other liabilities" line item includes a provision in respect of unutilized paid leave, calculated based on the last salary plus related benefits. The Bank also provides for sick leave that will be converted to paid leave, calculated on an actuarial basis. As of December 31, 2022, these provisions amount to NIS 201 million (December 31 2021 – NIS 227 million).

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[7] It is hereby clarified, that if the CPI decreases, the consideration amount will not be decreased accordingly.

Note 23 - Employee Benefits (cont.)

D. Pension and Severance Pay for the Bank's Employees

The Bank pays contributions towards severance pay and pension for Generation A Employees into the Bank employees' provident fund towards severance pay and pension, which is administered by a management company held by fund's members.

Retirement and pension benefits are determined according to a classification of different employment periods at the Bank, and as outlined in Section a.1 above, Generation B Employees are entitled to ongoing pension and provident fund contributions, for which the Bank has no pension liability, except for supplementary severance pay. Generation A employees - on reaching retirement age, under certain circumstances - have the right to either receive severance pay and compensation from the Bank or a pension annuity, or a combination of the above, all in accordance with, and subject to, the provisions of the various agreements applicable to these employees. For these employees, the Bank deposits contributions in the employees' provident, pension and severance pay funds, which are managed by a management company held by the fund's members. During 2019, the Bank entered into an agreement with additional institutional entities to transfer the severance pay and pension funds which accumulated or will be accumulated in the severance and pension funds of employees who have opted for or will opt for a pension to a paying fund. The Bank also entered into agreements to purchase insurance policies for the retirees, payable by the Bank.

E. The Bank's Officer Compensation Policy

On December 23, 2019, the Bank's general meeting approved the compensation policy for the Bank's officers, effective until the end of 2022. For additional information regarding the compensation policy, effective in the reporting year, please see the Bank's General Meeting Summons Report that was published on November 10, 2019 (Ref. No. 2019-01-096531). On August 4, 2022, the Bank's general meeting approved the revised compensation policy for the Bank's officers (hereinafter - the "Compensation Policy"). The Revised Compensation Policy shall be in force from the beginning of 2023 to the end of 2025. The Compensation Policy is based on the provisions of Amendment No. 20 to the Companies Law regarding the Bank's officers' service and employment terms and conditions, on Proper Conduct of Banking Business Directive No. 301A, Compensation Policy of a Banking Corporation, and on the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016 (hereinafter - the "Compensation Limitation Law").

The Compensation Policy sets out a framework for the compensation of the Bank's officers and refers, among other things, to fixed compensation components, which is the principal compensation paid to officers and includes: A fixed salary, social benefits, related benefits, as well as severance and retirement benefits, as well as variable compensation components which include any compensation which is not fixed in nature, such as a measurable annual performance bonus comprised of a bonus component based on the Bank's return on equity, based on the weighted earnings per share of the Bank compared to the return of the TA-Banks Index, a bonus component based on the Bank's weighted efficiency ratio, and additional components, to the extent that the Compensation Committee and Board of Directors will decide to determine additional components regarding officers other than the President and CEO; a qualitative personal mission bonus, based on the achievement of personal targets and qualitative criteria according to the relevant officer's areas of responsibility; and a retention bonus. It should be noted that Board members, including the Chairman of the Board, are not entitled to variable annual bonuses. The Bank's President and CEO is not entitled to an annual variable bonus, unless decided otherwise by the Bank's competent organs.

The total amount payable in variable bonuses to an officer is limited to 8 monthly salaries per year; (under special circumstances, the Compensation Committee and the Board of Directors may approve a further special bonus of no more than one monthly salary for any officer).

The Bank's Board of Directors may also reduce (due to special considerations) the amount of the variable annual bonus, after obtaining the approval of the Compensation Committee, at its discretion. Furthermore, the

Note 23 - Employee Benefits (cont.)

Compensation Policy prescribes, based on Directive 301A, a mechanism for repayment of variable bonuses, including repayment criteria and circumstances and a repayment period.

The Compensation Policy also sets out arrangements for deferral of payment of variable bonus to officers, whose payment is subject to the Bank's meeting the required capital adequacy ratios according to the directives of the Banking Supervision Department immediately before each vesting date (or the fixed vesting conditions in a capital compensation, to the extent that the deferred part of the variable bonus payments is given as a capital compensation).

The Compensation Policy includes various mechanisms and arrangements designed to allow the Compensation Committee and the Board of Directors to revise the Compensation Policy or service and employment terms and conditions of officers to whom the Compensation Policy applies, without being required to obtain the approval of the Bank's general meeting for every such revision. Such revisions will be made when, in the opinion of the Compensation Committee and the Bank's Board of Directors, they are justified under the circumstances on revision date.

In addition, according to the Compensation Policy, the compensation of any of the officers at the Bank may increase according to a decision by the Compensation Committee and Board of Directors beyond the ceiling set out in Section 2(a) of the Compensation Limitation Law, and in such a case, part of the salaries of these officers will not be tax deductible, subject to Section 32(17) of the Income Tax Ordinance. The compensation policy also includes a mechanism enabling an increase in the amount of compensation to which the Chairman of the Board and the President and CEO will be entitled automatically with an increase in the lowest compensation at the Bank, as stated in the Compensation Limitation Law (where to the extent that the revised compensation amount to the Chairman of the Board and/or to the President and CEO will exceed 5% due to the linkage to the rate of increase of the lowest compensation at the Bank, as stated in the Compensation Limitation Law, the revision will be brought for approval of the Compensation Committee and Board of Directors).

In addition, the compensation policy includes the option according to which, subject to approval by the Bank's competent organs and subject to the provisions of any law, the Bank's officers (including directors) may be entitled to capital compensation in the form of options, shares or share-based instruments. This directive is applicable from the date of approval of the compensation policy in the general meeting.

F. Compensation Policy for Key Employees

A revised compensation policy for "key employees" at the Bank who are not officers was approved by the Compensation Committee and the Board of Directors in January 2023 and will be in effect until the end of 2025. The policy sets out a compensation framework for key employees, including inter alia, salaries, related benefits, retirement terms and conditions and annual bonuses. This policy was formed bearing in mind the principles of the Revised Compensation Policy for the Bank's officers, with the required adjustments and according to the Compensation Limitation Law and the provisions of Proper Conduct of Banking Business Directive No. 301A.

G. Compensation Policy for All Employees

The Revised Compensation Policy for all employees (who are not key employees) was approved by the Compensation Committee and the Board of Directors in January, 2023 and is based on the provisions of Proper Conduct of Banking Business Directive No. 301A.

The Compensation Policy for all such Bank employees is designed to serve as a tool to promote the achievement of the Bank's business targets, including facilitating the recruitment and retention of high-quality employees, motivating them to improve performance and achieve the Bank's business objectives and targets while staying within the Bank's risk appetite.

The Compensation Policy deals, inter alia, with salary and related benefits, bonuses, retirement terms and conditions and other compensation components payable to all employees.

Note 23 - Employee Benefits (cont.)

H. Issuance of the option warrants

For details regarding the issuance of option warrants not listed for trading to employees of the Bank and/or of the Bank's subsidiaries, please see Note 24.A.

I. Composition of Benefits

1. Employee benefits

	As at December 31		
	2022	2021	2020
	In NIS millions		
Retirement benefits - pension and severance pay			
Liability amount	**17,214**	21,261	20,491
Fair value of plan assets	**8,816**	9,803	8,945
Excess liability over plan assets	**8,398**	11,458	11,546
Accrued jubilee vacation leave			
Liability amount	**19**	30	36
Fair value of plan assets	**-**	-	-
Excess liability over plan assets (included in “Other liabilities”)	**19**	30	36
Other benefits			
Liability amount	**513**	637	639
Fair value of plan assets	**-**	-	-
Excess liability over plan assets	**513**	637	639
Total			
Amount by which the liability for employee benefits exceeds the plan assets included in “Other liabilities”[1]	**8,946**	12,150	12,221
[1]Of which: for employee benefits abroad	**-**	28	84
Excess assets for employee benefits in respect of liabilities included in the Other assets line item[2]	**16**	25	-
[2]Of which: for benefits to employees abroad	**2**	12	-

2. Defined benefit plan

A. Obligation and Funding Status

1. Change in the Obligation for expected benefit

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Obligation for expected benefit as at the beginning of the year	**21,261**	20,491	20,470
Service cost	**142**	189	175
Interest cost	**717**	572	573
Contributions by plan participants	**27**	32	33
Actuarial (gain) loss	**(3,449)**	829	555
Changes in foreign exchange rates	**4**	(12)	(19)
Paid benefits	**(1,401)**	(840)	(1,296)
Other	**69**	-	-
Less balances of the subsidiary in the United States that was sold[(a)]	**(156)**	-	-
Obligation for expected benefit as at the end of the year	**17,214**	21,261	20,491
Obligation for cumulative benefit as at the end of the year	**16,594**	19,617	18,817

(a) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank’s consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 15.A.

Note 23 - Employee Benefits (cont.)

2. Change in the fair value of plan assets and plan's funding status

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Fair value of plan assets as at the beginning of the year	**9,803**	8,945	7,614
Actual return on plan assets[(a)]	**(293)**	1,150	743
Plan contributions by the banking corporation	**248**	201	1,272
Contributions by plan participants	**27**	32	33
Changes in foreign exchange rates	**1**	(23)	(31)
Paid benefits	**(869)**	(502)	(732)
Other	**69**	-	46
Less balances of the subsidiary in the United States that was sold[(b)]	**(170)**		
Fair value of plan assets as at the end of the year	**8,816**	9,803	8,945
Funding status - Net liability recognized at the end of the year	**8,398**	11,458	11,546

(a) Including the effect of the transition to a paying fund in respect of the retirees. Please see Section D in this note.

(b) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 15.A.

3. Amounts recognized in the consolidated balance sheet

	As at December 31		
	2022	2021	2020
	In NIS millions		
Amounts recognized in the "Other assets" line item	**2**	12	-
Amounts recognized in the "Other liabilities" line item	**8,400**	11,470	11,546
Net liability recognized at the end of the year	**8,398**	11,458	11,546

4. Amounts recognized in accumulated other comprehensive income before the tax effect

	As at December 31		
	2022	2021	2020
	In NIS millions		
Net actuarial loss	**2,109**	5,168	5,564
Closing balance of accumulated other comprehensive income	**2,109**	5,168	5,564

B. Expenditures for the period

1. Components of the benefit cost included in profit and loss

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Service cost	**142**	189	175
Interest cost	**717**	572	573
Expected return on plan assets	**(402)**	(414)	(365)
Amortization of unrecognized amounts - net actuarial loss	**265**	489	470
Total benefit cost, net	**722**	836	853
Total expense for defined contribution pension plan	**199**	185	181
Total expenses included in profit and loss	**921**	1,021	1,034

Note 23 - Employee Benefits (cont.)

2. Changes in plan assets and obligation for benefit recognized in other comprehensive income before tax effect

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Net actuarial loss (gain) per year	**(2,754)**	93	177
Amortization of unrealized amounts - net actuarial loss	**(265)**	(489)	(470)
Other incl. restructuring	**-**	-	(46)
Changes in foreign exchange rates	**6**	-	(5)
Less balances of the subsidiary in the United States that was sold[(a)]	**(46)**		
Total recognized in other comprehensive income	**(3,059)**	(396)	(344)
Total benefit cost, net	**722**	836	853
Total recognized in net benefit cost for the period and in other comprehensive income	**(2,337)**	440	509

(a) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. As of March 31, 2022, the above balances were classified as held-for-sale. For more information, please see Note 15.A.

3. Assumptions[(a)]

A. **The assumptions, based on the weighted average, used for calculating the benefit obligation and for measuring the benefit's net cost for the years ended December 31.**

1. The main assumptions used to measure the benefit obligation

	December 31		
	2022	2021	2020
	In %		
Discount rate	**2.06**	0.55	1.00
Rate of increase in the CPI	**2.67**	2.59	1.63
Departure rate[(b)]	**0-36.4**	0.1-7	0.1-3.7
Rate of compensation increase	**0-6.81**	0-6.3	0-6.3

2. The main assumptions used for calculating the net benefit cost for the period

	For the year ended December 31		
	2022	2021	2020
	In %		
Discount rate	**1.45**	0.92	1.62
Expected return on long-term plan assets	**4.50**	4.50	4.59
Rate of compensation increase	**0-6.81**	0-6.3	0-6.3

B. The effect of a one percentage point change on the expected benefit obligation before the tax effect

	Increase by one percentage point			Decrease by one percentage point		
	As at December 31			As at December 31		
	2022	2021	2020	**2022**	2021	2020
	In NIS millions					
Discount rate	**(2,126)**	(2,829)	(2,846)	**2,609**	3,507	3,549
Rate of increase in the CPI	**(346)**	(592)	(681)	**387**	665	766
Departure rate	**192**	256	320	**(215)**	(283)	(309)
Rate of compensation increase[(C)]	**378**	650	755	**(339)**	(580)	(672)

(a) The assumptions are only in respect of the Bank's data.

(b) For employees who started working at the Bank before January 1 1999 and were awarded permanent employee status as of the date of signing the special collective bargaining agreement in 2000.

(c) Change is identical for each employee.

Note 23 - Employee Benefits (cont.)

The employee benefits liability amount is affected by several key variables, which include market variables (discount rates of the liabilities for various periods) and actuarial variables, with some of the actuarial variables being associated with employee behavior. There may be a correlation between changes in market variables and changes in the behavioral actuarial variables.

4. Plan assets

A. Composition of fair value of plan assets

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
	In NIS millions			
Cash and deposits with banks	**103**	**33**	**-**	**136**
Shares	**1,019**	**-**	**76**	**1,095**
Government bonds	**213**	**121**	**-**	**334**
Corporate bonds	**540**	**39**	**-**	**579**
Other[(a)]	**8**	**64**	**6,600**	**6,672**
Total	**1,883**	**257**	**6,676**	**8,816**

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
	In NIS millions			
Cash and deposits with banks	284	11	-	295
Shares	1,595	37	104	1,736
Government bonds	382	119	-	501
Corporate bonds	885	79	-	964
Other[(a)]	14	95	6,198	6,307
Total	3,160	341	6,302	9,803

(a) Including deposits in a paying provident fund and insurance policies purchased for retired employees. Please see Section D in this note.

B. Fair value of plan assets by type of asset and allocation target for 2023

	Allocation target	Percentage of plan assets	
	As at December 31		
	2023	**2022**	2021
	In %		
Cash and deposits with banks	**2**	**2**	3
Shares	**12**	**12**	18
Government bonds	**4**	**4**	5
Corporate bonds	**7**	**7**	10
Other	**75**	**75**	64
Total	**100**	**100**	100

Note 23 - Employee Benefits (cont.)

I. Composition of Benefits (cont.)

4. Plan assets (cont.)

C. Changes in the fair value of plan assets whose value is measured based on significant unobservable inputs (Level 3)

	For the year ended December 31, 2022					
		Actual return on plan assets				
	Opening balance	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases/ sales and discharges, net	Transfers into/ from Level 3	Closing balance
	In NIS millions					
Shares	**104**	**2**	**(36)**	**6**	**-**	**76**
Other	**6,198**	**(1)**	**(47)**	**21**	**429**	**6,600**
Total	**6,302**	**1**	**(83)**	**27**	**429**	**6,676**

	For the year ended December 31, 2021					
		Actual return on plan assets				
	Opening balance	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases/ sales and discharges, net	Transfers into/ from Level 3	Closing balance
	In NIS millions					
Shares	101	-	2	1	-	104
Other	5,315	-	575	(24)	332	6,198
Total	5,416	-	577	(23)	332	6,302

5. Cash flows

A. Contributions

		Actual contributions		
	Forecast[(a)]	For the year ended December 31		
	2023	**2022**	2021	2020
	In NIS millions			
Contributions	**94**	**275**	233	1,305

(a) The estimated contributions the Bank expects to pay for the defined benefit plan during 2023.

B. Benefits the Bank expects to pay in the future[(a)]

Year	In NIS millions
2023	751
2024	775
2025	749
2026	792
2027	824
2032-2028	4,804
2033 and onwards	13,769
Total	22,464

(a) In discounted values.

Note 24 – Stock-based Compensation Transactions

A. Overview

On August 16, 2022, the Bank published an outline for a securities offering to officers (other than directors or the President and CEO) and employees of the Bank group totaling up to 5,000,000 registered option warrants, that are not listed for trading on the Tel Aviv Stock Exchange Ltd.; the option warrants are exercisable into up to 5,000,000 ordinary shares of NIS 1 par value each of the Bank, according to the Bank's 2022 option plan (hereinafter - the "Outline"). On September 4, 2022, 2,460,399 option warrants, that are not listed for trading, were allocated, free of charge - according to the Outline - to 108 employees of the Bank and of the Bank's subsidiaries, of which 13 are senior officers at the Bank (other than directors or the President and CEO), including options out of the said amount, which shall be allocated and shall expire or for which the right of the offeree shall be revoked and shall not be exercised into shares and shall be returned to the option pool, all as detailed in the Outline.

At the vesting date of the option warrants, offerees shall be entitled to exercisable shares in an amount to be determined according to the benefit value component only. For this purpose, the "benefit value component" is the difference between the closing price of an ordinary share of the Bank on the TASE on exercise date and the exercise price.

The option warrants shall vest in three equal annual tranches (each tranche shall be $33^1/_3$% of the amount of option warrants allocated to each offeree) as of the allocation date, as follows:

The first tranche shall vest after one year will have elapsed from the allocation date and shall expire 24 months later. It is clarified that the exercise of the first tranche is also subject to a lockup period and to the provisions of Section 102; The second tranche shall vest after two years will have elapsed from the allocation date and shall expire 24 months later; The third tranche shall vest after two years will have elapsed from the allocation date and shall expire 24 months later.

After the exercise of each tranche period ends, the option warrants for that tranche shall expire (if they have not expired or have not been exercised prior to that in accordance with the provisions of the option plan) and the option warrants shall not be exercisable as from that date.

The option warrants are offered to the offerees free of charge, as part of their employment terms and conditions with the Bank. The exercise price of the option warrants effectively allocated will be NIS 34.3, according to the closing price in NIS of the Bank's stock on the TASE on the trading day that preceded the Board of Directors' approval for the option warrants' allocation.

In respect of the issuance of the said option warrants, the Bank shall record payroll expenses according to the fair value of the option warrants. This expense shall be recorded in the Bank's financial statements over the options' vesting period.

The fair value estimate of the option warrants as of their vesting date, performed by an external appraiser according to the binomial model, was NIS 15.5 million.

The Bank received approval from the Israel Tax Authority to designate the plan as a "plan to allocate options through a trustee", under Section 102 of the Income Tax Ordinance, using the capital gains taxation track.

B. Details Regarding Equity-Settled Stock-based Compensation Transactions

	For the year ended December 31, 2022
Change in options for shares:	Number of units
Outstanding at beginning of year	-
Awarded during the year	**2,460,399**
Vested during the year	-
Outstanding as at year-end	**2,460,399**

C. Details regarding the consideration cost of share-based compensation

	For the year ended December 31
	2022
	In NIS millions
Amounts carried to profit and loss before tax	**3**
Tax effect	**-**
Amounts carried to profit and loss after tax	**3**

Note 25A - Equity

A. Share Capital

	December 31, 2022		December 31, 2021	
	Authorized	Issued and paid up[(a)]	Authorized	Issued and paid up[(a)]
	NIS			
Ordinary shares of NIS 1.0 each	**3,215,000,000**	**1,615,629,355**	**3,215,000,000**	**1,524,720,264**

(a) All the issued shares were registered shares which have been (or will be) issued have been (or will be) converted to ordinary shares transferrable in NIS 1.0 units. The rights attached to the Bank's shares are prescribed by the Bank's Articles of Association.

Issuance of shares

On June 23, 2022, the Bank completed an issuance of 90,909,091 ordinary shares, NIS 1.0 p.v. each, for a total consideration of NIS 2.75 billion as part of the non-uniform offering to institutional investors, in Israel and abroad. The capital raising was carried out in the context of the Bank's significant growth in recent quarters and the desire to continue the growth momentum while focusing the growth on mid-sized businesses, mortgages and business credit. The consideration of the issuance strengthened the Bank's regulatory capital and allows it to continue its growth strategy and bring value to the shareholders.

Allocation of option warrants

For details regarding the issuance of option warrants not listed for trading to employees of the Bank and/or of the subsidiaries of the Bank, please see Note 24.A.

The ordinary shares are listed on the Tel Aviv Stock Exchange.

NIS 613,800,000 par value in Subordinated Bonds (Series 401) and NIS 209,100,000 par value (in Series 402) Subordinated Bonds were issued by the Bank on July 8, 2018, convertible under certain circumstances to up to 60,543,541 and 20,625,048 ordinary shares of the Bank, respectively, as at December 31, 2022.

NIS 664,150,000 par value in Subordinated Bonds (Series 403) were issued by the Bank on January 31, 2019, and an additional NIS 777,000,000 p.v. in Subordinated Bonds (Series 403) were issued by the Bank on March 13, 2019 by way of series expansion. These Subordinated Bonds are convertible, under special circumstances, to up to 131,734,024 ordinary shares of the Bank, as at December 31, 2022.

NIS 1,240,950,000 par value in Subordinated Bonds (Series 404) were issued by the Bank on July 15, 2019. These Subordinated Bonds are convertible, under special circumstances, to up to 103,843,916 ordinary shares of the Bank, as at December 31, 2022.

USD 750,000,000 par value in Subordinated Notes (Series Leumi $ 2031) were issued by the Bank on January 29, 2020, convertible under certain circumstances to up to 208,055,925 ordinary shares of the Bank as of the issue date.

NIS 631,950,000 par value in Subordinated Bonds (Series 405) were issued by the Bank on March 27, 2022, and an additional NIS 771,950,000 p.v. in Subordinated Bonds (Series 405) were issued by the Bank on September 12, 2022 by way of series expansion. These Subordinated Bonds are convertible, under special circumstances, to up to 83,681,612 ordinary shares of the Bank, as at December 31, 2022.

USD 500,000,000 par value in Subordinated Notes (Series Leumi $ 2033) were issued by the Bank on January 18, 2023, convertible under certain circumstances to up to 118,750,000 ordinary shares of the Bank as of the issue date.

As of the reporting date, the Bank owns 71,824,258 treasury shares.

Note 25A - Equity (cont.)

B. Circular on Adjustments to Proper Conduct of Banking Business Directive, Dealing with the Coronavirus Crisis (Temporary Order) - Proper Conduct of Banking Business Directive No. 250

On March 31, 2020 the Bank of Israel published a circular entitled Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order) (Directive No. 250) (hereinafter - the “Temporary Order”). In accordance with the temporary order, a banking corporation whose consolidated total assets equals or exceeds 24 percent of the banking system’s total assets is required to maintain a Common Equity Tier 1 capital ratio to risk-weighted assets that shall not fall below 9 percent and a ratio of total capital to risk-weighted assets that shall not fall below 12.5 percent (in lieu of 10 percent and 13.5 percent, respectively, prior to the circular). The directive is applicable to Leumi.

According to the circular dated January 18, 2022, the capital targets easement shall be in effect until December 31, 2023, while the banking corporation’s capital ratios shall be no less than the capital ratios on December 31, 2021, or the minimum capital ratios applicable to the corporation prior to the temporary order, whichever the lower. Accordingly, as of January 1, 2022, Leumi is subject to the minimum capital targets in effect prior to the temporary order - i.e. the CET1 capital ratio shall not fall below 10 percent, and the total capital ratio shall not fall below 13.5 percent. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans as of the dates of the financial statements, excluding housing loans for which an expedient was granted during the temporary order term for dealing with the coronavirus crisis.

In accordance with the circular published by the Banking Supervision Department on September 30, 2021, as of October 1, 2021, the easement remains in effect only in respect to the capital requirement for housing loans not intended for the purchase real estate properties (all-purpose loans). Accordingly, the additional capital requirement for housing loans, as at December 31, 2022, is 0.21 percent in terms of CET1.

Accordingly, the minimum capital requirements applicable to the Bank as at December 31, 2022 are 10.21 percent for Common Equity Tier 1 capital ratio (including capital requirement for outstanding housing loans) and 13.50 percent for total capital ratio.

Regarding the leverage ratio, according to the temporary order, a banking corporation whose total consolidated on-balance-sheet assets constitute at least 24 percent of the Israeli banking system’s total assets shall have a consolidated leverage ratio of no less than 5.5 percent (in lieu of 6 percent previously). On May 15, 2022, a circular amending the temporary order was published, according to which the easement shall be extended until December 31, 2023. A corporation which will utilize the easement until that date will be required to once again meet the required leverage ratio that was in place prior to the temporary order in two quarters’ time, by June 30, 2024. It was also determined that taking advantage of the easement shall not prevent the distribution of dividends, subject to an total capital planning aimed at reverting to the required leverage ratio.

C. Dividend Distribution Policy

On March 6, 2019, the Bank's Board of Directors approved a dividend distribution policy, under which the Bank will distribute, each quarter, a dividend of up to 50 percent of the Bank's net income in accordance with the Bank’s financial statements for the previous quarter, and subject to, inter alia, the Bank's meeting its capital adequacy targets, even after the dividend distribution. The actual dividend distribution is subject to the specific resolutions being passed by the Board of Directors prior to each distribution, and to the provisions of the law which apply to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel.

On March 13, 2023, the Board of Directors approved a dividend distribution in the amount of approx. NIS 698 million, which constitutes approx. 30 percent of the net income for the fourth quarter of 2022. The dividend amount approved for each NIS 1 p.v. share constitutes approx. 45.20 agorot. The Board of Directors designated March 27, 2023 as the record date for purposes of dividend payment and April 4, 2023 as the payment date.

Note 25A - Equity (cont.)

Details of paid dividend

Declaration date	Payment date	Dividend per share	Paid cash dividend
		In agorot	In NIS millions
August 12, 2021	September 2, 2021	43.36	630
November 15, 2021	December 12, 2021	94.11	1,367
March 9, 2022	April 6, 2022	40.48	588
May 24, 2022	June 15, 2022	22.14	322
August 16, 2022	September 6, 2022	25.82	399
November 29, 2022	December 19, 2022	23.08	356

D. Shelf Prospectus and Bond Issue

On May 27, 2021, the Bank published a shelf prospectus in accordance with a permit granted by the Israel Securities Authority. The shelf prospectus shall be in effect for two years from its publication date.

On January 16, 2022, the Bank issued a total of NIS 1.2 billion p.v. in bonds by way of extending Series 179, and a total of NIS 1.8 billion p.v. in bonds by extending Series 182.

The Series 179 and 182 bonds are not recognized for regulatory capital purposes.

On March 27, 2022, the Bank issued a total of NIS 1.336 billion p.v. in Series 184 Bonds as well as NIS 697 million p.v. in commercial securities (CS Series 1).

The principal of Series 184 Bonds is repayable in ten equal semiannual payments, from November 5, 2025 to May 5, 2030. The principal is not linked and carries an annual interest of 2.76 percent, which will be paid twice a year on May 5 and November 5 of each of the years 2022 to 2030, in respect of the six-month period ended on the day preceding the payment date, except for the first interest payment, which shall be made on November 5, 2022 for the period beginning on the first trading day following the tender date for the bonds, until November 4, 2022. The rate of the payable interest at the first interest payment date shall be 1.68625 percent. The principal of the Series 1 Commercial Securities and interest in respect thereof shall be payable in one lump sum on March 23, 2023; it is not linked, and carries interest at a rate of 0.25 percent over the Bank of Israel’s interest rate.

The Series 184 Bonds and Commercial Securities (Series 1 CS) are not recognized for regulatory capital purposes.

On March 27, 2022, the Bank issued a total of NIS 632 million p.v. in Series 405 Subordinated Bonds for NIS 654.7 million. The Series 405 Subordinated Bonds are linked to the Consumer Price Index and carry a fixed annual interest rate of 1.5 percent payable on March 27 of each year. The Subordinated Bonds are repayable in one lump sum on March 27, 2033, with the issuer having an early repayment option in March 2028. At that date, if the Bank does not exercise its early redemption option, the bond’s nominal interest rate shall be revised according to the difference between the benchmark interest rate at the issue date and the benchmark interest rate at the interest revision date, as defined by the shelf offering report.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Series 405 Subordinated Bonds shall be converted into ordinary shares according to the average closing prices of the Bank’s shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued or according to the set minimum rate (NIS 16.66 per share, subject to adjustments), the highest of the two.

On September 12, 2022, the Bank issued a total of NIS 772 million p.v. in subordinated bonds by way of an expansion of Series 405 for a consideration of approx. NIS 757 million.

These subordinated bonds Series 405 are eligible for inclusion in Tier 2 capital as of the issue date.

Note 25A - Equity (cont.)

On May 30, 2022, the Bank issued a total of NIS 550 million p.v. in bonds by way of an expansion of Series 179 for a consideration of approx. NIS 593.5 million. In addition, the Bank issued a total of NIS 260.8 million p.v. in bonds by way of an expansion of Series 183 for a consideration of approx. NIS 248.3 million.

The Bank also issued a total of approx. NIS 898 million p.v. in commercial securities (Series 2 CS). The principal of the Series 2 Commercial Securities and interest in respect thereof shall be payable in one lump sum on May 28, 2023; it is not linked, and carries interest at a rate of 0.29 percent over the Bank of Israel's interest rate.

The Series 179, 183 Bonds and Commercial Securities (Series 2 CS) are not recognized for regulatory capital purposes.

On July 27, 2022, the Bank issued a total of USD 500 million p.v. in Subordinated Bonds (Series Leumi $ 2027) for a consideration of USD 496.7 million. The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange. The principal of Leumi Subordinated Bonds (Series Leumi $ 2027) bears fixed annual interest of 5.125 percent per year, which will be paid in semi-annual payments and is payable in one lump sum on July 27, 2027, and the Bank may make early redemption from June 27, 2027.

The Subordinated Notes (Series Leumi $ 2027) are not recognized for regulatory capital purposes.

On September 12, 2022, the Bank issued a total of approx. NIS 1,306 million p.v. in commercial securities (Series 3 CS). The principal of the Series 3 Commercial Securities and interest in respect thereof shall be payable in one lump sum on September 10, 2023; it is not linked, and carries interest at a rate of 0.3 percent over the Bank of Israel's interest rate.

The Commercial Securities (Series 3 CS) are not recognized for regulatory capital purposes.

On November 15, 2022, the Bank reported it was considering issuing a new series of subordinated bonds of the Bank and listing them on the TASE. Theses subordinated bonds, if issued, will be included in the Bank's capital. As of the report date, the issuance has yet to be made.

On January 18, 2023, the Bank issued a total of USD 500 million p.v. in "green" Subordinated Notes (Series Leumi $ 2033). The series was listed for trading on the TACT Institutional on the Tel Aviv Stock Exchange.

The Subordinated Notes (Series Leumi $ 2033) are repayable in one payment, after 10 years and six months from their issuance date, where the Bank has the option of early redemption in the period from 5 years and three months to 5 years and six months from the issuance date, subject to certain conditions.

The Subordinated Notes (Series Leumi $ 2033) bear fixed annual interest at a rate of 7.129 percent per year, which will be paid in semi-annual payments. Until July 18, 2028. On that date, if early redemption has not been made, the interest rate will be updated in accordance with the government yield in the United States on the same date plus the spread agreed in the issuance, as detailed in the issuance documents.

If circumstances of a trigger event (a point of non-viability or trigger event for absorption of the principal loss amount, the earlier of the two) were to occur, the Subordinated Notes (Series Leumi $ 2033) will be converted into shares according to the average closing prices of the Bank's shares on the Tel Aviv Stock Exchange in the 14 consecutive trading days preceding the date on which the conversion notice was issued (translated into USD according to the rate on that date), or according to the set minimum rate (USD 4.21053, subject to adjustments), the highest of the two.

The Subordinated Notes (Series Leumi $ 2033) are eligible for inclusion in Tier 2 capital from the dates of their issuance.

Note 25B - Capital Adequacy, Leverage and Liquidity

Overview

In May 2013, the Banking Supervision Department amended Proper Conduct of Banking Business Directives Nos. 201-211 on capital measurement and adequacy, in order to adapt them to the Basel III rules.

It should be noted that Basel III rules introduce significant changes in the calculation of regulatory capital requirements, inter alia, in relation to the following:

- Regulatory capital components.
- Capital deductions and regulatory capital adjustments.
- Treatment of exposures to financial corporations.
- Treatment of exposures to credit risk for impaired debts.
- Capital allocation for CVA risk.

The abovementioned amendments became effective on January 1, 2014, and implementation is gradual pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299, "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

According to the transitional provisions, capital instruments that no longer qualify as regulatory capital were recognized up to a maximum of 80 percent on January 1, 2014 and in each subsequent year, the maximum was lowered by an additional 10 percent, until January 1, 2022. As of 2022, the maximum instrument amount qualifying as regulatory capital is 0 percent.

Volatile Capital Components

The employee benefits standard, which was first applied in January 2015, has a material effect on Leumi's Common Equity Tier 1 capital, mainly due to the liability being measured in accordance with market interest rates, which are at historical lows, and also due to the considerable volatility such measurement has brought to the Bank's regulatory capital.

In this context, on July 12, 2016, the Bank received individual approval from the Bank of Israel regarding the method of calculating the discount rate to be used for calculating the liability for employee benefits for the purpose of measuring regulatory capital. Pursuant to the approval, the calculation of the discount rate is based on a moving average of market yields for the eight-quarter period ended on the reporting date. The change is to be implemented from the financial statements for the period ended June 30, 2016.

On September 5, 2022, the Bank's Board of Directors approved, after obtaining the approval of the Banking Supervision Department, to change the manner in which pension liabilities are measured for regulatory capital purposes. According to the new measurement method, each quarter, the Bank will calculate the change in the pension liabilities resulting from changes in the discount interest rate, net of the change in the value of assets pre-designated to hedge these liabilities. The change in the net pension liabilities, after tax, will be spread in a linear fashion, over four quarters, as of the quarter for which the calculation had been made. The new method will be implemented starting on July 1, 2022 and will be in effect until the earlier of the two: a) The financial statements as at December 31, 2029 (inclusive) or b) The reporting date on which the average pension liabilities across the last four quarters will be lower than NIS 10 billion, linked to the CPI (from the known CPI as of July 1, 2022 to the known CPI on the relevant reporting date). At the same time, the Banking Supervision Department revoked its approval to measure the pension liabilities for regulatory capital purposes according to a moving average of market yields for a period of eight quarters ended on the relevant reporting date, which was in effect as of the financial statements as at June 30, 2016.

On November 15, 2016, the Bank's Board of Directors decided, based on the recommendation of the Audit Committee, to calculate the liabilities for employee pensions according to a fixed spread of AA-rated bonds.

Following is an analysis of the effects of the changes on Common Equity Tier 1 capital as at December 31, 2022:

- Change in the volume of risk-weighted assets – risk-weighted assets amounted to NIS 425.6 billion as at December 31, 2022. Every NIS 1 billion increase in risk-weighted assets will reduce the Common Equity Tier 1 capital ratio by 0.02 percent and total capital ratio by 0.04 percent.
- Change in Common Equity Tier 1 capital - Common Equity Tier 1 capital was NIS 48.8 billion as of December 31, 2022. A decrease of NIS 100 million in the Common Equity Tier 1 capital by 0.02% will reduce the CET1 capital ratio by approx. 0.03 percent.

Note 25B - Capital Adequacy, Leverage and Liquidity (cont.)

	December 31	
	2022	2021
	In NIS millions	
a. Data		
Capital for capital ratio calculation purposes		
CET1 capital, after regulatory capital deductions and adjustments[(b)(d)]	**48,797**	43,117
Tier 2 capital, after deductions	**12,020**	10,148
Total capital	**60,817**	53,265
Balance of risk-weighted assets		
Credit risk[(b)(d)(e)(f)]	**392,658**	346,602
Market risks	**6,610**	5,592
Operational risk	**26,375**	22,582
Total balance of risk-weighted assets	**425,643**	374,776
Ratio of capital to risk-weighted assets		
Ratio of CET1 capital to risk-weighted assets	**11.46%**	11.50%
Ratio of total capital to risk-weighted assets	**14.29%**	14.21%
Minimum CET 1 capital ratio set by the Banking Supervision Department[(a)]	**10.21%**	9.19%
Minimum total capital ratio set by the Banking Supervision Department[(a)]	**13.50%**	12.50%
b. Major subsidiaries		
Bank Leumi USA (BLUSA)		
Ratio of CET1 capital to risk-weighted assets		13.40%
Ratio of total capital to risk-weighted assets		14.43%
Minimum CET1 capital ratio set by the local authorities[(c)]		7.00%
Minimum total capital ratio set by the local authorities[(c)]		10.50%

(a) The minimum Common Equity Tier 1 capital ratio required and the minimum total capital ratio required from March 31, 2020 are 10 percent and 13.5 percent, respectively. On March 31, 2020, the Banking Supervision Department published a temporary order following the coronavirus crisis, according to which the minimum Common Equity Tier 1 capital and minimum total capital ratio are 9 percent and 12.5 percent respectively. In addition to the Common Equity Tier 1 capital is a capital requirement of 1 percent of the outstanding housing loans, excluding housing loans granted during the temporary order term. For more information about the temporary order for addressing the coronavirus crisis, please see Note 25A. As of January 1, 2022, the minimum capital requirements applicable to the Bank are 10 percent for Common Equity Tier 1 capital ratio (with the additional capital requirement for outstanding housing loans) and 13.5 percent for total capital ratio.

(b) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For more information regarding the adjustments for current expected credit losses, please see Section D.

(c) The minimum Common Equity Tier 1 capital ratio and minimum total capital ratio required under local regulation are 4.5 percent and 8 percent, respectively. These ratios are compounded by a capital conservation buffer of 2.5 percent.

(d) For additional information, see the Volatile Capital Components section above.

(e) Credit risk was calculated after implementing the revisions to Proper Conduct of Banking Business Directives 203 and 203A, “Measurement and Capital Adequacy - the Standardized Approach - Credit Risk”. Comparative results were not restated.

(f) On May 25, 2022, the Banking Supervision Department published a circular to the amendment to the Proper Conduct of Banking Business Directive No. 203, “The Standardized Approach - Credit Risk”. Under the circular, the weight of the risk attributed to loans designated for the purchase of land for development or construction will be raised to 150 percent at an LTV rate exceeding 80 percent of the purchased property, excluding loans to purchase agricultural or forested land with no planning or rezoning prospects or loans for the purchase of land for the self-use of the borrower, who is not classified in the construction and real estate sector according to the sectoral classification in Section 7 of the Banking Supervision Reporting Directive 831 - “Total Credit Risk by Economic Sector”. The revisions in the circular are in effect from June 30, 2022, as clarified by the Banking Supervision Department, the implementation will be spread quarterly until the quarter ending on June 30, 2023, in which the capital requirement will be fully reflected.
Following on the above circular, on January 25, 2023, the Bank of Israel distributed a revision to the central Q&A document regarding the capital requirements in the standard approach and in the approach using the internal credit risk models. The Bank will implement the aforementioned updates of the Banking Supervision Department in its financial statements as of December 31, 2022. The effect of the implementation on the CET1 capital is a decrease by a rate of 0.15 percent. The decrease will be spread until the quarter ending June 30, 2023.

Note 25B - Capital Adequacy, Leverage and Liquidity (cont.)

E. Capital Components for the Calculation of Capital Ratios

	December 31	
	2022	2021
	In NIS millions	
1. CET1 capital		
Shareholders' equity	**49,438**	41,610
Differences between equity attributable to the Bank's shareholders and Common Equity Tier 1 capital - Non-controlling interests	**-**	300
Other adjustments for employee benefits[(a)]	**190**	1,304
Total CET1 capital before regulatory adjustments and deductions	**49,628**	43,214
Regulatory adjustments and deductions:		
Goodwill	**(1,205)**	(178)
Regulatory adjustments and other deductions - CET1 capital	**(35)**	(23)
Total regulatory adjustments and deductions before adjustments in respect of efficiency plans and before adjustments for CECL - CET1 capital	**(1,240)**	(201)
Total adjustments for the efficiency plan	**49**	104
Total adjustments for current expected credit losses[(b)]	**360**	-
Total CET1 capital, after regulatory adjustments and deductions	**48,797**	43,117
2. Tier 2 capital		
Tier 2 capital: Instruments before deductions	**7,547**	6,153
Tier 2 capital: Loan loss provisions, before deductions	**4,473**	3,995
Total Tier 2 capital before deductions	**12,020**	10,148
Deductions:		
Total deductions - Tier 2 capital	**-**	-
Total Tier 2 capital	**12,020**	10,148
Total capital	**60,817**	53,265

(a) For additional information, see the Volatile Capital Components section above.
(b) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For more information regarding the adjustments for current expected credit losses, please see Section D below.

Comment: The total capital ratio is calculated in accordance with Proper Conduct of Banking Business Directives No. 201-211, and 299 regarding capital measurement and capital adequacy, which became effective on January 1, 2014.

F. The effect of adjustments in respect of the efficiency plans, current expected credit losses and high-risk loans for the purchase of land on the ratio of CET1 capital

	December 31	
	2022	2021
	In %	
Ratio of capital to risk-weighted assets		
Ratio of CET1 capital to risk-weighted components, before the effect of adjustments for the efficiency plans, current expected credit losses and high-risk loans for the purchase of land with a CET1 capital ratio	**11.29%**	11.47%
Adjustments in respect of the efficiency plan[(a)(b)]	**0.01%**	0.03%
Adjustments for current expected credit losses[(c)]	**0.09%**	
Adjustments in respect of high-risk loans for the purchase of land	**0.07%**	
Ratio of CET1 capital to risk-weighted assets	**11.46%**	11.50%

(a) Including the effect of adopting US GAAP regarding employee benefits.
(b) Adjustments for the efficiency plans in accordance with the provision of the Banking Supervision Department are charged over a 5-year period, on a straight-line basis, in respect of capital adequacy calculations.
(c) These data include adjustments in respect of the effect of first-time application of GAAP for current expected credit losses, which are gradually reduced until December 31, 2024. For additional information, please see Note 1.X.1.

Note 25B - Capital Adequacy, Leverage and Liquidity (cont.)

G. Leverage ratio pursuant to the Banking Supervision Department's directives

On April 28, 2015, the Banking Supervision Department issued Proper Conduct of Banking Business Directive No. 218, "Leverage Ratio". The directive sets a simple, transparent and non-risk based leverage ratio to serve as a supplementary and reliable measure for risk-based capital requirements, with the purpose of limiting excess leverage in banking corporations.

The leverage ratio is expressed as a percentage, and is defined as the ratio between capital measurement and exposure measurement. As defined in Proper Conduct of Banking Business Directive No. 202, Tier 1 capital is used for calculating the leverage ratio, taking into account the transitional provisions. A Bank's total exposure is the sum of its on-balance sheet exposures, exposure to derivatives, exposure to securities financing transactions and to off-balance-sheet items. As a rule, the measurement is consistent with the accounting values, and no risk-weighting is applied. In addition, unless specifically permitted to do so under the Directive, the Bank may not use physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measurement. Balance sheet assets deducted from Tier 1 capital (in accordance with Directive No. 202) are deducted from the exposure measurement. Pursuant to the Directive, the Bank calculates the exposure to derivatives according to Appendix C of Proper Conduct of Banking Business Directive No. 203, and the exposures for off-balance-sheet items - by converting the items' notional amount by credit conversion coefficients, as stipulated in Proper Conduct of Banking Business Directive No. 203.

Pursuant to the Directive, banking corporations shall have a consolidated leverage ratio of no less than 5 percent. A banking corporation whose total consolidated on-balance-sheet assets constitute at least 24 percent of the Israeli banking system's total assets shall have a consolidated leverage ratio of no less than 6 percent. Thus, the Bank is required to have a minimum leverage ratio of 6 percent.

On November 15, 2020, the Bank of Israel published a circular outlining further amendments to Proper Conduct of Banking Business Directives for Handling the Coronavirus (Temporary Order) (Directive No. 250). According to the circular, an adjustment was made to Proper Conduct of Banking Business Directive No. 218, "Leverage ratio". For more information about the temporary order for addressing the coronavirus crisis, please see Note 25A above.

Note 25B - Capital Adequacy, Leverage and Liquidity (cont.)

	December 31	
	2022	2021
	In NIS millions	
a. Consolidated data[a][b]		
Tier 1 capital	**48,797**	43,117
Total exposures[c]	**766,895**	711,125
Leverage ratio		
Leverage ratio	**6.36%**	6.06%
Minimum leverage ratio set by the Banking Supervision Department	**5.50%**	5.50%
b. Major subsidiaries		
Bank Leumi USA (BLUSA)		
Leverage ratio		11.66%
Minimum leverage ratio set by the local authorities		5.00%

(a) The data include adjustments in respect of the efficiency plan in accordance with the directives of the Banking Supervision Department. For more information regarding the adjustments for the efficiency plan, please see Section D above.
In addition, in the calculation of the leverage ratio, adjustments in respect of the implementation of the new measurement method relating to certain actuarial liabilities were taken into account. For additional details regarding the effect of the transition to the new method, see Section C above.

(b) The data include adjustments in respect of CECL, in accordance with the directives of the Banking Supervision Department.

(c) Total exposures were calculated after implementing the revisions to Proper Conduct of Banking Business Directive 218, “Leverage Ratio”, following the revision of Directives 203 and 203A, “Measurement and Capital Adequacy - the Standardized Approach - Credit Risk”. Comparative results were not restated.

H. Liquidity Coverage Ratio Pursuant to the Directives Issued by the Banking Supervision Department

On September 28, 2014, a circular was published adding Proper Conduct of Banking Business Directive No. 221, “Liquidity Coverage Ratio”, which applies the recommendations of the Basel Committee regarding liquidity coverage ratio to the banking system in Israel. The liquidity coverage ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a banking corporation has an inventory of high-quality liquid assets that is able to cover the corporation’s liquidity requirements in this time horizon. The Directive prescribes the manner of calculating the liquidity coverage ratio, including the characteristics and operational requirements for an "inventory of high-quality liquid assets" (the numerator) and sufficient buffers for them; it also prescribes the net cash outflow expected under the stress scenario defined in the Directive for 30 calendar days (the denominator).

The stress scenario set forth in the directive includes a shock scenario combining a corporation-specific shock and a systemic shock; in this context, standard withdrawal and deposit rates were defined for outflows and inflows, respectively, according to the various balance categories.

The liquidity coverage ratio became effective on April 1, 2015.

As from January 1, 2017, the required minimum liquidity coverage ratio is 100 percent. However, in a period of financial pressure, a banking corporation may fall below these minimum requirements.

Note 25B - Capital Adequacy, Leverage and Liquidity (cont.)

	For the three months ended December 31	
	2022	2021
	In %	
a. Consolidated data		
Liquidity coverage ratio	**131**	124
Minimum liquidity coverage ratio required by the Banking Supervision Department[(a)]	**100**	100
b. Banking corporation data		
Liquidity coverage ratio	**129**	122
Minimum liquidity coverage ratio required by the Banking Supervision Department	**100**	100

Comment: Calculated based on a daily observations average.

The Bank complies with the regulatory requirement as of December 31, 2022.

I. Net stable funding ratio pursuant to the Banking Supervision Department's directives

The Bank reports the Net Stable Funding Ratio (NSFR) Directive No. 222, which is based on a publication of the Basel Committee. The NSFR is aimed at improving the resilience of banking corporations' liquidity risk profile in the long term, by requiring them to maintain a stable financing profile according to the composition of their assets and their off-balance-sheet activities. The ratio prevents banking corporations from over-reliance on short-term wholesale financing. The measurement is made both on the consolidated and separate levels each quarter; the requirement is to meet a 100 percent ratio.

	As at December 31	
	2022	2021
	In %	
a. Consolidated data		
Net stable funding ratio	**128**	131
Minimum net stable funding ratio set by the Banking Supervision Department	**100**	100

The Bank meets the regulatory requirement as at December 31, 2022. The Bank has established internal NSFR limitations in addition to managing the internal limitations relating to the liquidity risk management.

For additional information regarding the financial risk, please see under "Liquidity and Financial Risk" in the Report of the Board of Directors and Management.

Note 26 - Contingent Liabilities and Special Commitments

A. Off-Balance-Sheet Commitment for Activity by Extent of Collection[(a)]

Outstanding loans extended out of deposits by extent of collection[(b)]

	As at December 31	
	2022	2021
	In NIS millions	
Unlinked NIS	**170**	145
CPI-linked NIS	**1,014**	1,037
Total	**1,184**	1,182

Cash flows arising from collection fees and interest spreads in respect of loans extended out of deposits by extent of collection as at December 31

	Up to one year	Over one year and up to three years	Over three years and up to five years	Over five years and up to ten years	Over ten years and up to twenty years	Over twenty years	Total for 2022	Total for 2021
	In NIS millions							
In the CPI-linked segment[(c)]								
Future cash flows	**3**	**5**	**3**	**4**	**3**	**1**	**19**	22
Projected future cash flows after management's estimate of early repayments	**3**	**5**	**3**	**4**	**3**	**-**	**18**	21
Discounted projected cash flows after management's estimate of early repayments[(d)]	**3**	**4**	**3**	**3**	**2**	**-**	**15**	19
Unlinked NIS segment								

(a) Loans and deposits out of loans the repayment of which is conditional upon the extent of collection of the loans (or the deposits) plus interest spreads or collection fees and commissions (instead of interest spread).
(b) Non-recourse loans and government deposits extended at the total amount of NIS 256 million (2021 – NIS 209 million) were not included in this table.
(c) Including foreign currency segment.
(d) Capitalization was carried out at a rate of 2.72 percent (2021 – at a rate of 1.78 percent).

Information regarding loans extended over the year by mortgage banks

	2022	2021
	In NIS millions	
Loans out of deposits according to the extent of collection	**102**	101
Non-recourse loans	**39**	49

B. Contingent liabilities and other special commitments[(a)]

	As at December 31	
	2022	2021
Commitments to purchase securities	**1,060**	686
Commitments to invest in, and purchase of, buildings and equipment	**44**	23

(a) As at January 1, 2020 following the application of Topic 842, "Leases", no information regarding rental contracts was provided under Other liabilities. For information regarding leases, please see Note 16H.

C. Legal Claims

During the regular course of business, legal claims have been filed against the Bank and certain consolidated companies, including class actions certification motions.

Note 26 - Contingent Liabilities and Special Commitments (cont.)

In the opinion of the management of the Bank and the managements of the consolidated companies, the total additional exposure arising from legal claims filed against the Bank and the consolidated companies on various issues the amount of each of which exceeds NIS 2 million, and regarding which the chances of the claims succeeding are not remote, amounts to NIS 377 million.

1. Set forth below are details of legal claims filed against the Bank, whose amounts are material. In the opinion of the management of the Bank, which is based on legal opinions regarding the expected results of such claims, the financial statements reflect adequate provisions, if needed, to cover any damages resulting from such claims.

1.1 Pending legal claims filed in previous reporting periods

a. On December 2, 2013, a motion for class certification was filed against the Bank regarding early repayment fees for non-housing loans. According to the applicants, the early repayment fee, both in respect of loans subject to calculation principles set in the Proper Conduct of Banking Business Directives and in respect of loans subject to rules set by the Bank, are calculated by the Bank in an unlawful manner. According to the applicants, at this stage it is impossible to estimate the overall claim amount. On November 3, 2019, a decision was handed down by the Tel Aviv District Court, which partially approved the application for class action certification regarding the manner of calculating the early repayment fee for unsupervised loans, and on December 22, 2019, the claimants appealed the ruling to the Supreme Court. On July 21, 2021, a judgment rejecting the appeal was handed down, and the claim continues to be heard in the District Court regarding the portion approved as class action lawsuit.

b. On July 22, 2015, a motion for class certification was filed against the Bank. According to the applicant, the Bank’s reporting to the Execution Office regarding amounts paid directly to the Bank on account of debt in respect of which a collection procedure is being conducted by the Execution Office, is delayed by the bank and, as a result, a difference allegedly arises between the actual amount of debt and the debt amount recorded in the Execution Office file. The applicant estimates the amount of the class action at millions of shekels.

c. On March 29, 2017, a motion for class certification was filed against the Bank and similar legal claims were filed against other banks. Alternately, the applicant, the Bank may not charge a “correspondent bank fee” when transferring foreign currency from a customer’s account to another bank account aboard, contrary to the provisions of the Banking Law (Customer Service), 1981 and the rules thereunder (hereinafter – the "banking reason"). The applicant claims that the Bank may only charge a correspondent bank fee at the amount of the expense it actually incurred (the amount that it actually paid to the correspondent bank), and if the Bank failed to do so, it constitutes a breach of contract, unlawful enrichment and is contrary to the Agency Law, 1965 (hereinafter – the "Agency Law reason"). The applicant claims that, the personal damage he has incurred is USD 30, and the damage incurred by the class of plaintiffs cannot be estimated. On February 16, 2023, the Court handed down its decision, approving the lawsuit as a class action under the Agency Law reason only, dismissing the banking reason.

d. On May 6, 2018, a motion for class certification was filed in the Tel Aviv District Court against the Bank. The applicant claims that the Bank does not fulfil its obligation to make a reasonable effort to locate inactive accounts with a balance exceeding the investment requirement under the Banking Ordinance (Inactive Deposits), 2000, and that it is insufficient that the Bank revalues the accounts according to the provisions of the Ordinance and that the Bank should revalue the accounts at higher amounts. According to the applicant, the total class damage assessment is unquantifiable. On November 10, 2022, a decision was handed down by the court, approving the motion for class certification.

Note 26 - Contingent Liabilities and Special Commitments (cont.)

e. On January 21, 2020, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against other banks. The motion claims that the Bank allegedly charges all of its customers (whether private individuals, small businesses or corporations) for transactions to purchase products and/or services overseas, whether for private use or in order to transfer them overseas or import them into Israel, according to Chapter 7 of the Foreign Trade price list, rather than charge lower fees and commissions in accordance with Chapter 5 of the Foreign Currency price list. The plaintiffs value the damage incurred by all members of the group they purport to represent at tens of millions of shekels.

f. On May 10, 2020, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against two other banks. According to the plaintiffs, the banks are compromising their customers' privacy and are violating their duty of secrecy by transferring identifying information to companies such as Facebook and Google. It was also claimed that the banks use third party tools in order to surveil their customers while they perform activities on the banking websites and applications for the purpose of conducting advertising campaigns. The claimants assess the personal damages caused to them in the amount of NIS 1,000 and do not state a damage assessment for the class.

g. In mid-2020, a claim was filed with a New York, US, court, against a consortium of senior lenders which financed a project to construct a residential tower in New York (hereinafter - the "Project"), including the Bank. Prior to filing the claim, measures were taken by the lenders against the borrowers, after the lenders claimed breach of the financing agreement. In November 2022, the lenders filed an amended claim, in which the original claim amount was revised to USD 165 million (against all defendants).

h. On November 16, 2020, a motion for class certification was filed with the Tel Aviv District Court against the Bank, claiming that the Bank is violating the provision of the law when charging its customers third party expenses in amounts that are not listed in Part 11 of the price list. According to the motion, the violation is for each of the 22 components/topics listed in Part 11 of the price list, and for which customers are charged third-party expenses. The specific claim relating to the applicant is for charging a delivery fee using a courier when ordering check books (despite giving it full fair disclosure). The plaintiffs note that the damage caused to the plaintiff is NIS 125.74 and do not state the damage assessment for the class.

i. On November 24, 2020, a motion for class certification was filed with the Jerusalem District Court against the Bank and against six other banks. According to the lawsuit, the banks have violated the Credit Information Service Law, 2016 and the regulations thereunder, claiming that the banks reported to the Central Credit Register legal proceedings against customers, contrary to the provisions of the law and in a manner that damaged the customers' ability to obtain credit and compromised their privacy and reputation. The plaintiffs do not state an assessment for the class and claim a monetary damage that varies among class members, as well as non-monetary damage.

j. On April 11, 2021, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against other banks and additional financial institutions. The plaintiffs claim that the defendants are compromising their clients' privacy and violating the duty of secrecy they are bound by, by transferring private information about the clients to third parties, in particular to Google. The claimants assess the personal damages caused to them in the amount of NIS 2,000 and do not state a damage assessment for the class.

k. On June 7, 2021, a motion for class certification was filed in the Tel Aviv District Court against the Bank. The lawsuit addresses the plaintiff's claim whereby he incurred damage due to failure to update his bank account balance during the two days which elapsed from the date

Note 26 - Contingent Liabilities and Special Commitments (cont.)

on which he purchased foreign securities and the date on which his account was charged for the purchase. The plaintiff estimates his personal damage at NIS 35 thousand and does not provide a damage assessment for the class.

l. On September 6, 2021, a class certification motion was filed with the Haifa District Court against five banks, including the Bank, stating that the plaintiffs suffered damage following tax overcharges relating to proceeds from securities (such as dividends, interest, etc.), in cases there is a difference between the customer's country of residence and the security issuer's taxing country. According to the plaintiffs, the tax rates should be charged in accordance with the treaties for preventing double taxation between the relevant countries which, they claim, is not carried out effect. The plaintiffs do not state a damage assessment for the class.

1.2 Legal claims filed during and after the reporting period

On September 2, 2022, an additional legal proceeding was filed with the New York, US, court, in connection with the Project that is the subject matter of the claim outlined in Section 1.1(g) above. The proceeding was filed by the mezzanine lender in the Project, against the senior lenders which financed the Project, including the Bank. The claim amount in this proceeding is USD 170 million.

1.3 Legal claims resolved during the reporting period

a. A motion to approve a class certification was filed against the Bank on April 29, 2015. The claim amount is NIS 150 million. According to the applicant, funds of Holocaust survivors which were deposited with the Anglo Palestine Bank before World War II and which were not withdrawn by them during the war are repaid to the customers or their next of kin without being purportedly revalued to real terms. On February 11, 2021, the District Court issued a ruling dismissing the motion for class action certification. On April 12, 2021, the plaintiff appealed the ruling with the Supreme Court. On August 1, 2022, the Supreme court dismissed the appeal, and the legal proceeding was thus concluded.

b. On February 11, 2016, a motion for class certification was filed against the Bank and four other banks, claiming that the banks grant benefits to students, however they restrict the students' age. The applicant estimates the amount of the class action at NIS 219 million. On September 26, 2019, the District Court dismissed the motion for class certification. On November 4, 2019, the applicant appealed the decision of the District Court to the Supreme Court and on October 20, 2022, the Supreme Court dismissed to appeal, thus concluding the legal proceeding.

c. On September 16, 2018, a motion for class certification was filed against the Bank. The applicant claims that when the Bank reimburses its customers for unlawful charges (for example, by mistake), it refunds them at face value - the same amount it has charged them - without taking into account the Bank's gains as a result of holding the funds or paying interest and linkage differentials. The applicant claims he has incurred a damage of NIS 0.51, and is unable to state the damage assessment for the class. On February 23, 2022, the applicant filed a motion to withdraw from the claim; as a result, the class action lawsuit was deleted and the personal claim of the applicant was rejected.

Note 26 - Contingent Liabilities and Special Commitments (cont.)

d. On March 2, 2021, a motion for class certification was filed with the Tel Aviv District Court against the Bank and against two additional banks. According to the lawsuit, the banks are not entitled to charge large corporate customers a transaction recording fee ("line fee") in addition to the specific fees and commissions charged for various services. The plaintiff notes that the damage caused to the plaintiff is NIS 101.65 and does not state the damage assessment for the class. On May 22, 2022, the court approved the withdrawal of the applicant and as a result, the class action lawsuit was deleted and the personal claim of the applicant was rejected.

e. On September 6, 2021, a class certification motion was filed with the District Court (Central Region) against five banks, including the Bank, stating that the plaintiffs suffered damage due to the fact that the banks present fees and commissions for certain transactions in foreign currency rather than in shekels, and charge these fees and commissions in shekels with a higher exchange rate than the representative exchange rates. The plaintiffs do not state a damage assessment for the class. On May 9, 2022, the court approved the withdrawal of the applicants and as a result, the class action lawsuit was deleted and the personal claim of the applicants was rejected.

2. As at the publication date of the financial statements, there are no pending material legal claims against the Bank's subsidiaries.

D. Contingent Liabilities and Miscellaneous Commitments

1. On November 27, 2022, the Bank received a notification from the Commissioner of Credit Data Sharing at the Bank of Israel regarding the imposition of a monetary sanction in the amount of approx. NIS 796,000 for Pepper's failure to report at the time to the Bank of Israel's Central Credit Register regarding checks drawn by Pepper customers that were not honored due to "insufficient coverage". The amount of the financial sanction is after the Commissioner of Credit Data Sharing at the Bank of Israel found that it was appropriate to deduct 70 percent from the original financial sanction amount, due to the reasons for reduction stipulated in the law. The Bank fixed the malfunction for which the sanction was given. The monetary sanction was paid in full.

2. On February 1, 2023, a decision was received from the Committee for the Imposition of a Monetary Sanction regarding Banking Corporations according to the Prohibition on Money Laundering Law, 2000, regarding the imposition of a financial sanction in the amount of approx. NIS 1.8 million in connection with two technological malfunctions that occurred at Pepper in 2021, which affected the accessibility and completeness of the identification process documentation, which constitutes part of the process for opening accounts in a certain period. It should be noted that the malfunction did not and could not cause harm of any kind to customers, or exposure of information in their regard. It should be noted that Pepper acted long ago to fix the malfunctions. The monetary sanction was paid in full.

E. The Bank serves as guarantor for members of some of the provident funds previously administered by Leumi Capital Market Services Ltd. (formerly Leumi Gemel Ltd.), whose operations were sold to Prisma Provident Funds Ltd. ("Prisma"). The guarantee secures the repayment of the original principal amounts that were deposited as at December 31, 2022, for a total of NIS 937 million in nominal values. As of December 31, 2022, the value of the above funds' assets amounted to NIS 2,283 million. In addition, this guarantee does not apply to deposits in accounts opened in the aforementioned funds after January 22, 2007.

Against the aforesaid undertaking, Prisma undertook to pay the Bank a participation amount of no more than NIS 35 million per calendar year, linked to the CPI as from October 30, 2006 until the payment date in the event that the guarantees or any portion thereof, is realized. A deductible amount not utilized in a certain year cannot be carried forward to future years.

Note 26 - Contingent Liabilities and Special Commitments (cont.)

In January 2009, the relevant funds were sold to Psagot Provident Funds Ltd. (hereinafter - - “Psagot”), which took over Prisma’s said commitments; on October 2021, the management of the said provident funds was transferred from Psagot to Harel Pension and Provident Ltd. and to Altshuler Shaham Pension and Provident Ltd., which undertook, each for the new funds under their management, the said commitments.

F. Indemnification Letters

1. The Bank has undertaken in advance to indemnify its directors, other officers and those whom it employs under personal managerial contracts and who are not Bank officers (hereinafter - “Managerial Contract Holders”) in respect of monetary liabilities arising from actions taken in their capacity as directors, officers and managers in the Bank and its investees; the indemnification undertaking covers a number of indemnity events that, in the opinion of the Bank’s Audit Committee and Board of Directors, can be expected in view of the Bank’s activities; those events include, among other things, the Bank’s ordinary banking activities, share offerings under a prospectus, reports to the public and to regulatory authorities, activities relating to Antitrust Law, cyber incidents and any other activity associated with the Bank’s activities. The cumulative maximum amount payable by the Bank per one indemnity event in respect of which the indemnification undertakings it has given and will give to all officers of the Bank and the subsidiaries will be exercised will not exceed 25 percent (twenty-five percent) of the Bank’s common equity as per its latest (annual or quarterly) financial statements published before actual indemnification date (hereinafter - the “Maximum Indemnity Amount”). The Maximum Indemnity amount is payable in addition to amounts received from the insurance company, if any, pursuant to an insurance policy taken out by the Bank, if any, and/or under an insurance policy and/or indemnification by any party other than the Bank (such that the Maximum Indemnity Amount will not be reduced due to such insurance and/or indemnification payments, if any). The Bank also undertook in advance, among other things, to indemnify directors, other Bank officers and managerial contract holders in respect of reasonable litigation costs, including costs incurred as a result of an investigation or procedure that was concluded without an indictment being filed and without the imposition of a monetary sanction in lieu of criminal proceeding, or an investigation or procedure that was concluded without an indictment being filed but with the imposition of a monetary liability in lieu of criminal proceedings relating to a criminal offence which does not require proof of criminal intent or in connection with a monetary sanction. The letter of indemnity also includes a further indemnification undertaking in respect of expenses and/or payment to the injured party of a breach in accordance with and subject to the provisions of the Streamlining of Enforcement Proceedings in the Israel Securities Authority Law (Legislative Amendments), 2011 ("the Administrative Enforcement Law"), and in respect of expenses incurred in connection with proceedings under Section G-1 of the Antitrust Law, 1988.

   On December 23, 2019, an extraordinary meeting of shareholders of the Bank decided to approve an amendment to the List of Events for the Indemnification Undertakings (hereinafter - the “**Indemnification Undertakings**”) for directors serving in the Bank, including those who will serve in the Bank from time to time. The List of Events was updated according to events which the Bank deems expected in light of its actual activity at the time of granting the Indemnification Undertaking. In addition, in this meeting, it was decided to approve the terms and conditions of service and employment of the President and CEO and of the Chairman of the Board, including granting indemnification undertakings.

   The amendment of said Indemnification Undertakings also applies to other officers in the Bank as well as to managers with personal contracts who are not officers of the Bank, in line with the decision of the Audit Committee dated September 24, 2019 and the Bank’s Board of Directors dated October 29, 2019.

   The amended List of Events to the Indemnification Undertaking for directors and officers in the Bank is in line with the Bank’s Articles of Association and the Bank’s Revised Compensation Policy.

Note 26 - Contingent Liabilities and Special Commitments (cont.)

Furthermore, on February 15, 2004, the Bank's general meeting passed a resolution whereby directors will be exempted in advance for a liability in respect of damages caused due to breach of their duty of care towards the Bank. The decision to grant such an exemption also applies to other Bank officers, in accordance with the decision of the Audit Committee and the Board of Directors of June 2003.

2. The Bank has undertaken to indemnify Bank's employees in respect of expenses and/or any payment to the injured party of a breach in accordance with and subject to the provisions of the Administrate Enforcement Law, in accordance with terms and conditions normally set out in indemnity letters issued by the Bank.

3. The Bank and its subsidiaries indemnify certain external advisors including in connection with plans for awarding or offering securities to Bank or subsidiaries' officers or employees, as applicable, in respect of a liability or loss, and in various cases including in respect of other legal expenses in connection with services they rendered to the Bank.

4. The Bank undertook to indemnify international credit company Visa in respect of fulfillment of the obligations of Max It Finance Ltd. in connection with Visa credit cards.

5. The Bank and its subsidiaries provide, from time to time, in the ordinary course of business and under generally accepted circumstances, indemnification undertakings, which are limited or unlimited as to their amount or period, including: (1) debts with regard to the Bank's obligations as a member of the Tel Aviv Stock Exchange; (2) transactions for disposal of the Group's holdings in subsidiaries; and (3) issuance and clearing agreements with the credit card companies.

6. The Bank provides, from time to time, indemnity letters, which are limited or unlimited as to their amount and period, to secure indemnities provided by subsidiaries to officers due to risks applicable to companies' officers, and to ensure that subsidiaries comply with regulatory directives and commitments towards such officers. In addition, the Bank provided indemnity letters to Bank employees and officers of subsidiaries in respect of a list of events which are specified therein.

7. As part of the sale agreement of Leumi Romania in April 2019, indemnification was granted for various issues, some limited to EUR 15 million for a period of up to five years from the sale date, and others unlimited in amount. The Bank believes that the unlimited indemnification relates to issues which the exposure - if they materialize - is immaterial. Indemnification was also granted to directors who served in Leumi Romania until the sale date, in accordance with the indemnification undertakings accepted in the Bank for directors and officers, as well as indemnification for employees in Leumi Romania in relation to the sale procedure.

Note 26 - Contingent Liabilities and Special Commitments (cont.)

8. As part of international offerings of subordinated bonds with a mechanism for principal loss absorption through conversion into ordinary shares of the Bank, which were offered to qualified institutional investors as defined in and in reliance on Rule 144A under the United States Securities Act of 1933 (hereinafter - the "US Securities Act") and outside the United States in accordance with Regulation S under the US Securities Act, which took place in January 2020 and in January 2023, and as part of the international offering of senior unsecured bonds to institutional investors in Israel, in accordance with Section 15A(b)(1) of the Securities Law, 1968 (hereinafter - the "Israeli Securities Law"), and outside of Israel, in accordance with Section 15A(b)(2) to the Israeli Securities Law, Principle 144A to the US Securities Law and Regulation S to the US Securities Law, which was carried out in July 2022 (hereinafter, jointly - the "Offerings"), the Bank was required, under the purchase agreement (hereinafter - the "Purchase Agreement") with the underwriters, to indemnify the underwriters and parties associated with them, for damages, lawsuits and losses which they shall incur, if incurred, in accordance with the US Securities Act or the United States Securities Exchange Act of 1934 (hereinafter - the "Securities Exchange Act") in an unlimited amount, in respect of material incorrect details, or which are purported to be incorrect, which were included in the offering documents or any other information submitted by the Bank or in its name in relation to the offerings, or omission of material details and/or claim regarding such an omission of details from said documents or information.

   As part of an engagement for the receipt of underwriting and distribution services in connection with a public offering of the Bank's ordinary shares, by way of a non-uniform offering for institutional investors (as defined in the Securities Regulations (Offer of Securities to the Public), 2007 (the "Offering Regulations"), including institutional offerees outside of Israel, in accordance with Regulation 11(a)(1) to the Offering Regulations, carried out by the Bank in June 2022, the Bank was required, under the underwriting agreement with Leader Underwriting, to indemnify the underwriter and/or his representative for any debt imposed on them for inclusion of a misleading detail in the issuance documents, up to the amount of the gross share issue proceeds, plus linkage to the CPI, subject to the conditions and reservations as detailed under that underwriting agreement.

   In addition, the Bank was required, under the distribution agreement with the foreign distributors with respect to the same issue of shares (Citigroup Global Markets Limited, Barclays Bank Plc and Jefferies LLC), to indemnify each of the distributors and parties associated with them, for damages, lawsuits and losses they incur, if incurred, in an unlimited amount, due to material incorrect details, or which are purported to be incorrect, which were included in the offering documents or any other information submitted by the Bank or in its name in relation to the aforementioned offering, or omission of material details and/or claim regarding such an omission of details from the offering documents or information.

9. During the reporting period, the merger transaction was completed of Bank Leumi Corporation ("BLC"), an American corporation (held at a rate of 85 percent by the Bank), which holds full control in BLUSA, into Valley National Bancorp ("Valley"). As part of the transaction, Valley was given indemnity in respect of any claim submitted in the future by non-controlling interests in BLUSA, who received the cash equivalent instead of their holdings in BLUSA, based on the value of the shares inherent in the merger transaction. For additional information, please see the chapter Major Investee Companies.

Note 27 - Pledges and Restrictions

In its capacity as a member of the Tel Aviv Stock Exchange, the Bank is a member of the risk reserve of the Stock Exchange's Clearing House.

The amount of the risk reserve shall be equal to the amount of the largest periodic debit balance that a member had during the six months that ended in the calendar month before the updating date. The risk reserve updates the amounts 4 times a year.

Each risk reserve member places pledges on securities in favor of the Stock Exchange's Clearing House to secure payment of the member's proportionate share in the Risk Fund and also as surety for the performance of all that member's other obligations towards the Clearing House and its share in the Risk Fund. These collateral also secure the performance of all other obligations of risk reserve members in the event that the collateral provided by another member do not cover all its obligations, according to the proportionate share of each member, up to the lower of the full amount of the collateral provided or the amount of the obligations towards the Stock Exchange's clearing house. As of December 31, 2022, the Bank's-share in the Stock Exchange Clearing House's risk reserve is NIS 347 million (December 31, 2021 – NIS 289 million). The total amount of assets pledged by the Bank in favor of the Stock Exchange's Clearing House is NIS 502 million (December 31, 2021 – NIS 358 million).

The Bank is also a member of the risk reserve of the MAOF Clearing House. The Bank undertook to pay the MAOF Clearing House any financial obligation arising from the MAOF transactions it carries out for its customers, from its own portfolio and from MAOF transactions of other Stock Exchange members not clearing independently via the MAOF Clearing House. The amount of the Bank's liability is presented in Note 30D. Off-balance-sheet financial instruments.

The Bank provides collateral in favor of the MAOF Clearing House to secure payment of its proportionate share in the risk reserve and also as a guarantee for the performance of all its aforementioned obligations towards the MAOF Clearing House and its share in the Risk Fund. These collateral also secure the performance of all other obligations of risk reserve members. In the event that the collateral provided by another member of the risk reserve do not cover all of its obligations, the MAOF Clearing House may also realize the collateral provided by other Risk Fund members, according to the proportionate share of each member, up to the lower of the full amount of the collateral provided or the amount of the commitments towards the MAOF Clearing House.

As of December 31, 2022, the Bank's-share in the MAOF Clearing House's risk reserve is NIS 110 million (December 31, 2021 – NIS 125 million).

Like any other clearing house member, the Bank may secure its obligations to the risk reserve of the MAOF Clearing House by placing pledges on government bonds and deposits. The total amount of bonds and deposits pledged by the Bank in favor of the MAOF Clearing House in respect of customers' activity, the nostro portfolio and the Risk Fund as of December 31, 2022 is NIS 899 million (December 31, 2021 – NIS 1,036 million).

In its capacity as a participant in the TGS ("Zahav") system, a holder of a clearing account of that system, a member of the MASAV payments system and the check clearing system (hereinafter - "Participant"), the Bank is a party to an arrangement whose aim is to ensure the finality of settlement of transactions in default events where funds in the clearing account of one or more of the other participants do not cover the obligations. In the event of default, each non-defaulting Participant ("Surviving Participant") is to bear the obligations of the defaulting Participant according to the proportionate share of the Surviving Participant divided by the difference between 100 percent and the defaulting participant's proportionate share. As of December 31, 2022, the Bank's pro rata share in MASAV and in the check clearing system is 18.33 percent and 22.45 percent. This percentage is updated every six months according to the pro rata share of each Participant's transactions settled via the relevant payments system during the previous six months. The overall ceiling for participation of all Participants in the MASAV and the check clearing system is NIS 300 million and NIS 150 million, respectively. In the event of default, the Bank of Israel will send a multi-party payment instruction debiting the clearing account of the defaulting Participant and crediting the clearing accounts of the Surviving Participant by the amount that each Surviving Participant paid under the arrangement, with the addition of interest at the Actual Bank of Israel Rate of Interest. Such instruction will be issued immediately after the system opens on the business day following the default day. The default arrangement is not intended to deal with a situation of a known or probable insolvency. In case of insolvency, the Banking Supervision Department will deal with the matter.

Note 27 - Pledges and Restrictions (cont.)

In April 2023, the Bank of Israel directive will enter into effect regarding the separation of the Bank Clearing Center, Automated Bank Services and ATM, and the presentation of each of them as a clearinghouse that stands on its own and participates in the Zahav (RTGS) system. The Bank is preparing for the implementation of the changes.

The Bank signed a credit line agreement with Euroclear at the total amount of USD 150 million as surety for the clearing of customers' securities. The credit facility is backed with securities held by the Bank with Euroclear.

The Bank and consolidated companies enter into Credit Support Annex (CSA) agreements with counterparties, whose purpose is to mitigate the mutual credit risks arising between the parties from derivatives trading. According the agreements, the value of all derivatives transactions carried out between the parties is measured on a periodic basis and if the net exposure of one of the parties exceeds a pre-determined threshold, that party is required to transfer to the other party deposits at the exposure amount by the next measurement date. As of December 31, 2022, the Group made available to the above counterparties deposits totaling USD 1,306 million (December 31, 2021 - USD 1,611 million).

The Bank and its consolidated companies enter into agreements with counterparties for the purpose of entering into tradable futures in foreign exchanges on behalf of the Bank, the consolidated companies and their customers. As of December 31, 2022, the Group deposited with the above counterparties USD 1,708 million (December 31, 2021 - USD 1,217 million).

In addition, to limit the exposure, the Group transferred as a transfer to hedge exposure totaling USD 1,603 million (2021 - USD 1,766 million). It should be noted that the majority of the collateral transferred in respect of customers' activity in connection with these transactions were customer funds in accordance with the hedge exposure agreements they signed with the Bank.

As of September 1, 2021, the Bank is subject to a reform requiring the deposit of initial margins for non-centrally cleared derivatives (OTC derivatives), set by the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO). The reform - which applies to the relationship of banks with foreign financial institutions - requires deposit of the said initial margins (subject to a threshold of EUR 50 million in Europe and USD 50 million in the US) in respect of a certain counterparty, by pledging a securities account, in trust, with a foreign custodian, by each party for the other party. According to the reform, if a bank exceeds the threshold of USD 50 million, both parties deposit IM in the form of a securities lien with a third party. As of December 31, 2022, the Bank pledged securities totaling USD 777 million (2021 - USD 300 million).

On May 21, 2008, the Bank signed a bond whereunder it placed a first floating pledge, in favor of the Bank of Israel, on its rights to receive NIS-denominated funds and charges that are payable and will be payable to the Bank, from time to time, from its corporate customers (incorporated under the laws of the State of Israel), the loans extended to which by the Bank are not in arrears, in respect of NIS loans whose average duration does not exceed three years which were extended and will be extended by the Bank to the aforementioned customers.

The purpose of this pledge is to secure loans that might be extended to the Bank by the Bank of Israel for the Bank's activity as the provider of shekel liquidity services to the Continuous Linked Settlement (CLS) Bank, plus interest, costs and expenses arising from realizing the pledge, up to a total of NIS 1.1 billion, in accordance with the provisions of the loan agreement signed between the parties in connection with this matter.

On October 26, 2010, the Bank signed a bond whereunder it placed a fixed first pledge and assignment by way of pledge, unlimited in amount, in favor of the Bank of Israel on all assets and rights in specific accounts in the name of the Bank Israel with the Tel Aviv Stock Exchange's Clearing House, with Euroclear Bank or with any other clearing house agreed about by the Bank and the Bank of Israel. Assets subject to a lien in the Euroclear Bank or in another account with a clearing house abroad are also subject to a first floating lien in favor of the Bank of Israel.

On February 25, 2021, the Bank signed a bond, according to which, in addition to these pledges, it pledged to the Bank of Israel, as a first-degree pledge and by collateral assignment, in an unlimited amount, all of its interests for and in relation to a portion of the housing loan portfolio secured by real estate interests. On December 29, 2021, the bond was revised, and the housing loans pledge under the bond was revised.

Note 27 - Pledges and Restrictions (cont.)

During the year, the bond and the pledged housing loans were revised as part of the bond: On April 12, 2022 and on September 28, 2022.

The purpose of this pledges is to secure all of the Bank's obligations in connection with credit that has been extended or will be extended to the Bank by the Bank of Israel as set out in the loan documents, except for credit that the Bank of Israel may extend to the Bank in respect of the Bank's activity as a liquidity service provider, in shekels, to CLS.

In 2020-2021, the Bank of Israel supplied the banking system with long-term loans in an effort to increase the banking credit supply to small and micro businesses, against collateral, as is the case in any monetary loan provided by the Bank of Israel. As of December 31, 2022, the outstanding credit provided as part of these plans amounts to approx. NIS 16.9 billion.

Note 27 - Pledges and Restrictions (cont.)

Sources and utilization

	December 31	
	2022	2021
	In NIS millions	
Sources of securities received and which the Bank may sell or pledge at fair value, before the effect of offsets		
Securities received in transactions for lending of securities against cash	**3,034**	2,447
Applications of securities received and which the Bank may sell or pledge at fair value, before the effect of offsets		
Securities lent in transactions for lending securities against cash	**3,952**	2,282

Apart from these securities, as of balance sheet date, additional securities were provided as collateral, shown under the securities line item above; lenders are not allowed to sell or pledge those securities.

The Bank also deposits government bonds as collateral for tradable futures activity, in lieu of cash. These securities are held in the available-for-sale portfolio.

Note 28A – Derivatives and Hedging Activities

Overview

The aforementioned activity involves taking risks, the principal of which are:

- Credit risk which is measured according to the loss amount the Bank may incur if the counterparty to the transaction fails to meet the terms and conditions of the transaction. Customer collateral are required to cover the risk in accordance with the risk arising from the transactions. The required collateral are included within the collateral required in respect of the total amount of the customer's indebtedness.
- Market risks include risks stemming from changes in interest rates, exchange rates, the CPI, prices of securities/indexes and prices of commodities. The market risks stemming from derivatives transactions constitute a part of the total market risks of the financial instruments. Derivatives activities are carried out within the limits set by Group companies' Board of Directors with regard to exposure to market risks.
- Liquidity risk is the risk arising due to uncertainty regarding the price which the Bank will be required to pay to cover the transaction. This risk arises mainly from instruments whose tradability or the tradability of their underlying asset is low. This risk was taken into account when calculating the required collateral.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates

A. Volume of Consolidated Activity

	December 31, 2022		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	**7,227**	**45,758**	**52,985**
Written options	**1,218**	**341**	**1,559**
Purchased options	**-**	**-**	**-**
Swaps[(a)]	**48,246**	**339,761**	**388,007**
Total[(b)]	**56,691**	**385,860**	**442,551**
Of which: Hedging derivatives[(c)]	**7,681**	**-**	**7,681**
b) Foreign currency contracts			
Futures and forwards[(d)]	**65,645**	**246,012**	**311,657**
Written options	**983**	**15,908**	**16,891**
Purchased options	**983**	**16,256**	**17,239**
Swaps(a)	**1,935**	**21,123**	**23,058**
Total	**69,546**	**299,299**	**368,845**
Of which: Hedging derivatives[(c)]	**-**	**-**	**-**
c) Stock contracts			
Futures and forwards	**694**	**169,363**	**170,057**
Written options	**629**	**66,708**	**67,337**
Purchased options[(e)]	**484**	**66,569**	**67,053**
Other	**7**	**-**	**7**
Swaps	**244**	**116,267**	**116,511**
Total	**2,058**	**418,907**	**420,965**
d) Commodities and other contracts			
Futures and forwards	**-**	**10,151**	**10,151**
Written options	**-**	**175**	**175**
Purchased options	**-**	**173**	**173**
Swaps	**-**	**3,939**	**3,939**
Total	**-**	**14,438**	**14,438**
e) Credit contracts			
Where the Bank is a guarantor	**-**	**-**	**-**
Where the Bank is a beneficiary	**-**	**-**	**-**
Total	**-**	**-**	**-**
Total nominal amount	**128,295**	**1,118,504**	**1,246,799**

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 186,539 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,137 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 10,150 million.
(e) Of which: a total of NIS 66,368 million is traded on the Tel Aviv Stock Exchange.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31, 2021		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions		
(1) Nominal amount of derivatives			
a) Interest rate contracts			
Futures and forwards	5,775	19,214	24,989
Written options	1,244	1,906	3,150
Purchased options	-	1,523	1,523
Swaps[(a)]	24,131	208,781	232,912
Total[(b)]	31,150	231,424	262,574
Of which: Hedging derivatives[(c)]	6,422	-	6,422
b) Foreign currency contracts			
Futures and forwards[(d)]	62,183	239,898	302,081
Written options	1,160	29,797	30,957
Purchased options	1,160	26,927	28,087
Swaps[(a)]	156	18,295	18,451
Total	64,659	314,917	379,576
Of which: Hedging derivatives[(c)]	-	-	-
c) Stock contracts			
Futures and forwards	299	195,851	196,150
Written options	1,099	22,234	23,333
Purchased options[(e)]	983	22,343	23,326
Other	7	-	7
Swaps	572	101,155	101,727
Total	2,960	341,583	344,543
d) Commodities and other contracts			
Futures and forwards	-	420	420
Written options	-	261	261
Purchased options	-	260	260
Swaps	-	15,826	15,826
Total	-	16,767	16,767
e) Credit contracts			
Where the Bank is a guarantor	-	-	-
Where the Bank is a beneficiary	-	-	-
Total	-	-	-
Total nominal amount	98,769	904,691	1,003,460

(a) Of which: Swaps for which the banking corporation pays a fixed interest of NIS 117,740 million.
(b) Of which: NIS-CPI swaps totaling NIS 15,102 million.
(c) Mainly including hedging transactions and interest rate swaps (IRS).
(d) Of which: Foreign exchange spots totaling NIS 11,156 million.
(e) Of which: a total of NIS 22,166 million is traded on the Tel Aviv Stock Exchange.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

A. Volume of Consolidated Activity (cont.)

	December 31, 2022					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	**1,159**	**8,292**	**9,451**	**870**	**8,357**	**9,227**
Of which: Hedging derivatives	**878**	**-**	**878**	**85**	**-**	**85**
b) Foreign currency contracts	**259**	**7,206**	**7,465**	**47**	**4,809**	**4,856**
Of which: Hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**
c) Stock contracts	**25**	**9,470**	**9,495**	**56**	**8,946**	**9,002**
d) Commodities and other contracts	**-**	**242**	**242**	**-**	**241**	**241**
e) Credit contracts	**-**	**-**	**-**	**-**	**-**	**-**
Total assets/liabilities in respect of derivatives, gross[(a)]	**1,443**	**25,210**	**26,653**	**973**	**22,353**	**23,326**
Amounts netted on the balance sheet	**-**	**-**	**-**	**-**	**-**	**-**
Book balance	**1,443**	**25,210**	**26,653**	**973**	**22,353**	**23,326**
Of which: not subject to a master netting- or similar arrangement	**-**	**1,553**	**1,553**	**-**	**472**	**472**

(a) Of which: NIS 15 million in gross fair value of assets in respect of embedded derivatives, NIS 15 million in gross fair value of liabilities in respect of embedded derivatives.

	December 31, 2021					
	Assets for derivatives, gross			Liabilities for derivatives, gross		
	Not held-for-trading derivatives	Held-for-trading derivatives	Total	Not held-for-trading derivatives	Held-for-trading derivatives	Total
	In NIS millions					
(2) Gross fair value of derivatives						
a) Interest rate contracts	239	2,874	3,113	310	3,033	3,343
Of which: Hedging derivatives	148	-	148	174	-	174
b) Foreign currency contracts	117	4,641	4,758	122	5,944	6,066
Of which: Hedging derivatives	-	-	-	-	-	-
c) Stock contracts	46	5,766	5,812	70	5,745	5,815
d) Commodities and other contracts	-	348	348	-	337	337
e) Credit contracts	-	-	-	-	-	-
Total assets/liabilities in respect of derivatives, gross[(a)]	402	13,629	14,031	502	15,059	15,561
Amounts netted on the balance sheet	-	-	-	-	-	-
Book balance	402	13,629	14,031	502	15,059	15,561
Of which: not subject to a master netting- or similar arrangement	10	303	313	14	449	463

(a) Of which: NIS 4 million in gross fair value of assets in respect of embedded derivatives, NIS 10 million in gross fair value of liabilities in respect of embedded derivatives.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting Hedges

1. Effect of cash flow hedge accounting on accumulated other comprehensive income (loss)

	For the year ended December 31			
	2022		2021	
	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to profit and loss[a]	Amounts recognized in other comprehensive income (loss) from derivatives	Profit (loss) reclassified from accumulated other comprehensive income (loss) to profit and loss[a]
	In NIS millions			
a. Derivatives used for cash flow hedges[b]				
Interest rate contracts[c]	**(14)**	**11**	(40)	(1)

(a) Profit (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expenses) line item or in the noninterest finance income (expenses) line item according to the line item in which the effect of the hedged item is presented.
(b) Represents amounts included in the hedge effectiveness assessment.
(c) The Bank designates certain derivatives as hedging instruments of cash flows - derivatives hedging an exposure to changes in cash flows from given loans. The effect of hedges is expected to lower the exposure to the given loans.

2. Effect of fair value hedge accounting on profit (loss)

	For the year ended December 31	
	2022	2021
	In NIS millions	
Total interest expenses recognized in the income statement	**(4)**	(60)
Effect of fair value hedges:		
a. Gain (loss) from fair value hedges		
Interest rate contracts[a]		
Hedged items	**(800)**	(293)
Hedging derivatives	**807**	232
B. Gain (loss) on cash flow hedges		
Interest rate contracts[a]		
Profit and loss reclassified to Accumulated other comprehensive income (loss)	**(11)**	1

(a) The Bank designates certain derivatives as hedging instruments of fair value, derivatives hedging exposure to interest rate received for bonds.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

B. Accounting hedges (cont.)

3. Items hedged at fair value hedges

	For the year ended December 31					
	2022			2021		
		Fair value adjustments which increased (decreased) the carrying amount			Fair value adjustments which increased (decreased) the carrying amount	
	Carrying amount of hedged item	Existing hedge relationships	Discontinued hedge relationships	Carrying amount of hedged item	Existing hedge relationships	Discontinued hedge relationships
	In NIS millions					
Securities - debt instruments classified as available-for-sale securities	**4,931**	**(887)**	**1**	5,023	63	13
Subordinated bonds	**(1,720)**	**69**	**-**	-	-	-

4. The effect of hedging a net investment in a foreign operations on accumulated other comprehensive income (loss) and on the income statement

	For the year ended December 31			
	2022		2021	
	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from accumulated other comprehensive income (loss)[(a)]	Amounts carried to other comprehensive income (loss)	Profit (loss) reclassified from accumulated other comprehensive income (loss)[(a)]
	In NIS millions			
Deposits serving as investment hedges, net				
Foreign currency deposits	**(306)**	**-**	71	-

(a) Other comprehensive income (loss) amounts reclassified from accumulated other comprehensive income (loss) were included in the interest income (expense) line item or in the noninterest finance income (expenses) line item.

5. Effect of derivatives not designated as hedging instruments on the income statement

	For the year ended December 31	
	2022	2021
	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]	Gain (loss) recognized in income (expenses) from derivatives activity[(a)]
	In NIS million	
Derivatives not designated as hedging instruments		
Interest rate contracts	**(256)**	143
Foreign currency contracts	**7,819**	(1,623)
Stock contracts	**76**	162
Commodity- and other contracts	**2**	15
Total	**7,641**	(1,303)

(a) Included in the noninterest finance income (expenses) line item.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk for Derivatives by Contract Counterparty

	December 31 2017[(i)]						
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments and central banks	Institutional entities	Other	Total
	In NIS millions						
Book balance of assets in respect of derivatives[(a)(b)]	**224**	**4,342**	**9,204**	**14**	**10,752**	**2,117**	**26,653**
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	**-**	**3,671**	**8,951**	**14**	**2,049**	**861**	**15,546**
Credit risk mitigation in respect of cash collateral received	**-**	**626**	**237**	**-**	**8,010**	**159**	**9,032**
Total net book balance of assets in respect of derivatives[(f)]	**224**	**45**	**16**	**-**	**693**	**1,097**	**2,075**
Adjustment of book balance, net to on-balance-sheet credit risk[(g)]	**1**	**(9)**	**26**	**-**	**(117)**	**136**	**37**
Total on-balance-sheet credit risk for derivatives	**225**	**36**	**42**	**-**	**576**	**1,233**	**2,112**
Net off-balance-sheet credit risk for derivatives[(h)]	**912**	**11,903**	**15,089**	**44**	**5,733**	**3,055**	**36,736**
Total credit risk for derivatives	**1,137**	**11,939**	**15,131**	**44**	**6,309**	**4,288**	**38,848**
Book balance of liabilities in respect of derivatives[(a)(c)]	**170**	**7,199**	**11,709**	**120**	**2,487**	**1,641**	**23,326**
Gross amounts not netted on the balance sheet:							
Financial instruments	**-**	**3,671**	**8,951**	**14**	**2,049**	**861**	**15,546**
Pledged cash collateral	**-**	**3,352**	**2,611**	**89**	**284**	**-**	**6,336**
Net amount of liabilities in respect of derivatives	**170**	**176**	**147**	**17**	**154**	**780**	**1,444**

	December 31 2017[(i)]						
	Stock exchanges	Banks	Dealers/ brokers	Govern-ments and central banks	Institutional entities[(j)]	Other[(j)]	Total
	In NIS millions						
Book balance of assets in respect of derivatives[(a)(b)]	315	6,133	4,181	220	1,991	1,191	14,031
Gross amounts not netted on the balance sheet:							
Credit risk mitigation in respect of financial instruments	-	2,566	2,816	2	1,468	465	7,317
Credit risk mitigation in respect of cash collateral received	-	3,410	1,139	216	178	4	4,947
Net amount of assets in respect of derivatives	315	157	226	2	345	722	1,767
Off-balance-sheet credit risk for derivatives[(d)(e)]	563	8,190	6,824	105	9,831	1,612	27,125
Mitigation of off-balance-sheet credit risk	-	1,845	2,307	-	5,600	568	10,320
Net off-balance-sheet credit risk for derivatives	563	6,345	4,517	105	4,231	1,044	16,805
Total credit risk for derivatives	878	6,502	4,743	107	4,576	1,766	18,572
Book balance of liabilities in respect of derivatives[(a)(c)]	222	3,108	3,575	2	7,140	1,514	15,561
Gross amounts not netted on the balance sheet:							
Financial instruments	-	2,566	2,816	2	1,468	465	7,317
Pledged cash collateral	-	415	755	-	4,786	76	6,032
Net amount of liabilities in respect of derivatives	222	127	4	-	886	973	2,212

Please see comments below.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

C. Credit Risk for Derivatives by Contract Counterparty (cont.)

(a) The Bank did not apply netting agreements.
(b) Of which book balance of assets in respect of standalone derivatives totaling NIS 26,638 million (December 31 2021 - NIS 14,027 million).
(c) Of which book balance of liabilities in respect of standalone derivatives totaling NIS 23,311 million (December 31 2021 - NIS 15,551 million).
(d) Off-balance-sheet credit risk for derivatives (including derivatives with negative fair value) before credit risk mitigation, as calculated for the purpose of limitations on borrower indebtedness.
(e) The difference, if positive, between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower indebtedness limitations, before credit risk mitigation, and the book balance of assets for the borrower's derivatives.
(f) Book balance of assets for derivatives after offsetting fair value and collateral amounts that meet the offsetting guidance, in accordance with the circular regarding offsetting assets and liabilities.
(g) The difference between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower indebtedness limitations, after credit risk mitigation, and the total net book balance of assets for the derivatives.
(h) The difference, if positive, between all total amounts for derivatives (including derivatives with negative fair value) included in the borrower's indebtedness, as calculated for the purpose of borrower indebtedness limitations, before credit risk mitigation, and the on-balance sheet credit risk for the borrower's derivatives and off-balance sheet credit risk.
(i) On-balance-sheet credit risk and off-balance-sheet credit risk, as revised in the Reporting to the Public Directives, in a circular dated July 24, 2022, following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy); comparative results were not restated.
(j) Restated.

Comments:
1. No loan losses were recognized in respect of derivatives in 2022 and 2021.
2. The effect of the counterparty credit risk and the effect of deferred gains at the transaction execution date on the valuation of assets for derivatives as of December 31, 2022 and December 31, 2021 was NIS 225 million and NIS 174 million, respectively.
   The effect of the non-performance risk on the valuation of assets for derivatives as of December 31, 2022 and December 31, 2021 was NIS 21 million and NIS 35 million, respectively.

Note 28B - Derivatives Activity - Scope, Credit Risks and Maturity Dates (cont.)

D. Breakdown of Settlement Dates - Par Value: Balances

	December 31, 2022				
	Up to three months	Over three months and up to one year	Over one year and up to five years	Over five years	Total
	In NIS millions				
Interest rate contracts:					
NIS-CPI	**1,789**	**4,500**	**6,027**	**2,821**	**15,137**
Other	**66,276**	**126,149**	**161,683**	**73,306**	**427,414**
Foreign currency contracts	**231,025**	**104,658**	**25,561**	**7,601**	**368,845**
Stock contracts	**247,718**	**167,826**	**5,421**	**-**	**420,965**
Commodity- and other contracts	**599**	**11,853**	**1,986**	**-**	**14,438**
Total	**547,407**	**414,986**	**200,678**	**83,728**	**1,246,799**

	December 31, 2021				
	Up to three months	Over three months and up to one year	Over one year and up to five years	Over five years	Total
	In NIS millions				
Interest rate contracts:					
NIS-CPI	1,245	3,958	7,771	2,128	15,102
Other	25,031	29,342	128,720	64,379	247,472
Foreign currency contracts	221,426	130,603	21,660	5,887	379,576
Stock contracts	265,204	75,727	3,612	-	344,543
Commodity- and other contracts	11,099	5,668	-	-	16,767
Total	524,005	245,298	161,763	72,394	1,003,460

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity

Regulatory operating segments are reported according to the format and classifications prescribed by the Reporting to the Public Directives of the Banking Supervision Department, as follows:

1. Households segment – private individuals excluding Private Banking customers.
2. Private Banking segment – private individuals with a financial portfolio with the Bank whose balance (including monetary deposits, securities portfolios and other financial assets) exceeds NIS 3 million.
3. Micro businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) of less than NIS 10 million.
4. Small businesses segment – businesses with a turnover (annual sales turnover or amount of annual revenues) of more than NIS 10 million and less than NIS 50 million.
5. Mid-market segment – businesses whose turnover (or annual income) is equal to or higher than NIS 50 million and lower than NIS 250 million.
6. Corporate segment – businesses whose turnover (or annual income) is equal to or higher than NIS 250 million.
7. Institutional entities segment - includes institutional clients as defined by the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, including provident funds, pension funds, study funds, mutual funds, exchange-traded notes (ETNs), insurers, members of the TASE managing customers' money.
8. Financial management segment – includes the following activities:
   a. Trading activities - investment in tradable securities, market-making activity involving securities and derivatives, activity in derivatives not designated as hedges and not used by the Bank in its Asset and Liability Management (ALM) activities, repurchase and lending transactions involving held-for-trading securities, short selling of securities, securities' underwriting services.
   b. Asset and Liability Management (ALM) activities - including investment in available-for-sale bonds and held-to-maturity bonds not allocated to other operating segments (when the borrower has no indebtedness to the Bank, other than securities), hedging derivatives and derivatives used in asset and liability management, deposits with and by domestic and foreign banks, foreign currency hedges of exchange rate differentials in respect of investments in foreign offices, deposits with and by governments.
   c. Non-financial investment activity – investment in not held-for-trading equity securities and investments in associates of businesses.
   d. Other – management, operating, trust and custodial services to banks, advisory services, sale and management of loan portfolios and development of financial products.
9. Other segment – including discontinued operations, gains on amounts funded for employee benefits and other results related to employee benefits which were not allocated to other operating segments, activities that were not allocated to the other segments and adjustments between the total amount of items allocated to segments and the total amount of items in the consolidated financial statements.

Customer classification

According to the circular, when a banking corporation has no information regarding the total income of a business customer which has no indebtedness towards the banking corporation (including credit line, etc.), the banking corporation may classify them into the relevant regulatory segment according to their total financial assets multiplied by a factor of 10. In addition, when the Bank believes that the total income does not represent the customer's activity volume, the customer should be classified as follows: A customer whose indebtedness is less than NIS 100 million - according to the business's total balance-sheet assets, as stated in the FAQ file, and a customer whose indebtedness exceeds NIS 100 million - into the corporate segment.

During the period, measures were taken to complete missing information, mainly regarding business customers' turnovers. In cases where the information has not yet been completed, customers were classified using estimates and other information in the Bank's possession. The Bank continues to collect additional information and improve the data.

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments

	For the year ended December 31, 2022			
	Activity in Israel[a]			
	House-holds[e]	Private banking	Small- and micro-businesses	Mid-market
	In NIS millions			
Interest income from external	6,765	11	2,733	1,395
Interest expense for external	585	219	587	578
Interest income, net:				
From external	6,180	(208)	2,146	817
Inter-segmental	(2,392)	414	574	548
Total interest income, net	3,788	206	2,720	1,365
Total noninterest income	996	148	894	344
Total income	4,784	354	3,614	1,709
Loan loss expenses (income)	223	-	184	(12)
Operating and other expenses:				
For external	2,684	91	1,626	435
Inter-segmental	-	-	-	-
Total operating and other expenses	2,684	91	1,626	435
Profit (loss) before taxes	1,877	263	1,804	1,286
Provision for profit tax (benefit)	654	93	634	451
Profit (loss) after taxes	1,223	170	1,170	835
The Bank's share in associates' profits, after tax effect	-	-	-	-
Net income (loss) before attribution to non-controlling interests	1,223	170	1,170	835
Net income attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	1,223	170	1,170	835
Average outstanding balance of assets[b]	139,737	456	61,176	37,459
Of which: Investment in associates[b]	-	-	-	-
Average outstanding loans to the public[b]	140,481	456	62,076	37,840
Outstanding loans to the public as at the end of the reporting period	150,178	440	65,803	39,473
Outstanding non-performing debts	781	-	419	290
Outstanding debts in arrears of over 90 days	44	-	15	-
Average outstanding balance of liabilities[b]	124,108	27,169	94,274	65,032
Of which: Average balance of deposits by the public[b]	123,996	27,169	94,151	64,946
Balance of deposits by the public as at the end of the reporting period	128,394	29,612	100,557	70,077
Average balance of risk-weighted assets[b][c]	91,330	644	57,121	40,667
Balance of risk-weighted assets as at the end of the reporting period[c]	99,971	662	58,528	42,542
Average balance of assets under management[b][d]	62,339	48,626	78,277	31,837
Breakdown of interest income, net:				
Spread from granting loans to the public	2,630	18	1,939	890
Spread from taking deposits by the public	1,158	188	781	475
Other	-	-	-	-
Total interest income, net	3,788	206	2,720	1,365

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 18.6 billion to customers whose business activity is classified to business segments.
(f) Including revenues of NIS 782 million for the merger with Valley.

					Foreign operations				
Corporations	Institutional entities	Financial management	Other	Total activity in Israel	Private individuals	Business activity	Other	Foreign opera-tions - total[(a)]	Total
3,885	55	3,453	-	18,297	9	455	34	498	18,795
1,042	1,428	1,127	-	5,566	-	18	-	18	5,584
2,843	(1,373)	2,326	-	12,731	9	437	34	480	13,211
(413)	1,708	(362)	24	101	1	(2)	(100)	(101)	-
2,430	335	1,964	24	12,832	10	435	(66)	379	13,211
700	186	798	849[(f)]	4,915	22	61	20	103	5,018
3,130	521	2,762	873	17,747	32	496	(46)	482	18,229
20	(1)	84	-	498	1	(1)	-	-	498
511	247	345	586	6,525	12	294	4	310	6,835
-	7	13	(20)	-	-	-	-	-	-
511	254	358	566	6,525	12	294	4	310	6,835
2,599	268	2,320	307	10,724	19	203	(50)	172	10,896
907	95	777	(93)	3,518	5	42	(1)	46	3,564
1,692	173	1,543	400	7,206	14	161	(49)	126	7,332
-	-	387	-	387	-	-	-	-	387
1,692	173	1,930	400	7,593	14	161	(49)	126	7,719
-	-	-	-	-	2	4	4	10	10
1,692	173	1,930	400	7,593	12	157	(53)	116	7,709
115,156	3,186	290,346	6,633	654,149	558	10,227	2,621	13,406	667,555
-	-	1,112	-	1,112	-	-	-	-	1,112
114,975	3,193	-	-	359,021	545	10,081	-	10,626	369,647
126,628	759	-	-	383,281	62	6,425	-	6,487	389,768
400	-	-	-	1,890	-	18	-	18	1,908
16	-	-	-	75	-	-	-	-	75
91,781	130,117	70,742	11,430	614,653	1,567	5,281	639	7,487	622,140
87,554	129,580	-	-	527,396	1,563	5,228	309	7,100	534,496
97,741	130,685	-	-	557,066	5	4	9	18	557,084
135,692	2,869	31,310	17,033	376,666	115	17,080	1,845	19,040	395,706
163,247	6,844	30,585	14,846	417,225	148	7,872	398	8,418	425,643
									1,385,008
127,135	979,141	52,980	-	1,380,335	4,189	484	-	4,673	1,385,008
2,114	20	7,202	23	14,836	2	351	119	472	15,308
316	314	(7,624)	1	(4,391)	8	85	(106)	(13)	(4,404)
-	1	2,386	-	2,387	-	(1)	(79)	(80)	2,307
2,430	335	1,964	24	12,832	10	435	(66)	379	13,211

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

	For the year ended December 31, 2021			
	Activity in Israel[a]			
	House-holds[e]	Private banking	Small- and micro-businesses	Mid-market
	In NIS millions			
Interest income from external	4,542	7	1,962	920
Interest expense for external	226	62	85	71
Interest income, net:				
From external	4,316	(55)	1,877	849
Inter-segmental	(1,819)	95	(83)	(69)
Total interest income, net	2,497	40	1,794	780
Total noninterest income	1,005	169	826	324
Total income	3,502	209	2,620	1,104
Loan loss expenses (income)	(185)	-	(240)	(143)
Operating and other expenses:				
For external	2,795	95	1,555	458
Inter-segmental	-	-	-	-
Total operating and other expenses	2,795	95	1,555	458
Profit (loss) before taxes	892	114	1,305	789
Provision for profit tax (benefit)	313	40	462	280
Profit (loss) after taxes	579	74	843	509
The Bank's share in associates' profits (losses), after tax effect	-	-	-	-
Net income (loss) before amount attributable to non-controlling interests	579	74	843	509
Net income (loss) attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	579	74	843	509
Average outstanding balance of assets[b]	121,559	384	53,702	31,356
Of which: Investment in associates[b]	-	-	-	-
Average outstanding loans to the public[b]	122,401	377	54,311	31,680
Outstanding loans to the public as at the end of the reporting period	131,313	429	57,527	34,534
Outstanding non-performing debts[f]	224	-	419	399
Outstanding debts in arrears of over 90 days	657	-	70	7
Average outstanding balance of liabilities[b]	122,028	25,698	82,423	55,562
Of which: Average balance of deposits by the public[b]	121,968	25,696	82,329	55,480
Balance of deposits by the public as at the end of the reporting period	120,483	25,965	86,888	60,874
Average balance of risk-weighted assets[b][c]	81,285	701	51,505	34,396
Balance of risk-weighted assets as at the end of the reporting period[c]	86,779	710	54,029	37,628
Average balance of assets under management[b][d]	66,598	50,077	78,350	28,887
Breakdown of interest income, net:				
Spread from granting loans to the public	2,267	5	1,701	743
Spread from taking deposits by the public	230	35	93	37
Other	-	-	-	-
Total interest income, net	2,497	40	1,794	780

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 16.4 billion to customers whose business activity is classified to business segments.
(f) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.

					Foreign operations				
Corporations	Institutional entities	Financial manage-ment	Other	Total activity in Israel	Private individuals	Business activity	Other	Foreign operations - total	Total
2,206	19	1,017	-	10,673	34	847	118	999	11,672
184	221	440	-	1,289	7	28	2	37	1,326
2,022	(202)	577	-	9,384	27	819	116	962	10,346
(412)	256	2,049	(2)	15	9	(22)	(2)	(15)	-
1,610	54	2,626	(2)	9,399	36	797	114	947	10,346
593	181	1,909	256	5,263	89	110	49	248	5,511
2,203	235	4,535	254	14,662	125	907	163	1,195	15,857
(201)	3	(42)	-	(808)	(5)	1	-	(4)	(812)
445	232	395	692	6,667	63	663	35	761	7,428
-	1	11	(12)	-	-	-	-	-	-
445	233	406	680	6,667	63	663	35	761	7,428
1,959	(1)	4,171	(426)	8,803	67	243	128	438	9,241
689	-	1,495	(106)	3,173	16	60	26	102	3,275
1,270	(1)	2,676	(320)	5,630	51	183	102	336	5,966
-	-	101	-	101	-	-	-	-	101
1,270	(1)	2,777	(320)	5,731	51	183	102	336	6,067
-	-	-	-	-	6	18	15	39	39
1,270	(1)	2,777	(320)	5,731	45	165	87	297	6,028
82,652	4,627	254,205	8,314	556,799	1,729	21,583	9,056	32,368	589,167
-	-	794	-	794	-	-	-	-	794
83,743	4,634	-	-	297,146	473	22,469	-	22,942	320,088
93,927	5,824	-	-	323,554	407	23,430	-	23,837	347,391
1,148	2	-	-	2,192	1	400	-	401	2,593
3	-	-	-	737	-	204	-	204	941
78,271	93,592	50,565	14,081	522,220	6,447	17,270	2,688	26,405	548,625
75,279	93,030	-	-	453,782	6,397	17,983	698	25,078	478,860
90,223	127,883	-	-	512,316	5,723	18,662	568	24,953	537,269
101,581	909	29,661	17,892	317,930	207	26,222	2,946	29,375	347,305
114,097	1,050	33,183	16,778	344,254	196	27,676	2,650	30,522	374,776
104,078	934,492	47,450	4	1,309,936	16,257	1,491	-	17,748	1,327,684
1,577	18	3,349	(1)	9,659	8	439	431	878	10,537
33	35	(1,272)	1	(808)	28	358	(425)	(39)	(847)
-	1	549	(2)	548	-	-	108	108	656
1,610	54	2,626	(2)	9,399	36	797	114	947	10,346

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

	For the year ended December 31, 2020			
	Activity in Israel[a]			
	House-holds[e]	Private banking	Small- and micro-businesses	Mid-market
	In NIS millions			
Interest income from external	3,362	4	1,950	825
Interest expense for external	178	107	128	156
Interest income, net:				
From external	3,184	(103)	1,822	669
Inter-segmental	(690)	160	(20)	55
Total interest income, net	2,494	57	1,802	724
Total noninterest income	984	151	773	290
Total income	3,478	208	2,575	1,014
Loan loss expenses (income)	445	-	569	285
Operating and other expenses:				
For external	2,567	83	1,531	421
Inter-segmental	21	-	-	-
Total operating and other expenses	2,588	83	1,531	421
Profit (loss) before taxes	445	125	475	308
Provision for profit tax (benefit)	163	47	177	117
Profit (loss) after taxes	282	78	298	191
The Bank's share in associates' profits (losses), after tax effect	-	-	-	-
Net income (loss) before attribution to non-controlling interests	282	78	298	191
Net income (loss) attributable to non-controlling interests	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	282	78	298	191
Average outstanding balance of assets[b]	111,951	314	49,304	27,875
Of which: Investment in associates[b]	-	-	-	-
Average outstanding loans to the public[b]	112,629	307	49,873	28,197
Outstanding loans to the public as at the end of the reporting period	116,345	320	50,658	29,502
Outstanding non-performing debts[f]	206	-	669	407
Outstanding debts in arrears of over 90 days	758	-	38	-
Average outstanding balance of liabilities[b]	117,069	25,653	70,842	43,406
Of which: Average balance of deposits by the public[b]	116,986	25,650	70,749	43,319
Balance of deposits by the public as at the end of the reporting period	121,146	26,082	77,259	47,145
Average balance of risk-weighted assets[b][d]	77,577	1,349	48,452	31,374
Balance of risk-weighted assets as at the end of the reporting period[c]	78,967	695	49,136	32,806
Average balance of assets under management[b][d]	61,996	41,741	59,238	23,901
Breakdown of interest income, net:				
Spread from granting loans to the public	2,207	2	1,678	662
Spread from taking deposits by the public	287	55	124	62
Other	-	-	-	-
Total interest income, net	2,494	57	1,802	724

(a) The classification is based on the office's location.
(b) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(c) Risk-weighted assets - as calculated for capital adequacy purposes.
(d) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(e) Including housing loans with outstanding loans to the public as at end of period in the amount of NIS 14.2 billion to customers whose business activity is classified to business segments.
(f) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.H.

					Foreign operations				
Corporations	Institutional entities	Financial manage-ment	Other	Total activity in Israel	Private individuals	Business activity	Other	Foreign operations - total	Total
1,868	18	1,091	-	9,118	40	902	115	1,057	10,175
198	196	376	-	1,339	48	58	7	113	1,452
1,670	(178)	715	-	7,779	(8)	844	108	944	8,723
(229)	251	487	(6)	8	(49)	56	(15)	(8)	-
1,441	73	1,202	(6)	7,787	(57)	900	93	936	8,723
549	207	1,127	22	4,103	76	98	89	263	4,366
1,990	280	2,329	16	11,890	19	998	182	1,199	13,089
1,001	(1)	(29)	-	2,270	1	281	-	282	2,552
376	214	359	717	6,268	191	470	117	778	7,046
-	17	(38)	-	-	-	-	-	-	-
376	231	321	717	6,268	191	470	117	778	7,046
613	50	2,037	(701)	3,352	(173)	247	65	139	3,491
219	19	804	(229)	1,317	(46)	74	11	39	1,356
394	31	1,233	(472)	2,035	(127)	173	54	100	2,135
-	-	(13)	-	(13)	-	-	-	-	(13)
394	31	1,220	(472)	2,022	(127)	173	54	100	2,122
-	-	-	-	-	(19)	32	7	20	20
394	31	1,220	(472)	2,022	(108)	141	47	80	2,102
71,631	4,030	207,738	9,225	482,068	1,967	21,710	7,623	31,300	513,368
-	-	743	-	743	-	-	-	-	743
72,320	4,033	-	-	267,359	554	23,102	-	23,656	291,015
77,154	4,386	-	-	278,365	532	21,734	-	22,266	300,631
1,557	1	-	-	2,840	25	604	-	629	3,469
4	-	-	-	800	-	14	-	14	814
62,972	72,039	47,376	11,487	450,844	7,398	16,432	1,499	25,329	476,173
59,951	71,482	-	-	388,137	7,187	16,194	712	24,093	412,230
72,512	80,499	-	-	424,643	6,555	15,100	733	22,388	447,031
88,399	919	27,515	18,396	293,981	421	27,484	2,819	30,724	324,705
94,872	753	26,802	18,505	302,536	144	25,114	3,057	28,315	330,851
62,860	794,455	40,228	-	1,084,419	15,689	1,588	-	17,277	1,101,696
1,386	14	2,090	(7)	8,032	(2)	530	409	937	8,969
55	59	(1,583)	-	(941)	(55)	370	(427)	(112)	(1,053)
-	-	695	1	696	-	-	111	111	807
1,441	73	1,202	(6)	7,787	(57)	900	93	936	8,723

Note 29A - Regulatory Operating Segments & Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Private individuals – Households and private banking

	For the year ended December 31, 2022								
	Households segment				Private banking segment				Private individuals - total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
	In NIS millions								
Interest income from external	5,143	56	1,566	6,765	7	-	4	11	6,776
Interest expense from external	-	-	585	585	-	-	219	219	804
Interest income, net:									
From external	5,143	56	981	6,180	7	-	(215)	(208)	5,972
Inter-segmental	(3,778)	1	1,385	(2,392)	1	3	410	414	(1,978)
Total interest income, net	**1,365**	**57**	**2,366**	**3,788**	**8**	**3**	**195**	**206**	**3,994**
Total noninterest income	**49**	**263**	**684**	**996**	**-**	**3**	**145**	**148**	**1,144**
Total income	**1,414**	**320**	**3,050**	**4,784**	**8**	**6**	**340**	**354**	**5,138**
Loan loss expenses	112	13	98	223	-	-	-	-	223
Operating and other expenses:									
For external	377	238	2,069	2,684	-	3	88	91	2,775
Inter-segmental	-	-	-	-	-	-	-	-	-
Total operating and other expenses	**377**	**238**	**2,069**	**2,684**	**-**	**3**	**88**	**91**	**2,775**
Profit before taxes	925	69	883	1,877	8	3	252	263	2,140
Provision for profit tax	320	24	310	654	3	1	89	93	747
Profit after taxes	605	45	573	1,223	5	2	163	170	1,393
The Bank's share in associates' profits, after tax effect	-	-	-	-	-	-	-	-	-
Net income (loss) before attribution to non-controlling interests	605	45	573	1,223	5	2	163	170	1,393
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	-
Net income attributable to the Bank's shareholders	**605**	**45**	**573**	**1,223**	**5**	**2**	**163**	**170**	**1,393**
Average balance of assets[a]	111,055	4,067	24,615	139,737	188	92	176	456	140,193
Of which: Investments in associates[a]	-	-	-	-	-	-	-	-	-
Average outstanding loans to the public[a]	111,354	4,095	25,032	140,481	188	92	176	456	140,937
Outstanding loans to the public as at the end of the reporting period	119,495	4,185	26,498	150,178	195	100	145	440	150,618
Outstanding non-performing debts	559	-	222	781	-	-	-	-	781
Outstanding debts in arrears of over 90 days	-	-	44	44	-	-	-	-	44
Average outstanding liabilities[a]	53	12	124,043	124,108	-	-	27,169	27,169	151,277
Of which: Average balance of deposits by the public[a]	-	-	123,996	123,996	-	-	27,169	27,169	151,165
Balance of deposits by the public as at the end of the reporting period	-	-	128,394	128,394	-	-	29,612	29,612	158,006
Average balance of risk-weighted assets[a][b]	67,111	3,531	20,688	91,330	193	135	316	644	91,974
Balance of risk-weighted assets as at the end of the reporting period[b]	73,938	3,640	22,393	99,971	288	156	218	662	100,633
Average balance of assets under management[a][c]	1,728	-	60,611	62,339	-	-	48,626	48,626	110,965
Breakdown of interest income, net:									
Spread from granting loans to the public	1,365	57	1,208	2,630	8	3	7	18	2,648
Spread from deposits by the public	-	-	1,158	1,158	-	-	188	188	1,346
Other	-	-	-	-	-	-	-	-	-
Total interest income, net	**1,365**	**57**	**2,366**	**3,788**	**8**	**3**	**195**	**206**	**3,994**

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purposes.
(c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

Note 29A - Regulatory Operating Segments & Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Private individuals – households and private banking (cont.)

	For the year ended December 31, 2021								
	Households segment				Private banking segment				Private individuals - total
	Housing loans	Credit cards	Other	Total	Housing loans	Credit cards	Other	Total	
	In NIS millions								
Interest income from external	3,285	50	1,207	4,542	4	-	3	7	4,549
Interest expense from external	-	-	226	226	-	-	62	62	288
Interest income, net:									
From external	3,285	50	981	4,316	4	-	(59)	(55)	4,261
Inter-segmental	(2,159)	(1)	341	(1,819)	(2)	-	97	95	(1,724)
Total interest income, net	1,126	49	1,322	2,497	2	-	38	40	2,537
Total noninterest income	55	243	707	1,005	-	4	165	169	1,174
Total income	1,181	292	2,029	3,502	2	4	203	209	3,711
Loan loss income	(141)	(2)	(42)	(185)	-	-	-	-	(185)
Operating and other expenses:									
For external	318	216	2,261	2,795	-	4	91	95	2,890
Inter-segmental	-	-	-	-	-	-	-	-	-
Total operating and other expenses	318	216	2,261	2,795	-	4	91	95	2,890
Profit (loss) before taxes	1,004	78	(190)	892	2	-	112	114	1,006
Provision for profit tax (benefit)	351	28	(66)	313	-	-	40	40	353
Profit (loss) after taxes	653	50	(124)	579	2	-	72	74	653
The Bank's share in associates' profits, after tax effect	-	-	-	-	-	-	-	-	-
Net income (loss) before attribution to non-controlling interests	653	50	(124)	579	2	-	72	74	653
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	653	50	(124)	579	2	-	72	74	653
Average balance of assets(a)	95,435	3,532	22,592	121,559	145	82	157	384	121,943
Of which: Investments in associates(a)	-	-	-	-	-	-	-	-	-
Average outstanding loans to the public(a)	95,741	3,571	23,089	122,401	145	83	149	377	122,778
Outstanding loans to the public as at the end of the reporting period	103,429	3,983	23,901	131,313	181	89	159	429	131,742
Outstanding non-performing debts(d)	20	2	202	224	-	-	-	-	224
Outstanding debts in arrears of over 90 days	609	-	48	657	-	-	-	-	657
Average outstanding liabilities(a)	17	5	122,006	122,028	-	-	25,698	25,698	147,726
Of which: Average balance of deposits by the public(a)	-	-	121,968	121,968	-	-	25,696	25,696	147,664
Balance of deposits by the public as at the end of the reporting period	-	-	120,483	120,483	-	-	25,965	25,965	146,448
Average balance of risk-weighted assets(a)(b)	58,708	3,512	19,065	81,285	182	173	346	701	81,986
Balance of risk-weighted assets as at the end of the reporting period(b)	63,487	3,437	19,855	86,779	237	145	328	710	87,489
Average balance of assets under management(a)(c)	3,070	-	63,528	66,598	3	-	50,074	50,077	116,675
Breakdown of interest income, net:									
Spread from granting loans to the public	1,126	49	1,092	2,267	2	-	3	5	2,272
Spread from taking deposits by public	-	-	230	230	-	-	35	35	265
Other	-	-	-	-	-	-	-	-	-
Total interest income, net	1,126	49	1,322	2,497	2	-	38	40	2,537

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purposes.
(c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.I.

Note 29A - Regulatory Operating Segments & Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Small-, micro- and mid-sized businesses and corporations

	For the year ended December 31, 2022									
	Small- and micro-business segment			Mid-market segment			Corporate segment			
	Construction and real estate	Other	Total	Const-ruction and real estate	Other	Total	Const-ruction and real estate	Other	Total	Total
	In NIS millions									
Interest income from external	1,032	1,701	2,733	576	819	1,395	1,970	1,915	3,885	8,013
Interest expense from external	94	493	587	31	547	578	132	910	1,042	2,207
Interest income, net:										
From external	938	1,208	2,146	545	272	817	1,838	1,005	2,843	5,806
Inter-segmental	(97)	671	574	(148)	696	548	(580)	167	(413)	709
Total interest income, net	841	1,879	2,720	397	968	1,365	1,258	1,172	2,430	6,515
Total noninterest income	156	738	894	53	291	344	371	329	700	1,938
Of which: Income from credit cards	17	86	103	1	8	9	1	2	3	115
Total income	997	2,617	3,614	450	1,259	1,709	1,629	1,501	3,130	8,453
Loan loss expenses (income)	11	173	184	(2)	(10)	(12)	62	(42)	20	192
Operating and other expenses:										
For external	325	1,301	1,626	88	347	435	137	374	511	2,572
Inter-segmental	-	-	-	-	-	-	-	-	-	-
Total operating and other expenses	325	1,301	1,626	88	347	435	137	374	511	2,572
Profit before taxes	661	1,143	1,804	364	922	1,286	1,430	1,169	2,599	5,689
Provision for profit tax	232	402	634	126	325	451	496	411	907	1,992
Profit after taxes	429	741	1,170	238	597	835	934	758	1,692	3,697
The Bank's share in associates' profits, after tax effect	-	-	-	-	-	-	-	-	-	-
Net income before amount attributable to non-controlling interests	429	741	1,170	238	597	835	934	758	1,692	3,697
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Net income attributable to the Bank's shareholders	429	741	1,170	238	597	835	934	758	1,692	3,697
Average balance of assets[(a)]	22,968	38,208	61,176	14,770	22,689	37,459	50,589	64,567	115,156	213,791
Of which: Investments in associates[(a)]	-	-	-	-	-	-	-	-	-	-
Average outstanding loans to the public[(a)]	23,293	38,783	62,076	14,967	22,873	37,840	51,007	63,968	114,975	214,891
Outstanding loans to the public as at the end of the reporting period	24,053	41,750	65,803	15,983	23,490	39,473	56,530	70,098	126,628	231,904
Outstanding non-performing debts	133	286	419	64	226	290	39	361	400	1,109
Outstanding debts in arrears of over 90 days	7	8	15	-	-	-	-	16	16	31
Average outstanding liabilities[(a)]	18,624	75,650	94,274	7,378	57,654	65,032	17,470	74,311	91,781	251,087
Of which: Average balance of deposits by the public[(a)]	18,582	75,569	94,151	7,344	57,602	64,946	16,701	70,853	87,554	246,651
Balance of deposits by the public as at the end of the reporting period	19,748	80,809	100,557	7,595	62,482	70,077	18,567	79,174	97,741	268,375
Average balance of risk-weighted assets[(a)(b)]	24,358	32,763	57,121	16,969	23,698	40,667	67,985	67,707	135,692	233,480
Balance of risk-weighted assets as at the end of the reporting period[(b)]	23,742	34,786	58,528	17,497	25,045	42,542	83,725	79,522	163,247	264,317
Average balance of assets under management[(a)(c)]	15,368	62,909	78,277	5,560	26,277	31,837	26,254	100,881	127,135	237,249
Breakdown of interest income, net:										
Spread from granting loans to the public	683	1,256	1,939	346	544	890	1,183	931	2,114	4,943
Spread from taking deposits by the public	158	623	781	51	424	475	75	241	316	1,572
Other	-	-	-	-	-	-	-	-	-	-
Total interest income, net	841	1,879	2,720	397	968	1,365	1,258	1,172	2,430	6,515

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.

(b) Risk-weighted assets - as calculated for capital adequacy purposes.

(c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Small-, micro- and mid-sized businesses and corporations (cont.)

	For the year ended December 31, 2021									
	Small- and micro-business segment			Mid-market segment			Corporate segment			
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Total
	In NIS millions									
Interest income from external	710	1,252	1,962	364	556	920	1,094	1,112	2,206	5,088
Interest expense from external	14	71	85	4	67	71	15	169	184	340
Interest income, net:										
From external	696	1,181	1,877	360	489	849	1,079	943	2,022	4,748
Inter-segmental	(91)	8	(83)	(68)	(1)	(69)	(184)	(228)	(412)	(564)
Total interest income, net	605	1,189	1,794	292	488	780	895	715	1,610	4,184
Total noninterest income	138	688	826	50	274	324	333	260	593	1,743
Of which: Income from credit cards	15	79	94	1	8	9	1	2	3	106
Total income	743	1,877	2,620	342	762	1,104	1,228	975	2,203	5,927
Loan loss expenses (income)	(5)	(235)	(240)	(20)	(123)	(143)	226	(427)	(201)	(584)
Operating and other expenses:										
For external	312	1,243	1,555	81	377	458	128	317	445	2,458
Inter-segmental	-	-	-	-	-	-	-	-	-	-
Total operating and other expenses	312	1,243	1,555	81	377	458	128	317	445	2,458
Profit before taxes	436	869	1,305	281	508	789	874	1,085	1,959	4,053
Provision for profit tax	154	308	462	100	180	280	301	388	689	1,431
Profit after taxes	282	561	843	181	328	509	573	697	1,270	2,622
The Bank's share in associates' profits, after tax effect	-	-	-	-	-	-	-	-	-	-
Net income before amount attributable to non-controlling interests	282	561	843	181	328	509	573	697	1,270	2,622
Net income attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-
Net income attributable to the Bank's shareholders	282	561	843	181	328	509	573	697	1,270	2,622
Average balance of assets[(a)]	20,395	33,307	53,702	11,789	19,567	31,356	36,071	46,581	82,652	167,710
Of which: Investments in associates[(a)]	-	-	-	-	-	-	-	-	-	-
Average outstanding loans to the public[(a)]	20,527	33,784	54,311	11,845	19,835	31,680	36,277	47,466	83,743	169,734
Outstanding loans to the public as at the end of the reporting period	21,961	35,566	57,527	12,987	21,547	34,534	44,175	49,752	93,927	185,988
Outstanding non-performing debts[(d)]	140	279	419	60	339	399	212	936	1,148	1,966
Outstanding debts in arrears of over 90 days	39	31	70	-	7	7	3	-	3	80
Average outstanding liabilities[(a)]	16,020	66,403	82,423	6,139	49,423	55,562	15,601	62,670	78,271	216,256

	For the year ended December 31, 2021									
	Small- and micro-business segment			Mid-market segment			Corporate segment			
	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Construction and real estate	Other	Total	Total
	In NIS millions									
Of which: Average balance of deposits by the public[(a)]	15,986	66,343	82,329	6,105	49,375	55,480	14,933	60,346	75,279	213,088
Balance of deposits by the public as at the end of the reporting period	16,762	70,126	86,888	6,982	53,892	60,874	16,938	73,285	90,223	237,985
Average balance of risk-weighted assets[(a)(b)]	21,575	29,930	51,505	13,779	20,617	34,396	56,793	44,788	101,581	187,482
Balance of risk-weighted assets as at the end of the reporting period[(b)]	23,201	30,828	54,029	15,119	22,509	37,628	57,099	56,998	114,097	205,754
Average balance of assets under management[(a)(c)]	14,869	63,481	78,350	4,988	23,899	28,887	21,040	83,038	104,078	211,315
Breakdown of interest income, net:										
Spread from granting loans to the public	588	1,113	1,701	286	457	743	891	686	1,577	4,021
Spread from taking deposits by the public	17	76	93	6	31	37	4	29	33	163
Other	-	-	-	-	-	-	-	-	-	-
Total interest income, net	605	1,189	1,794	292	488	780	895	715	1,610	4,184

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.

(b) Risk-weighted assets - as calculated for capital adequacy purposes.

(c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.

(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the accounting policy on identification and classification of performing and non-performing debts (in lieu of impaired debts), please see Note 1.I.

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Financial management

	For the year ended December 31, 2022				
	Trading activity	Assets and liabilities management activity	Non-financial investment activity	Other	Total
	In NIS millions				
Interest income from external	86	3,354	10	3	3,453
Interest expense from external	42	1,085	-	-	1,127
Interest income, net:					
From external	44	2,269	10	3	2,326
Inter-segmental	(279)	(150)	(82)	149	(362)
Total interest income, net	**(235)[e]**	**2,119**	**(72)**	**152**	**1,964**
Total noninterest income	**131[f]**	**410**	**144**	**113**	**798**
Total income	**(104)**	**2,529**	**72**	**265**	**2,762**
Loan loss expenses	-	-	-	84	84
Operating and other expenses:					
For external	165	40	42	98	345
Inter-segmental	-	5	3	5	13
Total operating and other expenses	**165**	**45**	**45**	**103**	**358**
Profit (loss) before taxes	(269)	2,484	27	78	2,320
Provision (benefit) for profit tax	(94)	865	8	(2)	777
Profit (loss) after taxes	(175)	1,619	19	80	1,543
The Bank's share in associates' profits, after tax effect	-	-	387	-	387
Net income (loss) before amount attributable to non-controlling interests	(175)	1,619	406	80	1,930
Net income attributable to non-controlling interests	-	-	-	-	-
Net income (loss) attributable to the Bank's shareholders	**(175)**	**1,619**	**406**	**80**	**1,930**
Average balance of assets[a]	24,737	254,802	7,514	3,293	290,346
Of which: Investments in associates[a]	-	-	1,112	-	1,112
Average outstanding liabilities[a]	23,898	46,392	128	324	70,742
Of which: Average balance of deposits by the public[a]	-	-	-	-	-
Balance of deposits by the public as at end of the reporting period	-	-	-	-	-
Average balance of risk-weighted assets[a][b]	10,550	16,112	4,648	-	31,310
Balance of risk-weighted assets as at end of the reporting period[b]	10,351	15,431	4,803	-	30,585
Average balance of managed assets[c]	-	-	-	52,980	52,980
Component of interest income and noninterest finance income, net:					
Exchange rate differentials, net[d]	345	119	-	-	-
Exchange rate differentials, CPI[d]	(98)	1,471	-	-	-
Net interest exposures[d]	(63)	3,332	-	-	-
Net exposures to shares[d]	66	-	-	-	-
Interest spreads attributed to financial management	-	(2,333)	-	-	-
Total net interest income and noninterest income on accrual basis	250	2,589	-	-	-
Gains/losses on sale or other-than temporary impairment of bonds	-	(183)	-	-	-
Change in the difference between fair value and accrual basis of derivatives recognized in profit and loss	-	73	-	-	-
Other noninterest income	(354)	50	-	-	-
Total net interest income and noninterest finance income	**(104)**	**2,529**	-	-	-

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purposes.
(c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(d) Including for securities and derivatives.
(e) Net interest income from trading activities in Note 2 do not include inter-segmental balances in the amount of NIS 279 million.
(f) Noninterest finance income from trading activities in Note 3 does not include fees and commissions and other income in the amount of NIS 15 million and inter-segmental balances in the amount NIS 19 million and do include noninterest income for foreign activities in the amount of NIS 10 million.

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

A. Information on Regulatory Operating Segments (cont.)

Financial Management (cont.)

	For the year ended December 31, 2021				
	Trading activity	Assets and liabilities management activity	Non-financial investment activity	Other	Total
	In NIS millions				
Interest income from external	27	983	5	2	1,017
Interest expense from external	2	438	-	-	440
Interest income, net:					
From external	25	545	5	2	577
Inter-segmental	6	2,035	(9)	17	2,049
Total interest income, net	31[(e)]	2,580	(4)	19	2,626
Total noninterest income	396[(f)]	516	864	133	1,909
Total income	427	3,096	860	152	4,535
Loan loss income	-	(4)	-	(38)	(42)
Operating and other expenses:					
For external	200	41	44	110	395
Inter-segmental	-	7	2	2	11
Total operating and other expenses	200	48	46	112	406
Profit before taxes	227	3,052	814	78	4,171
Provision for profit tax	78	1,107	287	23	1,495
Profit after taxes	149	1,945	527	55	2,676
The Bank's share in associates' profits, after tax effect	-	-	101	-	101
Net income before attribution to non-controlling interests	149	1,945	628	55	2,777
Net income attributable to non-controlling interests	-	-	-	-	-
Net income attributable to the Bank's shareholders	149	1,945	628	55	2,777
Average balance of assets[(a)]	16,366	230,239	6,830	770	254,205
Of which: Investments in associates[(a)]	-	-	794	-	794
Average outstanding liabilities[(a)]	15,685	34,464	92	324	50,565
Of which: Average balance of deposits by the public[(a)]	-	-	-	-	-
Balance of deposits by the public as at the end of reporting period	-	-	-	-	-
Average balance of risk-weighted assets[(a)(b)]	9,421	16,536	3,704	-	29,661
Balance of risk-weighted assets as at end of the reporting period[(b)]	10,731	17,884	4,568	-	33,183
Average balance of managed assets[(c)]	-	-	-	47,450	47,450
Component of interest income and noninterest finance income, net:					
Exchange rate differentials, net[(d)]	166	104	-	-	-
Exchange rate differentials, CPI[(d)]	11	722	-	-	-
Net interest exposures[(d)]	109	523	-	-	-
Net exposures to shares[(d)]	68	-	-	-	-
Interest spreads attributed to financial management	-	1,209	-	-	-
Total net interest income and noninterest income on accrual basis	354	2,558	-	-	-
Gains or losses from sale or other-than temporary impairment of bonds	-	230	-	-	-
Change in the difference between fair value and accrual basis of derivatives recognized in profit and loss	-	312	-	-	-
Other noninterest income	73	(4)	-	-	-
Total net interest income and noninterest finance income	427	3,096	-	-	-

(a) Average balance calculations are based on daily balances, as at the beginning of the quarter or the beginning of each month.
(b) Risk-weighted assets - as calculated for capital adequacy purposes.
(c) Assets under management - including customers' provident assets, study funds, mutual funds and securities.
(d) Including for securities and derivatives.
(e) Net interest income from trading activities in Note 2 do not include inter-segmental balances in the amount of NIS 6 million.
(f) Noninterest finance income from trading activities in Note 3 does not include fees and commissions and other income in the amount of NIS 34 million and inter-segmental balances in the amount NIS 10 million and do include noninterest income for foreign activities in the amount of NIS 21 million.

Note 29A - Regulatory Operating Segments and Geographic Areas of Activity (cont.)

Information on Activity by Geographical Area[a]

	December 31, 2022					
	Israel	USA	UK	Other	Total activity outside Israel	Total consolidated
	In NIS millions					
Total income[b]	**17,599**	**268**	**362**	**-**	**630**	**18,229**
Net income attributable to the Bank's shareholders	**7,454**	**56**	**199**	**-**	**255**	**7,709**
Total assets	**692,327**	**-**	**6,798**	**41**	**6,839**	**699,166**

	December 31, 2021					
	Israel	USA	UK	Other	Total activity outside Israel	Total consolidated
	In NIS millions					
Total income[b]	14,784	982	89	2	1,073	15,857
Net income (loss) attributable to the Bank's shareholders	5,853	213	(46)	8	175	6,028
Total assets	623,478	26,026	6,928	22	32,976	656,454

	December 31, 2020					
	Israel	USA	UK	Other	Total activity outside Israel	Total consolidated
	In NIS millions					
Total income[b]	11,992	1,028	68	1	1,097	13,089
Net income (loss) attributable to the Bank's shareholders	2,120	121	(142)	3	(18)	2,102
Total assets	526,844	23,484	5,684	23	29,191	556,035

(a) The classification is based on the office's location.
(b) Interest income and noninterest income, net.

Note 29B – Operating Segments according to Management Approach

A. Overview

According to Management Approach, an operating segment is a component of the banking corporation engaged in activities from which it may generate income and bear expenses. The operating results of the operating segment are reviewed on an ongoing basis by the Bank's management and Board of Directors in order to make decisions regarding the allocation of resources and the assessment of its performances. Furthermore, separate financial data is available for operating segments.

Operating segments reporting according to management approach presents the Bank's results by business line, in accordance with the Bank's organizational structure and decision of the Bank's management and Board of Directors.

The Bank's business lines specialize in providing services to customer segments with similar characteristics and needs.

The Bank's activity in Israel is managed as follows:

1. Banking – provision of banking services to retail customers and small businesses. This line of business comprises three departments: Retail Banking, Small Businesses, and Private Banking. The services and products are adapted to all the customer segments according to the nature of their banking activity, their characteristics and their needs.

2. Mortgages - provision of loans intended to purchase residential apartments or loans pledged by a residential apartment or another asset.

3. Commercial - providing banking and financial services to middle-market companies and interested parties in these companies.

4. Corporate banking - providing banking and financial services to large Israeli corporations and international corporations, supporting their domestic and foreign activities.

5. Real estate – providing banking and financial services to the construction and real estate sector.

6. Capital markets – management of the Bank's own portfolio, management of assets and liabilities and management of investments in financial assets.

7. Other – activities not attributed to the other business lines.

Results of operations are attributed to the line of business in charge of the customer's account.

- Net interest income – interest on loans extended by the business line is credited to the business line, net of the cost of raising the loans (transfer price). Furthermore, the business line is credited with a transfer price in respect of deposits raised net of interest paid to customers.

- Noninterest income (noninterest finance income, fees and commissions and other income) – is allocated to the business lines according to the customer's activity.

- Business lines' expenses include their direct expenses. Expenses of corporate units providing services to business lines are allocated to the business lines.

- A part of the income from the management of assets and liabilities is recorded to the business lines according to their business activity.

The operating results of the business lines, both in terms of on-balance sheet items and in terms of profit and loss items, are assessed on an ongoing basis by the Bank's management and Board of Directors. The results are compared to objectives set in an annual work plan and to the corresponding period in the previous year. Furthermore, the Bank measures a range of other metrics relating to the business lines' activities.

Note 29B – Operating Segments according to Management Approach (cont.)

B. Information Regarding Operating Segments according to Management Approach

	For the year ended December 31, 2022											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	
	Private individuals	Small businesses	Retail banking - total	Mortgages	Mid-market	Corporate	Real estate	Capital markets	Other and adjustments			Total
	In NIS millions											
Interest income, net:												
From external	786	1,254	2,040	5,168	1,535	1,336	1,776	741	14	121	480	13,211
Inter-segmental	2,480	314	2,794	(3,745)	539	(471)	(659)	1,642	(5)	6	(101)	-
Interest income, net	3,266	1,568	4,834	1,423	2,074	865	1,117	2,383	9	127	379	13,211
Noninterest income	1,592	533	2,125	87	612	298	406	125	778[(a)]	484	103	5,018
Total income	4,858	2,101	6,959	1,510	2,686	1,163	1,523	2,508	787	611	482	18,229
Loan loss expenses (income)	131	126	257	114	115	(16)	(57)	113	(21)	(7)	-	498
Total operating and other expenses	2,697	1,006	3,703	377	723	278	148	415	682	199	310	6,835
Profit before tax	2,030	969	2,999	1,019	1,848	901	1,432	1,980	126	419	172	10,896
Provision for taxes	694	331	1,025	348	632	308	490	677	(63)	101	46	3,564
Net income (loss) attributable to the Bank's shareholders	1,336	638	1,974	671	1,216	593	942	1,612	189	396	116	7,709
Balances as at December 31, 2022												
Loans to the public, net	32,498	26,688	59,186	120,927	60,820	54,807	54,669	21,310	5,747	871	6,445	384,782
Deposits by the public	202,991	55,415	258,406	-	95,839	39,617	14,423	148,773	7	-	19	557,084

(a) Including revenues totaling NIS 782 million in respect of the Valley merger.

Note 29B – Operating Segments according to Management Approach (cont.)

B. Information Regarding Operating Segments according to Management Approach (cont.)

	For the year ended December 31, 2021											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	
	Private individuals	Small businesses	Retail banking - total	Mortgages	Mid-market	Corporate	Real estate	Capital markets	Other and adjustments			Total
	In NIS millions											
Interest income, net:												
From external	1,108	1,075	2,183	3,251	1,387	1,017	1,072	357	10	106	963	10,346
Inter-segmental	776	84	860	(1,893)	(20)	(312)	(137)	1,520	(2)	-	(16)	-
Interest income, net	1,884	1,159	3,043	1,358	1,367	705	935	1,877	8	106	947	10,346
Noninterest income	1,439	460	1,899	18	468	241	326	1,009	333	969[(a)]	248	5,511
Total income	3,323	1,619	4,942	1,376	1,835	946	1,261	2,886	341	1,075	1,195	15,857
Loan loss expenses (income)	(33)	(263)	(296)	(137)	(119)	(240)	(39)	31	(21)	13	(4)	(812)
Total operating and other expenses	2,770	982	3,752	322	731	277	134	420	825	206	761	7,428
Profit (loss) before tax	586	900	1,486	1,191	1,223	909	1,166	2,435	(463)	856	438	9,241
Provision for taxes	200	308	508	407	418	311	399	833	81	216	102	3,275
Net income (loss) attributable to the Bank's shareholders	386	592	978	784	805	598	767	1,605	(544)	738	297	6,028
Balances as at December 31, 2021												
Loans to the public, net	30,335	25,745	56,080	104,525	51,408	41,417	43,665	15,749	5,532	1,006	23,497	342,879
Deposits by the public	185,452	51,329	236,781	-	86,466	33,621	13,395	142,050	3	-	24,953	537,269

(a) Includes the revenues of Leumi Partners Ltd. for realized and unrealized gain totaling NIS 518 million from the shares of iron Source and Retailors.

Note 29B – Operating Segments according to Management Approach (cont.)

B. Information Regarding Operating Segments according to Management Approach (cont.)

	For the year ended December 31, 2020											
	The Bank									Subsidiaries in Israel	Foreign subsidiaries	
	Private individuals	Small businesses	Retail banking - total	Mortgages	Mid-market	Corporate	Real estate	Capital markets	Other and adjustments			Total
	In NIS millions											
Interest income, net:												
From external	1,126	1,142	2,268	2,047	1,118	880	834	510	-	128	938	8,723
Inter-segmental	774	38	812	(891)	103	(205)	(111)	287	-	7	(2)	-
Interest income, net	1,900	1,180	3,080	1,156	1,221	675	723	797	-	135	936	8,723
Noninterest income	1,362	459	1,821	38	428	244	312	879	127	254	263	4,366
Total income	3,262	1,639	4,901	1,194	1,649	919	1,035	1,676	127	389	1,199	13,089
Loan loss expenses (income)	333	482	815	178	352	762	210	(18)	(33)	4	282	2,552
Total operating and other expenses	2,610	951	3,561	245	667	227	125	382	871	190	778	7,046
Profit (loss) before tax	319	206	525	771	630	(70)	700	1,312	(711)	195	139	3,491
Provision (benefit) for taxes	109	70	179	264	215	(24)	239	448	(45)	41	39	1,356
Net income (loss) attributable to the Bank's shareholders	210	136	346	507	415	(46)	461	866	(666)	139	80	2,102
Balances as at December 31, 2020												
Loans to the public, net	27,530	24,253	51,783	91,313	44,626	39,389	31,559	8,700	5,339	790	21,842	295,341
Deposits by the public	181,676	47,710	229,386	-	65,775	28,390	10,149	90,938	5	-	22,388	447,031

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision

A. Debts and Off-Balance-Sheet Credit Instruments

1. Change in Outstanding Loan Loss Provision

	For the year ended December 31, 2022					
	Loan loss provision					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the year	**3,765**	**489**	**727**	**4,981**	**3**	**4,984**
Adjustment to the opening balance due to the effect of first-time application[(a)]	**804**	**(165)**	**22**	**661**	**26**	**687**
Balance as at January 1, 2022	**4,569**	**324**	**749**	**5,642**	**29**	**5,671**
Loan loss expenses	**240**	**112**	**112**	**464**	**34**	**498**
Charge-offs	**(589)**	**(17)**	**(370)**	**(976)**	**-**	**(976)**
Collection of debts written off in previous years	**471**	**-**	**241**	**712**	**-**	**712**
Net charge-offs	**(118)**	**(17)**	**(129)**	**(264)**	**-**	**(264)**
Adjustments from translation of Financial Statements	**5**	**-**	**-**	**5**	**-**	**5**
Less balances of the subsidiary in the United States that was sold[(b)]	**(276)**	**-**	**-**	**(276)**	**(9)**	**(285)**
Balance of loan loss provision as at year end[1]	**4,420**	**419**	**732**	**5,571**	**54**	**5,625**
[1]Of which: in respect of off-balance-sheet credit instruments	**563**	**1**	**21**	**585**	**-**	**585**

	For the year ended December 31, 2021					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the year	4,284	636	792	5,712	3	5,715
Loan loss income	(622)	(145)	(45)	(812)	-	(812)
Charge-offs	(472)	(6)	(279)	(757)	-	(757)
Collection of debts written off in previous years	584	4	259	847	-	847
Net charge-offs	112	(2)	(20)	90	-	90
Adjustments from translation of Financial Statements	(9)	-	-	(9)	-	(9)
Balance of loan loss provision as at year end[1]	3,765	489	727	4,981	3	4,984
[1]Of which: in respect of off-balance-sheet credit instruments	453	-	16	469	-	469

(a) Cumulative effect in respect of first-time application of US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". Please see Note 1.I.

(b) As of April 1, 2022, Bank Leumi USA is not consolidated in the Bank's consolidated financial statements due to the merger transaction with Valley. For more information, please see Note 15.A.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts and Off-Balance-Sheet Credit Instruments (cont.)

1. Change in outstanding loan loss provision (cont.)

	For the year ended December 31, 2020					
	Loan loss provision					
	Loans to the public					
	Commercial	Housing	Private - other	Total - public	Banks and governments	Total
	In NIS millions					
Balance of loan loss provision as at the beginning of the year	2,590	467	657	3,714	2	3,716
Loan loss expenses	2,105	175	271	2,551	1	2,552
Charge-offs	(816)	(6)	(383)	(1,205)	-	(1,205)
Collection of debts written off in previous years	429	-	247	676	-	676
Net charge-offs	(387)	(6)	(136)	(529)	-	(529)
Adjustments from translation of Financial Statements	(24)	-	-	(24)	-	(24)
Balance of loan loss provision as at year end[1]	4,284	636	792	5,712	3	5,715
[1]Of which: in respect of off-balance-sheet credit instruments	402	-	20	422	-	422

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

A. Debts,[a] held-to-maturity bonds and available-for-sale bonds, loans to the public and balance of loan loss provision

2. Additional information on calculating the loan loss provision for debts,[a] held-to-maturity bonds and available-for-sale bonds

	December 31, 2022					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS millions					
Recorded outstanding debt:[a]						
Examined on a specific basis	**213,711**	**-**	**460**	**214,171**	**95,502**	**309,673**
Examined on a collective basis	**25,902**	**119,720**	**29,975**	**175,597**	**22**	**175,619**
Total debt[a]1	**239,613**	**119,720**	**30,435**	**389,768**	**95,524**	**485,292**
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	**3,286**	**-**	**163**	**3,449**	**54**	**3,503**
Examined on a collective basis	**571**	**418**	**548**	**1,537**	**-**	**1,537**
Total loan loss provision[2]	**3,857**	**418**	**711**	**4,986**	**54**	**5,040**

	December 31, 2021					
	Loans to the public				Banks, governments and bonds held-to-maturity and available-for-sale	
	Commercial	Housing	Private - other	Total - public		Total
	In NIS millions					
Recorded outstanding debt:[a]						
Examined on a specific basis	172,551	-	914	173,465	95,015	268,480
Examined on a collective basis	43,157	103,688	27,081	173,926	1,708	175,634
Total debts:[a]	215,708	103,688	27,995	347,391	96,723	444,114
Outstanding loan loss provision in respect of debts:[a]						
Examined on a specific basis	2,641	-	295	2,936	3	2,939
Examined on a collective basis	671	489	416	1,576	-	1,576
Total loan loss provision[2]	3,312	489	711	4,512	3	4,515

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding securities borrowed or purchased under reverse repurchase agreements.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public

1. Credit quality and delinquency

	December 31, 2022					
		Troubled[(a)]			Performing debts - additional information	
	Performing	Performing	Non-performing	Total	In arrears of 90 days or more[(b)]	In arrears of 30 days and up to 89 days[(c)]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	**52,908**	**849**	**126**	**53,883**	**6**	**118**
Construction and real estate - real estate activities	**39,124**	**74**	**51**	**39,249**	**1**	**-**
Financial services	**29,156**	**19**	**53**	**29,228**	**1**	**30**
Commercial - other	**91,714**	**1,500**	**640**	**93,854**	**23**	**108**
Commercial - total	**212,902**	**2,442**	**870**	**216,214**	**31**	**256**
Private individuals - housing loans	**119,064**	**67**	**559** [(d)]	**119,690**	**-**	**412**
Private individuals - other	**29,631**	**517**	**222**	**30,370**	**44**	**142**
Total loans to the public - activity in Israel	**361,597**	**3,026**	**1,651**	**366,274**	**75**	**810**
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	**6,813**	**-**	**59**	**6,872**	**-**	**3**
Commercial - other	**15,269**	**1,060**	**198**	**16,527**	**-**	**216**
Commercial - total	**22,082**	**1,060**	**257**	**23,399**	**-**	**219**
Private individuals	**95**	**-**	**-**	**95**	**-**	**-**
Total loans to the public - foreign operations	**22,177**	**1,060**	**257**	**23,494**	**-**	**219**
Total loans to the public	**383,774**	**4,086**	**1,908**	**389,768**	**75**	**1,029**

(a) Non-performing, substandard or special mention loans to the public.
(b) Classified as troubled, performing debts.
(c) Accrual debt. Debts in arrears of 30 and up to 89 days, totaling NIS 360 million, were classified as troubled debts.
(d) As from January 1, 2022, the Bank applies a new accounting policy regarding identification and classification of performing debts and non-performing debts (in lieu of impaired debts), see Note 1.H, according to which, inter alia, housing loans in arears of more than 90 days will be classified as non-performing debts in lieu of performing debts in accordance with the former directive.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

1. Credit quality and delinquency (cont.)

	December 31, 2021[d]					
		Troubled[a]			Performing debts - additional information	
	Performing	Performing	Non-performing	Total	In arrears of 90 days or more[b]	In arrears of 30 days and up to 89 days[c]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate - construction	41,063	98	64	41,225	6	58
Construction and real estate - real estate activities	34,622	96	138	34,856	36	35
Financial services	23,515	17	2	23,534	2	16
Commercial - other	78,204	1,382	937	80,523	36	109
Commercial - total	177,404	1,593	1,141	180,138	80	218
Private individuals - housing loans	102,969	609	20	103,598	609	555
Private individuals - other	27,022	433	204	27,659	48	137
Total loans to the public - activity in Israel	307,395	2,635	1,365	311,395	737	910
Borrower activity outside Israel						
Public - commercial						
Construction and real estate	13,872	333	269	14,474	7	178
Commercial - other	19,258	880	958	21,096	197	338
Commercial - total	33,130	1,213	1,227	35,570	204	516
Private individuals	425	-	1	426	-	-
Total loans to the public - foreign operations	33,555	1,213	1,228	35,996	204	516
Total loans to the public	340,950	3,848	2,593	347,391	941	1,426

(a) Non-performing, substandard or special mention loans to the public.
(b) Classified as troubled, performing debts.
(c) Performing debt. Debts in arrears of 30 and up to 89 days, totaling NIS 575 million, were classified as troubled debt.
(d) Comparative figures are presented according to the new disclosure format. For more information about the application of the new accounting policy as from January 1, 2022, on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.I.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

1.1 Credit quality by credit granting year

	December 31, 2022								
	Recorded outstanding debt of fixed loans to the public[(a)]						Recorded outstanding debt of renewed loans	Recorded outstanding debt of renewed loans converted to fixed loans	Total
	2022	2021	2020	2019	2018	Past			
	In NIS millions								
Borrower activity in Israel									
Public - commercial									
Construction and real estate - total	**36,270**	**11,502**	**4,587**	**3,349**	**2,097**	**3,391**	**29,832**	**2,104**	**93,132**
Non-troubled credit	**36,192**	**10,991**	**4,446**	**3,323**	**2,074**	**3,332**	**29,590**	**2,084**	**92,032**
Troubled performing credit	**63**	**458**	**124**	**16**	**10**	**30**	**213**	**9**	**923**
Non-performing credit	**15**	**53**	**17**	**10**	**13**	**29**	**29**	**11**	**177**
Commercial - other, total	**50,542**	**17,229**	**10,591**	**4,554**	**2,379**	**5,332**	**30,471**	**1,984**	**123,082**
Non-troubled credit	**50,171**	**16,911**	**10,312**	**4,342**	**2,288**	**4,897**	**30,000**	**1,949**	**120,870**
Troubled performing credit	**326**	**231**	**173**	**139**	**73**	**219**	**339**	**19**	**1,519**
Non-performing credit	**45**	**87**	**106**	**73**	**18**	**216**	**132**	**16**	**693**
Private individuals - housing loans - total	**28,600**	**24,408**	**14,361**	**9,997**	**6,444**	**35,880**	**-**	**-**	**119,690**
LTV of up to 60%	**14,656**	**13,399**	**8,697**	**6,572**	**4,296**	**24,101**	**-**	**-**	**71,721**
LTV of more than 60% and up to 75%	**13,883**	**10,923**	**5,605**	**3,379**	**2,101**	**10,618**	**-**	**-**	**46,509**
LTV of more than 75%	**61**	**86**	**59**	**46**	**47**	**1,161**	**-**	**-**	**1,460**
Non-delinquent credit	**28,518**	**24,319**	**14,252**	**9,915**	**6,386**	**35,329**	**-**	**-**	**118,719**
In arrears of 30-89 days	**55**	**56**	**56**	**45**	**26**	**174**	**-**	**-**	**412**
Non-performing credit[(b)]	**27**	**33**	**53**	**37**	**32**	**377**	**-**	**-**	**559**
Private individuals - other - total	**11,254**	**6,483**	**3,279**	**1,422**	**616**	**379**	**6,608**	**329**	**30,370**
Non-delinquent credit	**11,172**	**6,365**	**3,226**	**1,387**	**599**	**374**	**6,541**	**298**	**29,962**
In arrears of 30-89 days	**35**	**32**	**13**	**8**	**4**	**3**	**46**	**1**	**142**
In arrears of over 90 days	**10**	**9**	**2**	**1**	**1**	**-**	**21**	**-**	**44**
Non-performing credit	**37**	**77**	**38**	**26**	**12**	**2**	**-**	**30**	**222**
Total loans to the public - activity in Israel	**126,666**	**59,622**	**32,818**	**19,322**	**11,536**	**44,982**	**66,911**	**4,417**	**366,274**
Total loans to the public - foreign operations	**6,485**	**2,854**	**455**	**413**	**-**	**97**	**12,614**	**576**	**23,494**
Non-troubled credit	**6,440**	**2,415**	**302**	**401**	**-**	**97**	**12,110**	**412**	**22,177**
Troubled performing credit	**21**	**294**	**138**	**-**	**-**	**-**	**443**	**164**	**1,060**
Non-performing credit	**24**	**145**	**15**	**12**	**-**	**-**	**61**	**-**	**257**
Total loans to the public	**133,151**	**62,476**	**33,273**	**19,735**	**11,536**	**45,079**	**79,525**	**4,993**	**389,768**

(a) As a rule, in cases where fixed credit was provided in lieu of repayment of existing credit, the year of credit provision was revised according to the new credit provision date.

(b) As from January 1, 2022, the Bank applies a new accounting policy regarding identification and classification of performing debts and non-performing debts (in lieu of impaired debts), see Note 1.H, according to which, inter alia, housing loans in arears of more than 90 days will be classified as non-performing debts in lieu of performing debts in accordance with the former directive.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.A. Additional information on non-performing debts[(a)]

	December 31, 2022					
	Outstanding[(b)] non-performing debts for which there is a provision	Outstanding provision	Outstanding[(b)] non-performing debts for which there is a provision	Total outstanding balance[(b)] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[(c)]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**136**	**47**	**41**	**177**	**570**	**2**
Commercial - other	**481**	**155**	**212**	**693**	**2,367**	**4**
Commercial - total	**617**	**202**	**253**	**870**	**2,937**	**6**
Private individuals - housing loans[(d)]	**559**	**77**	**-**	**559**	**579**	**-**
Private individuals - other	**222**	**115**	**-**	**222**	**474**	**1**
Total loans to the public - activity in Israel	**1,398**	**394**	**253**	**1,651**	**3,990**	**7**
Borrower activity outside Israel						
Total loans to the public - foreign operations	**204**	**48**	**53**	**257**	**478**	**2**
Total - public[1]	**1,602**	**442**	**306**	**1,908**	**4,468**	**9**
[1]Of which:						
Measured on a specific basis according to the present value of cash flows	**997**	**364**	**258**	**1,255**	**3,623**	
Measured on a specific basis according to fair value of collateral	**46**	**1**	**48**	**94**	**266**	
Measured on a collective basis	**559**	**77**	**-**	**559**	**579**	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) As from January 1, 2022, the Bank applies a new accounting policy regarding identification and classification of performing debts and non-performing debts (in lieu of impaired debts), see Note 1.H, according to which, inter alia, housing loans in arears of more than 90 days will be classified as non-performing debts in lieu of performing debts in accordance with the former directive.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 467 million would be recorded.
Additional information: the total recorded average outstanding debt of non-performing debts in the year ended December 31, 2022 is NIS 2,657 million.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Loans to the public (cont.)

2.A. Additional information on non-performing debts[a] (cont.)

	December 31, 2021[d]					
	Outstanding[b] non-performing debts for which there is a provision	Outstanding provision	Outstanding[b] non-performing debts for which there is no provision	Total outstanding balance[b] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[c]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	130	36	72	202	647	3
Commercial - other	736	289	203	939	2,871	9
Commercial - total	866	325	275	1,141	3,518	12
Private individuals - housing loans	20	5	-	20	20	-
Private individuals - other	202	155	2	204	455	7
Total loans to the public - activity in Israel	1,088	485	277	1,365	3,993	19
Borrower activity outside Israel						
Total loans to the public - foreign operations	1,226	332	2	1,228	1,389	3
Total - public[1]	2,314	817	279	2,593	5,382	22
[1]Of which:						
Measured according to the present value of cash flows	1,792	656	240	2,032	4,325	
Measured according to fair value of collateral	502	161	39	541	1,037	
Measured on a collective basis	20	5	-	20	20	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the new accounting policy as from January 1, 2022, on identification and classification of performing and non-performing debts (in lieu of impaired debts), see Note 1.I.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 434 million would be recorded.
Additional information: the total recorded average debt balance of non-performing debts in the year ended December 31, 2021 is NIS 2,840 million.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.A. Additional information on non-performing debts[a] (cont.)

	December 31, 2020[d]					
	Outstanding[b] non-performing debts for which there is a provision	Outstanding provision	Outstanding[b] non-performing debts for which there is no provision	Total outstanding balance[b] of non-performing debts	Outstanding contractual principal in respect of non-performing debts	Recorded interest income[c]
	In NIS millions					
Borrower activity in Israel						
Public - commercial						
Construction and real estate	222	33	133	355	839	1
Commercial - other	987	398	275	1,262	3,479	2
Commercial - total	1,209	431	408	1,617	4,318	3
Private individuals - housing loans	26	6	-	26	26	-
Private individuals - other	205	155	2	207	479	-
Total loans to the public - activity in Israel	1,440	592	410	1,850	4,823	3
Borrower activity outside Israel						
Total loans to the public - foreign operations	1,579	444	46	1,625	1,740	2
Total - public[1]	3,019	1,036	456	3,475	6,563	5
[1]Of which:						
Measured according to the present value of cash flows	2,394	871	320	2,714	5,241	
Measured according to fair value of collateral	599	159	136	735	1,296	
Measured on a collective basis	26	6	-	26	26	

(a) Loans to the public, loans to governments, deposits with banks (excluding deposits with the Bank of Israel) and other debts, excluding bonds and securities borrowed or purchased under reverse repurchase agreements.
(b) Recorded outstanding debt.
(c) Interest income amount recorded for the reporting period in respect of the average balance of outstanding non-performing debts during the period in which the debts were classified as non-performing.
(d) Comparative results are presented in accordance with the new disclosure format; for more information about the application of the new accounting policy as from January 1, 2022, on identification and classification of performing and non-performing debts (in lieu of impaired debts). Please see Note 1.I.

Were the non-performing debts to accrue interest according to the original terms and conditions, interest income in the amount of NIS 399 million would be recorded.
Additional information: the total recorded average outstanding debt of non-performing debts in the year ended December 31, 2020 is NIS 2,485 million.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.B. Additional information on restructured troubled debt

	As at December 31, 2022				As at December 31, 2021			
	Non-performing debt	Performing,[(a)] in arrears of 30 days to 89 days	Performing[(a)] non-delinquent	Total	Non-performing debt	Performing,[(a)] in arrears of 30 days to 89 days	Performing[(a)] non-delinquent	Total
	In NIS millions							
Borrower activity in Israel								
Public - commercial								
Construction and real estate	**51**	**1**	**54**	**106**	124	2	25	151
Commercial - other	**401**	**4**	**303**	**708**	723	6	158	887
Commercial - total	**452**	**5**	**357**	**814**	847	8	183	1,038
Private individuals - housing loans	**88**	**1**	**66**	**155**	-	-	-	-
Private individuals - other	**196**	**3**	**203**	**402**	185	5	162	352
Total loans to the public - activity in Israel	**736**	**9**	**626**	**1,371**	1,032	13	345	1,390
Borrower activity outside Israel								
Total public - foreign operations	**165**	**-**	**387**	**552**	881	-	-	881
Total - public	**901**	**9**	**1,013**	**1,923**	1,913	13	345	2,271

(a) Performing debt.

Comment: As of December 31, 2022, troubled debt which underwent restructuring in the amount of NIS 1,025 million was classified as troubled debt (December 31, 2021 - NIS 2,271 million).

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.B. Additional information on restructured troubled debt (cont.)

1. Debt restructurings

	For the year ended December 31					
	2022			2021		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
		In NIS millions			In NIS millions	
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**281**	**40**	**38**	221	61	59
Commercial - other	**1,209**	**178**	**176**	1,105	548	545
Commercial - total	**1,490**	**218**	**214**	1,326	609	604
Private individuals - housing loans	**111**	**41**	**41**	-	-	-
Private individuals - other	**6,426**	**297**	**296**	4,779	243	240
Total loans to the public - activity in Israel	**8,027**	**556**	**551**	6,105	852	844
Borrower activity outside Israel						
Total loans to the public - foreign operations	**2**	**1**	**1**	1	10	10
Total - public	**8,029**	**557**	**552**	6,106	862	854

	For the year ended December 31		
	2020		
	No. of contracts	Recorded outstanding debt before restructuring	Recorded outstanding debt after restructuring
		In NIS millions	
Borrower activity in Israel			
Public - commercial			
Construction and real estate	452	232	231
Commercial - other	2,079	852	848
Commercial - total	2,531	1,084	1,079
Private individuals - other	6,092	217	214
Total loans to the public - activity in Israel	8,623	1,301	1,293
Borrower activity outside Israel			
Total loans to the public - foreign operations	10	1,100	1,100
Total - public	8,633	2,401	2,393

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

2.B. Additional information on restructured troubled debt (cont.)

2. Failed restructurings[(a)]

	For the year ended December 31					
	2022		2021		2020	
	No. of contracts	Recorded outstanding debt	No. of contracts	Recorded outstanding debt	No. of contracts	Recorded outstanding debt
		In NIS millions		In NIS millions		In NIS millions
Borrower activity in Israel						
Public - commercial						
Construction and real estate	**156**	**24**	149	23	190	30
Commercial - other	**692**	**66**	740	98	817	109
Commercial - total	**848**	**90**	889	121	1,007	139
Private individuals - housing loans	**66**	**13**	-	-	-	-
Private individuals - other	**2,661**	**85**	2,035	66	1,850	54
Total loans to the public - activity in Israel	**3,575**	**188**	2,924	187	2,857	193
Borrower activity outside Israel						
Total public - foreign operations	**-**	**-**	1	-[(b)]	1	-[(b)]
Total - public	**3,575**	**188**	2,925	187	2,858	193

(a) Debts which were in arrears of at least thirty days during the reporting year, restructured as part of the restructuring of troubled debt during the 12 months preceding the date on which they became delinquent.
(b) Balances of less than NIS 1 million.

2.C. Additional information on non-performing delinquent credit

	December 31, 2022							
	Is not in arrears of 90 days or more	In arrears of 90 days to 180 days	In arrears of over 180 days and up to one year	In arrears of one year and up to 3 years	In arrears of more than 3 years and up to 5 years	In arrears of more than 5 years and up to 7 years	In arrears of more than 7 years	Total
	In NIS millions							
Commercial	**945**	**59**	**35**	**80**	**4**	**3**	**1**	**1,127**
Housing loans[(a)]	**50**	**262**	**138**	**85**	**17**	**4**	**3**	**559**
Private individuals - other	**221**	**1**	**-**	**-**	**-**	**-**	**-**	**222**
Total	**1,216**	**322**	**173**	**165**	**21**	**7**	**4**	**1,908**

(a) As from January 1, 2022, the Bank applies a new accounting policy regarding identification and classification of performing debts and non-performing debts (in lieu of impaired debts), see Note 1.H, according to which, inter alia, housing loans in arears of more than 90 days will be classified as non-performing debts in lieu of performing debts in accordance with the former directive.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

B. Loans to the public (cont.)

3. Additional information on housing loans

Outstanding end of period loan-to-value (LTV),[(a)] type of repayment and interest

		December 31, 2022			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	Total off-balance-sheet credit risk
		In NIS millions			
First pledge: LTV ratio	Up to 60%	**71,728**	**1,536**	**44,838**	**2,569**
	More than 60%	**47,987**	**744**	**29,908**	**2,568**
Unpledged secondary lien		**5**	**-**	**4**	**-**
Total		**119,720**	**2,280**	**74,750**	**5,137**

		December 31, 2021			
		Outstanding housing loans			
		Total[1]	[1]Of which: bullet and balloon loans	[1]Of which: variable interest	Total off-balance-sheet credit risk
		In NIS millions			
First pledge: LTV ratio	Up to 60%	64,176	1,500	40,492	1,815
	More than 60%	39,506	753	24,946	1,911
Unpledged secondary lien		6	-	5	-
Total		103,688	2,253	65,443	3,726

(a) The ratio between the approved credit facility on the date granted and the value of the asset, as approved by the Bank when granting the credit facility.
The LTV ratio provides an additional indication of the Bank's risk assessment of a customer on granting a credit facility.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Loans to the Public and Off-Balance-Sheet Credit Risk by Borrower's Loan Amount

Maximum credit		December 31, 2022		
		No. of borrowers[c]	Loans[a]	Off balance-sheet credit risk[a][b]
Loans to borrower in NIS thousands		In NIS millions		
From	To			
0	10	**540,560**	**921**	**2,023**
10	20	**221,574**	**1,244**	**2,107**
20	40	**200,035**	**2,778**	**3,181**
40	80	**177,178**	**6,268**	**3,860**
80	150	**125,177**	**11,078**	**2,701**
150	300	**102,361**	**18,964**	**2,501**
300	600	**69,854**	**28,050**	**2,302**
600	1,200	**68,598**	**54,935**	**4,182**
1,200	2,000	**26,111**	**35,183**	**3,804**
2,000	4,000	**9,305**	**21,843**	**3,159**
4,000	8,000	**2,753**	**12,497**	**2,845**
8,000	20,000	**2,209**	**22,390**	**5,666**
20,000	40,000	**977**	**21,105**	**6,362**
40,000	200,000	**1,058**	**64,561**	**26,730**
200,000	400,000	**169**	**30,179**	**17,669**
400,000	800,000	**71**	**22,275**	**14,709**
800,000	1,200,000	**22**	**9,205**	**12,578**
1,200,000	1,600,000	**11**	**8,115**	**6,892**
1,600,000	2,000,000	**4**	**3,482**	**3,405**
2,000,000	2,400,000	**2**	**3,954**	**316**
2,400,000	2,800,000	**2**	**2,085**	**3,203**
2,800,000	3,200,000	**1**	**1,701**	**1,300**
3,200,000	5,468,189	**4**	**2,705**	**15,299**
Total		**1,548,036**	**385,518**	**146,794**

Please see comments below.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

C. Loans to the public and off-balance-sheet credit risk by borrower's loan amount (cont.)

		December 31, 2021		
Maximum credit		No. of borrowers(c)	Credit(d)	Off-balance-sheet credit risk(b)(d)
Loans to borrower in NIS thousands		In NIS millions		
From	To			
0	10	534,417	749	1,641
10	20	204,036	1,156	1,936
20	40	195,324	2,702	3,082
40	80	176,150	6,236	3,835
80	150	124,682	10,981	2,689
150	300	95,023	17,511	2,376
300	600	68,648	27,302	2,234
600	1,200	63,235	49,977	3,959
1,200	2,000	21,057	28,218	3,157
2,000	4,000	7,643	17,821	2,782
4,000	8,000	2,729	12,816	2,799
8,000	20,000	2,224	23,104	5,474
20,000	40,000	1,045	23,944	6,087
40,000	200,000	1,025	61,987	23,691
200,000	400,000	139	23,840	14,549
400,000	800,000	62	18,003	15,066
800,000	1,200,000	18	9,227	9,088
1,200,000	1,600,000	7	6,642	2,862
1,600,000	2,000,000	3	1,693	3,318
2,000,000	2,400,000	5	5,553	5,657
2,400,000	2,800,000	3	3,312	4,538
2,800,000	3,131,858	2	2,295	3,638
Total		1,497,477	355,069	124,458

(a) Before the effect of loan loss provisions and after the effect of collateral deductible in respect of borrower indebtedness and borrower group indebtedness, as revised in the Reporting to the Public Directives, in a circular dated July 24, 2022, following the publication of Directive 203A (for additional details, see under Capital and Capital Adequacy). On-balance sheet credit – with the addition of fair value of derivatives totaling NIS 2,076 million.
(b) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per borrower indebtedness limitations.
(c) Number of borrowers according to total off-balance-sheet credit and credit risk.
(d) Before the effect of current expected current losses and the effect of collateral that are deductible for the purpose of a borrower' or borrower group's indebtedness. On-balance sheet credit – with the addition of fair value of derivatives totaling NIS 7,678 million.

Comments:
Starting with loans of up to NIS 8,000 thousand, loans are classified by the specific consolidation method; loans to other borrowers were classified by the category consolidation method.
The definition of "borrower" and the definition of "indebtedness", including off-balance-sheet credit risk, are in accordance with the Banking Supervision Department's directives regarding the amendment of Proper Conduct of Banking Business Directive No. 313 – "Limitations on the indebtedness of a borrower and a group of borrowers".

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

D. Off-Balance-Sheet Financial Instruments

	December 31			
	2022		2021	
	Outstanding loan contracts[(a)]	Balance of loan loss provision[(d)]	Outstanding loan contracts[(a)]	Balance of loan loss provision[(d)]
	In NIS millions			
a. Off-balance-sheet financial instruments - Contractual balances or notional amounts as of year-end - Transactions in which the balance reflects credit risk:				
Documentary credit	**1,151**	**1**	1,640	3
Loan guarantees	**7,289**	**84**	6,048	83
Guarantees for apartment buyers	**35,572**	**15**	28,061	29
Guarantees and other commitments[(b)]	**26,336**	**95**	19,086	148
Unutilized credit card credit facilities	**8,395**	**18**	8,001	7
Unutilized current loan account facilities and other credit facilities in demand accounts	**13,398**	**43**	13,643	27
Irrevocable loan commitments approved but not yet granted	**49,081**	**286**	43,332	152
Commitments to issue guarantees	**22,039**	**43**	18,579	20
Unutilized credit facilities for derivatives activity	**3,065**	**-**	2,912	-
Approval in principle to maintain interest rate[(c)]	**4,500**	**-**	8,397	-

(a) The balance of the contracts or their par value as at the end of the year, before the effect of the loan loss provision.

(b) Including the Bank's liabilities for its share in the risk reserve of the TASE Clearing House in the amount of NIS 436 million (as of December 31, 2021, NIS 498 million, including the MAOF Clearing House).

(c) Liabilities to extend credit to customers in the framework of "Authorization in principle and preserving the interest rate" to Proper Conduct of Banking Business Directive No. 451, "Procedures for Extending Housing Loans".

(d) As of January 1, 2022, the Bank applies, for the first time, US GAAP's ASU 2016-13, "Financial Instruments - Credit Losses". For details regarding the change in the policy of calculating the loan loss provision for off-balance-sheet financial instruments, see Note 1.I.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

E. Guarantees by repayment date

	As at December 31, 2022				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS millions				
Loan guarantees	**4,765**	**1,624**	**255**	**645**	**7,289**
Guarantees for apartment buyers	**-**	**35,572**	**-**	**-**	**35,572**
Guarantees and other commitments	**14,676**	**6,496**	**2,337**	**2,827**	**26,336**
Total guarantees	**19,441**	**43,692**	**2,592**	**3,472**	**69,197**

	As at December 31, 2021				
	Up to one year	One to three years	Three to five years	Over five years	Total
	In NIS millions				
Loan guarantees	3,504	1,848	174	522	6,048
Guarantees for apartment buyers	-	28,061	-	-	28,061
Guarantees and other commitments	9,918	6,197	1,544	1,427	19,086
Total guarantees	13,422	36,106	1,718	1,949	53,195

The following collateral information reflects collateral the Bank has received specifically against guarantees:
The cash balance available to the Bank to cover for losses to be realized under these guarantees and indemnities totaled NIS 246 million (as at December 31, 2021 - NIS 304 million). In addition, the balance of securities and other tradable assets held as collateral, totaled NIS 11 million (as of December 31, 2021 - NIS 9 million).

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

F. Sale and purchase of loans to the public

Credit risk from sold loans to the public

	For the year ended December 31									
	2022					2021				
	Sold loans to the public	Sold off-balance-sheet credit risk[(a)]	Of which: Troubled credit risk	Total gain (loss) for sold loans to the public	Total year-end outstanding loans sold, for which the Bank provides services	Sold loans to the public	Sold off-balance sheet credit risk[(a)]	Of which: Troubled credit risk	Total gain (loss) for sold loans to the public	Total year-end outstanding loans sold, for which the Bank provides services
	In NIS millions									
Commercial - total	**505**	**360**	**-**	**57**	**1,113**	217	-	-	-	769
Private individuals - housing loans	**-**	**-**	**-**	**-**	**644**	-	-	-	-	755
Private individuals - other	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Total credit risk arising from loans to the public	**505**	**360**	**-**	**57**	**1,757**	217	-	-	-	1,524

Purchased credit risk from loans to the public

	For the year ended December 31					
	2022			2021		
	Loans to the public purchased in the reporting period	Purchased off-balance-sheet credit risk	Of which: Troubled credit risk	Loans to the public purchased in the reporting period	Purchased off-balance-sheet credit risk	Of which: Troubled credit risk
	In NIS millions					
Commercial - total	**15,948**	**-**	**-**	11,926	20	-
Private individuals - housing loans	**-**	**-**	**-**	-	-	-
Private individuals - other	**2,218**	**-**	**-**	110	-	-
Total credit risk arising from loans to the public	**18,166**	**-**	**-**	12,036	20	-

(a) Credit risk arising from off-balance-sheet financial instruments as calculated for the purpose of measuring a borrower's indebtedness limitation, excluding in respect of derivatives.

Note 30 - Additional Information on Credit Risk, Loans to the Public and Loan Loss Provision (cont.)

G. Syndications and Participation in Loan Syndications

	December 31, 2022					
	Syndication transactions organized by the Bank[a]				Syndication transactions organized by others	
	The Bank's share		Others' share		The Bank's share	
	Loans to the public	Off-balance-sheet credit risk[b]	Loans to the public	Off-balance-sheet credit risk[b]	Loans to the public	Off-balance-sheet credit risk[b]
	In NIS millions					
Commercial - total	**5,551**	**4,315**	**10,158**	**6,069**	**1,442**	**2,320**
Private individuals - housing loans	**1,781**	**105**	**1,792**	**105**	**-**	**-**
Private individuals - other	**1**	**-**	**1**	**-**	**-**	**-**
Total credit risk arising from loans to the public	**7,333**	**4,420**	**11,951**	**6,174**	**1,442**	**2,320**

	December 31, 2021					
	Syndication transactions organized by the Bank[a]				Syndication transactions organized by others	
	The Bank's share		Others' share		The Bank's share	
	Loans to the public	Off-balance-sheet credit risk[b]	Loans to the public	Off-balance-sheet credit risk[b]	Loans to the public	Off-balance-sheet credit risk[b]
	In NIS millions					
Commercial - total	4,434	3,162	8,153	4,919	19,040	1,391
Private individuals - housing loans	2,082	128	2,096	128	56	-
Private individuals - other	1	-	1	-	244	-
Total credit risk arising from loans to the public	6,517	3,290	10,250	5,047	19,340	1,391

(a) Including where the banking corporation provides a material service in the syndication transaction.
(b) Credit risk arising from off-balance-sheet financial instruments as calculated for the purpose of measuring a borrower's indebtedness limitation, excluding in respect of derivatives.

Note 31 - Assets and Liabilities by Linkage Basis

	December 31, 2022						
	NIS		Foreign currency[a]			Non-monetary items[b]	Total
	Non-linked	CPI-linked	In USD	In EUR	In other currencies		
	In NIS millions						
Assets							
Cash and deposits with banks	**169,223**	**-**	**10,313**	**3,699**	**919**	**2,415**	**186,569**
Securities	**22,701**	**4,438**	**44,685**	**3,221**	**3,549**	**4,356**	**82,950**
Securities borrowed or purchased under reverse repurchase agreements	**524**	**-**	**2,509**	**1**	**-**	**-**	**3,034**
Loans to the public, net[c]	**295,107**	**54,133**	**17,675**	**4,923**	**7,906**	**5,038**	**384,782**
Loans to the Israeli Government	**316**	**-**	**446**	**347**	**-**	**-**	**1,109**
Investments in associates	**-**	**-**	**-**	**-**	**-**	**4,947**	**4,947**
Buildings and equipment	**-**	**-**	**-**	**-**	**-**	**2,735**	**2,735**
Assets in respect of derivatives	**4,560**	**294**	**10,420**	**1,534**	**661**	**9,169**	**26,638**
Goodwill	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets	**5,464**	**4**	**19**	**3**	**58**	**854**	**6,402**
Total assets	**497,895**	**58,869**	**86,067**	**13,728**	**13,093**	**29,514**	**699,166**
Liabilities							
Deposits by the public	**393,715**	**9,809**	**130,695**	**10,807**	**4,606**	**7,452**	**557,084**
Deposits by banks	**19,777**	**-**	**1,951**	**467**	**89**	**22**	**22,306**
Deposits by the Israeli Government	**130**	**-**	**109**	**8**	**-**	**-**	**247**
Securities loaned or sold under repurchase agreements	**349**	**-**	**3,577**	**26**	**-**	**-**	**3,952**
Bonds, promissory notes and subordinated bonds	**7,153**	**16,255**	**4,397**	**-**	**-**	**-**	**27,805**
Liabilities for derivatives	**6,246**	**357**	**6,476**	**981**	**611**	**8,640**	**23,311**
Other liabilities	**4,937**	**9,165**	**154**	**90**	**213**	**459**	**15,018**
Total liabilities	**432,307**	**35,586**	**147,359**	**12,379**	**5,519**	**16,573**	**649,723**
Difference[d]	**65,588**	**23,283**	**(61,292)**	**1,349**	**7,574**	**12,941**	**49,443**
Effect of hedging derivatives:							
Derivatives (excluding options)	**430**	**(430)**	**-**	**-**	**-**	**-**	**-**
Effect of non-hedging derivatives:							
Derivatives (excluding options)	**(40,314)**	**(1,604)**	**51,991**	**(2,328)**	**(8,090)**	**345**	**-**
In the money options, net (according to underlying asset)	**(773)**	**-**	**588**	**174**	**11**	**-**	**-**
Out of the money options, net (according to underlying asset)	**(989)**	**-**	**853**	**136**	**(9)**	**9**	**-**
Grand total	**23,942**	**21,249**	**(7,860)**	**(669)**	**(514)**	**13,295**	**49,443**
In the money options, net (discounted nominal value)	**(956)**	**-**	**695**	**245**	**16**	**-**	**-**
Out of the money options, net (discounted nominal value)	**(3,500)**	**-**	**3,185**	**341**	**(72)**	**46**	**-**

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,986 million.
(d) Shareholders' equity including non-controlling interests.

Note 31 - Assets and Liabilities by Linkage Basis (cont.)

	December 31, 2021						
	NIS		Foreign currency[a]			Non-monetary items[b]	Total
	Non-linked	CPI-linked	In USD	In EUR	In other currencies		
	In NIS millions						
Assets							
Cash and deposits with banks	176,335	-	14,955	886	4,078	1,148	197,402
Securities	18,954	5,729	49,865	2,612	5,408	4,359	86,927
Securities borrowed or purchased under reverse repurchase agreements	1,599	-	832	16	-	-	2,447
Loans to the public, net[c]	247,894	48,052	35,832	2,863	6,458	1,780	342,879
Loans to the Israeli Government	9	196	468	267	-	-	940
Investments in associates	-	-	-	-	-	1,113	1,113
Buildings and equipment	-	-	-	-	-	2,720	2,720
Assets in respect of derivatives	4,543	162	3,169	63	126	5,964	14,027
Goodwill	-	-	-	-	-	14	14
Other assets	6,107	5	787	13	30	1,043	7,985
Total assets	455,441	54,144	105,908	6,720	16,100	18,141	656,454
Liabilities							
Deposits by the public	360,890	10,650	147,260	9,843	5,690	2,936	537,269
Deposits by banks	18,327	-	5,556	1,376	106	5	25,370
Deposits by the Israeli Government	223	-	69	8	-	-	300
Securities loaned or sold under repurchase agreements	1,024	-	1,258	-	-	-	2,282
Bonds, promissory notes and subordinated bonds	2,877	10,187	2,364	-	-	-	15,428
Liabilities for derivatives	6,363	456	2,449	92	241	5,950	15,551
Other liabilities	4,536	12,385	707	51	116	407	18,202
Total liabilities	394,240	33,678	159,663	11,370	6,153	9,298	614,402
Difference[d]	61,201	20,466	(53,755)	(4,650)	9,947	8,843	42,052
Effect of hedging derivatives:							
Derivatives (excluding options)	366[e]	(366)[e]	-	-	-	-	-
Effect of non-hedging derivatives:							
Derivatives (excluding options)	(41,761)[e]	(3,824)[e]	51,145	4,988	(10,422)	(126)	-
In the money options, net (according to underlying asset)	790	-	(135)	(448)	(109)	(98)	-
Out of the money options, net (according to underlying asset)	(1,017)	-	1,410	(11)	(13)	(369)	-
Grand total	19,579	16,276	(1,335)	(121)	(597)	8,250	42,052
In the money options, net (discounted nominal value)	423	-	422	(517)	(172)	(156)	-
Out of the money options, net (discounted nominal value)	(104)	-	954	41	42	(933)	-

(a) Including those linked to foreign currency.
(b) Including derivatives whose underlying asset relates to a non-monetary item.
(c) After deducting loan loss provisions attributed to a linkage basis, according to the linkage of the underlying credit, in the amount of NIS 4,512 million.
(d) Shareholders' equity including non-controlling interests.
(e) Reclassified.

Note 32 - Assets and Liabilities by Currency and Term to Maturity(a)

	December 31, 2022			
	Projected contractual cash flows			
	On demand and up to one month(f)	One to three months(f)	Three months to one year(f)	Over one year and up to two years
	In NIS millions			
NIS (including foreign currency-linked):				
Assets[1]	**244,107**	**29,938**	**56,813**	**42,909**
Liabilities[2]	**303,642**	**53,278**	**56,431**	**22,042**
Difference	**(59,535)**	**(23,340)**	**382**	**20,867**
[1]Of which: Loans to the public	**73,390**	**28,570**	**50,299**	**38,365**
[2]Of which: Deposits by the public	**297,502**	**50,757**	**38,991**	**9,640**
Derivatives (excluding options)	**(18,508)**	**(12,342)**	**(8,245)**	**(2,046)**
Options (by underlying asset)	**(568)**	**(316)**	**(681)**	**(1)**
Difference after effect of derivatives	**(78,611)**	**(35,998)**	**(8,544)**	**18,820**
Foreign currency(c)				
Assets[1]	**33,558**	**16,959**	**20,826**	**14,155**
Liabilities[2]	**103,974**	**24,182**	**38,282**	**2,099**
Difference	**(70,416)**	**(7,223)**	**(17,456)**	**12,056**
[1]Of which: Loans to the public	**11,242**	**2,769**	**6,730**	**3,322**
[2]Of which: Deposits by the public	**96,278**	**17,878**	**31,960**	**617**
Of which: Difference in USD	**(66,435)**	**(8,473)**	**(20,999)**	**9,640**
Of which: Difference in respect of foreign operations	**2,334**	**82**	**1,717**	**504**
Derivatives (excluding options)	**18,508**	**12,342**	**8,245**	**2,046**
Options (by underlying asset)	**568**	**316**	**681**	**1**
Difference after effect of derivatives	**(51,340)**	**5,435**	**(8,530)**	**14,103**
Total				
Assets[1]	**277,665**	**46,897**	**77,639**	**57,064**
Liabilities[2]	**407,616**	**77,460**	**94,713**	**24,141**
Difference(g)	**(129,951)**	**(30,563)**	**(17,074)**	**32,923**
[1]Of which: Loans to the public	**84,632**	**31,339**	**57,029**	**41,687**
[2]Of which: Deposits by the public	**393,780**	**68,635**	**70,951**	**10,257**

(a) In this note, the contractual future cash flows of balance sheet asset and liability items are presented by currencies according to the remaining periods until the contractual maturity date of each cash flow. Data are presented net of charge-offs and loan loss provisions.
(b) Assets without a fixed term to maturity include overdue assets totaling NIS 319 million.
(c) Excluding foreign-currency linked NIS.
(d) As included in Note 31, including off-balance-sheet amounts in respect of derivatives that are not settled on a net basis.
(e) The contractual rate of return is the interest rate used to discount the projected contractual cash flows reported in this note for a monetary item to its book balance.
(f) Loans extended under current loan account terms and classified in accordance with the facility's period total NIS 6.4 billion. Overdrawn credit, totaling NIS 0.6 billion, was classified as having no repayment date.
(g) This difference does not necessarily reflect exposure to interest and/or linkage basis.

Book balance[d]									
Over two years and up to three years	Over three years and up to four years	Over four years and up to five years	Over five years and up to ten years	Over ten years and up to twenty years	Over twenty years	Total cash flows	Without term to maturity[b]	Total	Contractual rate of return[e]
									In %
39,268	27,545	23,439	74,501	74,910	27,223	640,653	4,752	557,179	4.46
9,089	3,463	6,075	10,682	7,873	6,474	479,049	1,724	468,248	3.60
30,179	24,082	17,364	63,819	67,037	20,749	161,604	3,028	88,931	
31,422	24,396	20,611	67,209	69,894	24,101	428,257	2,820	349,238	4.65
2,095	858	1,102	3,483	779	-	405,207	-	403,563	1.39
(866)	(356)	(455)	(56)	(278)	-	(43,152)	-	(41,744)	
11	-	-	-	-	-	(1,555)	-	(1,537)	
29,324	23,726	16,909	63,763	66,759	20,749	116,897	3,028	45,650	
6,586	6,082	6,237	18,003	8,861	6,479	137,746	2,543	121,642	4.62
952	3,413	2,266	1,060	84	(4)	176,308	232	173,542	3.48
5,634	2,669	3,971	16,943	8,777	6,483	(38,562)	2,311	(51,900)	
2,074	1,050	1,553	620	237	38	29,635	2,543	30,506	5.23
83	160	38	44	-	-	147,058	168	146,069	3.71
4,217	1,981	1,870	15,060	7,764	6,262	(49,113)	1,962	(60,491)	
820	307	965	(187)	-	-	6,542	(179)	6,344	
866	356	455	56	278	-	43,152	-	41,744	
(11)	-	-	-	-	-	1,555	-	1,537	
6,489	3,025	4,426	16,999	9,055	6,483	6,145	2,311	(8,619)	
45,854	33,627	29,676	92,504	83,771	33,702	778,399	7,295	678,821	4.49
10,041	6,876	8,341	11,742	7,957	6,470	655,357	1,956	641,790	3.57
35,813	26,751	21,335	80,761	75,814	27,232	123,042	5,339	37,031	
33,496	25,446	22,164	67,829	70,131	24,139	457,892	5,363	379,744	4.69
2,178	1,018	1,140	3,527	779	-	552,265	168	549,632	2.00

Note 32 - Assets and Liabilities by Currency and Term to Maturity[(a)] (cont.)

	December 31, 2021			
	Projected contractual cash flows			
	On demand and up to one month[(f)]	One to three months[(f)]	Three months to one year[(f)]	Over one year and up to two years
	In NIS millions			
NIS (including foreign currency-linked):				
Assets[1]	232,189	25,849	45,352	36,010
Liabilities[2]	318,715	25,245	30,044	18,150
Difference	(86,526)	604	15,308	17,860
[1]Of which: Loans to the public	52,763	24,833	42,267	32,249
[2]Of which: Deposits by the public	312,345	23,232	27,074	3,992
Derivatives (excluding options)	(24,938)	(2,060)	(17,332)	(1,596)
Options (by underlying asset)	53	(191)	(156)	24
Difference after effect of derivatives	(111,411)	(1,647)	(2,180)	16,288
Foreign currency[(c)]				
Assets[1]	40,222	9,547	27,162	11,047
Liabilities[2]	127,389	18,445	16,865	1,818
Difference	(87,167)	(8,898)	10,297	9,229
[1]Of which: Loans to the public	14,511	4,104	7,690	5,010
[2]Of which: Deposits by the public	117,585	15,561	13,305	1,165
Of which: Difference in USD	(73,735)	(8,261)	11,159	8,303
Of which: Difference in respect of foreign operations	(4,530)	1,248	3,329	3,255
Derivatives (excluding options)	24,938	2,060	17,332	1,596
Options (by underlying asset)	(53)	191	156	(24)
Difference after effect of derivatives	(62,282)	(6,647)	27,785	10,801
Total				
Assets[1]	272,411	35,396	72,514	47,057
Liabilities[2]	446,104	43,690	46,909	19,968
Difference[(g)]	(173,693)	(8,294)	25,605	27,089
[1]Of which: Loans to the public	67,274	28,937	49,957	37,259
[2]Of which: Deposits by the public	429,930	38,793	40,379	5,157

(a) In this note, the contractual future cash flows of balance sheet asset and liability items are presented by currencies according to the remaining periods until the contractual maturity date of each cash flow. Data are presented net of charge-offs and loan loss provisions.
(b) Assets without a fixed term to maturity include overdue assets totaling NIS 458 million.
(c) Excluding foreign-currency linked NIS.
(d) As included in Note 31, including off-balance-sheet amounts in respect of derivatives that are not settled on a net basis.
(e) The contractual rate of return is the interest rate used to discount the projected contractual cash flows reported in this note for a monetary item to its book balance.
(f) Loans extended under current loan account terms and classified in accordance with the facility's period total NIS 10.9 billion. Overdrawn credit, totaling NIS 0.9 billion, was classified as having no repayment date.
(g) This difference does not necessarily reflect exposure to interest and/or linkage basis.

Book balance[d]									
Over two years and up to three years	Over three years and up to four years	Over four years and up to five years	Over five years and up to ten years	Over ten years and up to twenty years	Over twenty years	Total cash flows	Without term to maturity[b]	Total	Contractual rate of return[e]
									In %
29,763	27,747	20,344	61,118	58,876	19,979	557,227	2,796	509,730	2.92
11,638	6,228	2,284	6,939	7,626	6,799	433,668	1,761	428,011	2.01
18,125	21,519	18,060	54,179	51,250	13,180	123,559	1,035	81,719	
26,405	21,654	16,880	54,298	54,197	16,702	342,248	1,315	295,945	3.20
1,544	1,275	597	1,464	597	-	372,120	-	371,574	0.67
458	(644)	557	156	(308)	-	(45,707)	-	(45,698)	
-	-	-	-	-	-	(270)	-	(268)	
18,583	20,875	18,617	54,335	50,942	13,180	77,582	1,035	35,753	
9,103	5,403	6,079	16,364	7,651	7,933	140,511	1,469	134,547	1.62
538	642	7,454	10,339	107	57	183,654	6	183,043	0.52
8,565	4,761	(1,375)	6,025	7,544	7,876	(43,143)	1,463	(48,496)	
4,327	2,433	3,446	3,439	204	423	45,587	1,464	45,154	2.23
88	318	4,912	9,905	9	-	162,848	-	162,759	0.14
5,991	4,011	(2,665)	4,614	6,817	7,797	(35,969)	1,262	(43,950)	
3,336	2,267	(1,531)	(5,402)	1,802	2,740	6,514	68	6,202	
(458)	644	(557)	(156)	308	-	45,707	-	45,698	
-	-	-	-	-	-	270	-	268	
8,107	5,405	(1,932)	5,869	7,852	7,876	2,834	1,463	(2,530)	
38,866	33,150	26,423	77,482	66,527	27,912	697,738	4,265	644,277	2.65
12,176	6,870	9,738	17,278	7,733	6,856	617,322	1,767	611,054	1.56
26,690	26,280	16,685	60,204	58,794	21,056	80,416	2,498	33,223	
30,732	24,087	20,326	57,737	54,401	17,125	387,835	2,779	341,099	3.07
1,632	1,593	5,509	11,369	606	-	534,968	-	534,333	0.51

Note 33A – Balances and Fair Value Estimates of Financial Instruments

A. Overview

This note includes information regarding the measurement of financial instruments' fair value according to Banking Supervision Department's directives. Most of the Bank's financial instruments do not have a quoted "market price" since they are not traded in an active market. Therefore, the fair value of such instruments is measured based on the present value of the future cash flows discounted by an interest rate reflecting the interest rate of a similar transaction entered into on reporting date. The estimated fair value is calculated by estimating the future cash flows and determining a subjective discount rate. Therefore, for most financial instruments, the reported fair value estimate is not necessarily indicative of the financial instrument's realizable value on reporting date. Fair value was estimated on the basis of interest rates in effect as of reporting date and does not take into account interest rate fluctuations. If different interest rates are used, the fair value calculated may be significantly different. This mainly applies to financial instruments bearing fixed interest or non-interest bearing financial instruments. Furthermore, fees and commissions receivable or payable as a result of the business activities were not taken into account in the calculation of fair values. Moreover, the difference between the book balance and the fair value balances may not be realized since in most cases the Bank may hold the financial instrument to maturity. In view of the above, it should be emphasized that the data included in this note does not reflect the Group's value as a going concern. Furthermore, because of the wide range of valuation techniques and estimates that can potentially be applied in the measurement of fair value, one must exercise caution when comparing the fair value of different banks.

B. Principal Methods and Assumptions Used in Estimating the Fair Value of Financial Instruments

Financial assets:

Loans to the public - the fair value of the outstanding loans to the public is measured according to the present value of the future cash flows discounted at an adequate discount rate. The outstanding loans were classified into several categories according to the operating segment and the borrowers' credit rating. Future cash flows (principal and interest) were calculated for each category according to the different linkage bases. These cash flows were discounted at interest rates that reflect the risk level and average spread inherent in that loan category and the term of the loan.

This interest rate is normally determined according to the interest rate used in similar transactions as of reporting date.

The fair value of debit current account balances was estimated according to their book balances.

The fair value of impaired debts was calculated using interest rates that reflect the high level of their inherent credit risk. In any case, these interest rates reflect the highest interest rates used by the Group in transactions carried out in that same segment as of reporting date.

The fair value of current account balances classified as impaired debts was calculated according to their estimated average duration based on maximum interest rates used by the Bank.

The future cash flows in respect of impaired debts were calculated after deducting the effect of charge-offs and loan loss provisions.

Deposits with banks and loans to governments - by discounting the future cash flows at interest rates used in similar transactions entered into on reporting date.

Securities – tradable securities were measured at market value. Non-tradable securities – shares were measured at cost and bonds were measured using a model that takes into account the present value of the future cash flows discounted at an adequate discount rate, which also takes into account the probability of default and the market value.

Financial liabilities:

Deposits by the public - the balance of the deposits was classified into a number of categories according to operating segments, linkage basis and deposits' periods to maturity. The flows of future payments (principal and interest) were calculated in respect of each category. These payments were discounted at an interest rate reflecting the average interest rate the Group pays on similar deposits of the same category for the term to maturity. The book balance of current accounts and deposits without a fixed repayment date is considered to be an estimate of their fair value.

Deposits by banks and deposits by Governments - the fair value is estimated by discounting the future cash flows at the estimated interest rates at which the Group may raise similar deposits on reporting date.

Bonds, promissory notes and subordinated bonds – at market value or by discounting the future cash flows at the interest rates at which the Group raises similar deposits, or can issued similar promissory notes on reporting date.

Note 33A - Balances and Fair Value Estimates of Financial Instruments (cont.)

Other financial assets and liabilities:

Derivatives:

Derivatives with an active market were estimated at market value determined in the principal market. If the instrument is traded in several markets, fair value is estimated according to the most active market.

Derivatives not traded on an active market were measured using models used by the Bank in the ordinary course of business, which take into account the risks inherent in the financial instrument (market risk, credit risk, etc.).

	December 31, 2022				
	Book balance	Fair value			
		Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	**186,569**	**170,860**	**9,402**	**5,570**	**185,832**
Securities[(b)]	**82,950**	**41,264**	**34,087**	**6,428**	**81,779**
Securities borrowed or purchased under reverse repurchase agreements	**3,034**	**3,034**	**-**	**-**	**3,034**
Loans to the public, net	**384,782**	**18,673**	**-**	**358,284**	**376,957**
Loans to governments	**1,109**	**-**	**17**	**1,009**	**1,026**
Assets in respect of derivatives	**26,638**	**6,484**	**16,382**	**3,772**	**26,638**
Other financial assets	**260**	**19**	**-**	**241**	**260**
Total financial assets	**685,342**[(c)]	**240,334**	**59,888**	**375,304**	**675,526**
Financial liabilities					
Deposits by the public	**557,084**	**32,141**	**278,420**	**235,593**	**546,154**
Deposits by banks	**22,306**	**948**	**4,299**	**16,344**	**21,591**
Deposits from governments	**247**	**-**	**206**	**34**	**240**
Securities loaned or sold under repurchase agreements	**3,952**	**3,952**	**-**	**-**	**3,952**
Bonds, promissory notes and subordinated bonds	**27,805**	**25,978**	**-**	**661**	**26,639**
Liabilities for derivatives	**23,311**	**5,953**	**17,199**	**159**	**23,311**
Other financial liabilities	**2,696**	**142**	**1,176**	**1,378**	**2,696**
Total financial liabilities	**637,401**[(c)]	**69,114**	**301,300**	**254,169**	**624,583**
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	**380**	**-**	**-**	**380**	**380**
In addition, liabilities in respect of employee benefits, net[(d)]	**8,930**	**-**	**-**	**8,930**	**8,930**

(a) 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.

(b) For additional information regarding the book balance and fair value of securities, please see Note 12.

(c) Of which: Assets and liabilities in the amount of NIS 153,740 million and NIS 276,243 million, respectively, the book balance of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the outstanding balance sheet amount is used as an approximation of the fair value). For additional information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 33B and 33D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

Note 33A - Balances and Fair Value Estimates of Financial Instruments (cont.)

	December 31, 2021				
	Book	Fair value			
	balance	Level 1[(a)]	Level 2[(a)]	Level 3[(a)]	Total
	In NIS millions				
Financial assets					
Cash and deposits with banks	197,402	181,290[(e)]	9,986	6,131[(e)]	197,407
Securities[(b)]	86,927	47,337	34,343	5,613	87,293
Securities borrowed or purchased under reverse repurchase agreements	2,447	2,447	-	-	2,447
Loans to the public, net	342,879	14,526	-	328,614	343,140
Loans to governments	940	-	10	968	978
Assets in respect of derivatives	14,027	2,673	9,299	2,055	14,027
Other financial assets	822	25	-	797	822
Total financial assets	645,444[(c)]	248,298	53,638	344,178	646,114
Financial liabilities					
Deposits by the public	537,269	16,021	317,690[(e)]	201,202[(e)]	534,913
Deposits by banks	25,370	3,917	4,308	17,052	25,277
Deposits from governments	300	-	188	98	286
Securities loaned or sold under repurchase agreements	2,282	2,282	-	-	2,282
Bonds, promissory notes and subordinated notes	15,428	15,640	-	824	16,464
Liabilities for derivatives	15,551	2,672	12,498	381	15,551
Other financial liabilities	2,781	460	987	1,334	2,781
Total financial liabilities	598,981[(c)]	40,992	335,671	220,891	597,554
Off-balance-sheet financial instruments					
Transactions in which the outstanding balance embodies credit risk	324	-	-	324	324
In addition, liabilities in respect of employee benefits, net[(d)]	12,125	-	-	12,125	12,125

(a) 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.

(b) For additional information regarding the book balance and fair value of securities, please see Note 12.

(c) Of which: Assets and liabilities in the amount of NIS 157,223 million and NIS 389,669 million, respectively, the book balance of which is equal to their fair value (instruments presented in the balance sheet at fair value) or approximates their fair value (instruments for an original period of up to 3 months for which the outstanding balance sheet amount is used as an approximation of the fair value). For additional information on instruments measured at fair value on recurring and non-recurring bases, please see Notes 33B and 33D.

(d) The liability is presented on a net basis and takes into account plan assets managed against it.

(e) Reclassified.

Note 33B - Items Measured at Fair Value

A. Items Measured at Fair Value on a Recurring Basis

	December 31, 2022			
	Fair value measurements using -			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	**17,199**	**4,619**	**24**	**21,842**
Foreign governments' bonds	**12,486**	**4,509**	**-**	**16,995**
Bonds of Israeli financial institutions	**46**	**-**	**-**	**46**
Bonds of foreign financial institutions	**-**	**9,627**	**-**	**9,627**
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	**-**	**3,651**	**4,059**	**7,710**
Other Israeli bonds	**495**	**175**	**-**	**670**
Other foreign bonds	**-**	**4,919**	**-**	**4,919**
Total available-for-sale bonds	**30,226**	**27,500**	**4,083**	**61,809**
Equity securities and mutual funds not held-for-trading:				
Equity securities and mutual funds not held-for-trading	**2,020**	**-**	**-**	**2,020**
Held-for-trading securities:				
Government of Israel bonds	**1,263**	**-**	**-**	**1,263**
Bonds of Israeli financial institutions	**580**	**-**	**-**	**580**
Bonds of foreign financial institutions	**-**	**53**	**-**	**53**
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	**-**	**23**	**10**	**33**
Other Israeli bonds	**257**	**-**	**-**	**257**
Other foreign bonds	**-**	**69**	**2**	**71**
Held-for-trading equity securities and mutual funds	**3**	**-**	**-**	**3**
Total held-for-trading securities	**2,103**	**145**	**12**	**2,260**
Assets in respect of derivatives:				
NIS-CPI contacts	**-**	**146**	**153**	**299**
Interest rate contracts	**175**	**8,900**	**77**	**9,152**
Foreign exchange rate contracts	**-**	**5,537**	**1,823**	**7,360**
Stock contracts	**5,710**	**1,767**	**1,715**	**9,192**
Commodity- and other contracts	**206**	**32**	**4**	**242**
MAOF (Israeli financial instruments and futures) market activity	**393**	**-**	**-**	**393**
Total assets in respect of derivatives	**6,484**	**16,382**	**3,772**	**26,638**
Other:				
Credit and deposits for loaned securities	**14,875**	**-**	**-**	**14,875**
Securities borrowed or purchased under reverse repurchase agreements	**3,034**	**-**	**-**	**3,034**
Other	**17**	**-**	**-**	**17**
Total - Other	**17,926**	**-**	**-**	**17,926**
Total assets	**58,759**	**44,027**	**7,867**	**110,653**

Note 33B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31, 2022			
	Fair value measurements using -			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	**-**	**291**	**148**	**439**
Interest rate contracts	**116**	**8,673**	**-**	**8,789**
Foreign exchange rate contracts	**-**	**4,750**	**4**	**4,754**
Stock contracts	**5,237**	**3,451**	**7**	**8,695**
Commodity- and other contracts	**207**	**34**	**-**	**241**
MAOF (Israeli financial instruments and futures) market activity	**393**	**-**	**-**	**393**
Total liabilities in respect of derivatives	**5,953**	**17,199**	**159**	**23,311**
Other:				
Deposits by the public	**14,825**	**1**	**-**	**14,826**
Securities loaned or sold under repurchase agreements	**3,952**	**-**	**-**	**3,952**
Other	**142**	**-**	**-**	**142**
Total - Other	**18,919**	**1**	**-**	**18,920**
Total liabilities	**24,872**	**17,200**	**159**	**42,231**

Note 33B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31, 2021			
	Fair value measurements using -			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Assets				
Available-for-sale bonds:				
Government of Israel bonds	18,888	4,747	31	23,666
Foreign governments' bonds	19,715	6,797	-	26,512
Bonds of Israeli financial institutions	54	-	-	54
Bonds of foreign financial institutions	-	8,270	32	8,302
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	-	3,382	3,793	7,175
Other Israeli bonds	418	167	-	585
Other foreign bonds	-	5,133	3	5,136
Total available-for-sale bonds	39,075	28,496	3,859	71,430
Available-for-sale equity securities and mutual funds:				
Equity securities and mutual funds	2,601	-	-	2,601
Held-for-trading securities:				
Government of Israel bonds	2,591	-	-	2,591
Bonds of Israeli financial institutions	288	-	-	288
Bonds of foreign financial institutions	-	27	-	27
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	-	31	11	42
Other Israeli bonds	106	-	-	106
Other foreign bonds	-	53	-	53
Held-for-trading equity securities and mutual funds	15	-	-	15
Total held-for-trading securities	3,000	111	11	3,122
Assets in respect of derivatives:				
NIS-CPI contacts	-	92	146	238
Interest rate contracts	42	2,707	124	2,873
Foreign exchange rate contracts	1	3,899	728	4,628
Stock contracts	2,077	2,523	803	5,403
Commodity- and other contracts	16	78	254	348
MAOF (Israeli financial instruments and futures) market activity	537	-	-	537
Total assets in respect of derivatives	2,673	9,299	2,055	14,027
Other:				
Credit and deposits for loaned securities	8,203	-	-	8,203
Securities borrowed or purchased under reverse repurchase agreements	2,447	-	-	2,447
Other	25	-	-	25
Total - Other	10,675	-	-	10,675
Total assets	58,024	37,906	5,925	101,855

Note 33B - Items Measured at Fair Value (cont.)

A. Items Measured at Fair Value on a Recurring Basis (cont.)

	December 31, 2021			
	Fair value measurements using -			
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
	In NIS millions			
Liabilities				
Liabilities for derivatives:				
NIS-CPI contacts	-	257	90	347
Interest rate contracts	52	2,942	-	2,994
Foreign exchange rate contracts	-	5,650	284	5,934
Stock contracts	2,074	3,321	7	5,402
Commodity- and other contracts	9	328	-	337
MAOF (Israeli financial instruments and futures) market activity	537	-	-	537
Total liabilities in respect of derivatives	2,672	12,498	381	15,551
Other:				
Deposits by the public	8,176	6	-	8,182
Securities loaned or sold under repurchase agreements	2,282	-	-	2,282
Other	460	-	-	460
Total - Other	10,918	6	-	10,924
Total liabilities	13,590	12,504	381	26,475

Note 33B - Items Measured at Fair Value (cont.)

B. Items Measured at Fair Value on a Non-Recurring Basis

	December 31, 2022				
	Fair value measurements using -				
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS millions				
Collateral-dependent non-performing credit	**-**	**-**	**94**	**94**	**135**
Total	**-**	**-**	**94**	**94**	**135**

	December 31, 2021				
	Fair value measurements using -				
	Prices quoted in an active market (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Total profit (loss) from changes in value during the period
	In NIS millions				
Collateral-dependent non-performing credit	-	-	541	541	76
Total	-	-	541	541	76

Note 33C - Items Measured at Fair Value on a Recurring Basis Included in Level 3

	For the year ended December 31, 2022										
	Fair value as at the beginning of the year	Realized/unrealized gains (losses), net, including: In the income statement[(a)]	Realized/unrealized gains (losses), net, including: In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from level 3[(c)]	Fair value as at December 31, 2022	Unrealized gains (losses) for instruments held as at December 31, 2022
	In NIS millions										
Assets											
Available-for-sale bonds:											
Government of Israel	**31**	**-**	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**	**24**	**(5)**
Foreign financial institutions	**32**	**19**	**-**	**933**	**-**	**(984)**	**-**	**-**	**-**	**-**	**-**
MBS/ABS	**3,793**	**521**	**(196)**	**1,367**	**(19)**	**(487)**	**-**	**-**	**(920)**	**4,059**	**(229)**
Others - abroad	**3**	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**
Total available-for-sale bonds	**3,859**	**540**	**(203)**	**2,300**	**(19)**	**(1,474)**	**-**	**-**	**(920)**	**4,083**	**(234)**
held-for-trading bonds:											
MBS/ABS	**11**	**1**	**-**	**-**	**(1)**	**(4)**	**-**	**3**	**-**	**10**	**-**
Others - abroad	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**	**-**
Total held-for-trading bonds	**11**	**1**	**-**	**-**	**(1)**	**(4)**	**-**	**5**	**-**	**12**	**-**
Assets in respect of derivatives:											
NIS-CPI contacts	**146**	**(12)**	**-**	**-**	**-**	**-**	**-**	**19**	**-**	**153**	**67**
Interest rate contracts	**124**	**230**	**-**	**-**	**-**	**(277)**	**-**	**-**	**-**	**77**	**(144)**
Foreign exchange rate contracts	**728**	**(488)**	**-**	**1,583**	**-**	**-**	**-**	**-**	**-**	**1,823**	**1,623**
Stock contracts	**803**	**912**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,715**	**1,700**
Commodity- and other contracts	**254**	**(250)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**4**
Total assets in respect of derivatives	**2,055**	**392**	**-**	**1,583**	**-**	**(277)**	**-**	**19**	**-**	**3,772**	**3,250**
Total assets	**5,925**	**933**	**(203)**	**3,883**	**(20)**	**(1,755)**	**-**	**24**	**(920)**	**7,867**	**3,016**
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	**90**	**(85)**	**-**	**-**	**-**	**-**	**-**	**143**	**-**	**148**	**5**
Foreign exchange rate contracts	**284**	**(280)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**-**
Stock contracts	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**-**
Total liabilities in respect of derivatives	**381**	**(365)**	**-**	**-**	**-**	**-**	**-**	**143**	**-**	**159**	**5**
Total liabilities	**381**	**(365)**	**-**	**-**	**-**	**-**	**-**	**143**	**-**	**159**	**5**

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.

(b) Unrealized gains included in the Statement of Changes in Equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) in respect of available-for-sale bonds as at December 31, 2022, amounted to NIS (234) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when the term to maturity was less than one year.

Note 33C - Items Measured at Fair Value on a Recurring Basis Included in Level 3 (cont.)

	For the year ended December 31, 2021										
		Realized/unrealized gains (losses), net, including:									
	Fair value as at the beginning of year	In the income statement[(a)]	In other comprehensive income[(b)]	Purchases and issuances	Sales	Discharges	Adjustments from translation of financial statements	Transfers to Level 3[(c)]	Transfers from Level 3[(c)]	Fair value as at December 31, 2021	Unrealized gains (losses) for instruments held as at December 31, 2021
	In NIS millions										
Assets											
Available-for-sale bonds:											
Government of Israel	33	(2)	-	-	-	-	-	-	-	31	2
Foreign financial institutions	-	1	-	-	-	-	-	31	-	32	-
MBS/ABS	2,556	119	(37)	1,539	(80)	(1,380)	-	1,076	-	3,793	(32)
Others - abroad	8	-	-	-	-	(3)	-	-	(2)	3	-
Total available-for-sale bonds	2,597	118	(37)	1,539	(80)	(1,383)	-	1,107	(2)	3,859	(30)
Held-for-trading bonds:											
MBS/ABS	22	1	-	-	-	(8)	-	-	(4)	11	-
Others - abroad	2	-	-	-	-	-	-	-	(2)	-	-
Total held-for-trading bonds	24	1	-	-	-	(8)	-	-	(6)	11	-
Assets in respect of derivatives:											
NIS-CPI contacts	148	(13)	-	-	-	-	-	11	-	146	(6)
Interest rate contracts	439	(106)	-	-	-	(209)	-	-	-	124	(309)
Foreign exchange rate contracts	1,158	(1,590)	-	1,160	-	-	-	-	-	728	499
Stock contracts	18	785	-	-	-	-	-	-	-	803	789
Commodity- and other contracts	4	250	-	-	-	-	-	-	-	254	254
Total assets in respect of derivatives	1,767	(674)	-	1,160	-	(209)	-	11	-	2,055	1,227
Total assets	4,388	(555)	(37)	2,699	(80)	(1,600)	-	1,118	(8)	5,925	1,197
Liabilities											
Liabilities for derivatives:											
NIS-CPI contacts	63	(58)	-	-	-	-	-	85	-	90	18
Foreign exchange rate contracts	176	108	-	-	-	-	-	-	-	284	-
Stock contracts	-	-	7	-	-	-	-	-	-	7	-
Total liabilities in respect of derivatives	239	50	7	-	-	-	-	85	-	381	18
Total liabilities	239	50	7	-	-	-	-	85	-	381	18

(a) Net realized gains (losses) reported in the income statement under the noninterest finance income line item.

(b) Unrealized losses included in the Statement of Changes in Equity under accumulated other comprehensive income (loss). The balance of unrealized other comprehensive income (loss) in respect of available-for-sale bonds as at December 31, 2021, amounted to NIS (30) million.

(c) Transfers from Level 2 to Level 3 – forward CPI contracts for a period of more than one year were transferred when the term to maturity was less than one year.

Note 33D - Quantitative Information on Items Measured at Fair Value and Included in Level 3

Quantitative Information on Fair Value Measurement in Level 3

	December 31, 2022				
	Fair value	Valuation technique	Unobservable inputs	Range	Average[3]
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities[1]					
Government of Israel bonds	**24**	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	**4,059**	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Held-for-trading securities[1]					
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	**10**	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Others - foreign	**2**	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Assets for derivatives[2]					
NIS-CPI interest contracts	**148**	Discounted cash flows	Expected inflation	0.41%-2.72%	1.56%
	5	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Interest rate contracts	**77**	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Foreign exchange rate contracts	**1,823**	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Stock contracts	**1,715**	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Commodity contracts	**4**	Discounted cash flows	Counterparty risk	0.60%-100%(*)	1.39%
Liabilities					
Liabilities for derivatives[2]					
NIS-CPI interest contracts	**148**	Discounted cash flows	Expected inflation	0.41%-2.72%	1.56%
Foreign exchange rate contracts	**4**	Discounted cash flows	Expected inflation	0.41%-2.72%	1.56%
Stock contracts	**7**	Discounted cash flows	Counterparty risk	0.60%-100%	1.39%
b. Items measured at fair value on a non-recurring basis					
Collateral-dependent non-performing credit	**94**	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Note 33D - Quantitative Information on Items Measured at Fair Value and Included in Level 3 (cont.)

Quantitative Information on Fair Value Measurement in Level 3 (cont.)

	December 31, 2021				
	Fair value	Valuation technique	Unobservable inputs	Range	Average(3)
a. Items measured at fair value on a recurring basis					
Assets					
Available-for-sale securities(1)					
Government of Israel bonds	31	Discounted cash flows	Spread	205 bp	205 bp
			Probability of default	1.68%	1.68%
			% of loss	25%	25%
Foreign financial institutions	32	Discounted cash flows	Spread	433.8 bp	433.8 bp
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	3,793	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Other foreign entities	3	Discounted cash flows	Spread	105-210 bp	158 bp
			Probability of default	1.1%-1.8%	1.45%
			% of loss	30%	30%
Held-for-trading securities(1)					
Asset-backed bonds (ABSs) or mortgage-backed bonds (MBSs)	11	Discounted cash flows	Spread	110-215 bp	163 bp
			Probability of default	2%-3.8%	2.90%
			Early repayment rate	20%	20%
			% of loss	30%	30%
Assets for derivatives(2)					
NIS-CPI interest contracts	138	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
	8	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Interest rate contracts	124	Discounted cash flows	Counterparty risk	0.15%-100%(*))	0.97%
Foreign exchange rate contracts	728	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Stock contracts	803	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Commodity contracts	254	Discounted cash flows	Counterparty risk	0.15%-100%(*)	0.97%
Liabilities					
Liabilities for derivatives(2)					
NIS-CPI interest contracts	90	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
Foreign exchange rate contracts	284	Discounted cash flows	Expected inflation	0.16%-2.60%	1.38%
Stock contracts	7	Discounted cash flows	Counterparty risk	0.15%-100%	0.97%
b. Items measured at fair value on a non-recurring basis					
Collateral-dependent non-performing credit	541	Collateral's fair value			

* For a defaulted counterparty.

Please see comments below.

Qualitative Information on Fair Value Measurement in Level 3

1. The following unobservable inputs were used to measure the fair value of asset-backed or mortgage-backed securities: Spread, probability of default, early repayment rate, and severity of loss in the event of a default.
   A significant increase/decrease in the unobservable inputs will be reflected in a significantly lower/higher fair value, respectively.

2. The following unobservable inputs were used to measure the derivatives' fair value: counterparty credit risk and expected inflation rate. The higher/lower a counterparty's credit risk, the lower/higher the contract's fair value, respectively.
   A change in the expected inflation rate will affect the contracts' fair value in accordance with the Bank's CPI-linked position on these contracts. The higher (lower) the expected inflation rate with the Bank committed to paying the CPI-linked amount, the lower (higher) the contracts' fair value, respectively. The higher (lower) the expected inflation rate with the counterparty committed to paying the Bank the CPI-linked amount, the higher (lower) the contracts' fair value, respectively.

3. The average figure for the unobservable input "counterparty risk" reflects a weighted average. The weighted average was calculated based on the relative fair value of the exposures.

Note 34 - Interested and Related Parties of the Bank and Its Consolidated Subsidiaries

Control of the Bank

Bank without a controlling core

As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

A. Balances

	December 31, 2022			
	Interested parties[(f)(h)]			
	Other shareholders[(j)]		Officers[(a)]	
	Balance as at December 31	Highest balance[(d)]	Balance as at December 31	Highest balance[(d)]
	In NIS millions			
Assets:				
Deposits with banks	-	-	-	-
Securities[(e)]	-	-	-	-
Loans to the public	**231**	**256**	**6**	**6**
Loan loss provision	-	-	-	-
Loans to the public, net	**231**	**256**	**6**	**6**
Investments in associates[(e)]	-	-	-	-
Other assets	-	-	-	-
Liabilities:				
Deposits by the public	**210**	**257**	**16**	**16**
Deposits by banks	-	-	-	-
Bonds, promissory notes and subordinated bonds	-	-	-	-
Other liabilities	-	-	-	-
Credit risk in off-balance-sheet items[(g)]	**5**	**6**	**1**	**2**

(a) Including their immediate family members, as defined in Section 80.D(3) to the Reporting to the Public Directives.
(b) Pursuant to Section 80.D(4) to the Reporting to the Public Directives, corporations controlled by a person or corporation included in any of the interested party groups in accordance with the Securities Law and who/which holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
(c) In accordance with Section 80.D(8) of the Reporting to the Public Directives. Starting July 1, 2022, in accordance with the revision to Proper Conduct of Banking Business Directive 312, the inclusion was canceled regarding corporations held at over 10 percent of the means of control, which the Bank does not control and the value of the holding does not exceed 0.5 percent of the Tier 1 capital after supervisory adjustments and deductions.
(d) Based on end-of-month balances.
(e) Additional details about these items are also included in Note 12 and Note 15.
(f) As at December 31, 2022, interested parties' holdings in the Bank's share capital amounted to NIS 457,060,509 par value of Bank's shares (of which officers: NIS 257,294 par value).
(g) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per borrower indebtedness limitations.
(h) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
(i) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
(j) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives. "Other shareholders" as at December 31, 2022, including through entities held by them, are The Phoenix Holdings Ltd. and Excellence Investments Ltd. (as of August 28, 2019) - 7.20 percent of the Bank's equity; Harel Investments in Insurance and Financial Services Ltd. (as of March 12, 2020) - 5.82 percent of equity; Meitav Dash Investments Ltd. (as of June 4, 2020) - 5.44 percent of equity; Clal Insurance Enterprises Holdings Ltd. (as of June 18, 2021) - 6.01 percent of equity; Altshuler Shaham Ltd. (as of June 27, 2022) - 5.09 percent of equity.

				Related parties[h]					
				Held by the Bank				Other[c]	
Other[b]		Interested parties at transaction date		Unconsolidated subsidiaries		Associates[i]			
Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	**694**
2,757	**2,757**	-	-	-	-	**2,096**	**2,188**	-	**177**
-	-	-	-	-	-	**(20)**	**(35)**	-	-
2,757	**2,757**	-	-	-	-	**2,076**	**2,153**	-	**177**
-	-	-	-	-	-	**4,947**	**4,947**	-	-
51	**88**	-	-	-	-	-	**10**	-	**2**
2,773	**2,773**	-	-	-	-	**601**	**985**	-	**86**
-	-	-	-	-	-	**20**	**49**	-	-
2	**2**	-	-	-	-	-	-	-	-
22	**30**	-	-	-	-	**44**	**44**	-	**4**
102	**287**	-	-	-	-	**1,425**	**1,425**	-	**68**

Note 34 - Interested and Related Parties of the Bank and its Consolidated

A. Balances (cont.)

	December 31, 2021			
	Interested parties[f][h]			
	Other shareholders[j]		Officers[a]	
	Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]
	In NIS millions			
Assets:				
Deposits with banks	-	-	-	-
Securities[e]	-	-	-	-
Loans to the public	13	17	6	6
Loan loss provision	-	-	-	-
Loans to the public, net	13	17	6	6
Investments in associates[e]	-	-	-	-
Other assets	-	-	-	-
Liabilities:				
Deposits by the public	93	219	9	15
Deposits by banks	-	-	-	-
Bonds, promissory notes and subordinated bonds	-	-	-	-
Other liabilities	-	-	-	-
Credit risk in off-balance-sheet items[g]	4	4	2	2

(a) Including their immediate family members, as defined in Section 80.D(3) to the Reporting to the Public Directives.
(b) Pursuant to Section 80.D(4) to the Reporting to the Public Directives, corporations controlled by a person or corporation included in any of the interested party groups in accordance with the Securities Law and who/which holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
(c) In accordance with Section 80.D(8) of the Reporting to the Public Directives.
(d) Based on end-of-month balances.
(e) Additional details about these items are also included in Note 12 and Note 15.
(f) As at December 31, 2021, interested parties' holdings in the Bank's share capital amounted to NIS 358,972,708 par value of Bank's shares (of which officers: NIS 259,295 par value).
(g) Credit risk for off-balance-sheet financial instruments as calculated for the purpose of per borrower indebtedness limitations.
(h) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
(i) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
(j) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives. "Other shareholders" as at December 31, 2021, including through entities held by them, are The Phoenix Holdings Ltd. and Excellence Investments Ltd. (as of August 28, 2019) - 7.23 percent of the Bank's equity; Harel Investments in Insurance and Financial Services Ltd. (as of March 12, 2020) - 6.26 percent of equity; and Meitav Dash Investments Ltd. (as of June 4, 2020) - 5.21 percent of equity, Clal Insurance Enterprises Holdings Ltd. (as of June 18, 2021) - 5.97 percent of equity.

				Related parties[h]					
				Held by the Bank				Other[c]	
Other[b]		Interested parties at transaction date		Unconsolidated subsidiaries		Associates[i]			
Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]	Balance as at December 31	Highest balance[d]
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	737	737
1,692	1,692	-	348	-	-	1,362	1,381	221	298
-	-	-	-	-	-	(95)	(120)	-	-
1,692	1,692	-	348	-	-	1,267	1,261	221	298
-	-	-	-	-	-	1,113	1,117	-	-
49	49	-	2	-	-	2	2	1	5
1,216	1,281	-	173	-	-	1,036	1,036	102	626
-	-	-	-	-	-	23	34	-	-
1	1	-	-	-	-	-	-	-	-
4	5	-	1	-	-	4	4	1	3
45	271	-	23	-	-	263	277	60	99

Note 34 - Interested and Related Parties of the Bank and its Consolidated Subsidiaries (cont.)

B. Condensed Business Results with Interested Parties and Related Parties

	For the year ended December 31, 2022					
	Interested parties[f]		Related parties[f]			
			Held by the Bank			Other[c]
	Other shareholders[h]	Officers[a]	Other[b]	Unconsolidated subsidiaries	Associates or jointly controlled investees[g]	
	In NIS millions					
Interest income, net[d]	**1**	**-**	**(31)**	**-**	**43**	**10**
Loan loss provision	**-**	**-**	**-**	**-**	**(75)**	**-**
Noninterest expenses	**-**	**-**	**(89)**	**-**	**(18)**	**(1)**
Of which: Management and service fees	**-**	**-**	**2**	**-**	**5**	**-**
Operating and other expenses[e]	**-**	**(50)**	**(5)**	**-**	**(19)**	**(19)**
Total	**1**	**(50)**	**(125)**	**-**	**(69)**	**(10)**

	For the year ended December 31, 2021					
	Interested parties[f]		Related parties[f]			
			Held by the Bank			Other[c]
	Other shareholders[h]	Officers[a]	Other[b]	Unconsolidated subsidiaries	Associates or jointly controlled investees[g]	
	In NIS millions					
Interest income, net[d]	1	-	(1)	-	20	23
Loan loss provision	-	-	-	-	(95)	-
Noninterest income	-	-	58	-	18	1
Of which: Management and service fees	-	-	2	-	3	1
Operating and other expenses[e]	-	(64)	(2)	-	(16)	(41)
Total	1	(64)	55	-	(73)	(17)

(a) Including their immediate family members, as defined in Section 80.D(3) to the Reporting to the Public Directives.
(b) Pursuant to Section 80.D(4) of the Reporting to the Public Directives, corporations controlled or jointly held by a person or corporation included in any of the interested party groups and who/which has significant influence on it or holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
(c) In accordance with Section 80.D(8) of the Reporting to the Public Directives.
(d) Additional information in Section D below.
(e) Additional information in Section C below.
(f) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
(g) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
(h) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives.

Note 34 - Interested and Related Parties of the Bank and its Consolidated Subsidiaries (cont.)

B. Condensed Business Results with Interested Parties and Related Parties (cont.)

	For the year ended December 31, 2020					
	Interested parties[f]		Related parties[f]			
				Held by the Bank		Other[c]
	Other shareholders[h]	Officers[a]	Other[b]	Unconsolidated subsidiaries	Associates or jointly controlled investees[g]	
	In NIS millions					
Interest income, net[d]	8	-	23	-	21	15
Loan loss provision	-	-	-	-	(50)	-
Noninterest income	1	-	20	-	4	3
Of which: Management and service fees	1	-	2	-	2	1
Operating and other expenses[e]	-	(65)	(14)	-	(18)	(47)
Total	9	(65)	29	-	(43)	(29)

(a) Including their immediate family members, as defined in Section 80.D(3) to the Reporting to the Public Directives.
(b) Pursuant to Section 80.D(4) of the Reporting to the Public Directives, corporations controlled or jointly held by a person or corporation included in any of the interested party groups and who/which has significant influence on it or holds at least 25 percent of their issued share capital or voting rights may appoint 25 percent or more of their board members.
(c) In accordance with Section 80.D(8) of the Reporting to the Public Directives.
(d) Additional information in Section D below.
(e) Additional information in Section C below.
(f) Interested party, related party, related person, as defined in Section 80.D of the Reporting to the Public Directives.
(g) Associates or jointly held investees, in accordance with Section 80.D(7) to the Reporting to the Public Directives.
(h) Including those holding at least 5 percent of the means of control in the Bank, in accordance with Section 80.D(2) of the Reporting to the Public Directives.

Note 34 - Interested and Related Parties of the Bank and its Consolidated Subsidiaries (cont.)

C. Compensation and Any Other Benefits to Interested Parties

	For the year ended December 31					
	2022		2021		2020	
	Officers					
	Benefits - total	No. of benefit recipients	Benefits - total	No. of benefit recipients	Benefits - total	No. of benefit recipients
	In NIS millions		In NIS millions		In NIS millions	
Interested party employed in the corporation or on its behalf[(a)(b)(c)]	**36**	**17**	48	23	51	20
Director not employed in the corporation or on its behalf[(a)]	**5**	**10**	7	11	7	11

(a) Excluding payroll tax expenses.
(b) Of which: Short-term employee benefits NIS 41 million and post-employment benefit NIS (6) million.
(2021 – short term employee benefits - 35 million, post-employment benefits - NIS 13 million, 2020 - short term employee benefits - NIS 32 million, post-employment benefits - NIS 19 million).
(c) In 2022, expenses for share-based compensation were NIS 1.3 million (in 2020-2021, expenses in respect of share-based compensation were less than NIS 1 million).

Bank's directors and officers are covered by a directors' and officers' liability insurance policy (D&O) taken out by the Bank. The overall insurance premium totaled NIS 8.598 thousand (2021 – NIS 8,009 thousand, 2020 – NIS 5,857 thousand).

D. Net Interest Income from Transactions of the Bank and its Consolidated Companies with Interested and Related Parties

	For the year ended December 31					
	2022		2021		2020	
	Consolidated	Of which: Associates	Consolidated	Of which: Associates	Consolidated	Of which: Associates
	In NIS millions					
(a) For assets						
From loans to the public	**84**	**49**	53	20	68	22
(b) For liabilities						
For deposits by the public	**(61)**	**(6)**	(10)	-	(1)	(1)
Total interest income, net	**23**	**43**	43	20	67	21

E. Information Relating to the Terms and Conditions of Transactions and Balances with Related Parties and Interested Parties

All transactions and balances with interested parties and related parties were carried out in the ordinary course of business and under terms and conditions similar to those of transactions with entities not related to the Bank and its consolidated subsidiaries.

Interest receivable and payable in respect of transactions with interested parties and related parties is calculated at the normal interest rates applied to transactions in the ordinary course of business with non-related parties of the Bank.

Note 35 - The Bank's Condensed Financial Statements

A. Condensed Income Statement

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Interest income	**18,289**	10,582	9,028
Interest expenses	**5,591**	1,290	1,359
Interest income, net	**12,698**	9,292	7,669
Loan loss expenses (income)	**505**	(819)	2,270
Interest income, net after loan loss expenses (income)	**12,193**	10,111	5,399
Noninterest income			
Noninterest finance income	**1,071**[(a)]	992	963
Fees and commissions	**3,294**	3,130	2,955
Other income	**59**	264	17
Total noninterest income	**4,424**	4,386	3,935
Operating and other expenses			
Salaries and related expenses	**3,646**	3,650	3,191
Buildings and equipment - maintenance and depreciation	**1,255**	1,325	1,351
Other expenses	**1,459**	1,528	1,575
Total operating and other expenses	**6,360**	6,503	6,117
Profit before taxes	**10,257**	7,994	3,217
Provision for profit tax	**3,416**	2,957	1,281
Profit after taxes	**6,841**	5,037	1,936
Bank's share in investees' net profits, after tax	868[(a)]	991	166
Net income	**7,709**	6,028	2,102

(a) For the purpose of presentation only, the gain on the sale of BLUSA reclassified from the Bank's share in net profits of investees after tax to noninterest finance income. For more information, please see Note 15.A.

Note 35 - The Bank's Condensed Financial Statements (cont.)

B. The Bank's Balance Sheet

	December 31	
	2022	2021
	In NIS millions	
Assets		
Cash and deposits with banks	**186,266**	197,320
Securities	**77,503**	76,918
Securities borrowed or purchased under reverse repurchase agreements	**3,034**	2,447
Loans to the public	**388,448**	322,511
Loan loss provision	**(4,911)**	(4,135)
Loans to the public, net	**383,537**	318,376
Loans to governments	**1,109**	940
Investments in investees	**13,734**	11,658
Buildings and equipment	**2,702**	2,572
Assets in respect of derivatives	**26,646**	13,946
Other assets	**6,163**	6,815
Total assets	**700,694**	630,992
Liabilities and equity		
Deposits by the public	**557,937**	513,474
Deposits by banks	**23,413**	25,399
Deposits from governments	**247**	299
Securities loaned or sold under repurchase agreements	**3,952**	2,046
Bonds, promissory notes and subordinated bonds	**27,805**	15,428
Liabilities for derivatives	**23,303**	15,455
Other liabilities	**14,599**	17,281
Total liabilities	**651,256**	589,382
Equity attributable to the Bank's shareholders	**49,438**	41,610
Total liabilities and equity	**700,694**	630,992

Note 35 - The Bank's Condensed Financial Statements (cont.)

C. Statement of Cash Flows

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Cash flows from operating activities			
Net income for the year	**7,709**	6,028	2,102
Adjustments:			
Bank's share in undistributed net losses (profits) of investees net of dividend received	**(870)**	(990)	48
Depreciation of buildings and equipment (including impairment)	**570**	634	597
Loan loss expenses (income)	**505**	(819)	2,270
Gains on sale of loan portfolios	**(15)**	-	-
Net losses (gains) on sale of available-for-sale bonds	**141**	(230)	(362)
Net realized and unrealized losses (gains) from fair value adjustments of held-for-trading securities	**164**	19	(58)
(Gains) losses on sale of investees' equity	**(752)**	-	2
(Gains) losses on disposal of buildings and equipment - net	**(52)**	(119)	7
Provision for impairment of available-for-sale bonds	**42**	-	33
Realized and unrealized gains, net from fair value adjustments of equity securities not held-for-trading	**(178)**	(79)	(167)
Expenses for stock-based compensation transactions	**4**	-	-
Deferred taxes - net	**(259)**	405	(700)
Severance pay and pension – increase (decrease) in excess of provision over fund	**33**	327	(975)
Excess of interest (receivable) received for available-for-sale bonds and held-to-maturity bonds over interest accrued during the period	**(195)**	367	237
Accrual differences and rate in respect of bonds and subordinated bonds	**1,003**	(41)	(393)
Effect of exchange rate differentials on cash and cash equivalent balances	**(765)**	570	1,266
Other, net	**(11)**	5	-
<u>Net change in current assets:</u>			
Assets in respect of derivatives	**(12,700)**	1,140	(4,189)
Held-for-trading securities	**713**	894	(463)
Other Assets	**(12)**	164	(642)
<u>Net change in current liabilities:</u>			
Liabilities for derivatives	**8,712**	(1,394)	5,568
Other Liabilities	**1,788**	(3,143)	1,055
Net cash provided by operating activities	**5,575**	3,738	5,236

Note 35 - The Bank's Condensed Financial Statements (cont.)

C. Statement of Cash Flows (cont.)

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Cash flows from investing activities			
Net change in deposits with banks with original maturities of more than three months	**123**	(1,062)	(268)
Net change in loans to the public[(a)]	**(66,609)**	(45,087)	(16,376)
Net change in loans to the Israeli Government	**(171)**	(308)	112
Net change in securities loaned or sold under repurchase agreements	**(587)**	572	(1,902)
Purchase of held-to-maturity bonds	**(8,550)**	(1,201)	(2,340)
Proceeds from redemption of held-to-maturity bonds	**418**	898	902
Purchase of available-for-sale bonds and equity securities not held-for-trading	**(113,235)**	(101,796)	(129,536)
Proceeds from sale of available-for-sale bonds and equity securities not held-for-trading	**95,800**	83,879	97,147
Proceeds from redemption of available-for-sale bonds and equity securities not held-for-trading	**19,240**	23,665	30,442
Purchase of investees' shares	**(355)**	(21)	(16)
Proceeds from disposal of investment in investees	**-**	1	9
Decrease, net in capital notes of investees	**306**	-	973
Proceeds from sale of loan portfolios	**443**	217	-
Purchase of buildings and equipment	**(753)**	(517)	(554)
Proceeds from disposal of buildings and equipment	**109**	179	6
Central severance pay fund	**91**	(74)	135
Net cash from investing activities	**(73,730)**	(40,655)	(21,266)
Cash flow from financing activities			
Net change in deposits by banks with original maturities of more than three months	**(1,986)**	10,322	8,962
Net change in deposits by the public	**44,157**	87,884	70,605
Net change in deposits by the government	**(52)**	106	9
Net change in securities loaned or sold under repurchase agreements	**1,906**	1,692	231
Proceeds from issue of bonds and subordinated bonds	**11,435**	2,262	4,986
Redemption of bonds and subordinated bonds	**(61)**	(3,096)	(8,248)
Issuance of shares	**2,736**	-	-
Dividend paid to shareholders	**(1,665)**	(1,997)	(297)
Share buyback	**-**	-	(250)
Net cash from financing activities	**56,470**	97,173	75,998
(Decrease) increase in cash and cash equivalents	**(11,685)**	60,256	59,968
Cash balance as at the beginning of the year	**191,253**	131,567	72,865
Effect of exchange rate fluctuations on cash and cash equivalent balances	**765**	(570)	(1,266)
Balance of cash and cash equivalents at the end of the year	**180,333**	191,253	131,567

(a) Including operating activities from invoice factoring. Please see Note 30F.

Note 35 - The Bank's Condensed Financial Statements (cont.)

C. Statement of Cash Flows (cont.)

Interest and taxes paid and/or received and dividends received

	For the year ended December 31		
	2022	2021	2020
	In NIS millions		
Interest received	**15,106**	9,667	9,512
Interest paid	**(3,437)**	(1,371)	(2,356)
Dividends received	**95**	11	222
Income tax paid	**(2,297)**	(2,807)	(1,633)
Income tax received	**193**	74	221

Note 36 - Miscellaneous Topics and Events subsequent to the Balance Sheet Date

A. The Bank's UK office

On March 8, 2022, the Bank's board of Directors approved the recommendation of BLUK's board to implement a measure which includes returning BLUK's regulatory license, such that after the measure will have been completed, BLUK will be a credit provision company. To this end, BLUK will be merged into LABL, a BLUK subsidiary (hereinafter – "Leumi UK Group").

Leumi UK Group provides credit primarily in the fields of real estate, hotels and ABL, only to commercial customers in the UK and Europe, including Israeli customers active in these geographies; this includes investments in and development of residential real estate and financing of commercial real estate (homes for the elderly and student dormitories). Funding is extended both to customers in and outside the UK (mainly Israeli).

As of December 31, 2022, all the conditions required to carry out the restructuring were met, including transfer of all business activity from BLUK to Leumi UK Group and declaration of voluntary liquidation of BLUK, such that all that remains is to obtain regulatory approval in the UK and the revocation of BLUK's banking license.

B. Sale of Beit Mani

Following on that stated in the Bank's 2021 Annual Financial Statements regarding to offer to bid for the purchase of the property located at Yehuda Halevi Street in Tel Aviv ("Beit Mani"), on April 26, 2022, the bid submitted by Sela Capital Real Estate Ltd. won. On May 18, 2022, after the approval of the Bank's competent organs, the sale agreement was signed.

For the purchase of Beit Mani, NIS 623 million will be paid to the Bank, with the addition of VAT. The pre-tax capital gain for the Bank is expected to be NIS 524 million, which will be recorded in the Bank's financial statements on the date in which management and the staff units will relocate to Lod, which is expected to take place in the second half of 2023.

The said sale transaction is another step in the Bank's plan to relocate its staff units and management to Leumi's Service Campus in Lod.

C. Cooperation agreement with Paxos

The Bank signed a cooperation agreement with US-based Paxos Trust Company LLC which will allow the Bank - for the first time in Israel - to offer its customers to buy, hold and sell cryptographic currencies (hereinafter - "crypto").

Paxos is a pioneer in creating solutions for managing digital assets for leading companies around the world. The company, which was founded in 2012, holds licenses from US regulators and is a regulated company. The company has dozens of customers and strategic investors, such as PayPal, Bank of America and Revolut. Paxos has more than USD 20 billion under management and serves more than 400 million end-customers around the world.

The planned activity model has significant advantages for the customer. Thus, for example, customers will not be required to have a private crypto wallet or to remember or manage the passwords for such a wallet, with all the risks involved therein. In addition, taxation aspects will be handled by the Bank, and the tax will be deducted on a regular basis.

Trading will be initially possible in Bitcoin and Etherium - the leading crypto currencies with the highest trading volumes worldwide.

On October 27, 2022, the Bank received the approval of the Bank of Israel to provide crypto-currency trading services. On November 3, 2022, an appeal was filed with the High Court of Justice to issue an order nisi against the governor of the Bank of Israel, the Bank of Israel and the Banking Supervision Department (hereinafter, jointly - the "Defendants"), in which the plaintiffs requested an order nisi instructing the first two defendants to explain why they would not revoke the approval to provide crypto trading services given to the Bank, claiming it was contrary to the provisions of the Banking Law (Licensing), 1981; in addition, they requested a temporary order instructing the Bank to refrain from launching its crypto-currency trading services to customers. In its decision of January 19, 2023, the court did not grant the plaintiffs' motion for temporary order, and the main proceeding continues.

D. IT and Operational Services Agreement with Union Bank of Israel Ltd.

On November 23, 2022, the Bank and Union Bank of Israel Ltd. agreed to extend the agreement to provide IT and operating services until March 31, 2023.

It was also agreed that the Bank would provide - after the agreement terminates, during the period ranging from April 1, 2023 to December 31, 2029 - information recovery services to Union Bank customers, in order to enable access to historical information regarding Union Bank customers once the merger between Union Bank and Mizrahi Tefahot bank has been completed.

BANK LEUMI LE-ISRAEL B.M. AND ITS INVESTEE COMPANIES

Corporate Governance, Additional Details and Appendices

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Members of the Bank's Board of Directors(*)(**)

Dr. Samer Haj Yehia, Chairman of the Board

Mr. Sasson Elya[a]

Mr. Avi Bzura

Dr. Shmuel (Muli) Ben Zvi[b]

Ms. Tamar Gottlieb[a]

Ms. Esther Dominissini[c]

Mr. Dan Alexander Koller[b]

Prof. Yedidia Stern[b]

Ms. Irit Shlomi[d]

Mr. Zvika Nagan[e]

(a) External Director, according to the Companies Law, 1999.

(b) External Director, in accordance with Directive 301.

(c) Ms. Esther Dominissini was elected internal director by the Bank's annual general meeting held on August 4, 2022; she commenced her third term of office on January 17, 2023 (the day following the end of her second term), after having received the Banking Supervision Department's notice of non-objection to her appointment as aforesaid.

(d) Ms. Irit Shlomi was elected internal director by the Bank's annual general meeting held on August 4, 2022; she commenced her second term of office on September 19, 2022 (the day following the end of her first term), after having received the Banking Supervision Department's notice of non-objection to her appointment as aforesaid.

(e) Mr. Zvika Nagan was elected director with the status of External Director, in accordance with the provisions of the Companies Law, 1999, by the Bank's annual general meeting held on August 4, 2022. On October 26, 2022, the Bank received the Banking Supervision Department's non-objection letter for Mr. Zvika Nagan's appointment and for the temporary tenure of 11 directors until February 1, 2023. Accordingly, Mr. Zvika Nagan commenced his first term of office at the Bank on October 27, 2022. For more information, please see the immediate report regarding summons to annual general meeting dated July 14, 2022 (Ref. No.: 2022-01-089413) and an immediate report on the results of the meeting published on August 4, 2022 (Ref. No.: 2022-01-099364).

* On February 1, 2023, Mr. Yitzhak Edelman's tenure ended as external director, according to the Companies Law, 1999.

** For more information regarding members of the Bank's Board of Directors, please see "Changes in the Board of Directors" and Directive 26 in the Bank's 2022 Annual Report and on the MAGNA website of the Israel Securities Authority: http://www.magna.isa.gov.il.

As of the report date and publication date, the Board of Directors includes 10 members, in accordance with the number of directors allowed in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter - "**Directive 301**"). From October 27, 2022, the date of commencement of Mr. Zvika Nagan's tenure, and until February 1, 2023, the end of Mr. Yitzhak Edelman's tenure, the Board of Directors includes 11 members, according to a temporary approval given by the Banking Supervision Department until February 1, 2023.

Pursuant to Directive 301, at least one third of the directors should meet the qualification requirements for an external director as defined by Directive 301 ("External Directors"). Accordingly, as of the report date and its publication date, the Bank's Board of Directors includes 6 directors who are classified as external directors, including 3 External Directors in accordance with the Companies Law, 1999 (hereinafter - "ED" and the "Companies Law").

In addition, due to the "independent director" definition in the Companies Law, the Audit Committee of the Board of Directors resolved that the Bank's External Directors constitute independent directors.

Pursuant to the directives of the Banking Supervision Department and the provisions of the Companies Law and the regulations thereunder, the Bank's Board of Directors decided that at least three directors with "accounting and financial expertise" serving on the Board of Directors at any given time shall participate in the Board plenum's discussions of the draft financial statements and their approval. so as to enable the Board of Directors to meet its obligations in accordance with the law and the Bank's articles of association, and especially its responsibility for examining the Bank's financial position and preparing the financial statements.

In determining the said minimum number, the Board of Directors took into account the Bank's size, the complexity of its activity and the diverse risks involved, as well as its existing systems and procedures, such as: control, risk management, compliance, internal auditing and audit by the independent auditors. In addition, all Board members comply with the legal qualification requirements for serving as directors at the Bank.

As of the report publication date - and as approved by the Board of Directors based on their education, experience, abilities and knowledge - 8 members of the board meet the definition of directors with accounting and financial expertise and professional qualifications in accordance with the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications) Regulations, 2005. For more information regarding the education and experience of the members of the Bank's Board of Directors, please see Directive 26 in the periodic report.

As of January 1, 2013 and pursuant to Directive 301, discussions regarding the financial statements take place in the Board of directors' Audit Committee. Pursuant to Directive 301, at least 2 members of the Audit Committee should have accounting and financial expertise. The Bank's Board of Directors determined that, at any given time, at least 3 directors with accounting and financial expertise will serve on the Board of Directors' Audit Committee. In practice, 3 out of 5 directors serving on the Audit Committee have accounting and financial expertise. The legal quorum for discussion and decision-making by the Audit Committee is a majority of its members, provided that the majority of those present are External Directors who are also independent directors and at least one is an ED. As of the report date, the Audit Committee has 3 board members who are classified as EDs. It should be noted that on July 22, 2020, the Bank's Board of Directors approved the split of the Compensation Committee from the Audit Committee.

In addition to the above, following are more details regarding additional qualifications for board members, in accordance with the revised version of Directive 301: 1) At lease one third of the members of the board are required to have banking experience; 2) At least half of the directors are required to have professional qualifications as defined in the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise), 2005; 3) At least one director is required to have proven knowledge and experience in information technology.

As of the reporting date and publication date: 1) The Bank has 6 directors defined as having "banking experience", i.e., Dr. Samer Haj Yehia, Tamar Gottlieb, Dan Koller, Avi Bzura, Zvi Nagan, and Irit Shlomi; 2) All members of the Board of Directors are defined as being "professionally qualified"; 3) The Bank's Board of Directors includes 3 directors classified by the Board as having proven knowledge and experience in information technology - Dr. Samer Haj Yehia, Zvi Nagan, and Mr. Sasson Elya.

Changes in the Board of Directors

As of the report publication date, the Board of Directors includes ten members, in accordance with the number of directors determined in banking corporations pursuant to Proper Conduct of Banking Business Directive No. 301 (hereinafter: "Directive 301"). During 2022, there were changes in the composition of the Board of Directors as detailed below.

On January 26, 2022, Mr. Yitzhak Edelman, CPA, who served an External Director in accordance with the Companies Law, 1999 in the Bank since February 2, 2017, announced he would not be submitting, to the Committee for Appointment of Directors in Banking Corporations - appointed in accordance with Section 36A of the Banking Law (Licensing), 1981 (hereinafter - the "**Committee for the Appointment of Directors**") - an application to extend his candidacy as director in the Bank for a third term. Accordingly, on February 1, 2023, CPA Yitzhak Edelman ended his tenure as a director at the Bank. For more information, please see the immediate report published by the Bank on January 27, 2022 (Ref. No. 2022-01-011986) and the report regarding the end of tenure on February 2, 2023 (Ref. No. 2023-01-013728).

On August 4, 2022, the extraordinary annual general meeting of the Bank took place, which approved the following resolutions:

1. To reappoint the auditing firms Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as the Bank's joint independent auditors for the period starting on the date of approval of the current annual general meeting through the end of the Bank's next annual general meeting and to authorize the Bank's Board of Directors to set their fees.
2. To appoint Mr. Zvi Nagan as a director with the status of External Director pursuant to the provisions of the Companies Law, 1999 for a 3-year period upon and subject to receipt of approval or non-objection of the Banking Supervision Department. Subsequently, on October 26, 2022, the Banking Supervision Department announced that the Banking Supervision Department has no objection to the appointment of Mr. Zvi Nagan as member of the Board in the Bank. His first tenure as member of the Board in the Bank began on October 27, 2022. For further information, see the immediate report regarding the appointment of a member of the Board (that is not a corporation) or an individual serving on the part of a corporation who is a director in a privately-held company, dated October 27, 2022 (Ref. No.: 2022-01-130363) and the immediate report on the Bank's senior officers dated October 27, 2022 (Ref. No.: 2022-01-130372).
3. To reappoint Ms. Esther Dominissini as a director with the status of "Other Director" for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department. Subsequently, on October 6, 2022, the Banking Supervision Department announced that the Banking Supervision Department has no objection to the appointment of Ms. Esther Dominissini as member of the Board in the Bank. Her third tenure as member of the Board of the Bank is scheduled to begin on January 17, 2023 (one day after the date on which her second tenure is due to end). For further information, see the immediate report on the Bank's senior officers dated October 27, 2022 (Ref. No.: 2022-01-130372).
4. To reappoint Ms. Irit Shlomi as a director with the status of "Other Director" for a 3-year period upon and subject to the approval or non-objection of the Banking Supervision Department. Subsequently, as of September 19, 2022, the second tenure of Ms. Irit Shlomi as member of the Bank's Board began, after receiving the approval of the Banking Supervision Department on September 5, 2022. For further information, see the immediate report on the Bank's senior officers dated September 19, 2022 (Ref. No.: 2022-01-118777).
5. To adopt the amendments to the Bank's Articles of Association, in accordance with the wording of the Articles attached as Appendix D to the Meeting Summons Report.
6. To approve the updated compensation policy of officers as detailed in Appendix E to the Meeting Summons Report.

For more information, please see the immediate report on the results of the General Meeting dated August 4, 2022 (Ref. No. 2022-01-099364).

More information about the candidates and the other items on the meeting's agenda was provided in the summons report to the annual meeting published by the Bank according to law. For more information, please see the immediate reports dated June 29, 2022 and July 14, 2022 (Ref. Nos. 2022-01-081190 and 2022-01-089413, respectively) (hereinafter - the "**Meeting Summons Report**").

Members of the Bank's Management and their Roles(3)

Mr. Hanan Friedman, Adv.
President and Chief Executive Officer

Mr. Shmulik Arbel
First Executive Vice President, Head of Banking Division

Mr. Omer Ziv, CPA(1)
First Executive Vice President, Head of Capital Markets Division

Ms. Michal Alterman, Adv.(1)(2)
First Executive Vice President, Chief Legal Counsel, Secretary of the Bank and of the Group, Head of Legal Counsel Division and Head of Legal Risk

Mr. Eyal Efrat
First Executive Vice President, Head of Strategy, Digital, Data and Projects Division

Ms. Hagit Argov, CPA(1)
First Executive Vice President, Head of the Finance Division and Chief Accounting Officer

Mr. Eyal Ben Haim
First Executive Vice President, Head of Operations and Service Division

Mr. Uri Yonissi, CPA(1)
First Executive Vice President, Head of Mortgages Division

Mr. Ronen Mori(1)
First Executive Vice President, Head of Risk Management Division and Chief Risk Officer

Ms. Avivit Klein
First Executive Vice President, Head of Human Resources Division

Ms. Liat Shuv, CPA(1)
First Executive Vice President, Head of Corporate Division

Mr. Jaime Schcolnik
First Executive Vice President, Head of Leumi Technologies Division

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Ms. Bosmat Ben-Zvi, CPA(1)
First Executive Vice President, Internal Auditor and Head of the Internal Audit Division

Somekh Chaikin
Brightman Almagor Zohar & Co.
The Bank’s Joint Independent Auditors

(1) For information regarding changes in the Bank’s management and senior officers during 2022 and until the report's publication date, please see the section entitled “Appointments and Retirements”. For more information regarding members of the Bank’s management, please see the Bank’s 2022 Annual Report and on the MAGNA website of the Israel Securities Authority: http://www.magna.isa.gov.il.
(2) Will serve in the position of Bank Secretary until the appointment of Adv. Shelly Bainhoren.
(3) The above information is as of the date of publication of the Report, rather than as of the end of the reporting period.

The Internal Auditor

The Chief Internal Auditor meets the criteria of Section 146(b) to the Companies Law, 1999 and the provisions of Section 8 to the Internal Audit Law, 1992 (hereinafter: the "Internal Audit Law") and the employees of the Internal Audit Division meet the provisions of Sections 11 and 12 to Proper Conduct of Banking Business Directive No. 307 regarding the Internal Audit function.

The Chief Internal Auditor is a full-time employee of the Bank, is a member of management and this is her sole occupation. The Internal Auditor reports to the Bank's Chairman of the Board.

The Internal Audit Division has an annual work plan and a multi-year work plan for a period of up to three years. The annual work plan and the multi-year work plan are derived from a mapping of audit topics - which are based, inter alia, on the documents outlined in Directive No. 307. The work plans are derived from a systematic methodology for assessing risks and controls, according to which the frequency and scope of the audit for each topic are determined. Thus, audits of higher risk topics are carried out annually, while lower risk topics are audited every two to three years. Drafts of annual work plans and multi-year work plans are submitted by the Internal Audit Division and approved by the Chairman of the Board of Directors, Audit Committee and the Board of Directors' plenum.

The Internal Audit function uses monitoring tools, analysis and advanced data investigations, investing significant resourcing in boosting its analytical infrastructure across a variety of content domains.

The Internal Audit Division's annual work plan and the multi-year work plan allow the Chief Internal Auditor to exercise discretion in deciding to deviate from the plan, as necessary.

In addition, several audit days are allocated each year to unplanned audits and review of special incidents, enabling the Internal Auditor to examine ad hoc topics, either at the request of the Bank's management or Audit Committee, or as a result of new activities or topics undertaken by the Group.

As part of the audit work, a sample of material transactions carried out by the Bank – including their approval procedures – is examined. In this context, material transactions include a material acquisition or sale of an operation, "transactions" - in accordance with Section 270 to the Companies Law and "extraordinary transaction" – as defined by the Companies Law.

The Internal Audit Division's annual work plan and multi-year work plan each include all audit topics for the Bank, the material consolidated subsidiaries in Israel as well as the material foreign subsidiaries, in accordance with Proper Conduct of Banking Business Directive No. 306 (as set forth in Note 15D).

Employees of the Internal Audit Division serve as internal auditors of the Bank's consolidated subsidiaries in Israel.

In the material subsidiaries abroad (as of April 1, 2022, BLUSA's merger transaction with Valley Bank was completed, and Leumi UK remained a material subsidiary), local internal auditors are appointed.

The internal auditors of each of the material subsidiaries in Israel and abroad report to their respective boards of directors or audit committees, and Leumi's Internal Audit Division oversees their professional activity according to the requirements of the Bank of Israel and subject to local laws.

The Chief Internal Auditor and team of auditors in the Leumi Group in Israel comprise, on annual average, 73.9 positions for 2022, as outlined below:

	Average number of auditor positions in the Leumi Group in Israel
The Bank	**70.1**
Subsidiaries in Israel	**1.8**
Supervision and control over foreign subsidiaries	**2.0**
Total	**73.9**

* Of which 1.6 positions, on average, are on maternity leave or unpaid leave.

In addition, 6.3 positions are outsourced.
Furthermore, the foreign office employs local auditors in 2.6 positions (including outsourcing).
The number of positions was approved by the Audit Committee in Israel, based on the annual and multi-year work plans.
The Chief Internal Auditor may, within the framework of the budget, use outsourcers to carry out work that requires special knowledge or in the event of insufficient staff.

Set forth below is a breakdown of the benefits and amounts which were paid or provided for in 2022 to the Chief Internal Auditor in NIS thousands

2022						
% of the Bank's capital	Compensation for services				Other compensation	
	Salaries	Bonuses**	Value of options	Social benefit contributions	Benefit value	Total*
	(in NIS thousands)					
-	**1,309**	**795**	**85**	**237**	**75**	**2,501**

* Excluding salary tax.
** Please see Note 23E.to the Financial Statements.

The amounts and components of payments to the Chief Internal Auditor are brought with the recommendation of the Chairman of the Board for approval by the Audit Committee and the Board of Directors.

The Audit Committee and Board of Directors believe that the fact that the Chief Internal Auditor holds securities and her compensation do not affect the exercise of her professional judgement.

The Chief Internal Auditor operates in accordance with the professional standards of the Institute of Internal Auditors in Israel and the Institute of Internal Auditors (IIA).

Furthermore, the Chief Internal Auditor operates in accordance with the directives and instructions of the Banking Supervision Department, including Proper Conduct of Banking Business Directive No. 307 regarding the Internal Audit function.

The Audit Committee and Board of Directors have noted the Chief Internal Auditor's written statement, according to which she complies with all of the requirements set forth in the abovementioned generally accepted professional standards, and also operates in accordance with the directives of the Banking Supervision Department. Based on this statement and on her performance, as reflected in meetings of the Board of Directors' Audit Committee, the Audit Committee and the Board of Directors are satisfied that the Chief Internal Auditor meets the aforesaid requirements.

Audit reports and records are submitted to the audited entities in writing, after the findings are discussed with them. Furthermore, towards the date of issuance of the reports and records, material findings are discussed with the heads of divisions and with the President and CEO.

Audit reports and records are discussed by the Audit Committee several times a month. In addition to the Chief Internal Auditor, members participating in meetings of the Audit Committee include representatives of the Internal Audit Division and the heads of the audited divisions and their representatives.

Ahead of Audit Committee meetings, the Chairman of the Audit Committee determines, after consulting the Chief Internal Auditor, which audit reports and records will be presented in their entirety for discussion by the Audit Committee. Furthermore, summaries of all audit reports and records issued by the Internal Audit Division throughout the relevant period are submitted on an ongoing basis for review by all Audit Committee members. Audit Committee members may review any audit report and record they deem fit and request that the Chairman of the Audit Committee present these reports and records in their entirety for discussion by the Audit Committee.

At the end of the first and second halves of the year, the Chief Internal Auditor submits reports summarizing the audit activities to the Chairman of the Board of Directors, the President and CEO and the Chairman of the Audit Committee, the Audit Committee and the Board of Directors; the reports include a summary of the material findings, the auditor's recommendations and the audited entity's responses.

In addition, the Chief Internal Auditor submits to the Chairman of the Board of Directors, the President and CEO and the Chairman of the Audit Committee, the Audit Committee and the Board of Directors an annual report summarizing the audit activities during the course of the entire year; the report also monitors the implementation of the annual work plan and assesses the effectiveness of the Group's internal control framework.

The Internal Audit Division's work plan for 2022 was submitted to the Audit Committee on December 13, 2021 and approved by the Committee on December 20, 2021; the plan was submitted to the Board of Directors on January 6, 2022 and was approved by the Board on January 12, 2023.

The audit report for the first half of 2022 was submitted to the Audit Committee on July 28, 2022, reported to the Committee on August 3, 2022 and reported to the Board of Directors on September 5, 2022.

The Internal Audit Division's report for the second half of 2022 was submitted to the Audit Committee on January 23, 2023, reported in the Committee on January 30, 2023 and reported in the Board of Directors on February 15, 2023.

The Internal Audit Division's annual report for 2022 will be submitted to the Audit Committee on March 22, 2023, discussed by the Audit Committee on March 29, 2023 and will be discussed by the Board of Directors on April 3, 2023.

The Internal Audit Division's work plan for 2023 was submitted to the Audit Committee on December 21, 2022 and approved by the Committee on December 28, 2022; the plan was submitted to the Board of Directors on January 15, 2023 and was approved by the Board on January 25, 2023.

The Chief Internal Auditor received documents and information as specified in Section 9 to the Internal Audit Law and was given access to information as specified in that section, including continuous and indirect access to the Bank's information systems and to financial data.

Internal auditors auditing Leumi's Israeli and foreign subsidiaries were provided with documents and information as specified in Section 9 of the Internal Audit Law and given access to information as specified in that Section. These auditors have continuous and direct access to the information systems of the Israeli and foreign subsidiaries, including financial data, all subject to the applicable law.

The Audit Committee and Board of Directors believe that the scope, nature and continuity of the Chief Internal Auditor's activities and the work plan are reasonable under the circumstances, and are sufficient to implement the Internal Audit objectives of the Group.

Subsequent to the reporting period, on February 12, 2023, CPA Hagit Argov ended her role as Chief Internal Auditor of the Group and Head of the Internal Audit Division.

On the same date (February 12, 2023), CPA Bosmat Ben Zvi commenced her term of office as Chief Internal Auditor of the Group and Head of the Internal Audit Division.

The Independent Auditors' Fees [a][b][c][g]

	Consolidated		The Bank	
	2022	2021	**2022**	2021
	In NIS thousands			
For audit work:[d]				
Joint independent auditors	**17,130**	22,035	**11,940**	11,982
Other independent auditors	**-**	240	**-**	-
Total	**17,130**	22,275	**11,940**	11,982
For audit-related services:[f]				
Joint independent auditors	**1,076**	548	**1,076**	422
For tax services:[e]				
Joint independent auditors	**745**	1,629	**490**	423
Other independent auditors	**-**	21	**-**	-
For other services:				
Joint independent auditors	**4,463**	6,683	**3,790**	5,173
Other independent auditors	**63**	27	**-**	-
Total	**6,347**	8,908	**5,356**	6,018
Independent auditors' fees - total	**23,477**	31,183	**17,296**	18,000

A. The Board of Directors' Report to the Annual general meeting on the Independent Auditors' Fees in respect of Audit and Audit-Related Services, under Sections 165 and 167 to the Companies Law, 1999.

B. The Independent Auditors' fees include payments to partnerships and corporations under their control and payments required pursuant to the VAT Law.

C. Including fees paid and accumulated fees.

D. Auditing of annual financial statements and review of interim financial statements.

E. Includes the auditing of adjusted reports for income tax purposes, assessment discussions and tax advisory services.

F. Audit-related fees mainly include: prospectuses, special certificates, comfort letters, and forms or reports to authorities which require the Independent Auditor's signature.

G. Accountancy firm Somekh Chaikin (KPMG) has served as joint independent auditors of the Bank since 1950 and accountancy firm Brightman Almagor Zohar (Deloitte) serves as joint independent auditors since 2020.

Officer Compensation Policy

The Bank's Officer Compensation Policy

On December 23, 2019, the Bank's general meeting approved the compensation policy for the Bank's officers, which applies until the end of 2022. For more information regarding the Compensation Policy that applies in the reporting year, please see the summons report of the extraordinary general meeting of the Bank published on November 10, 2019 (Ref. No. 2019-01-096531). On August 4, 2022, the Bank's general meeting approved the updated compensation policy for the Bank's officers (hereinafter - the "Compensation Policy"). The Revised Compensation Policy went into effect as of the beginning of 2023 and will be in force until the end of 2025. The Compensation Policy is based on the provisions of Amendment No. 20 to the Companies Law regarding the Bank's officers' service and employment terms and conditions, on Proper Conduct of Banking Business Directive 301A regarding compensation policy in a banking corporation and on the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016 (hereinafter - the "Compensation Limitation Law").

The Compensation Policy sets out a framework for the compensation of Bank's officers and includes, among other things, fixed compensation components, which is the principal compensation paid to officers, which includes a fixed salary, social benefits, related benefits and retirement and post-employment benefits, as well as variable compensation components which include any compensation which is not fixed in nature, such as: a measurable annual performance bonus comprised of a bonus component based on the Bank's weighted return on capital, a bonus component based on the weighted return on the Bank's shares compared to the return on the TA-Banks Index, a bonus component based on the Bank's weighted efficiency ratio, and other components, insofar as the Compensation Committee and the Board of Directors will decide to determine additional components with regard to officers other than the President and CEO; a qualitative personal mission bonus, based on the achievement of personal targets and qualitative criteria according to the relevant officer's areas of responsibility; and a retention bonus for special events. It should be noted that the Board members, including the Chairman of the Board, are not entitled to variable annual bonuses. The Bank's President and CEO is not entitled to a variable annual bonus, unless the competent organs of the Bank decide otherwise.

The total amount payable in variable bonuses to an officer is limited to 8 monthly salaries per year; under special circumstances, the Compensation Committee and the Board of Directors may approve a further special bonus of no more than one monthly salary for any officer.

The Bank's Board of Directors may also reduce the amount of the measurable annual bonus (due to special considerations), after obtaining the approval of the Compensation Committee. Furthermore, the Compensation Policy prescribes, based on Directive 301A, a mechanism for repayment of variable bonuses, including repayment criteria and circumstances and a repayment period.

The Compensation Policy also sets out arrangements for deferral of payment of a variable annual bonus to officers, whose payment is subject to the Bank meeting the required capital adequacy ratios according to the directives of the Banking Supervision Department immediately prior to each vesting date (or the vesting conditions set in a capital compensation, insofar as the deferred part of the variable bonus payment is given in the form of capital compensation).

The Compensation Policy includes various mechanisms and arrangements designed to allow the Compensation Committee and the Board of Directors to revise the Compensation Policy or service and employment terms and conditions of officers to whom the Compensation Policy applies, without being required to obtain the approval of the Bank's general meeting for every such revision. Such revisions will be made when, in the opinion of the Bank's Compensation Committee and the Board of Directors, they are justified under the circumstances on revision date.

According to the Compensation Policy, the compensation of any of the officers at the Bank which will exceed, according to a decision by the Compensation Committee and Board of Directors the ceiling set out in Section 2(a) of the Compensation Limitation Law, and in such a case, part of the salaries of these officers will not be tax deductible, subject to Section 32(17) of the Income Tax Ordinance. The Compensation Policy also includes a mechanism that enables an automatic increase in the amount of compensation to which the Chairman of the Board of Directors and the President and CEO are entitled along with the increase in the lowest compensation at the Bank, as stated in the Compensation Limitation Law (where to the extent that the updated compensation amount to the Chairman of the Board of Directors and/or the President and CEO will exceed 5% due to the linkage to the rate of the lowest increase in compensation at the Bank as stated in the Compensation Limitation Law, the update will be brought for the approval of the Compensation Committee and the Board of Directors.

In addition, the compensation policy includes the option according to which, subject to approval of the competent organs at the Bank and subject to the provisions of any law, officers at the Bank (including directors) may be entitled to capital compensation, shares or share-based instruments. This provision applies from the date of approval of the compensation policy at the general meeting.

For more information regarding the updated compensation policy, which was approved in August 2022 and applies to the years 2023-2025, please see the Supplementary Report to the Summons Report of the Extraordinary General Meeting of the Bank published on July 14, 2022 (Ref. No. 2022-01-089413) as well as Note 23.B.2.and 23.B.3.

Compensation of Senior Officers

For the year ended December 31, 2022

Set forth below is a breakdown of the benefits and amounts paid or provided for in 2022 and 2021 to the Chairman of the Board of Directors and to the highest paid senior officers of the Group. The benefits described below do not include benefits in respect of banking services that are provided to the Bank's employees, such as preferred interest rates on financial deposits with the Bank, preferred interest rates on mortgages, discounts or exemptions from fees and commissions payable on banking services provided by the Bank, etc. The amounts of the benefits awarded to each of the employees in respect of such banking services are immaterial. Certain private customers of the Bank, including customers who are included in arrangements between the Bank and employee groups, are occasionally awarded benefits that are similar to those granted to Bank employees and in some cases, even exceed them.

2022								
Details of recipient of compensation[1]		Compensation for services					Other compensation	
Name	Job title	% of the Bank's equity	Salaries / Management fees	Bonuses[5]	Value of options	Social benefit contributions[3]	Benefit value[4]	Total[2]
		%	(in NIS thousands)					
Dr. Samer Haj Yehia[6]	Chairman of the Board	-	**3,539**	**-**	**-**	**-**	**-**	**3,539**
Mr. Hanan Friedman[7]	President & CEO	**0.01%**	**2,953**	**-**	**-**	**526**	**60**	**3,539**
Dr. Avi Ortal[8][12]	CEO of Leumi Partners	-	**1,715**	**3,352**	**-**	**776**	**121**	**5,964**
Mr. Michael Schiller	CEO of Bank Leumi UK	-	**1,305**	**882**	**-**	**85**	**1,532**	**3,804**
Mr. Omer Ziv[8][9]	First Executive Vice President, Head of the Finance Division and Chief Accounting Officer	-	**1,688**	**1,024**	**121**	**416**	**98**	**3,347**
Mr. Ronen Agassi[8][10]	First Executive Vice President, Head of Corporate Division	-	**1,724**	**1,004**	**-**	**469**	**123**	**3,320**
Mr. Eyal Efrat[8][11]	First Executive Vice President, Head of Strategy, Digital, Data and Projects Division	-	**1,475**	**1,292**	**97**	**365**	**81**	**3,310**

1. The compensation recipients work full time.
2. Excluding payroll tax.
3. Social benefit contributions include contributions for severance pay, bonuses, pension (including the "unfunded pension" arrangement applicable to veteran employees and officers of the Bank - for more information, please see Note 23.A.1), study fund, and social security, as well as supplementary provision in respect of the above due to salary changes during the reporting period. The Bank's senior employees have special personal employment contracts with the Bank. For more information regarding the retirement benefits of senior employees and their eligibility for advance notice on retirement, please see Note 23.B.1.

It is clarified that the cost of employing officers does not include the cost of interest (the interest component, which is presented according to the financial standards under operating expenses).

4. The value of the benefit includes, inter alia, car and telephone expenses.

5. Including an annual variable bonus for 2022 for senior officers of the Bank (other than the Chairman of the Board and the President and CEO), in accordance with the Compensation Policy of the Bank or according to the compensation policy of the relevant subsidiary and a sign-on bonus. For more information regarding the eligibility of senior Bank employees for bonuses in accordance with the new officer compensation policy, please see Note 23.E.

6. Dr. Samer Haj Yehia has served as Chairman of the Bank's Board of Directors since July 22, 2019, prior to which he served as director beginning on September 30, 2014. On December 23, 2019, the Bank's general meeting approved the service terms and conditions of the Bank's Chairman of the Board under the Bank's compensation policy and in accordance with Directive 301A. The Chairman of the Board's service terms and conditions are in accordance with the Compensation Limitation Law and include a fixed supplementary compensation component which is allowed in a bank under the Compensation Limitation Law. It is clarified that the Chairman of the Board of Directors is not entitled to a variable annual bonus.

   As of September 2021, the Chairman of the Board began to provide services to the Bank through a management company he owns, against a tax invoice issued to the Company. For more information regarding the Chairman of the Board's employment terms and conditions, please see Note 23.B.3 and the Bank's immediate report regarding convening of a general meeting, dated November 10, 2019 (Ref. No.: 2019-01-096531).

   On September 21, 2022, after receipt of approval from the Compensation Committee, the Bank's Board of Directors approved the revision of the terms of office of the Chairman of the Board, effective from October 19, 2022, due to the revision of Directive 301A regarding the compensation structure of the Chairman of the Board in a banking corporation without a controlling core (which was published in April 2022), according to which the revised terms of office of the Chairman of the Board will not include other rights in respect of non-competition and prior notice and the Chairman of the Board will be entitled to reimbursement of expenses according and subject to Directive 301A.

7. Mr. Hanan Friedman serves as the Bank's President and CEO as of November 1, 2019 (hereinafter - the "Commencement Date"). Prior to that, Mr. Friedman served as an officer of the Bank since September 1, 2014. On December 23, 2019, the Bank's general meeting approved the service and employment terms and conditions of the Bank's President and CEO under the Bank's compensation policy. The President and CEO's service and employment terms and conditions are in accordance with the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016 (hereinafter - the "**Compensation Limitation Law**") and include a fixed supplementary compensation component which is allowed in a bank under the Compensation Limitation Law.

   Under the President and CEO's service and employment terms and conditions, he is not eligible for a variable annual bonus.

   For more information regarding the President and CEO's terms of employment, please see Note 23.B.2 and the Bank's immediate report regarding convening of a general meeting, dated November 10, 2019 (Ref. No.: 2019-01-096531).

8. On August 16, 2022, the Bank published an outline for a securities offering to officers (other than directors or the President and CEO) and employees of the Bank group totaling up to 5,000,000 registered option warrants, that are not listed for trading on the Tel Aviv Stock Exchange Ltd.; the option warrants are exercisable into up to 5,000,000 ordinary shares of NIS 1 par value each of the Bank, according to the Bank's 2022 option plan (hereinafter - the "Outline"). On September 4, 2022, 2,460,399 option warrants, that are not listed for trading, were allocated, free of charge - according to the Outline - to 108 employees of the Bank and of the Bank's subsidiaries, of which 13 are senior officers at the Bank (other than directors or the President and CEO). For more information regarding the issue of option warrants according to the said outline, see the immediate

report regarding the outline of unlisted option warrants for officers and employees of the Bank, published on August 16, 2022 (Ref. No.: 2022-01-103780).

9. Mr. Omer Ziv serves as a member of management; as of August 16 2016 - as Head of Finance Division at the Bank, and as of April 1, 2021 - also as Chief Accounting Officer. As from February 12, 2023, he was appointed head of the Capital Markets Division, First Executive Vice President and Chairman of Leumi Partners. Mr. Ziv's service and employment terms and conditions are in line with the Bank's compensation policy and the Compensation Limitation Law.

10. Mr. Ronen Agassi is a member of the Bank's management as of April 9, 2017, serving as the Bank's Head of the Capital Markets Division, and as of January 1, 2021 - as First Executive Vice President and Head of the Corporate Division. As of February 14, 2023, Mr. Ronen Agassi no longer works for the Bank. Mr. Agassi's service and employment terms and conditions are in line with the Bank's compensation policy and the Compensation Limitation Law.

11. Mr. Eyal Efrat serves as member of management and Head of the Strategy, Digital, Data and Projects Division as from October 1, 2021. Mr. Efrat's service and employment terms and conditions are in line with the Bank's compensation policy and the Compensation Limitation Law.

12. Dr. Avi Ortal serves as CEO of Leumi Partners, which is a wholly-owned subsidiary of the Bank as from February 1, 2019. Mr. Ortal's annual bonus, as outlined in the table above, was approved by the Compensation Committee and Board of Directors of Leumi Partners, in accordance with his employment agreement and Leumi Partners' key employees compensation policy. Dr. Avi Ortal is expected to end his term of office with the Bank on March 31, 2023.

13. Loans under beneficial terms granted, if granted, pursuant to the accepted terms and conditions for all of the Bank's employees and their amounts were set according to uniform criteria. The said loans were marginal in terms of amount (a few thousands of shekels) and were therefore omitted from the table.

14. Directors and other officers are covered by directors and officers liability insurance policy (D&O) taken out by the Bank and its investees. The relative insurance premium is marginal and therefore not included in the above tables. The premium totaled NIS 9,585 thousand for all of the Group's insured officers.

15. The Board of Directors believes - after conducting discussions, receiving explanations and proper, relevant background material and reviewing the compensation while taking into account the Bank and Group's activity and performance in 2022 and taking into account the Group's compensation policy and its subsidiaries' compensation policy, as well as the work and performance of each senior officer of the Bank or Group - that the compensation paid to the aforementioned senior officers, as set out in the table and explanations above, in no way exceeds fair and reasonable compensation under the circumstances, taking into consideration each of the aforesaid officers' contribution to the Bank's operating results and thus believes that the compensation, as aforesaid, is for the benefit of the Bank.

2021									
Details of recipient of compensation[1]		Compensation for services					Other compensation		
Name	Job title	% of the Bank's equity	Salaries / management fees	Bonuses[5]	Value of options	Social benefit contributions[3]	Benefit value[4]	Total[2]
		%	(in NIS thousands)					
Dr. Samer Haj Yehia[6]	Chairman of the Board	-	2,995	-	-	324	9	3,328
Mr. Hanan Friedman[7]	President & CEO	0.01%	2,774	-	-	489	58	3,321
Mr. Avner Mendelson	CEO of Bank Leumi USA	-	2,488	5,721	-	297	184	8,690
Mr. Dave Paulson	Head of Commercial Banking at Bank Leumi USA	-	1,400	2,687	-	124	-	4,211
Mr. Raja Dakkuri	CFO and VP Operations at Bank Leumi USA	-	1,446	2,749	-	268	-	4,463
Dr. Avi Ortal	CEO of Leumi Partners	-	1,346	4,063	-	450	123	5,982
Mr. Eliav Bar David	CEO of Leumi Partners Underwriters	-	1,034	2,538	-	311	83	3,966
Ms. Avivit Klein[8][9]	First Executive Vice President, Head of Human Resources Division	-	961	603	-	804	75	2,443
Mr. Shmulik Arbel[8][10]	First Executive Vice President, Head of Banking Division	0.01%	1,534	734	-	715	124	3,107
Mr. Eyal Ben Haim[8][11]	First Executive Vice President, Head of Operations Division	-	1,182	768	-	589	78	2,617

For information and explanations regarding salaries and tenure terms of the officers outlined in the above table in respect of 2021, please see the section entitled “Officer Salaries” in the Bank's 2021 Annual Report.

The Bank's Main Investees and Investments

Bank Leumi

Financial services and capital market - consolidated companies

- Leumi Partners Ltd. 100.0%*
- Leumi Capital Market Services Ltd. 100.0%

Banking and finance - associates

- Valley National Bancorp 14.2%

Banking and finance - consolidated companies

- Leumi UK Group** 100%

Non-financial corporations

Equity-accounted associates

- Plazit Industries Agricultural Cooperative Society Ltd. 20.0%
- Nilit B.V. 20.0%
- New Lineo Cinema (2006) Ltd. 16.67%
- Taavura Holdings Ltd. 20.0%
- Mini Line Ltd. 20.0%
- Tene Investment In Gadot Limited Partnership 20.0%
- Alum Eshet (Oman) Ltd. 20.0%
- Sunflower Sustainable Investments Ltd. 20.0%
- Team 3 Management and Investments Ltd. 20.0%
- Teralight Ltd. 15.27%
- Essence Infrastructure and Construction Ltd. 20.0%
- Or Shay G.S. Ltd. 20.0%
- Maof Group (A.I) Ltd. 20.0%
- Bon Tour Ltd. 20.0%

* Wholly owned by the Group.
** The company is held by Leumi UK Holdings.

Control of the Bank

As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

For up-to-date information on interested parties' holdings in the Bank as of December 31, 2022, please see the immediate report dated January 5, 2023 (Ref. No. 2023-01-003621), Status of Holdings of Interested Persons and Senior Officers. Please see also the immediate report on the list of holders of significant means of control in the Bank as at March 31, 2022, dated April 7, 2022 (Ref. No. 2022-01-045337).

Property, Plant and Equipment

Buildings and equipment - the amortized cost of buildings and equipment as at December 31, 2022 amounted to NIS 2.7 billion, similar to last year.

Investments in buildings and equipment as at December 31, 2022 are as follows:

	Cost	Accumulated depreciation	Carrying value	
	December 31			
			2022	2021
	In NIS million			
Buildings and land	**2,559**	**1,376**	**1,183**	1,276
Equipment, furniture and vehicles	**3,399**	**2,611**	**788**	760
Software costs	**4,402**	**3,638**	**764**	684
Total	**10,360**	**7,625**	**2,735**	2,720

The above buildings and equipment are used primarily for the Group's activities. Buildings that are not used by the Group and are leased to non-Group parties and included in the consolidated balance sheet as of December 31, 2022, amounted to NIS 34 million.

Real estate

The majority of the buildings in which the Group conducts its business in Israel are owned by the Bank or by its subsidiaries. Most of the properties in which the Group conducts its business abroad are leased.

Set forth below are data regarding the breakdown of the areas of the Bank, Binyanei Bank Ltd. and Lin City Center Ltd.

	As at December 31	
	2022	2021
	In sq. m. thousand	
Owned	**238**	247
Leased	**74**	76
Total	**312**	323

Sale of Beit Mani

Due to the expected move of management and headquarters to the Lod facility, the Bank signed an agreement for the sale of Beit Mani (Leumi House, the main headquarters offices and Beit Mani), featuring a total above-ground built-up area of approximately 13,000 square meters. The sale is expected to be take place in the last quarter of 2023 with the completion of the move to the Lod facility.

IT systems

Bank Leumi has two principal IT centers: a primary center in Lod and a secondary center in Har HaHotzvim, Jerusalem; the latter is a hosting site outsourced by Binat. In addition, a third back-up copy of the data is stored at the Bank Leumi facility (the Banking Center in Har Hotzvim, Jerusalem).

The Bank's computing centers in Lod and Jerusalem (where the first and second copies are located) are underground facilities protected at an accepted level against rocket attacks, chemical warfare and earthquakes. The facilities were constructed using advanced technologies to enable the Bank to maintain its regular functionality independently in times of emergency. To the Bank's understanding, the survivability and redundancy levels of the computer center's infrastructures are equivalent to Tier-3 levels and the infrastructures comply with various international standards.

Bank Leumi has two mainframe computers, for use by the production, development, and emergency recovery systems.

Leumi's information and cyber security practices are based on the banking privacy policies or secrecy principle and various laws and directives, such as the provisions of the Protection of Privacy Law and regulations promulgated thereunder, the provisions of the Computers Law, Bank of Israel's directives, and generally accepted international standards relating to information security and cybersecurity.

Under these provisions and in light of Leumi's strategy and policy regarding cyber risk management, the Bank is highly active in this field. The main focus in this area is the implementation of controls and forward-looking information security mechanisms.

In a time of increasing threats posed both from within the organization and by external parties, Leumi takes measures to protect itself from cyberattacks and works to hedge the risks arising from various types of cyber-attacks. In addition, Leumi works in coordination with the Banking Supervision Department of the Bank of Israel, the banking sector and the National CERT to enhance its ability to tackle cyber threats.

The operations and computer-related activities of the Israeli and foreign subsidiaries are based on separate systems and the managements and boards of directors of those subsidiaries bear the managerial and professional responsibility for those activities which are coordinated with Leumi's IT strategy.

For information regarding the agreement for the provision of computer services to Union Bank, please see the section entitled “Material Agreements”.

In 2022, the Group invested in equipment (including software) approximately NIS 720 million, compared with approximately NIS 498 million in 2021. The budget was adjusted to support the strategic targets set by the Bank's management.

For more information, please see Note 16.

Intangible Assets

1. The Bank is the sole proprietor in Israel of the "Leumi" trademark and its accompanying logo, in the field of banking and finance services.
2. Furthermore, as part of its activities, the Group uses the names of the companies and their logos as well as products and services' names, some of which are registered as trademarks or service marks.
3. The Group has registered databases in which it stores, among other things, information pertaining to Leumi's customers, suppliers and employees. The Group implements advanced technological means designed to secure customers' activity and the Bank's business activity, while mitigating the risks arising from using information systems.
4. The Group has various intellectual property rights and licenses to use various computer software and information systems for the purpose of managing its business, including the provision of services to its customers.

Human Resources

Work force

In 2022, the number of positions in the Group decreased by 623 positions, a 7.3 percent decrease compared with 2021. The annual average number of positions in the Group fell by 491, a 5.7 percent decrease compared with 2021.

	Positions[a] as at the end of the year		Annual average no. of positions[a]	
	2022	2021	**2022**	2021
The Bank in Israel	**7,550**	7,672	**7,702**	7,808
Consolidated Companies in Israel	**231**	222	**228**	225
Group in Israel - total	**7,781**	7,894	**7,930**	8,033
Consolidated Companies outside Israel[c]	**112**	622	**243**	631[b]
Group in Israel and abroad - total	**7,893**	8,516	**8,173**	8,664

(a) Position - a full-time position including specific overtime, working hours of service bureaus and employment of contract workers.
(b) Including foreign offices.
(c) The decrease in the number of positions in the consolidated companies abroad is due to the merger of Leumi USA with Valley National Bank.

Positions by operating segments - Management Approach

	Average number of jobs	
	2022	2021
Banking:		
Retail, premium and private banking	**3,428**	3,557
Small businesses	**1,406**	1,439
Banking - total	**4,834**	4,996
Mortgages	**596**	519
Commercial	**1,117**	1,097
Corporate	**416**	424
Real estate	**222**	212
Capital markets	**488**	531
Other and adjustments	**29**	29
Bank - total	**7,702**	7,808
Subsidiaries in Israel	**228**	225
Foreign subsidiaries	**243**	631
Total	**8,173**	8,664

The number of positions by operating segments is calculated based on the management of the workforce according to the Bank's main lines of business, with various adjustments, and based on estimates. When calculating the number of positions by operating segments, the Banks also included HQ employees, who serve all or some of the Bank's operating segments.

Age and seniority

As at the end of 2022, the average age of Bank's employees was 42.9, compared with 43.9 in 2021 and 43.8 in 2020. As of the end of 2022, the average seniority of Bank's employees was 14.1 years, compared with 15.5 in 2021 and 15.8 in 2020.

Compensation mechanism and salary structure

The salary structure and compensation level of the Bank’s employees is mainly affected by existing collective labor agreements. As a rule, the annual compensation is differential and is based, among other things, on the complexity of the employee's role, his/her contribution to the Bank, his/her manager's assessment, rank and pay grade.

Employee benefits
Labor relations between the Bank and its Israeli employees, except for those who have personal employment contracts, are primarily based on a basic collective labor agreement known as the "Labor Code" and on collective and supplementary agreements. The employment terms of members of the Bank's management, senior employees and certain other employees are regulated by personal employment contracts. For more information, please see Note 23.

Labor and salary costs (in the Bank)*

	2022	2021	2020
	In NIS thousands		
Cost per employee position - (excl. bonus)	**400.1**	403.9	392.8
Cost per employee position - (incl. bonus)	**484.9**	476.5	397.4
Salary per employee position - (excl. bonus)	**256.7**	255.4	252.7
Salary per employee position - (incl. bonus)	**324.7**	313.8	256.3

* Cost per employee position includes the cost of service and cost of interest (less expected return) for active employees.

Organizational development and learning
Learning and organizational development are key tools for strategic planning and management of human capital and for adapting employees' skills to the changing business needs. Learning and development constitute an inseparable part of the value proposition to employees and a significant component of employee engagement.
The transformations that have taken place in the post-corona labor market required increased attention to strengthening the sense of purpose, retaining employees, strengthening and preserving knowledge and adapting management skills to current challenges.
The year was characterized by an increase in learning hours in general and in in-person learning hours in particular, which decreased greatly in the coronavirus period. This year's learning mix was hybrid and combined in-person meetings with remote learning and online learning in order to ensure effective learning with flexibility that enables learning at any time and in any place.
In total, approximately 300,000 learning hours were logged by the organization in 2022.

Learning and training for the future - re-skilling and up-skilling
While preparing for the changing trends in the financial world, we continue to prepare for the changes and opportunities in the new normal. To this end, we train our employees for the needs and skills of the future world of work. In this context, we continued to operate "Shift" - the school for professions of the future that continued to train Leumi employees for professional change according to the emerging and changing organizational needs. To date, approximately 200 employees have participated in Shift tracks: product managers, software testers, system analysts, analysts, investment advisers and mortgage advisers and hundreds of employees underwent an upskilling process in the various learning tracks in the banking professions that maintain the competence of the Bank employees adapted to the changing organizational needs.

Knowledge conservation
For organizational knowledge conservation purposes, units and functions with material effect were mapped. Subsequently, solutions were developed which include knowledge conservation measures for the units, training of additional employees for similar roles, with the units developing back-up mechanisms.

Leadership development
In 2022, a variety of programs were conducted for the development of leadership excellence for various manager populations.
The purpose of the programs is to produce a leap in management and leadership skills while adapting to the Bank's strategy and current challenges.
Some of the programs will continue in 2023 as well, in order to increase the impact and to continue to strengthen the leadership at Leumi.
The main programs included management and mentoring skills for first level managers, manager development, leadership and programs promoting excellence.

Corporate social responsibility, donations and employees' involvement in the community

As a financial group with major impact on Israel's business and public culture, we regard our commitment to the community as a social and ethical anchor we will continue to cultivate (from Leumi's Vision). The Bank's activity in the area of corporate responsibility reflects our commitment to the empowerment of society and the economy in Israel and is a direct continuation of Leumi's continuous and long-standing activity as an organization that operates within and for the community.

In 2022, Leumi continued to invest in "tomorrow's generation" (youth and children) primarily through its long-term strategic partnership with Follow Me! - an NGO boosting social integration of youth from Israel's social and geographic periphery. Hundreds of the Bank's employees continued to adopt Follow Me! groups from across Israel, and to volunteer in the NGO at a variety of events, including the increasing of financial knowledge through workshops and mentoring processes for trainees, led by dozens of senior managers at the Bank.

Leumi continued its support of NGOs, "Atidim", "ELEM", "Shiur Acher", "Etgarim", "Lend a Hand to a Special Child", "Tech Career" and in the "Adopt a Soldier" project, in which Leumi adopts the Duvdevan Battalion.

According to its revised social policy, Leumi boosted its outreach activity among the elderly, in several channels, which included support for the "Foundation for the Benefit of Holocaust Victims", "Lemaanam" in order to provide a diverse response to the needs of the elderly and Holocaust survivors, "Ken LaZaken" NGO - which promotes the elderly's rights in Israel, as well as for the "Zikaron BaSalon", with whom dozens of meetings were held on the day of remembrance for the Holocaust and Heroism in the Bank's various units. Bank employees assisted in the distribution of aid packages purchased by the Bank for the winter, for the benefit of indigent elderly. Funding of courses and workshops provided free of charge, such as assistance to elderly women in the opening of a business, with the participation of the "Yozmot Atid" NGO, learning digital and financial content for the elderly, with the participation of the "Machshava Tova" NGO and volunteers from among Leumi employees. Funding of the "Shaa Tova" project with "Midrag", in which repairs are carried out in the homes of the elderly. We continued to donate to the "Keren Leumi", which was established in the "Friends for Health" NGO for the purpose of funding medicines and medical equipment for indigent elderly.

As in each year, the Bank donated thousands of parcels for the needy in Jewish and Arab communities together with the "LaTet" NGO. This year, we continued to boost the activities in the Arab community, boosting the cooperation and strengthening the contact between the Bank's branches and local authorities. In this context, environmental initiatives funded by the Bank were held together with volunteer work by branch employees serving the Arab community, donations of hundreds of schoolbags and school supplies for needy children, and donations of computers to schools. Donations to various NGOs, including "Desert Stars", which deals with problems involving the Negev Bedouin by growing young leadership in the Bedouin community.

In 2022, total community outreach investment was NIS 38 million, with over 4,400 of the Bank's employees from all functions volunteering in numerous programs, investing a total of 32,000 hours in volunteer work.

ESG topics are covered extensively by the ESG Report on Leumi's website; the report outlines the Group's ESG activity and describes how the Bank invests in the growth of Israeli society and economy to advance innovation and digital tools, develop human capital and preserve the environment - through fair business conduct and corporate governance.

Appointments and Departures

Appointments

CPA **Uri Yonissi,** Head of the Customer Relations Division and member of the Bank's management and First Executive Vice President, was appointed Head of the Mortgage Division as of January 1, 2022.

CPA **Hagit Argov**, Chief Internal Auditor, Head of the Internal Audit Division and member of the Bank's management and First Executive Vice President, was appointed Head of the Finance Division and Chief Accounting Officer as of February 12, 2023.

CPA **Bosmat Ben Zvi**, Head of the Capital Markets Division and member of the Bank's management and First Executive Vice President, was appointed Chief Internal Auditor and Head of the Internal Audit Division as of February 12, 2023.

CPA **Omer Ziv**, Head of the Finance Division, Chief Accounting Officer and member of the Bank's management and First Executive Vice President, was appointed Head of the Capital Markets Division and Deputy CEO as of February 12, 2023. In addition, CPA Omer Ziv was appointed Chairman of the subsidiary, Leumi Partners.

CPA **Liat Shuv***, Head of the Risk Management Division and member of the Bank's management, was appointed Head of the Corporate Division as of February 15, 2023.

Mr. **Ronen Mori** was appointed Head of the Risk Management Division, as a member of the Bank's management and First Executive Vice President, as of February 15, 2023.

Adv. **Michal Alterman***, was appointed Chief Legal Counsel and Head of the Legal Counsel Division, as a member of the Bank's management and First Executive Vice President as of February 15, 2023.

Mr. **Pinchas Schatz**, was appointed Head of the Compliance and Enforcement Department and Chief Compliance Officer, effective as of December 28, 2022.

Adv. **Shelly Bainhoren**, will be appointed Secretary of the Bank and the Group, during 2023.

Mr. **Ron Ben Haim** will be appointed CEO of Leumi Partners as of April 1, 2023.

* Will serve in the position of Bank Secretary until the appointment of Adv. Shelly Bainhoren.

Departures

CPA **Ronen Agassi**, Head of the Corporate Division and member of the Bank's management, ended his tenure on February 14, 2023, after 6 years of work at Leumi.

Adv. **Mor Fingerer**, Chief Legal Counsel, Head of the Legal Counsel Division, Secretary of the Bank and the Group and member of the Bank's management, ended her tenure on February 14, during 2023, after two years at Leumi.

Ms. **Sharon Daniel**, Head of the Compliance and Enforcement Department and Chief Enforcement Officer, ended her tenure on December 28, 2022, after 30 years working at Leumi.

Adv. **Hadar Vismunski Weinberg**, Secretary of the Bank and Group, resigned from the Bank on February 28, 2022.

Mr. **Avi Ortal**, CEO of Leumi Partners, with end his term in office on March 31, 2023, after 4 years at Leumi.

Corporate Structure

The Leumi Group's organizational structure is divided into business lines and headquarters divisions.

Set forth below is a description of Leumi's four lines of business, which focus on the different market segments:
The **Banking Division** manages the activity of private and small commercial customers, who receive the full range of services through the branches array and through a variety of technological/direct distribution channels. The services and products are adapted to all the customer segments according to the nature of their banking activity, their characteristics and their banking and service needs.

The Division is divided into business lines:

- The **Senior Retail Department** is responsible for activity and services for households and private individuals.
- The **Business Department -** The Department is in charge of all activities of small business customers (mid-size and large businesses are handled by the Corporate Division - please see below).
- The **Private Banking Department** is responsible for private banking activity in Israel. The Private Banking Department provides service customized to high net worth customers.

The Banking Division includes the banking call center and Leumi Personal call center, which offer customers telephone support, providing information and assisting in performing transactions.

The Banking Division is also responsible for the Bank's Marketing Department and Pepper.

The **Mortgage Division** is responsible for all mortgage-related and housing loan activity at the Bank, serving both the Bank's customers and customers of other banks taking out mortgage loans from Bank Leumi.

The **Corporate Division** is responsible for all business customers (except small businesses, which are managed by the Retail Banking Division - please see above) and provides them with a range of services, which include, inter alia, financing of working capital and inventory, project and investment plan funding, factoring, international trade and financing, investment activity, hedges, etc. The division also manages syndication transactions and debt selling and optimizes the credit portfolio. The Division's customers are divided into business lines:

- The **Corporate Department** is responsible for large Israeli corporations on the basis of sector expertise and synergies.
- The **Commercial Banking Department** is responsible for middle-market companies, through business centers across Israel.
- The **Construction & Real Estate Department** manages the banking activities of large construction companies, real estate entrepreneurs and contractors in Israel. The Department's employees have specific skills and expertise in all areas of the Israeli real estate market.
- **LeumiTech** serves high-tech and venture capital funds for the Group. The Department specializes in all segments of the technology industry.

The **Corporate Division is also responsible for the Special Loans Department** - which is responsible for reducing exposure to corporate customers in difficulties, as well as collecting debt by realizing collateral through legal means, reaching debt settlement agreements where applicable.

The **Capital Markets Division** is in charge of managing the Group's monetary assets in Israeli currency and foreign currencies, managing the nostro account, managing the activities of the Bank's trading room, developing innovative financial and investment products, managing the Bank's assets and liabilities, managing liquidity, setting the Bank's price policy and financial margins, and coordinating the Bank's operational capital market services.

Following are the purviews of the headquarters divisions, which provide services to the business lines:

The **Finance Division** is responsible for coordinating and preparing the Bank's work plan, managing P&L centers and financial and managerial measurement, the Group's capital measurement, preparing the Bank's expenditure budget and monitoring its implementation. The Division responsible for the accounting department; as such, it manages, develops and sets the Bank's accounting procedures; it manages the Bank's books of account and prepares the financial statements of the Bank and the Group; and it maintains the Bank’s relations with the Bank of Israel regarding all accounting matters and related reports.

The **Human Resources Division** is responsible for developing and implementing the Bank’s human resources strategy, labor relations, salary and compensation structure, organizational consulting and development, including executive learning and training, banking training, employee welfare and corporate social responsibility.

The **Leumi Technologies Division** is responsible for the IT systems of the Bank and activities related to technological development, communications, cyber and information security and Group and coordinates the IT strategy and policy at the group level.

The **Operations and Service Division** is responsible for the execution of most operational issues at the Bank, serves as an infrastructure for professional knowledge and customer service improvement.

The **Legal Counsel Division** advises the Bank and its Israeli subsidiaries on all legal matters and manages the Bank and the Group’s legal risks. The Division is also responsible for the Bank’s ombudsman and secretariat.

The **Risk Management Division** is responsible for mapping, identifying and measuring all the risks to which the Group is exposed, including creating an infrastructure to examine the risks embodied in new activities. In addition, the division includes the Compliance and Enforcement Department, which is responsible for implementing the Bank’s compliance program.

The **Strategy, Digital, Data and Projects Division** is responsible for leading strategic development and implementation processes in the Leumi Group, the transfer for treatment by the relevant business line, product management and improvement of the digital customer experience, data management, analysis services for the Bank’s units, as well as service and sales models.

The **Internal Audit Division** is independently responsible for Leumi Group’s internal auditing.

Following are the main organizational changes carried out during 2022:

Mortgage Division - on January 1, 2022, the division was set up, and was charged with all of Bank Leumi’s mortgages and housing loans activity.

Additional Topics

Resolution of the labor dispute

On August 1, 2021, the Bank received a notice regarding a declared labor dispute, at the request of the Bank Workers’ Union, by the New Federation of Workers - Histradrut Hamaof, under the Labor Dispute Settlement Law, 1957. After settling the matters set out in the notice, the Histradrut Hamaof announced, on February 24, 2022, that the dispute had been concluded.

Hybrid work plan

On August 15, 2021, the Bank instituted a hybrid work plan allowing employees to work remotely on day a week. On February 9, 2022, a memorandum of understanding was signed between management and the Workers’ Union, in which the parties reached agreements in principle for a permanent plan wherein employees will be allowed to telecommute one day a week, as of February 13, 2022.

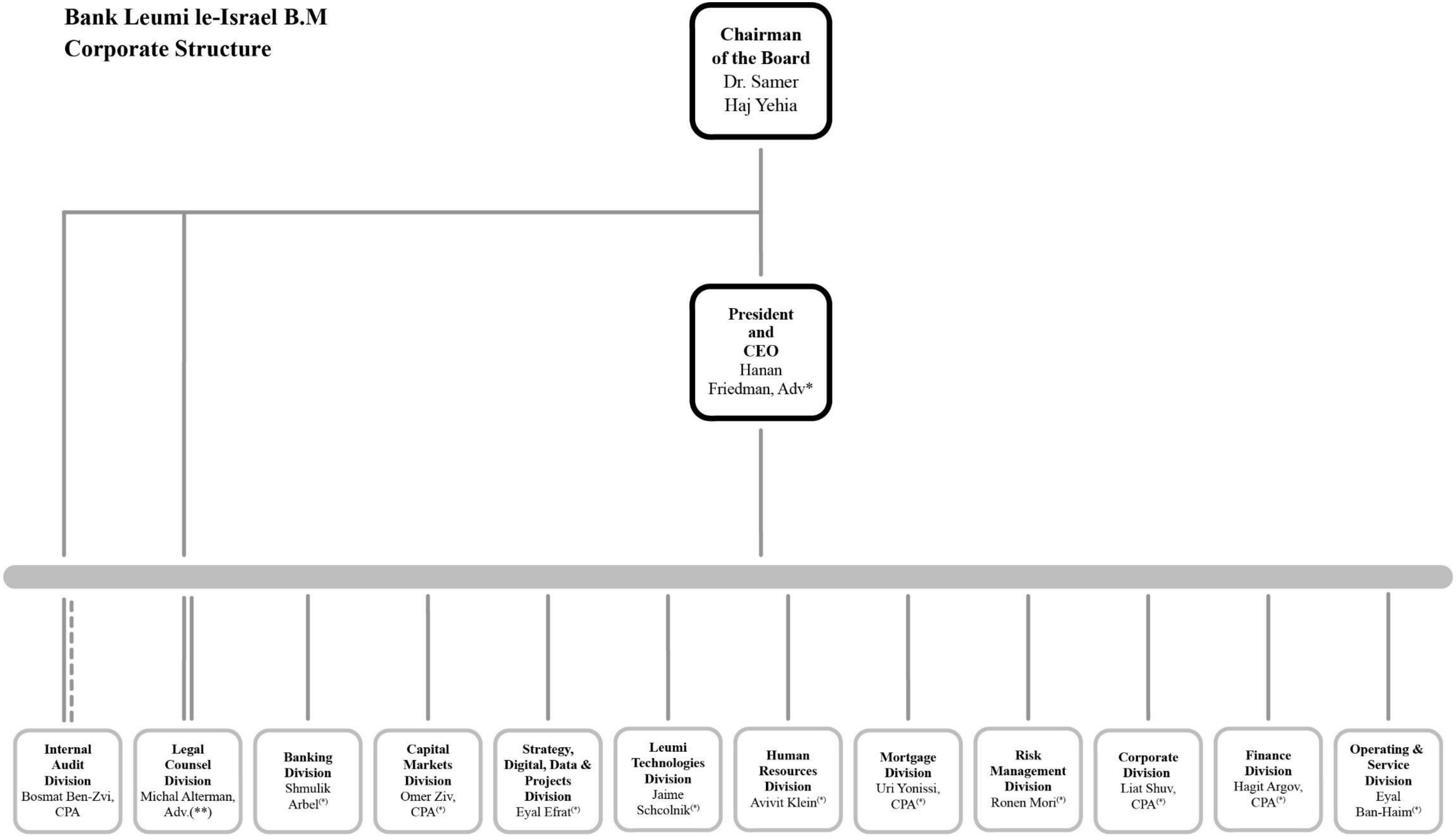
Issuance of option warrants

For more details regarding issuance of option warrants, see Note 24.A

Collective agreement on employee benefits

On December 31, 2022, the collective agreement on employee pay and benefits expired; the agreement was effective during 2019-2022. Negotiations are now being held between the Bank management and the employees’ representatives for the signing of a new collective agreement.

Bank Leumi le-Israel B.M
Corporate Structure



* Member of management.

** Member of management who also serve as Secretary of the Bank and Group.

Legal Proceedings

1. The Bank is party to legal proceedings, including motions to approve derivative claims and motions to approve class actions, brought against the Bank by customers (including former customers) and various third parties, who allege to have been damaged or harmed as a result of the Bank's activity in the ordinary course of its business.
   In the opinion of the Bank's management, based on legal opinions, appropriate provisions have been made in the financial statements to cover potential damages in respect of all the claims.

   The claims lodged against the Bank have numerous and varied grounds, including claims as to non-execution or late execution of instructions, motions to approve attachments imposed by third parties on debtors' assets which are allegedly held by the Bank, claims that the interest rate charged is not in accordance with the ones agreed upon between the Bank and the customer, interest rates higher than those permitted by law, claims regarding fees and commissions charged, claims associated with securities, labor relations, violation of privacy, drawing of checks with insufficient funds, and failure to cash checks.

   For more information regarding claims filed against the Bank in material amounts, please see Note 26.
2. As part of measures taken to recover debts in the ordinary course of its business, the Bank takes, among other things, legal action against debtors and guarantors, and also pursues collateral realization proceedings. The Bank has included in the financial statements provisions for loan losses based on an assessment of all the risks associated the extension of loans to the various sectors of the economy and taking into account the extent of information available on the relevant debtor or guarantor with regard to their financial stability and the collaterals provided to the Bank to secure the repayment of the debt.

Material Agreements

1. Maalot-Standard Agreement

In accordance with an agreement dated March 29, 2020, Standard has assigned Veritas Insurance Agency Ltd. of the Harel Group, as of April 1, 2020, the full rights and commitments of Standard under the Maalot-Standard Agreement, subject to the completion of the merger of Standard into Harel. The merger was completed on July 2, 2020.

Under an agreement from September 2021, the Maalot Standard agreement was extended. In addition, Veritas Insurance Agency assigned to Harel Insurance Company Ltd., as of August 29, 2021, its undertakings related to Maalot in respect of sale and marketing of Harel's insurance policies to potential customers.

For more information about the Maalot-Standard Agreement, please see the section entitled "Material Agreements" in the 2019 Annual Financial Statements.
For more information regarding the assignment of rights from Standard to Veritas, please see the section entitled "Material Agreements" in the 2020 Annual Financial Statements.

2. IT and Operational Services Agreement with Union Bank of Israel Ltd.

The Bank reached an understanding with Union Bank of Israel Ltd. (hereinafter - "Union Bank") on the extension of the engagement term for IT and Operational Services Agreement (hereinafter - the "Agreement"), altering some of the terms and conditions of the engagement.

In this framework, it was agreed, inter alia, that subject to, and in accordance with the terms and conditions detailed in writing in the addendum to the Agreement (hereinafter: the "Addendum"), the Agreement will be extended until December 31, 2022.

The scope of the ongoing services and the service level provided by the Bank according to the Addendum will be the same as the ongoing services and the service level which were provided to Union Bank as of December 31, 2016, and the Bank will provide Union Bank with ongoing services in the Addendum term according to the "follow me" principle. In addition, an adjustment was made to the consideration paid in the framework of the agreement.

On November 23, 2022, the Bank and Union Bank agreed on an extension of the agreement for the provision of computer and operational services until march 31, 2023. It was also agreed that the Bank will provide, after the expiration of the agreement, for the period from April 1, 2023 to December 31, 2029, information retrieval services regarding Union Bank customers in order to enable access to historic information regarding the Union Bank customers after completion of the merger between Union Bank and Bank Mizrahi-Tefahot Ltd.

For more information, please see the immediate report published by the Bank on May 12, 2020 (Ref. No. 2020-01-047130) and on May 26, 2020 (Ref. No. 2020-01-052887).

3. The Binat agreement

In 2020, an agreement was signed with Binat Data Communications to host Leumi's data center in Binat's site at Har Hotzvim, Jerusalem. The agreement is for 10 years, with an option for two additional 5-year periods. The Bank shall have the right to terminate the agreement after the first 5 years, at any time (including during the option periods), after giving early notice thereof.

4. The Bank granted officers and others letters of indemnification. For more information, please see Note 26F.

5. For information regarding agreements relating to the Bank's subsidiaries, please see Note 36 and the section entitled "Major Investee Companies" in the Report of the Board of Directors and Management.

6. For information regarding agreements with the Tax Authority, please see Note 8.

Laws and Regulations Governing the Banking System

Some of the information in this section constitutes forward-looking information. For the meaning and implications of the term, please see the section entitled "Forward-Looking Information".

During the reporting period, several proposals for regulatory amendments and changes to various legal provisions were published, which could have an impact on the characteristics, scope and profitability of some of the Group's activities and on the credit, operating and legal risks to which it is exposed. Some of the directives are at various stages of discussion and, consequently, it is impossible to assess whether or not they will be issued as binding provisions and, if issued, what the ultimate provisions will be. As a result, at this stage, it is impossible to assess the effect of these provisions on the Group's overall activity, if any. The following section provides detailed information on newly enacted legislation, which came into effect during the reporting period and provisions expected to come into force which may have a significant effect on the Bank.

Directives Issued by the Banking Supervision Department

Amendment to Proper Conduct of Banking Business Directive No. 301 - Board of Directors

On January 18, 2022 the Banking Supervision Department published an amendment to the directive, requiring banks' boards of directors to ensure proper representation of both genders. To this end, the board of directors shall set a policy prescribing gender diversity rates, including deadlines for achieving the target and milestones.

A banking corporation is required to report to the Banking Supervision Department if - due to various circumstances (such as replacing a director, changing the number of directors, etc.), the composition of the board is lower than the minimum gender diversity rate prescribed by the board's policy.

Effective date - the gender diversity rate will be set within six months of the circular's publication date, and the target will be achieved within three years of the policy's approval date.

On June 8, 2022, the Board of Directors approved the desired composition profile policy of the Board of Directors, in which it was determined that in view of the commitment to adequate representation for both genders in the composition of the Board of Directors, including the regulatory requirements, weight should be given to ensuring a minimum representation of 30% of each gender. The composition of the Board of Directors is in compliance with the policy.

Amendment to Proper Conduct of Banking Business Directive No. 312, A Banking Corporation's Business with Related Parties

The amendment was published on January 31, 2022, with the aim of mitigating the regulatory burden and simplifying some of the directive's sections, in order to render their implementation easier for banking corporations.

Under the amendment, the definition of a "related party" was amended, and a requirement was added whereby the Audit Committee shall: (1) recommend to the Board of Directors a policy and processes to approve related party transactions; (2) address the indebtedness threshold of an interested party for which the approval of the Audit Committee is required; (3) set criteria for applying related party restrictions even on parties not included in the "related party" definition, if it deems it necessary; (4) address ongoing monitoring, control, reporting and follow-up procedures for related party transactions that do not require documented approval by the Audit Committee.

The section determining which transactions require approval by the Audit Committee was revised as well, and the requirement to discuss any transaction made between the interested party and the Bank prior to becoming any interested party was extended.

The requirement to report to the Banking Supervision Department was also extended, applying to any deviation from the provisions of the directive.

The Directive entered into effect on July 1, 2022. The Bank updated the work processes as required.

Amendment to Proper Conduct of Banking Business Directive No. 451 - Housing loans procedures

On January 31, 2022, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 451. Among other things, under the amendment, banking corporations will be obliged to provide customers with pre-approval for loans using a uniform format, which will include three uniform tracks prescribed by the Bank of Israel, with the loan term selected by the customer. Each of the tracks will feature: the expected overall interest rate, the total expected payments across the entire mortgage term, and the highest expected monthly payment. In addition and regardless of the uniform baskets, banks will be able to offer customers customized mortgage tracks.

In addition, according to the amendment, banks will provide customers with an online calculator allowing for simulations of various mixes with different loan terms. In addition, the directive regulates the manner in which banking corporations are required to present information in their apps.

A maximum time frame was provided for pre-approval of mortgages to customers; the directive allows customers to submit an application and be pre-approved online and by phone.

On July 7, 2022, the Banking Supervision Department published an amendment to the directive, which mainly refers to the following subjects: (1) The manner of integrating targeted loans (known in the general public as “eligible loans”) in the approval in principle; (2) The information provided to the customer for the purpose of examining the feasibility of early repayment; (3) The content of the online calculator. In addition, on June 13, 2022, the Banking Supervision Department published an amendment to Proper Conduct of Banking Business Directive No. 449, Simplifying Agreements for Customers. In the amendment, adjustments were made to the directive, in line with the amendments made to Proper Conduct of Banking Business Directive No. 451.

The work processes were updated accordingly.

Amendment to Proper Conduct of Banking Business Directive No. 420, Sending Notices via Means of Communications

On June 6, 2021 the Banking Supervision Department published an amended Proper Conduct of Banking Business Directive No. 420 - “Sending Notices via Means of Communications”. The amendment was initiated against the backdrop of the technological revolution taking place in the banking industry in recent years, which allows banking corporations in Israel to develop services that include a variety of channels for obtaining banking services and information. The main point of the amendment is that a banking corporation should select the most appropriate means of communication to deliver a specific message to a customer who has joined the e-banking notices service. Selecting the appropriate communications channel for sending the notice will be according to the materiality level of the information and the speed at which it should be delivered.

In tandem with the said publication, the Banking Supervision Department published a letter entitled “Improving the Effectiveness of Disclosure in Notifications to Customers”. In the letter, the Banking Supervision Department clarifies that, as part of the preparations for the implementation of the said amendment to Directive No. 420, banking corporations shall examine the need to improve the disclosure provided to customers, so as to increase the understandability and effectiveness of the notices sent to them.

The said amendment will come into force on January 1, 2023 (due to the postponement of entry into force from June 2022).

Directives pertaining to the attribution of capital for derivative financial instruments

For more details, see under Capital and Capital Adequacy in the Report of the Board of Directors and Management.

The Banking Supervision Department's letter entitled Increase in Credit Risks for the Construction and Real Estate Industry

During October and December 2021, the Banking Supervision Department published a letter to banking corporations entitled Increase in Credit Risks for the Construction and Real Estate Industry. According to the letters, there was an increase in credit risks for the banking system in respect of the construction and real estate industry, which is expressed, inter alia, in the growing outstanding credit balances, risk characteristics and LTV in some banking corporations. Following on the above, in the letter published on March 20, 2022, the Banking Supervision Department clarifies that due to the continued trend of growing credit risk in respect of the construction and real estate industry, it was decided to take additional regulatory measures with the aim of enhancing risk management, transparency and regulatory consistency, as well as risk monitoring capabilities for credit portfolios. The additional measures will include, inter alia: (1) The directive for allocation of additional capital in respect of highly-leveraged land, as detailed below; (2) Banking Supervision Department's audit teams for credit in respect of the construction and real estate industry will be required to demonstrate and illustrate the analysis process, in order to support management of underwriting proceedings and classification of credit in banks; (3) Reporting to the Banking Supervision Department on the construction and real estate industry will be expanded.

Further to the letter, on May 25, 2022, an amendment to the Proper Conduct of Banking Business Directive No. 203, Measurement and Capital Adequacy - the standardized approach - Credit Risk was published, which determined that the list of debts risk-weighted at 150 percent will also include loans intended for the purchase of land for development or construction, at an LTV rate exceeding 80 percent, excluding loans for the purchase of agricultural land with no planning or rezoning prospects, and excluding loans for the purchase of land for self-use of a borrower who is not classified in the construction and real estate sector according to the sectoral classification in the Banking Supervision Reporting Directive 831 - "Total Credit Risk by Economic Sector". In addition, the Banking Supervision Department published an update to the Q&A file on the subject of Total Capital Adequacy, including clarifications required for calculating the rate of financing for the purpose of applying the weight of the risk on loans for the purchase of land as stated, and amendment of the Banking Supervision Reporting Directive 831, in which the definition of the loan to value (LTV) ratio was updated. The revision described in the paragraph entered into effect as from the financial statements as of June 30, 2022, but the banks may distribute the effect of the change in the risk weighting on the capital adequacy ratio in respect of the existing loan inventory on June 30, 2022, at fixed quarterly rates until June 30, 2023. Accordingly, the Bank spread the effect of the change starting from the third quarter of 2022, over four quarters, such of that in the quarter ending on June 30, 2023, the capital requirement will be fully reflected.

Amendment to Proper Conduct of Banking Business Directives 301, Board of Directors, and 301A, Compensation Policy at Banking Corporations

Under the Amendment dated April 10, 2022, the directives were amended and adjusted to legal requirements from the chairmen of boards of directors in banking corporations as a whole, and banking corporations without a controlling core in particular.

According to the amendment to Proper Conduct of Banking Business Directive No. 301A, the board must define the purview of the chairman of the board, such that it does not deviate from the roles and powers conferred upon the chairman of the board under law, so as to prevent the compromise of his/her independence; and in a banking corporation without a controlling core - to avoid giving rise to an affiliation between the chairman and the banking corporation. It was also determined that the Board of Directors may entrust the chairman of the board with any role that the board of directors is entitled to entrust any of its members to execute in connection with the board of directors' work. It was also determined that the board of directors may define the time the chairman of the board of directors may spend on executing his/her duties.

Proper Conduct of Banking Business Directive No. 301A now features a section outlining principles for determining the compensation for a chairman of the board in a banking corporation without a controlling core. It was determined that the compensation of the such a chairman shall be in accordance with the Compensation Regulations applicable to external directors, with certain adjustments outlined in the directive. It was determined, inter alia, that the annual compensation the chairman of the board will be entitled to shall not exceed the total average compensation of an expert director in a banking corporation, multiplied by the "applicable ratio", which is based both on the differences between the characteristics of the role of the chairman of the board and those of other directors - reflected in the amount of time the chairman of the board needs to dedicate to fulfilling his/her duties and the responsibility of the chairman of the board, which is higher than that of other directors. The Compensation Committee was ordered to ensure that the compensation terms of the chairman of the board do not give rise to an affiliation in accordance with the ordinance nor compromise the independence of the chairman of the board.

The effective date of the amendment is on its publication date; as for a chairman of the board already in office upon the amendment's entry into force - the amendment shall apply upon updating any of his/her service terms or after 6 months will have elapsed from publication date, whichever the earlier.

For information regarding the results of the meeting held by the Bank on the topic on September 22, 2022, see the immediate report dated September 22, 2022 (Ref. No.: 2022-01120415).

Amendment to Proper Conduct of Banking Business Directives Nos. 221 and 222 regarding the Liquidity Coverage Ratio and the Net Stable Funding Ratio and the Q&A file on the subject

Please see the section entitled "Liquidity Risk" in the Report of the Board of Directors and Management.

Letter regarding crypto-currency financial assets and amendment to Proper Conduct of Banking Business Directive No. 310 - Risk Management

The directives were published on February 26, 2023 on the back of the increased activity in crypto-currency financial assets (hereinafter - "crypto") in recent years. Activities related to the crypto domain represent new risks - whether increased or specific - even in the domain of traditional risks, including those that may affect the ability to ensure a stable and reliable financial environment: prudential risks, risks relating to prohibition on money laundering and prohibition on financing terrorism, cyber risks, as well as risks related to customer protection; this is due, among other things, to the fact that crypto-related activities are yet to be fully known and understood, and there is relatively little experience in this field, due to its rapid development.

Due to the said risks, the Banking Supervision Department believes that a banking corporation should exercise the utmost caution in considering activity in the crypto domain. A banking corporation is required, among other things, to apply the provisions of Section 16 to Proper Conduct of Banking Business Directive No. 310, Risk Management, regarding a new product, to crypto-currency activity, including the following: (a) The Bank should ensure, prior to launching its activity in this domain, that the activity comes under the areas of activity permitted to the bank by law; (b) The bank should conduct a risk-management assessment, including regarding the consumer protections required for that activity; (c) The bank should inform, in writing, the Banking Supervision Department about it intention to deal in crypto-currency, stating the timeline for the activity; (d) The Banking Supervision Department is entitled to request that the banking corporation provide additional information. If needed, the Banking Supervision Department will provide the relevant feedback after obtaining all required information.

Section 16 of Proper Conduct of Banking Business Directive No. 310 - "Risk Management" was amended accordingly.

For further information regarding the Bank's cooperation agreement with US-based Paxos Trust Company LLC, which will allow the Bank to offer its customers to buy, hold and sell crypto-currencies, see Note 36.C.

Draft amendment of Proper Conduct of Banking Business Directive No. 422 - Opening a current account with a credit balance and account management

According to the draft published on December 26, 2022, a current account is an essential account through which a customer manages most of his financial activity. For that reason it was determined, among other things, in Section 2(A)(2) of the Banking Law (Customer Service), that a banking corporation must allow every customer to open and manage a current account with a credit balance, provided that there is no reasonable reason for not providing service ("reasonable refusal"). In the amendment it is proposed to clarify that sweeping rules should not be established, and basic payment methods or account transactions should not be prevented, just because the account or the customer belongs to a certain type of account or customer, and that each request should be examined on its merits, exercising discretion. It is also proposed to expand the Directive so that it will apply not only to accounts with a credit balance but also to accounts with a debit balance that do not deviate from the approved credit facility. In addition, the basic payment services determined in the Directive were expanded in order to allow the customer to conduct his finances in an efficiently and conveniently.

The Directive, if accepted, will require adjustments to be made in work processes.

Draft Proper Conduct of Banking Business Directive regarding Management of a Customer Service and Support System

According to the draft directive published on January 10, 2023, service and support systems that are effective, available, clear and fair constitute an essential threshold for the existence of efficient and responsible communication between banking corporations and customers.

The draft directive determines obligations regarding corporate governance that aim to promote an organizational culture that emphasizes the quality and availability of the service and support provided to customers. For that purpose, the directive establishes principles for providing service and support to the banking system's customers in the following areas: (1) Providing the best service to customers in a variety of service channels; (2) Promoting useful communication between the banking corporation and the customer when providing the service and support: (3) Preventing barriers to the receipt of service and preventing damage and deception; (4) Ensuring service and support availability and quality response throughout the entire period of engagement with the customer; (5) Adapting the service and support system to the customers' needs; (6) Providing proper service in a variety of channels.

The banking corporations are asked to promote the principles systematically, constantly and continuously, while exercising discretion and determining priorities according to their importance for the customers. In addition, the draft directive determined requirements regarding the publication of information to the public regarding the various service channels.

The Directive, if accepted, will require adjustments to be made in work processes.

Provisions regarding fees and commissions

The Banking Law (Customer Service)(Amendment No. 34), 2022

According to the amendment published on June 22, 2022, a banking corporation will be entitled, for handling an application for a housing loan, to collect a fee at a rate not exceeding NIS 360.

The effective date of the aforementioned amendment is two months from the date of its publication; the amendment will apply to housing loan applications submitted on or after the effective date.

On July 21, 2022, the Banking Supervision Department published a letter that includes clarifications regarding the implementation of the amendment, including clarifications on the following topics: the types of customers and the services to which the amendment will apply, the maximum price that the banks are required to display in the list of fees and commissions.

The Banking Ordinance (Customer Service) (Supervision of Transaction Services by a Clerk, Transaction in a Direct Channel, Expanded Track and Expanded Track Plus), 2022

According to the ordinance published on September 1, 2022, the following current account services are declared under supervision: (a) Transaction by a clerk; (b) Transaction in a direct channel; (c) Expanded track; (d) Expanded track plus. The supervision signifies, according to Section 9M of the Banking Law (Customer Service), 1981, that a banking corporation that wishes to raise the rate for these services compared to the existing prices as of the date of publication of the ordinance will be required to submit a reasoned request to the Banking Supervision Department. The Banking Supervision Department will be entitled to permit the rate increase, reject the request or ask for additional information.

The said ordinance is not expected to affect the Bank's revenues from these fees and commissions.

Notice by the Banking Supervision Department regarding a reform in fees and commissions for households and small businesses

On November 6, 2022, the Banking Supervision Department announced it was planning a series of significant measures benefiting households and small businesses, in an effort to improve the method of collecting fees and commissions for current account transactions and allow more customers to enjoy reduced fees and commissions. According to the announcement, the main changes planned in the fees and commissions domain are as follows: (a) Revision of the method of charging current account fees - according to the new method, the bank shall calculate the least expensive payment formula per customer each month (whether the transaction is conducted by a teller or online) for the actual transactions performed during that month, and charge the customer accordingly; (b) Expanding the category of small businesses to which the lower rates shall apply by broadening the definition of "small business" from a business with up to NIS five million in turnover, to a business with up to NIS ten million in turnover. In addition, the default shall be changed such that all businesses will be defined as "small businesses" and the banking corporation shall be entitled to request an annual report if it reasonably believes that the business's turnover is higher than NIS 10 million.

The Memorandum of Law Economic Plan Law (Legislative Amendments for Implementing the Economic Policy for the 2023 and 2024 Budget Years), 2023, Chapter ___: Banking and Credit (hereinafter – the "Economic Plan Memorandum of Law")

On February 26, the Memorandum was published, proposing to amend the Banking Law (Customer Service), 1981, such that the calculation of fees and commissions under the full price list and reduced price list will not include a minimum amount or rate.

Some of the said provisions regarding fees and commissions may affect the Bank's income from these fees and commission.

Various Initiatives for Increasing Competition

Recently, special emphasis has been placed on regulation to encourage competition in various segments pertaining to the banking system's areas of activity. This trend is reflected in various directives and legislative initiatives, inter alia in directives relating to transfer and sharing of information available to banks with banking and non-banking entities, directives aimed at helping customers compare various financial products and services, as well as directives aimed at promoting competition in the payments domain.

In this context, the following topics may be mentioned:

Banking Regulations (Licensing) (Bank with a Broad Scope of Activity), 2023

The Committee for Increasing Competition in the Banking and Financial Services (the Strum Committee) was established on June 3, 2015 by letter of appointment from the Minister of Finance and the Governor of the Bank of Israel. A central step recommended by the Committee was the separation of banks with a broad scope of activity from the credit card companies under their control. The recommendation was intended to enable the separated credit card companies to pose a competitive threat to the banking system and to create competition in the financial services market for the retail segment in general and in the consumer credit market and in the credit card issuing market in particular.

In the Banking Law (Licensing), which was amended following the Committee's recommendations, a "bank with a broad scope of activity" (a "large bank") was defined as a bank whose asset value exceeds 20% of the assets of the banking system. In addition, the Finance Minister was authorized, in the period from January 31, 2021 to January 31, 2023, with the agreement of the Governor and the approval of the Finance Committee, to establish regulations and determine, regarding the definition of a "large bank", a rate lower than 20%, but not less than 10%. During the past year, the committee for implementation of the law examined the issue and on December 21, 2022, it published its recommendation which stated that it is correct to amend the definition of a "bank with a broad scope of activity" so that Bank Discount will be required to separate from ICC. Accordingly, in the regulations published on February 1, 2023, the aforementioned rate was reduced in the definition of "a bank with a broad scope of activity" from 20 percent to 10 percent. In this context, the validity was extended for some of the restrictions that applied to the Bank regarding the issuing of debit cards.

The Order for Increasing Competition and Reducing Concentration in the Banking Industry in Israel for Minimizing Market Centralization and Promoting Economic Competition (Legal Amendments) (Change of Rate and Amounts of Credit Facilities in accordance with Section 9(c) to the Law), 2022.

On January 31, 2017, the Law on Minimizing Market Centralization and Promoting Economic Competition in the Banking industry in Israel (Legislative Amendments), 2017 was published in the Official Gazette (hereinafter - the "Law"). Pursuant to the law, from January 31, 2021 to January 31, 2024, the total credit limits on the credit cards of customers of a bank with extensive activity (as defined by the Law), which issues debit cards, each year, shall not exceed 50 percent of the total credit limits on the credit cards of the bank's customers as was the case in 2015; when calculating the total credit limits, credit limits higher than NIS 5,000 will be taken into account. Following the spread of the coronavirus and the deterioration in many households' economic situation, in November 2020, the Minister of

Finance issued an ordinance for a limited period of one year, which reduced the reduction rate; pursuant to the ordinance: (1) the total credit limits on the credit cards of customers of a bank with extensive activity which issues debit cards, each year, shall not exceed 55 percent of the total credit limits on the credit cards of the bank's customers as was the case in 2015 (in lieu of 50 percent); (2) When calculating the total credit limits, credit limits higher than NIS 7,500 (in lieu of NIS 5,000) will be taken into account. Due to the continued impacts of the coronavirus crisis, the said ordinance was extended on January 31, 2022 by an additional year. In addition, according to the ordinance, on the following year, the total credit limits on the credit cards of customers of a bank with extensive activity which issues debit cards, each year, shall not exceed 51 percent of the total credit limits on the credit cards of the bank's customers as was the case in 2015; when calculating the total credit limits, credit limits higher than NIS 8,500 will be taken into account. On February 1, 2023, an amendment was published to the above ordinance, in which the rates and amounts determined in the ordinance were changed, so that from February 1, 2023, the total credit facilities will not exceed 75% of the total credit facilities in the Bank customers' credit cards, as it was in 2015. In calculating the total credit facilities, the credit facilities of the Bank's customers that exceed NIS 10,000 will be taken into account. It was also determined that a customer's credit facility will not be reduced to an amount less than NIS 10,000 only because of that stated in this section. The Economic Plan Memorandum of Law proposes to revoke the said provision after January 31, 2024.

Amendment of Proper Conduct of Banking Business Directive No. 368, Application of the Open Banking Standard in Israel

The directive was first published in February 2020. Open Banking requires the banks and credit card companies to share a customer's banking information at his/her request, with authorized third-party providers and to allow making payments from his/her account through third parties (regulated for this purpose). The objective is that based on the said banking information, third-party suppliers will be able to offer customers new products, customized to their needs. According to the directive, the adoption of the Open Banking will encourage new players to enter the market in the payments, information, marketing and intermediation domains, offering customers better pricing and innovative products.

Since its publication, the directive was amended several times. On January 23, 2023, an additional update was published to the directive that mainly deals with the following topics: provision of access to information on securities, expansions regarding the level of service and the manner of use and saving the certificate, as well as clarifications regarding the need for approval from the Banking Supervision Department to act as a payment initiator.

The Bank is preparing to implement the directive gradually, in accordance with the effective dates therein.

Memorandum of Law Regulation of Payments Services, 2022

The memorandum of law, which was published on January 10, 2022, seeks to pass into law the regulation of payments services provided by non-banking entities. These services - the provision of which will require a license and regulation by the Israel Securities Authority, include: initiating payments; giving payment orders; clearing payments; issuing means of payment; transferring funds to a beneficiary without having a payments account; and management of a payments account allowing for transfer of payments for products and services. The regulation is expected to encourage competition in the market by allowing non-banking entities to enter the domain and develop alongside the incumbent banking players.

The Bank of Israel's position regarding developments in the payments and digital wallet domain

In a notice published January 11, 2022, the Bank of Israel clarifies that it believes that information created and collected by various financial entities regarding customers belongs to the customers, who are thus entitled to decide which entities will be privy to that information and what uses will be made thereof. Under this approach, the Bank of Israel believes that financial entities may be given the opportunity to make use of information they receive at the consent of their customers, for the uses sanctioned by the customers, subject to any law. According to the Bank of Israel, information created using banking payments apps is of competitive value when it comes to information about payments for purchasing products and services from merchants. Promoting access to this type of information is expected to reduce the dominance of the incumbents.

According to the notice, the Bank of Israel believes the market and players should be encouraged to create infrastructure in the form of a database that will allow the transfer of funds and making of payments between apps and payment accounts of various kinds, with the database being able to link mobile phone numbers (or other identifiers such as an email address) to the details of the means of payment of the payee (such as a payment account). Such a database will contribute to the development of the market in general and to the competition in particular, will streamline the ability of incumbents to offer additional services to their customers and allow new players to enter the market and offer innovative, advanced customer experiences relatively easily, potentially interfacing with numerous prospects.

Payment Services Memorandum of Law (Initiation of Payments), 2022

The memorandum of law published on October 11, 2022 seeks to expand the applicability of the law so that it applies to two additional services - basic initiation services, which include the initiation of authorization for billing, and initiation services by virtue of authorization. These services enable the customer to initiate an Account to Account payment transaction between a business and a customer (without a credit card in between) efficiently, simple and convenient. The aim of this amendment is to enable the use of these services in a way that will improve the customer experience, streamline the procedure for transferring payment orders, thereby promoting competition in the means of payment market in Israel.

Opening the payments systems in Israel to global payments service providers

On February 28, 2023, the Bank of Israel announced it has developed an outline designed to open up the regulated payments systems in Israel to global payments service providers. This measure will allow these entities to operate within the systems effective immediately, thus offering services and value propositions to the Israeli public based on their foreign licenses.

The Economic Plan Memorandum of Law

The memorandum proposes the following amendments, among others:

(1) To increase the total credit debt that may be raised by a corporation, through a license holder for operating a credit intermediary system from NIS 1 million to NIS 6 million.

(2) To amend the Banking Law (Customer Service), 1981, such that a banking corporation which refuses to open an account for a financial entity and a payments company, or to provide it with one of the services detailed in Section 2(a) of the said law, will provide a reasoned notice to that effect to the Banking Supervision Department.

(3) To require the banks to send each customer, at the beginning of each calendar month, a notice outlining the total amount of the fees, commissions and interest charged to that customer in the previous month.

(4) A banking corporation will enable a financial entity acting as an issuing operator of debit cards issued by the banking corporation, under the contract between the banking corporation and the customer for which the debit card is issued, to obtain the customer's agreement to use the information it has obtained upon issuing the card or operating the issuing, for the purpose of providing services to the customer.

The Economic Plan Memorandum of Law and Legislative Amendments to Implement the Economic Policy for the 2023 and 2024 Budget Years, 2023, Chapter ___, Increasing Competition and Mitigating Distortions in the Insurance and Savings Intermediation Segment

According to the Memorandum, published on February 28, 2023, in order to increase competition in the banking sector, it proposed to allow banks with a limited scope of operations (a bank whose total assets does not exceed 10 percent of all Israeli banks' total assets) to control a single corporation that is an insurance agency, whose sole business - in addition to business currently allowed under the Banking Law (Licensing), 1981- is property and casualty insurance.

These amendments linked to increased competition, along with initiatives led by the Bank of Israel, such as: launching the Central Credit Register, which was launched in April 2019 and will enable various entities to obtain credit statements and reports for their current and potential customers; the reform of transitioning from bank to bank; encouraging the banking system to increase efficiency; and the reform regulating customers’ transfer from one bank to another through direct channels, are expected to affect the Israeli banking system in the coming years.

Regulatory Developments Following the Coronavirus

The validity of most of the directives published due to the Corona crisis have expired. The following are details of key directives published in the reporting period:

The Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order) (Novel Coronavirus) (Stay of Proceedings for Formulation and Approval of Debt Settlement), 2021

The Law prescribes a dedicated track for handling debts of debtors (corporations and private individuals) hurt by the coronavirus crisis, which will allow debtors to reach debt settlement agreements as an alternative to full insolvency proceedings. The temporary settlement allows to stay legal proceedings and collections proceedings against a debtor. During the stay period, the debtor will retain control of his/her assets. At the same time, the proposed arrangement includes respective alternative protections to lenders.

On September 14, 2022, the Insolvency and Economic Rehabilitation Ordinance (Extension of the Period Pertinent to Filing a Stay of Proceedings to Formulate a Debt Settlement Agreement - the Novel Coronavirus), 2020 was published; the ordinance extends the said provisions until March 17, 2023. On February 27, 2023, a memorandum of law was published which proposed to extend the said provisions by an additional twelve months, until March 17, 2024.

Memorandum of The Execution Law (Novel Coronavirus - Amendment No. 68 and Temporary Order), 2020

The Law set various arrangements aimed at incentivizing debt repayment and recovery of economic activity, as well as helping people in financial straits to avoid deteriorating into a severe and enduring financial crisis. In this context, arrangements were established regarding authorizing court registrars to consolidate claims. In view of the dispersal of the Knesset, the temporary order was extended until February 15, 2023. On February 9, 2023, the Execution of Court Decisions Law (The New Coronavirus - Amendment No. 68 and Temporary Order) was published whose purpose, among other things, was to establish the temporary order regarding the authorization of court registrars to consolidate claims of the debtor when issuing a payment order in the case as a permanent order.

Amendment to Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis

On January 18, 2022, the Banking Supervision Department issued an amendment to the directive, against the backdrop of mounting morbidity and infection rates. Under the amendment, Proper Conduct of Banking Business Directive No. 355, Business Continuity Management, was updated so as to allow banks to reduce the number of branches open to the public, provided their rate does not fall below 80 percent of the bank's total number of branches. In addition, the banks may require customers to schedule appointments, subject to the principles set forth in the directive. This amendment was in effect until the end of February 2022.

In addition, on May 15, 2022, the Banking Supervision Department published an amendment to a directive, in which the Banking Supervision Department clarifies that, due to the continuation of the impacts of the coronavirus crisis on the assets of banking corporations - including support for the credit needs of the recovering economy and a high level of deposits with the Bank of Israel, there is a need to extend the expedient regarding leverage ratios.

Accordingly, it was determined that the expedient (which states that a banking corporation must comply with a leverage ratio of no less than 4.5% on a consolidated basis, and a banking corporation whose total on-balance sheet assets on a consolidated basis is 24% or more of the total on-balance sheet assets in the banking system, must comply with a leverage ratio of no less than 5.5%) will be in effect until June 30, 2024, with the leverage ratio not falling below the lower of the rate as at December 31, 2023 or the leverage ratio applicable to the banking corporation prior to the temporary order; applying the expedient shall not serve as a barrier to dividend distribution, subject to the total capital planning that addresses returning to the required leverage ratio.

The effect of the various adjustments due to the coronavirus is part of the overall effect of the event on the Bank and Group as detailed in the Report of the Board of Directors and Management.

Additional Topics

Equal Pay for Male and Female Employees Law, 1996 (Amendment No. 6, 2020)

The amendment published on August 25, 2020 requires various employers, including reporting corporations, to prepare an annual report regarding wage gaps in the organization between men and women. With the preparation of the report and based on it, the employer must provide each employee with information regarding the group to which he belongs in the employee segmentation, and the wage gaps in the group in percentages. In addition, the employer is required to publish a report (including on the employer's website, if such exists), in which the average wage gaps of his employees will be presented in percentages.

The amendment determined that the first report will be published no later than June 1, 2022, with regard to the year preceding the reporting date.

The Bank implements the provisions of the amendment.

Privacy protection

In recent years, among other things, due to the accelerated transition to the use of digital means, a trend is evident of increased regulation with regard to the protection of privacy. Below are a few recent examples:

Draft Protection of Privacy Regulations (Instruction regarding Data Transferred to Israel from the European Economic Area), 2022

The Draft Regulations were published by the Ministry of Justice on November 29, 2022. The proposed regulations establish instructions regarding information transferred to Israel from European Economic Area countries, with the exception of information transferred by a person directly for himself. These regulations are required in the context of an examination process currently being conducted by the European Union Commission in relation to Israel, for the purpose of examining the renewal of the adequacy status given to Israel by the European Union Commission in 2011, as a country that guarantees a level of information protection that corresponds with the level of personal information protection practiced in the European Economic Area countries, and therefore information may be transferred freely thereto.

The regulations establish four main obligations that will apply to the database owners in Israel: (1) Right to deletion of information at the request of the subject of the information; (2) Limit on the retention of unnecessary information; (3) Information accuracy obligation; (4) Obligation to inform the subject of the information.

The regulations also determine that certain types of information is considered sensitive information.

Opinion: What are "information" and "knowledge of a person's private affairs" in the Privacy Protection Law

In the opinion dated December 20, 2022, the Privacy Protection Authority clarifies that Chapters B and D of the Privacy Protection Law, 1981 determine several obligations that apply to a "database" owner, as well as a database manager, database maintainer or a processer of the information in the database. "Information" stored in a computerized manner creates a "database", and as such it imposes on its owner and maintainer the obligations listed in the Privacy Protection Law and regulations thereunder. Along with this, the Privacy Protection Law grants rights to the subject of the information, that is the person regarding whom personal information is collected and stored by the database owner. In the opinion, the Authority seeks to clarify and demonstrate the meaning of "information" and "knowledge of a person's private affairs" within their meaning in the Privacy Protection Law, as well as the types of data to which the provisions of the Privacy Protection Law apply according to the interpretation given to them by the courts. This is not an exhaustive list, and there may be many other types of data that will be protected by the Law.

Privacy aspects in monitoring of employees working remotely

On December 25, 2022, the Privacy Protection Authority published a draft for public comment on the subject of privacy aspects in monitoring of employees working remotely. According to the document, the risks to privacy in the use of technological means for monitoring remote work are many and varied. These risks include the collection of information without the employee's consent; policing and harm to the employee's sense of control over his privacy; collection and exposure of sensitive and excess information; information leakage; and misuse of personal information.

In the draft, for the first time the Authority comprehensively reviews the issue of monitoring employees working remotely, the main risks to privacy in such monitoring, and the relevant provisions of the law. Based on all of the above, the Authority presents its legal and professional position on the subject, and its guidelines and recommendations to employers.

Some of the provisions regarding the protection of privacy may require an updating of work processes.

Taxation

Tax rates

The taxes applicable to banking corporations' profit include corporate tax levied pursuant to the Income Tax Ordinance and profit tax levied pursuant to the Value Added Tax Law. Set forth below is a table of the statutory tax rates applicable to banking corporations from 2018 onwards:

- Corporate tax rate - 23.00 percent.
- Profit tax rate - 17.00 percent.
- Total tax rate - 34.19 percent.

The deferred tax balances were calculated in accordance with the new tax rates applicable at the date of reversal.

Credit Ratings

Credit ratings and outlook for the State of Israel and the Bank as at March 13, 2023:

	Rating agency	Long term	Outlook	Short term
State of Israel	Moody's	A1	stable	P-1
	S&P	AA-	stable	A-1+
	Fitch	A+	stable	F1+
Bank Leumi: Foreign exchange	Moody's	A2	stable	P-1
	S&P	A	stable	A-1
	Fitch	A	stable	F1+
Local rating (in Israel)	S&P Maalot	AAA	stable	A-1+
	Midroog	Aaa	stable	P-1

Following is the development of the Bank's credit rating and credit outlook from January 1, 2022 to March 13, 2023:

On January 12, 2022, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On January 20, 2022, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On January 23, 2022, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On March 9, 2022, S&P Maalot rated the Bank A-1+ short-term.

On July 20, 2022, credit rating agency S&P reiterated the Bank's rating and rating outlook.

On July 26, 2022, credit rating agency S&P Maalot reiterated the Bank's rating and rating outlook.

On October 20, 2022, credit rating agency Midroog reiterated the Bank's rating and rating outlook.

On December 22, 2022, credit rating agency Fitch reiterated the Bank's rating and rating outlook.

On February 1, 2023, credit rating agency Moody's reiterated the Bank's rating and rating outlook.

Main Operating Segments According to Management Approach - Additional Information

A. Management Approach – Retail Banking Segment

General

The retail banking segment is characterized by offering value propositions and financial services to households and private individuals, small businesses and wealthy customers in Israel and worldwide (Private Banking). These offers and services are provided to customers according to their changing needs and preferences and in accordance with other relevant characteristics.

Structure and characteristics of the segment

Branches:

Households and small businesses – extensive deployment of 186 branches, offices and service centers nationwide. At the branches, services to customers are rendered by teams of Bank's representatives grouped according to customer segments. These teams handle all dealings related to customers and specialize in dealing with specific customer characteristics and needs.

Private Banking customers - In Israel, this segment is run through five unique Private Banking centers deployed nationwide – in Tel Aviv, Jerusalem, Haifa and Herzliya Pituach. The centers serve Israeli and nonresident high-net-worth private customers; bank representatives in these centers are familiar with the customers' needs, preferences and areas of interest. Furthermore, the department has three designated branches for customers who hold investment portfolios ranging from NIS 3.5 million and NIS 8 million; these branches are located in Haifa, Tel Aviv and Herzliya.

Direct and digital channels:

Banking services are also provided through Leumi's website, the Leumi Digital mobile app, Leumi's call centers, Leumi Personal call centers, consulting centers, Leumi's banking terminals and other advanced internet and mobile solutions.

In 2022, 84 percent of the customers performed transactions on digital channels and used Leumi's website or the Leumi Digital app.

A substantial part of the retail credit in 2022 was provided in an automated manner, without involvement of the Bank's representatives.

Among other things, the segment works towards increasing the number of customers who use the services of Leumi's call centers and digital channels (thousands of transactions are carried out every day through the Bank's website and mobile app).

Banking app Pepper, which is a mobile-only bank account, enables its customers to better manage their money. using advanced technology and customized user experience.

For more information regarding Pepper banking app, please see the section entitled Business Goals and Strategy.

Developments in the segment's markets and customer characteristics

The segment is affected by demographic and economic changes which have taken place in Israel, as well as by changes in private consumption and customers' savings habits.

The competition in the segment is intensifying. In recent years, there have been new entrants (financial and other entities) trying to muscle their way into the retail banking market; these new entrants mainly include credit card companies (operating in the field of consumer loans), insurance companies, retail chains and technology-based financial ventures. Some of the new entrants are entities which are not regulated by the Bank of Israel or by any other authority and which do not operate under the restrictions applicable to banks.

Services and products

Private loans: The Bank offers its customers various loan products which suit their needs at various stages of their lives. The leverage level of Israeli households is low compared with other developed countries. However, the scope of loans is on the rise and so is the risk.

The Bank's policy is to take steps to mitigate the credit risk by setting exposure ceilings in the loans portfolio. The loans portfolio is managed according to risk considerations and return versus risk considerations.

Customers

The Bank's services are adapted to meet the needs of various population groups comprising the segment.

B. Management Approach – Mortgage Segment

The Bank offers loans for the purchase of residential apartments or loans pledged by a residential apartment or another asset. The loans are granted both from the Bank's own funds and under state-backed government plans, through 89 units deployed in Leumi branches and in the digital space that operate in a super-regional space associated with the Mortgage Division.

In addition, Leumi offers - to customers of all banks interested in taking out a mortgage or recycling their mortgage, to hold a consultation meeting with a Leumi mortgage banker via Zoom, without having to arrive at a branch.
This is in addition to the digital mortgage service offered by the Bank, which allows customers to take out a mortgage without arriving at a Leumi Branch (even when signing the final mortgage papers).

C. Management Approach – Commercial Banking Segment

General

Commercial banking - specializes in the provision of the entire spectrum of financial services to middle-market business entities across all sectors of the economy. This segment sometimes includes interested parties of businesses in the sector, such as shareholders and senior officers.

Service and marketing to these companies are carried out on an individual basis, including financing transactions by means of credit instruments tailored to the customers' unique requirements, adapting investment products and financial instruments in order to hedge risks, financing international trade transactions and providing funding to start-up companies.

Segment's structure and characteristics

The Israeli activities of the segment are managed by the Commercial Banking Department and LeumiTech, which are part of the Corporate Division. The service is rendered by customer relations managers, who coordinate the Group's customer service; the operational services are provided by employees of the Operations Division, as well as through technological services, etc. The Commercial Banking Department's business model involves 12 business centers deployed across Israel, with the aim of providing the best, most efficient service to commercial customers. LeumiTech operates through the LeumiTech business center located in Herzliya.

Development in the segment's markets and its customers' characteristics

The segment's customers operate mainly in different sectors of the Israeli economy, such as industry, infrastructure, high-tech, trade and services, real estate, etc., as well as in foreign markets.

Services and products

The Commercial Banking Department and LeumiTech has an extensive product offering designed for its different customers, including, among other things, financing of long-term investments, financing of foreign trade, financing of rental properties and construction loans, invoice discounting and factoring, financing of mergers and acquisitions, etc. LeumiTech offers technology company additional, dedicated credit products, including financing, venture lending and SAAS credit.

Customers

The customers of the Commercial Banking segment are medium-sized businesses from various sectors of the Israeli economy: commerce, industry, real estate, high-tech, etc. Furthermore, the segment also includes interested parties in these companies.

As a rule, customers with approved credit facilities of more than NIS 12.5 million and up to NIS 150 million (inclusive) and/or customers with approved credit facilities of up to NIS 250 million to fund income-generating properties or customers with turnovers of more than NIS 20 million and up to NIS 400 million are assigned to the Commercial Banking segment. In addition, the segment includes technology companies regardless of the extent of their credit facilities or business turnover.

D. Management Approach – Corporate Banking Segment

General

The Corporate banking segment specializes in providing banking and financial services to large corporations, some of which are multinationals. The services are based on providing an overall solution for the customer's needs, bearing in mind the whole spectrum of its businesses.

Structure and characteristics of the segment

The Corporate banking segment is managed in Israel by the Corporate Department of the Corporate Division. The Corporate Department includes 3 business sectors: tourism, energy, defense and authorities sector, chemicals, consumption and finance sector, industry, transportation and infrastructure sector. Services are rendered by customer relations managers, who coordinate the Group's services vis a vis customers and specialize in the business sector in which the customer operates. The segment provides a comprehensive offering of banking services to all types of companies in the various sectors. Customers' accounts are managed mainly by the Operations Division and if relevant - by the Bank's foreign offices. Special/complex transactions, such as the acquisition of means of control, assessment of investment plans and project financing, international trade activity, financing of foreign or domestic debtors, syndicated loans, etc., are dealt with by designated units specializing in dealing with such transactions, due to the complexity and risk level involved.

Developments in the segment's markets and customer characteristics

The Corporate Banking Department manages the credit risks with due care while assessing the creditworthiness of customers on an ongoing basis, especially the creditworthiness of risk-sensitive customers; the department also assesses the impact of trends and developments on these customers.

Services and products

The services rendered include, among other things, ongoing financing according to the customers' needs, financing of investments to maintain and expand operations, provision of financing and international trade solutions (including financing with credit insurance or private insurance companies of projects abroad), financing of mergers and acquisitions, granting loans for extensive transactions carried out through syndicates in collaboration with the institutional entities and foreign and Israeli banks, financial instruments hedging foreign exchange risks, interest risks and fluctuations in commodities prices. The service also includes promotion of banking services to the companies, managers and companies' employees.

Customers

This segment's customers are mostly market leaders in their fields. Some of these companies are public, operating in different sectors of the Israeli economy and have complex and multi-tiered organizational structures comprising several management and control tiers.

Generally, customers with approved credit facilities of more than NIS 150 million or with a turnover of more than NIS 400 million are assigned to the Corporate Banking segment.

E. Management Approach – Real Estate Segment

General

The Real Estate Department specializes in providing banking and financial services to customers operating mainly in the fields of construction and real estate. Construction loans are granted using unique, industry-specific instruments and analysis tools and implementing a well-balanced policy. The projects are funded through construction loans and are closely monitored and supervised with an emphasis on meticulous review of each project.

Structure and characteristics of the segment

Leumi's Real Estate segment in Israel is mostly managed by the Construction and Real Estate Department of the Corporate Division. The department provides a comprehensive offering of banking services to construction companies and large real estate developers and contractors in Israel; the department's areas of expertise cover all aspects of real estate activities. Customers' accounts are managed mainly in the Operations Division. Services are rendered by customer relations managers, who coordinate the Group's services vis a vis customers and specialize in the business sector in which the customer operates.

Developments in the segment's markets and customer characteristics

While 2021 was marked by a significant improvement in the economic and business indices, with the recovery of the economy from the coronavirus crisis, and ended with a high growth rate of 8.6 percent, among other things in view of the understanding that routine economic activity must be carried out along with the coronavirus, 2022 ended with a growth rate of approx. 6.5 percent, but this is at the same time as an inflation rate of 5.3 percent (compared to 2.8 percent in 2021), which is higher than the upper limit of the price stability target (1-3 percent), and an interest rate of 3.25 percent (compared to 0.10 percent at the end of 2021). It should be noted that during the first months of 2023, the Bank of Israel continued raising the interest rate, to a level of 4.25 percent. The forecast for 2023 includes, among other things, a lower expected growth rate of approx. 2.7 percent (according to Leumi's estimate, in the main scenario), also in the context of the expected slowdown in the global economic activity, and expectations of an increase in the real interest rate. This is a result of nominal interest, which is expected to continue to rise above its present level (4.25 percent), and at the same time a moderation in the inflation in relation to its level at the end of 2022. These developments are also expected to effect the local real estate market activity.

The Real Estate function manages the credit risks with due care while assessing the creditworthiness of customers on an ongoing basis, especially the creditworthiness of risk-sensitive customers; the department also assesses the impact of trends and developments on these customers.

In **residential construction**, in 2022 we see a considerable increase in housing starts and a moderate recovery of construction completion figures, which were affected during the coronavirus outbreak. The high volumes of starts are expected to continue even into 2023, especially in view of the increased marketing rate of state land for housing in 2021-2022, which is gradually maturing into construction. On the other hand, in 2022 there was a decrease in demand, mainly due to the fast changes in the macroeconomic environment, with emphasis on the increase in interest rates and the high inflation, and due to the increased activity in the "Mehir Matara" ("Target Price") program. The sharp increase in apartment prices in 2022 - of approx. 17 percent - combined with the increase in mortgage interest are expected to slow the demand for new apartments in 2023 as well, and even result in an increase in unsold inventory.

The **commercial real estate market** is significantly affected by developments in households' consumption and preferences. In 2022, the improvement continued in commercial property revenues, while maintaining high occupancy rates. Nevertheless, the domain is still impacted by the growth in e-commerce, especially in respect to the large commercial properties, while "neighborhood" properties enjoy a tenant mix that is less exposed to the effects of ecommerce and more resilient in terms of performance. Looking forward to 2023, it is estimated that the change in the macroeconomic environment, with an emphasis on the slowdown in growth and in the rate of private consumption, will affect the performance of the commercial properties (particularly the large centers), in addition to the supply surplus of commercial space entering the market once construction is completed, may create price pressures in certain geographies, in which supply will increase substantially.

The **office market**, on the other hand, showed relative resilience and suffered a moderate impact in the coronavirus period (mainly in view of the growth demonstrated in the high-tech service segment and mainly in Tel Aviv and the surrounding area), but it is currently expected to face the high interest and inflation rates, the global changes in high-tech and the anticipated slowdown in economic activity, which may affect occupancy rates and prices. It is estimated that in 2023 there may be a slight decrease prices, mainly in areas expecting a significant increase in the supply of new offices, such as in the suburbs of Tel Aviv.

In 2023, real estate activity is expected to be affected by the following factors: the macroeconomic environment; regulatory changes - particularly those relating to the residential housing market; continued implementation of government programs - especially in the real estate domain; completion of construction projects; as well as the scope of the government's investments in national infrastructures.

Services and products

Construction and real estate projects are funded through industry-specific and unique monitoring and analysis tools, which support the decision-making process and the monitoring of loans extended to the various projects and properties. Funding is extended with the aim of diversifying the credit portfolio and distinguishing between the various segments – housing, income-generating properties - especially commercial and office space, and construction for industry and commerce. Generally, loans granted in the construction phase are extended by way of construction loans, which allow the Bank to closely monitor and supervise the relevant project.

Furthermore, as part of its activities in the Construction and Real Estate segment, the Bank funds real estate transactions abroad, providing credit, financing the initiation and development of real estate and hotel projects through the Bank's branch in England and capital raising carried out by the Bank through collaborations in the United States.

The financing of the business activity in the Bank's major service centers abroad contributes to the risk diversification through exposure to different macroeconomic environments and different customer characteristics. Therefore, the Bank's real estate financing mix is also comprised of transactions by the Bank's branch in England and capital raising carried out by the Bank through collaborations in the United States.

Customers

The segment's customers include large and mid-sized real estate development companies, executive and infrastructure contractors and selected business companies engaged in real estate development and contracting in the field of rental properties.

The information in this section constitutes forward-looking information. For the meaning of this term, please see the section entitled "Forward-Looking Information".

F. Management Approach – Capital Markets Segment

General

The financial management function of the Bank and the Group manages the trading room and provides various services to banks and institutional investors, including serving as an account manager on their behalf. Set forth below are the segment's main areas of activity:

- Management of the nostro portfolio by investing the Bank's own funds in marketable and non-marketable investment instruments and by management of direct investments in shares of marketable and non-marketable companies; non-financial investments are managed by Leumi Partners.
- Management of the trading room, which provides trading services to the Bank's customers, including market-making, primarily in currencies, securities and derivatives.
- Management of resources and liquidity sources and applications.
- Management of market risk exposures – including management of underlying exposures, interest and liquidity exposures.
- Price management – by setting transfer prices and pricing of special financial transactions.

- Management of banking activity of institutional customers and other corporations with extensive capital market activities.
- Development of financial instruments.

Segment's structure

Financial management is carried out by the Capital Markets Division, which coordinates the function at the Group level. The division manages the banking portfolio and the held-for-trading portfolio and provides services to customers with capital markets and financial markets activities, including institutional customers. The banking portfolio activity is managed by the Financial Management Department and includes the management of liquidity sources and applications, as well as of exposures to market and liquidity risks and the nostro portfolios. The trading activity is carried out by the trading room and nostro units in NIS and in foreign currency.

The main tools for managing the banking portfolio are transfer prices, trading activity in the available-for-sale and held-to-maturity nostro portfolios, and the use of derivatives.

The ALM Department's main areas of responsibility include managing the Bank's financial capital and market risk exposures, managing corporate and statutory liquidity and liquidity risk, as well as allocating liquidity sources to the various applications by implementing the transfer prices policy. This policy is determined according to the Bank's needs, planning and management of the mix of liquidity sources and applications as well as developments in the business environment and forecasts. As part of this activity, the Bank also sets the methodology for netting P&L centers and prices complex and special transactions.

The liquidity is managed on a regular basis in accordance with the Bank's policy and pursuant to the binding directives. Liquidity is also managed by a special-purpose unit, whose main function is optimal planning and management of liquidity balances, subject to the risk appetite, while ensuring a liquidity level that enables the Bank to carry out its business activity while meeting all of its financial obligations in a normal business environment as well as under stress scenarios. The measurement, analysis, planning and reporting activities are carried out through the OneSumX risk management system, which provides extensive information on all of the Bank's financial activities and on the market and liquidity risks associated therewith. The system enables to assess and monitor the effect of various scenarios (price and quantity) on the Bank's financial profitability and capital.

For a description of the principal points of the securities investment (nostro) policy, please see the section entitled "Structure of, and Changes in, Assets, Liabilities, Capital, and Capital Adequacy", under "Securities".

Segment's profit

The segment's profit is mainly impacted by the nostro activity, the trading room activity, ALM management, management of customers' accounts and accounts of other corporations with extensive capital market activities, as well as the results of non-financial associates. Set forth below are the main components of the net income:

- Results of market risks management, including changes in transfer prices. Income and expenses resulting from changes in transfer prices are carried in full to the financial segment, to which all of the market risks from the other operating segments are also transferred.
- Realized gains/losses of securities and from provisions for impairment of securities in respect of a decline which is not temporary in nature in the value of securities and unrealized gains/losses from adjustments of held-for-trading securities to market value.
- Adjustment of derivatives to market value.
- Effects of exchange rate differentials (foreign currency/NIS) and linkage differences (to the CPI), including adjustments from translation of foreign investments and the effect of the related tax effect.
- Income arising from market-making activities.
- Income/expenses arising from investment of pension, jubilee and regular leave reserves.
- Certain costs relating to pension liabilities, calculated on an actuarial basis.
- Profits of associates.

The segment's operating expenses mainly include direct operating expenses, as well as overheads associated with management of market risks, the Bank's own securities (nostro) portfolios and the trading room.

Services and products

The segment's activity mainly involves custodian services, brokerage, and marketable and non-marketable derivatives. In addition, the Bank provides operating services to provident funds, mutual funds and investment funds' management companies.

Customers

The segment's customers include insurance companies, provident funds, study funds, pension funds, mutual funds, exchange-traded funds, commercial banks and investment banks, as well as other customers with extensive capital market activities.

Income and Expenditure Rates[a] and Analysis of the Changes in Interest Income and Expenses

Part A - Average Balances and Interest Rates – Assets

	2022			2021			2020		
	Average balance[b]	Interest income	% of income	Average balance[b]	Interest income	% of income	Average balance[b]	Interest income	% of income
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Interest-bearing assets									
Loans to the public[c]									
In Israel	**350,329**	**14,842**	**4.24**	289,306	9,658	3.34	261,743	8,029	3.07
Outside Israel	**10,617**	**466**	**4.39**	22,976	879	3.83	23,656	940	3.97
Total[i]	**360,946**	**15,308**	**4.24**	312,282	10,537	3.37	285,399	8,969	3.14
Loans to the government									
In Israel	**1,160**	**46**	**3.97**	843	26	3.08	737	24	3.26
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**1,160**	**46**	**3.97**	843	26	3.08	737	24	3.26
Deposits with banks									
In Israel	**15,929**	**215**	**1.35**	11,234	58	0.52	11,096	85	0.77
Outside Israel	**185**	**-**	**-**	184	-	-	197	-	-
Total	**16,114**	**215**	**1.33**	11,418	58	0.51	11,293	85	0.75
Deposits with central banks									
In Israel	**132,593**	**1,693**	**1.28**	118,717	119	0.10	68,836	90	0.13
Outside Israel	**993**	**5**	**0.50**	1,949	3	0.15	1,240	3	0.24
Total	**133,586**	**1,698**	**1.27**	120,666	122	0.10	70,076	93	0.13
Securities borrowed or purchased under reverse repurchase agreements									
In Israel	**2,473**	**33**	**1.33**	5,333	6	0.11	1,915	6	0.31
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**2,473**	**33**	**1.33**	5,333	6	0.11	1,915	6	0.31
Held-to-maturity and available-for-sale bonds[d]									
In Israel	**79,347**	**1,411**	**1.78**	71,080	784	1.10	76,264	859	1.13
Outside Israel	**1,108**	**27**	**2.44**	5,634	117	2.08	4,675	114	2.44
Total	**80,455**	**1,438**	**1.79**	76,714	901	1.17	80,939	973	1.20
Bonds - held-for-trading[d]									
In Israel	**2,981**	**57**	**1.91**	2,744	22	0.80	7,735	25	0.32
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**2,981**	**57**	**1.91**	2,744	22	0.80	7,735	25	0.32
Total interest-bearing assets	**597,715**	**18,795**	**3.14**	530,000	11,672	2.20	458,094	10,175	2.22
Non-interest-bearing receivables for credit cards	**6,074**			5,647			5,284		
Other non-interest-bearing assets[e]	**65,432**			52,079			49,990		
Total assets[k]	**669,221**	**18,795**		587,726	11,672		513,368	10,175	
Total interest-bearing assets attributed to foreign operations	**12,903**	**498**	**3.86**	30,743	999	3.25	29,768	1,057	3.55

Please see comments below.

Part B - Average Balances and Interest Rates - Liabilities and Equity

	2022			2021			2020		
	Average balance[(b)]	Interest expense	% of expense	Average balance[(b)]	Interest expense	% of expense	Average balance[(b)]	Interest expense	% of expense
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Interest bearing liabilities									
Deposits by the public									
In Israel	**374,090**	**4,386**	**1.17**	316,728	810	0.26	285,623	940	0.33
Demand deposits	**203,002**	**1,254**	**0.62**	181,178	15	0.01	150,125	33	0.02
Fixed deposits	**171,088**	**3,132**	**1.83**	135,550	795	0.59	135,498	907	0.67
Outside Israel	**3,191**	**18**	**0.56**	12,382	37	0.30	14,361	113	0.79
Demand deposits	**1,874**	**2**	**0.11**	8,385	8	0.10	6,788	25	0.37
Fixed deposits	**1,317**	**16**	**1.21**	3,997	29	0.73	7,573	88	1.16
Total	**377,281**	**4,404**	**1.17**	329,110	847	0.26	299,984	1,053	0.35
Deposits by the Israeli Government									
In Israel	**275**	**2**	**0.73**	191	2	1.05	193	3	1.55
Outside Israel	**-**	**-**	**-**	9	-	-	80	-	-
Total	**275**	**2**	**0.73**	200	2	1.00	273	3	1.10
Deposits by central banks									
In Israel	**16,953**	**11**	**0.06**	14,362	10	0.07	2,847	3	0.11
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**16,953**	**11**	**0.06**	14,362	10	0.07	2,847	3	0.11
Deposits by banks									
In Israel	**6,465**	**33**	**0.51**	5,935	4	0.07	5,687	11	0.19
Outside Israel	**39**	**-**	**-**	137	-	-	155	-	-
Total	**6,504**	**33**	**0.51**	6,072	4	0.07	5,842	11	0.19
Securities loaned or sold under repurchase agreements									
In Israel	**3,388**	**61**	**1.80**	703	2	0.28	1,080	8	0.74
Outside Israel	**-**	**-**	**-**	253	-	-	-	-	-
Total	**3,388**	**61**	**1.80**	956	2	0.21	1,080	8	0.74
Bonds									
In Israel	**23,165**	**1,073**	**4.63**	13,707	461	3.36	19,935	374	1.88
Outside Israel	**-**	**-**	**-**	-	-	-	-	-	-
Total	**23,165**	**1,073**	**4.63**	13,707	461	3.36	19,935	374	1.88
Total interest-bearing liabilities	**427,566**	**5,584**	**1.31**	364,407	1,326	0.36	329,961	1,452	0.44
Non-interest-bearing deposits by the public	**157,215**			149,750			112,246		
Non-interest-bearing payables for credit cards	**1,694**			2,510			1,725		
Other non-interest bearing liabilities[(f)]	**35,665**			31,958			32,241		
Total liabilities	**622,140**	**5,584**		548,625	1,326		476,173	1,452	
Total capital resources	**47,081**			39,101			37,195		
Total capital commitments and resources	**669,221**	**5,584**		587,726	1,326		513,368	1,452	
Interest rate spread		**13,211**	**1.83**		10,346	1.84		8,723	1.78
Net yield on interest-bearing assets[(g)(i)]									
In Israel	**584,812**	**12,731**	**2.18**	499,257	9,384	1.88	428,326	7,779	1.82
Outside Israel	**12,903**	**480**	**3.72**	30,743	962	3.13	29,768	944	3.17
Total	**597,715**	**13,211**	**2.21**	530,000	10,346	1.95	458,094	8,723	1.90
Total interest-bearing liabilities attributed to foreign operations	**3,230**	**18**	**0.56**	12,781	37	0.29	14,596	113	0.77

Please see comments below.

Part C - Average Balances and Interest Rates - Additional Information on Interest-Bearing Assets and Liabilities Attributed to Activities in Israel

	2022			2021			2020		
	Average balance(b)	Interest income (exp-enses)	% of income (ex-pense)	Average balance(b)	Interest income (expenses)	% of income (ex-pense)	Average balance(b)	Interest income (expenses)	% of income (ex-pense)
	In NIS million		In %	In NIS million		In %	In NIS million		In %
Non-linked NIS									
Total interest-bearing assets	**434,967**	**12,186**	**2.80**	368,295	6,954	1.89	302,496	6,649	2.20
Total interest-bearing liabilities	**320,564**	**(2,547)**	**(0.79)**	273,708	(351)	(0.13)	226,950	(451)	(0.20)
Interest rate spread			**2.01**			1.76			2.00
CPI-linked NIS									
Total interest-bearing assets	**56,585**	**4,232**	**7.48**	50,822	2,694	5.30	47,620	1,160	2.44
Total interest-bearing liabilities	**23,756**	**(1,364)**	**(5.74)**	18,130	(696)	(3.84)	23,962	(316)	(1.32)
Interest rate spread			**1.74**			1.46			1.12
Foreign currency (including foreign-currency linked NIS)									
Total interest-bearing assets	**93,260**	**1,879**	**2.01**	80,140	1,025	1.28	78,210	1,309	1.67
Total interest-bearing liabilities	**80,016**	**(1,655)**	**(2.07)**	59,788	(242)	(0.40)	64,453	(572)	(0.89)
Interest rate spread			**(0.06)**			0.88			0.78
Total activity in Israel									
Total interest-bearing assets	**584,812**	**18,297**	**3.13**	499,257	10,673	2.14	428,326	9,118	2.13
Total interest-bearing liabilities	**424,336**	**(5,566)**	**(1.31)**	351,626	(1,289)	(0.37)	315,365	(1,339)	(0.42)
Interest rate spread			**1.82**			1.77			1.71

Please see comments below.

Part D - Analysis of Changes in Interest Income and Interest Expenses

	2022 vs. 2021			2021 vs. 2020		
	Increase (decrease) due to change(h)		Net change	Increase (decrease) due to change(h)		Net change
	Quantity	Price		Quantity	Price	
	In NIS million					
Interest-bearing assets						
Loans to the public						
In Israel	**2,585**	**2,599**	**5,184**	920	709	1,629
Outside Israel	**(542)**	**129**	**(413)**	(26)	(35)	(61)
Total	**2,043**	**2,728**	**4,771**	894	674	1,568
Other interest-bearing assets						
In Israel	**361**	**2,079**	**2,440**	210	(284)	(74)
Outside Israel	**(77)**	**(11)**	**(88)**	26	(23)	3
Total	**284**	**2,068**	**2,352**	236	(307)	(71)
Total interest income	**2,327**	**4,796**	**7,123**	1,130	367	1,497
Interest-bearing liabilities						
Deposits by the public						
In Israel	**673**	**2,903**	**3,576**	80	(210)	(130)
Outside Israel	**(52)**	**33**	**(19)**	(6)	(70)	(76)
Total	**621**	**2,936**	**3,557**	74	(280)	(206)
Other interest-bearing liabilities						
In Israel	**360**	**341**	**701**	71	9	80
Total	**360**	**341**	**701**	71	9	80
Total interest expenses	**981**	**3,277**	**4,258**	145	(271)	(126)
Total interest, net	**1,346**	**1,519**	**2,865**	985	638	1,623

Comments:

(a) The data in the above tables are stated after the effect of hedging derivatives.

(b) Based on monthly opening balances, except for the unlinked Israeli currency segment where the average balance is calculated according to daily inputs, and before deducting the average on-balance sheet loan loss provisions; foreign subsidiaries - based on quarterly opening balances.

(c) Before deducting the average balance of loan loss provisions. Including non-accrual impaired debts.

(d) The average balance of unrealized gains/losses from fair value adjustments of available-for-sale bonds were deducted/added from the average balance of held-for-trading bonds and available-for-sale bonds, as were gains/losses in respect of available-for-trading bonds included in shareholder's equity under accumulated other comprehensive income, in the adjustments in respect of presentation of available-for-sale securities at fair value item in respect of bonds transferred from the available-for-sale portfolio, in the amount of NIS (1,666) million (December 31, 2021 – NIS 1,441 million; December 31, 2020 - NIS 1,675 million).

(e) Including book balances of derivatives, other non-interest-bearing assets, non-monetary assets, and less loan loss provision.

(f) Including book balances of derivatives and non-monetary liabilities.

(g) Net yield – net interest income divided by total interest-bearing assets.

(h) The change attributed to the quantity change was calculated by multiplying the new price by the change in quantity. The change attributed to the change in price was calculated by multiplying the former quantity by the new price.

(i) Fees and commissions in the amount of NIS 481 million were included in interest income from loans to the public (December 31, 2021 - NIS 526 million; December 31, 2020 - NIS 400 million).

(j) Net yield on interest-bearing assets (NIM) for the fourth quarter of 2022 and 2021 was 2.44 percent and 1.83 percent, respectively.

(k) Total assets in the fourth quarter of 2022 and 2021 totaled NIS 700,298 million and NIS 618,758 million, respectively.

Quarterly Consolidated Income Statement - Multi-Quarter Information

	For the year ended December 31							
	2022				2021			
	4	**3**	**2**	**1**	4	3	2	1
	In NIS million							
Interest income	**6,430**	**4,978**	**4,026**	**3,361**	2,801	3,033	3,226	2,612
Interest expense	**2,657**	**1,564**	**901**	**462**	248	362	452	264
Interest Income, Net	**3,773**	**3,414**	**3,125**	**2,899**	2,553	2,671	2,774	2,348
Loan loss expenses (income)	**313**	**99**	**126**	**(40)**	(83)	(359)	(158)	(212)
Interest income, net after loan loss expenses (income)	**3,460**	**3,315**	**2,999**	**2,939**	2,636	3,030	2,932	2,560
Noninterest income								
Noninterest finance income (expenses)	**762**	**(56)**	**688**	**14**	370	276	627	441
Fees and Commissions	**861**	**872**	**872**	**930**	939	846	853	868
Other income (expenses)	**33**	**39**	**(3)**	**6**	56	118	52	65
Total noninterest income	**1,656**	**855**	**1,557**	**950**	1,365	1,240	1,532	1,374
Operating and other expenses								
Salaries and related expenses	**971**	**998**	**961**	**1,005**	1,030	1,079	1,055	1,078
Buildings and equipment - maintenance and depreciation	**355**	**323**	**315**	**364**	402	369	383	381
Other expenses	**403**	**350**	**365**	**425**	444	407	420	380
Total operating and other expenses	**1,729**	**1,671**	**1,641**	**1,794**	1,876	1,855	1,858	1,839
Profit before taxes	**3,387**	**2,499**	**2,915**	**2,095**	2,125	2,415	2,606	2,095
Provision for profit tax	**1,166**	**908**	**1,007**	**483**	693	879	950	753
Profit after taxes	**2,221**	**1,591**	**1,908**	**1,612**	1,432	1,536	1,656	1,342
The Bank's share in associates' profits, net, after tax	**105**	**191**	**84**	**7**	46	26	22	7
Net income:								
Before attribution to owners of non-controlling interests	**2,326**	**1,782**	**1,992**	**1,619**	1,478	1,562	1,678	1,349
Attributable to non-controlling interests	**-**	**-**	**-**	**(10)**	(8)	(11)	(11)	(9)
Attributable to the Bank's shareholders	**2,326**	**1,782**	**1,992**	**1,609**	1,470	1,551	1,667	1,340
Basic and diluted earnings per share (in NIS):								
Diluted basic earnings attributable to the Bank's shareholders	**1.51**	**1.15**	**1.36**	**1.11**	1.01	1.07	1.15	0.92

Loan Loss Expenses

	For the year ended December 31							
	2022				2021			
	4	**3**	**2**	**1**	4	3	2	1
	In NIS million							
Loan loss income - specific	**(21)**	**(134)**	**(111)**	**(164)**	(90)	(151)	(76)	(169)
Loan loss expense (income) - collective	**334**	**233**	**237**	**124**	7	(208)	(82)	(43)
Total loan loss expense (income)	**313**	**99**	**126**	**(40)**	(83)	(359)	(158)	(212)
Of which:								
Loan loss expenses (income) for credit risk for commercial credit risk	**218**	**(21)**	**42**	**1**	(41)	(248)	(153)	(180)
Loan loss expenses (income) for credit risk in respect of housing loans	**58**	**47**	**14**	**(7)**	(55)	(63)	(8)	(19)
Loan loss expenses (income) for other credit risk in respect of for private individuals	**27**	**70**	**63**	**(48)**	13	(49)	4	(13)
Loan loss expenses (income) for credit risk for banks, governments and bonds	**10**	**3**	**7**	**14**	-	1	(1)	-
Total loan loss expense (income)	**313**	**99**	**126**	**(40)**	(83)	(359)	(158)	(212)
Ratios (in %):[(a)]								
Percentage of the specific loan loss income out of the average outstanding loans to the public	**(0.02)**	**(0.14)**	**(0.12)**	**(0.18)**	(0.10)	(0.19)	(0.10)	(0.22)
Percentage of loan loss expense (income) out of the average outstanding loans to the public	**0.32**	**0.11**	**0.14**	**(0.04)**	(0.09)	(0.44)	(0.20)	(0.28)
Percentage of net write-offs for loans to the public out of the average outstanding loans to the public	**0.18**	**0.03**	**0.07**	**-**[(b)]	0.03	0.01	(0.01)	(0.16)
Percentage of net write-offs for loans to the public out of the outstanding loan loss provision for loans to the public	**13.80**	**2.29**	**5.07**	**0.16**	2.75	0.85	(0.79)	(9.32)

(a) Annualized.
(b) Rate of less than 0.01 percent.

Noninterest income

	For the year ended December 31							
	2022				2021			
	4	**3**	**2**	**1**	4	3	2	1
	In NIS million							
Noninterest finance income (expenses)	**762**	**(56)**	**688**	**14**	370	276	627	441
Fees and Commissions	**861**	**872**	**872**	**930**	939	846	853	868
Other income (expenses)	**33**	**39**	**(3)**	**6**	56	118	52	65
Total	**1,656**	**855**	**1,557**	**950**	1,365	1,240	1,532	1,374

Fees and Commissions

	For the year ended December 31							
	2022				2021			
	4	**3**	**2**	**1**	4	3	2	1
	In NIS million							
Account management	**167**	**159**	**163**	**162**	174	160	158	157
Credit cards	**94**	**102**	**94**	**94**	88	99	94	84
Activity in securities and certain derivatives	**147**	**157**	**161**	**199**	200	173	192	219
Financial products distribution fees and commissions	**49**	**50**	**52**	**60**	61	60	58	55
Management, operating and trust services provided to institutional entities	**25**	**23**	**25**	**24**	23	22	22	21
Credit handling	**46**	**49**	**53**	**63**	55	47	50	51
Exchange rate differentials	**111**	**124**	**122**	**120**	118	94	92	98
Foreign trade activity	**35**	**33**	**31**	**32**	32	29	31	28
Net income from loan portfolio servicing	**1**	**1**	**2**	**1**	1	2	2	2
Management fees and commissions on life and home insurance	**12**	**11**	**11**	**12**	12	12	11	12
Financing fees and commissions	**148**	**137**	**132**	**134**	146	120	115	114
Other fees and commissions	**26**	**26**	**26**	**29**	29	28	28	27
Total fees and commissions	**861**	**872**	**872**	**930**	939	846	853	868

Salary Expenses

	For the year ended December 31							
	2022				2021			
	4	**3**	**2**	**1**	4	3	2	1
	In NIS million							
Salaries and related expenses	**882**	**918**	**882**	**920**	945	988	955	983
Pension, severance pay and retirement expenses	**89**	**80**	**79**	**85**	85	91	100	95
Total salary expenses	**971**	**998**	**961**	**1,005**	1,030	1,079	1,055	1,078

Consolidated Balance Sheet as of End of Quarter - Multi-Quarter Information

	December 31							
	2022				2021			
	4	3	2	1	4	3	2	1
	In NIS million							
Assets								
Cash and deposits with banks	**186,569**	**183,625**	**171,948**	**164,974**	197,402	171,645	160,946	139,979
Securities:								
Held-to-maturity bonds	**14,528**	**14,528**	**14,030**	**9,710**	8,031	8,221	8,435	8,484
Available-for-sale bonds	**61,809**	**57,500**	**66,074**	**78,149**	71,430	66,837	75,560	71,752
Equity securities not held for trading	**4,353**	**4,414**	**4,385**	**4,191**	4,344	4,714	4,819	4,783
Held-for-trading securities	**2,260**	**3,230**	**2,679**	**2,310**	3,122	1,808	2,660	2,666
Total securities	**82,950**	**79,672**	**87,168**	**94,360**	86,927	81,580	91,474	87,685
Securities borrowed or purchased under reverse repurchase agreements	**3,034**	**1,345**	**2,006**	**2,882**	2,447	6,565	5,721	4,630
Loans to the public	**389,768**	**387,919**	**369,811**	**354,578**	347,391	330,209	320,300	312,753
Loan loss provision	**(4,986)**	**(4,896)**	**(4,887)**	**(4,803)**	(4,512)	(4,685)	(5,067)	(5,192)
Loans to the public, net	**384,782**	**383,023**	**364,924**	**349,775**	342,879	325,524	315,233	307,561
Loans to governments	**1,109**	**1,272**	**1,314**	**1,153**	940	873	945	749
Investment in associates	**4,947**	**4,867**	**4,438**	**1,027**	1,113	1,117	854	790
Buildings and equipment	**2,735**	**2,698**	**2,678**	**2,640**	2,720	2,699	2,763	2,832
Goodwill	**-**	**-**	**-**	**-**	14	15	15	15
Assets for derivatives	**26,638**	**41,359**	**26,972**	**19,997**	14,027	13,871	11,216	13,061
Other assets	**6,402**	**6,256**	**6,232**	**6,727**	7,985	8,023	8,255	8,632
Held-for-sale assets	**-**	**-**	**-**	**25,896**	-	-	-	-
Total assets	**699,166**	**704,117**	**667,680**	**669,431**	656,454	611,912	597,422	565,934
Liabilities and equity								
Deposits by the public	**557,084**	**546,706**	**532,737**	**516,711**	537,269	500,876	487,082	460,412
Deposits by banks	**22,306**	**25,427**	**23,701**	**26,482**	25,370	23,161	22,140	17,178
Deposits by Governments	**247**	**275**	**332**	**316**	300	179	219	228
Securities loaned or sold under repurchase agreements	**3,952**	**5,632**	**2,862**	**2,055**	2,282	882	814	535
Bonds, promissory notes and subordinated bonds	**27,805**	**27,613**	**23,678**	**21,459**	15,428	13,189	13,199	13,108
Liabilities for derivatives	**23,311**	**37,308**	**23,954**	**20,445**	15,551	14,154	11,555	13,269
Other liabilities	**15,018**	**13,106**	**13,351**	**15,797**	18,202	17,232	21,121	21,649
Held for sale liabilities	**-**	**-**	**-**	**23,305**	-	-	-	-
Total liabilities	**649,723**	**656,067**	**620,615**	**626,570**	614,402	569,673	556,130	526,379
Equity attributable to the Bank’s shareholders	**49,438**	**48,045**	**47,060**	**42,433**	41,610	41,787	40,848	39,118
Non-controlling interests	**5**	**5**	**5**	**428**	442	452	444	437
Total equity	**49,443**	**48,050**	**47,065**	**42,861**	42,052	42,239	41,292	39,555
Total liabilities and equity	**699,166**	**704,117**	**667,680**	**669,431**	656,454	611,912	597,422	565,934

Consolidated Income Statement for 2018-2022 - Multi-Year Information

	2022	2021	2020	2019	2018
			In NIS million		
Interest income	**18,795**	11,672	10,175	11,437	11,346
Interest expense	**5,584**	1,326	1,452	2,596	2,456
Interest Income, Net	**13,211**	10,346	8,723	8,841	8,890
Loan loss expenses (income)	**498**	(812)	2,552	609	519
Interest income, net after loan loss expenses (income)	**12,713**	11,158	6,171	8,232	8,371
Noninterest income					
Noninterest finance income	**1,408**	1,714	1,026	1,686	682
Fees and Commissions	**3,535**	3,506	3,281	3,225	4,121
Other income	**75**	291	59	170	68
Total noninterest income	**5,018**	5,511	4,366	5,081	4,871
Operating and other expenses					
Salaries and related expenses	**3,935**	4,242	3,742	4,325	4,544
Buildings and equipment - maintenance and depreciation	**1,357**	1,535	1,602	1,580	1,569
Other expenses	**1,543**	1,651	1,702	2,003	2,224
Total operating and other expenses	**6,835**	7,428	7,046	7,908	8,337
Profit before taxes	**10,896**	9,241	3,491	5,405	4,905
Provision for profit tax	**3,564**	3,275	1,356	1,830	1,619
Profit after taxes	**7,332**	5,966	2,135	3,575	3,286
The banking corporation's share in associates' profits (losses) after tax effect	**387**	101	(13)	(15)	36
Net income					
Before attribution to owners of non-controlling interests	**7,719**	6,067	2,122	3,560	3,322
Attributable to non-controlling interests	**(10)**	(39)	(20)	(38)	(65)
Attributable to the Bank's shareholders	**7,709**	6,028	2,102	3,522	3,257
Basic and diluted earnings per share (in NIS):					
Basic earnings attributable to the Bank's shareholders	**5.14**	4.15	1.44	2.37	2.15
Diluted net income attributable to the Bank's shareholders	**5.14**	4.15	1.44	2.37	2.15

Consolidated Balance Sheet as at December 31 - Multi-Year Information

	2022	2021	2020	2019	2018
	In NIS million				
Assets					
Cash and deposits with banks	**186,569**	197,402	136,194	76,213	80,113
Securities:					
Held-to-maturity bonds	**14,528**	8,031	7,002	5,445	4,876
Available-for-sale bonds	**61,809**	71,430	76,927	72,268	59,376
Equity securities not held for trading	**4,353**	4,344	4,335	3,712	3,556
Held-for-trading securities	**2,260**	3,122	4,033	3,524	6,763
Total securities	**82,950**	86,927	92,297	84,949	74,571
Securities borrowed or purchased under reverse repurchase agreements	**3,034**	2,447	3,019	1,117	1,037
Loans to the public	**389,768**	347,391	300,631	285,806	275,954
Loan loss provision	**(4,986)**	(4,512)	(5,290)	(3,328)	(3,352)
Loans to the public, net	**384,782**	342,879	295,341	282,478	272,602
Loans to governments	**1,109**	940	632	744	782
Investment in associates	**4,947**	1,113	795	765	623
Buildings and equipment	**2,735**	2,720	2,932	3,043	2,853
Goodwill	**-**	14	15	16	17
Assets for derivatives	**26,638**	14,027	15,252	10,970	12,750
Other assets	**6,402**	7,985	9,558	8,486	6,642
Assets held for sale[(a)]	**-**	-	-	-	8,570
Total assets	**699,166**	656,454	556,035	468,781	460,560
Liabilities and equity					
Deposits by the public	**557,084**	537,269	447,031	373,644	364,714
Deposits by banks	**22,306**	25,370	15,143	6,176	5,210
Deposits by Governments	**247**	300	208	315	709
Securities loaned or sold under repurchase agreements	**3,952**	2,282	605	123	321
Bonds, promissory notes and subordinated bonds	**27,805**	15,428	16,303	19,958	17,798
Liabilities for derivatives	**23,311**	15,551	17,315	11,528	12,089
Other liabilities	**15,018**	18,202	21,335	21,163	14,780
Liabilities held for sale[(a)]	**-**	-	-	-	8,778
Total liabilities	**649,723**	614,402	517,940	432,907	424,399
Non-controlling interests	**5**	442	431	468	856
Equity attributable to the Bank's shareholders	**49,438**	41,610	37,664	35,406	35,305
Total equity	**49,443**	42,052	38,095	35,874	36,161
Total liabilities and equity	**699,166**	656,454	556,035	468,781	460,560

(a) For more information, please see Note 36F. in the financial statements as at December 31, 2018.

Glossary of Terms

Term	Definition
A	
Actuarial Calculation	Any calculation that reflects uncertainties, i.e., is risk-adjusted. For example, an Actuarial Calculation reflects past experience and management's estimates as to the expected retirement dates of a bank's employees and the expected retirement benefits which are allocated on a linear basis over the expected service period.
Active Market	A market in which transactions in an asset or liability exist at a sufficient frequency and volume to provide information about pricing on an ongoing basis.
Actuarial Gain/Loss	Mostly reflects adjustments in respect of actuarial estimates, as at the end of the year, of defined benefit pension plans and a deduction of amounts previously recorded in other comprehensive income.
Asset and Liability Management (ALM)	Management of the Bank's assets and liabilities with the aim of avoiding a mismatch between the two and, in the long-term, increasing the Bank's capital for the benefit of its shareholders.
Asset-Backed Securities (ABSs)	A security whose interest and principal payments are collateralized or pledged by a specific financial asset.
Auxiliary Corporation	A corporation which is not in itself a bank and whose activities are limited to the fields of activity permitted to the bank controlling it, except activities reserved exclusively for corporations defined as banks under law.
Average Duration (AD)	Average duration is measured in years and weights the periodic interest payments of the financial instrument over its life until final redemption.
B	
Balanced Score Card (BSC)	A performance metric used for measuring the performance of the Bank and its business lines on a number of quantitative and qualitative issues defined by Bank's management in its strategic plan.
Basel II/Basel III	Banks' risk management directives set by the Basel Committee on Banking Supervision (BCBS), which is the primary supervision and global standard setter for prudential regulation and supervision of banks. The BCBS's directives serve as the benchmark for leading standards designed to ensure the stability of financial institutions.
Basic Earnings per Share	Basic earnings per share will be calculated by dividing the profit or loss attributed to holders of the parent company's ordinary shares (the numerator) by the weighted average number of ordinary shares outstanding during the period (the denominator).
Basis Point (BP)	1/100th of 1 percent; BP is used as a common unit of measure for interest rates.

Basis Risks	Basis Risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases.
Benchmark Interest Rate	Interest determined on an external objective basis according to a pre-set formula, i.e., the bank plays no direct role in setting it.
Bid-Ask Spread	The difference between the offered purchase price and selling price. This is, in fact, the difference between the highest price a buyer is willing to pay for an asset and the lowest price in which a seller is willing to sell it.
Build Operate Transfer (BOT)	A model used to finance public projects whereby a public entity grants a concession to a private company to finance, plan, build and operate a public facility for a fixed period of time, at the end of which control of the facility is transferred to the government.
C	
Capital Adequacy Ratio	The ratio between the Bank's qualifying Regulatory Capital and its risk-weighted assets (the Bank's assets weighted to reflect credit, market and operational risks), calculated in accordance with the Bank of Israel's directives and to reflect the risk associated with exposures undertaken by the Bank during the course of its activities.
Collateralized Debt Obligation (CDO)	A bond backed by a portfolio of bonds and/or loans of various seniority levels and ratings.
Collateralized Loan Obligation (CLO)	A bond backed by a loans portfolio.
Collective Provision	A Collective Provision for Loan losses is applied to large groups of relatively small and homogeneous debts and to debts that were reviewed specifically and were found to be non-performing. The Collective Provision in respect of the off-balance sheet instruments is based on provision rates that were set for on-balance sheet loans, while taking into account the Bank's estimates regarding the probability of utilizing the various off-balance-sheet items..
Common Equity Tier 1 Capital	Going Concern Capital Common Equity Tier 1 (CET1) Capital includes the equity attributed to a bank's shareholders, with the addition of some of the non-controlling interests (minority interests) of consolidated subsidiaries less goodwill, other intangible assets and regulatory adjustments and additional deductions, pursuant to Proper Conduct of Banking Business Directive No. 202, "Measurement and Capital Adequacy – Regulatory Capital" and pursuant to the transitional provisions of Proper Conduct of Banking Business Directive No. 299, "Measurement and Capital Adequacy – Regulatory Capital – Transitional Provisions".

Conduct Risk	Conduct Risk is the risk that any dealings with Bank's customers which are not fair, transparent and aimed to meet their needs will lead to losses due to legal damages, fines or reputational damage.
Committee Of Sponsoring Organizations of the Treadway Commission (COSO)	A structured internal controls model. The model is intended to assist businesses and other entities to assess, estimate and enhance their internal control functions.
Cost of Interest	The interest component allocated to a current year and classified into payroll expenses.
Cost of Service	All components of employee benefits costs allocated to a specific period.
Credit Default Swap (CDS)	A financial instrument that transfers the credit exposure between parties to a transaction to the issuing entity.
Credit Derivative	A contract that transfers the credit risk from a buyer to a seller. There are various forms of Credit Derivatives: Credit Default Swap (CDS), a note for partial cover of credit risk, Total Return Swap (TRS), etc..
Credit Valuation Adjustment (CVA)	The calculation of credit risk in derivatives reflects the expected loss to the bank in case the counterparty to the transaction will default.
Credit Risk	Credit risk is the Bank's risk of loss as a result of the possibility that a borrower or counterparty fails to meet its agreed commitments towards the bank.
Cross Border Activity	A term referring to various cross-border financing arrangements, such as cross border loans, letters of credit or bankers' acceptances.
Current Expected Credit Losses (CECL)	A model for expected credit losses.
Cyber Event	An event during which the Bank's IT and/or computer-embedded systems and infrastructures are attacked by, or on behalf of, opponents (whether external or internal to the bank) and such attack may result in the materialization of the cyber risk, including an attempted attack even if it did not result in actual damage.
D	
Defined Benefit Plan	Fixed and predetermined pension or insurance amounts which are paid to eligible employees, whether or not they depend on the investment results of the pension fund or insurer.

Delinquent Debt	The delinquency (arrears) status of a debt is determined according to its contractual repayment terms. The debt is in arrears if some or all of the debt amount has not been repaid within 30 days of its due date. For this purpose, a debt in a current account in excess of the authorized credit facility will be regarded as being in arrears if not repaid within 30 days, or if that account is not credited with sums sufficient to cover the debt under the credit facility within the period determined by the Bank's management.
Diluted Earnings Per Share	Dividing the profit or loss attributed to holders of the parent company by the weighted average number of ordinary shares outstanding, to assume conversion of all potentially dilutive ordinary shares.
Dodd Frank Wall Street Reform and Consumer Protection Act (DFA)	The DFA is a U.S. federal law which came into force on July 28 2019. The DFA sets in motion a comprehensive financial reform which has various implications for the Leumi Group, the principal of which is associated with transactions involving over-the-counter derivative swaps.
E	
Embedded Derivatives	Embedded Derivatives are derivative instruments which are embedded into other financial contracts and instruments or into commercial contracts for the purchase or sale of products and services (these contracts are known as host contracts). The accounting treatment is applied according to the economic substance of the items and transactions, rather than according to their legal form; therefore, embedded derivatives whose economic characteristics are not clearly and closely related to those of the host contract are bifurcated therefrom for the purpose of measurement in the Bank's books of accounts.
European Market Infrastructure Regulation (EMIR)	A regulation of the European Union which is intended to enhance the stability of over-the-counter markets in all EU countries.
Exposure at Default (EAD)	The expected amount of counterparty exposure in case of credit default.
F	
Fair Value	The amount for which an asset can be exchanged or a liability assumed in a transaction between knowledgeable, willing parties. This value is determined according to the fair value hierarchy set in accounting standards: • Level 1 – Value based on quoted market prices; • Level 2 – Estimated value based on observable inputs; • Level 3 – Estimated value determined by using valuation techniques that include unobservable inputs.

Fannie Mae (FNMA)	A U.S. government-sponsored enterprise which purchases and securitizes mortgages and sells them on the free market. (The company is not backed by the U.S. government).
Federal Deposit Insurance Corporation (FDIC)	An independent federal agency insuring deposits in U.S. banks; FDIC is one of the U.S.'s banking supervisory bodies.
Foreign Accounts Tax Compliance Act (FATCA)	A U.S. tax law intended to improve tax enforcement. Pursuant to FATCA, non-U.S. financial entities must disclose to the U.S. Internal Revenue Service information about accounts held by them for anyone who is required to report under FATCA, even if he/she is not a U.S. resident.
Forwards	Forwards are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Forwards are not standard contracts and are not traded on capital markets, but are drawn up specifically according to the parties' needs.
Freddie Mac (FHLMC)	FHLMC is a U.S. government-sponsored agency that purchases and securitizes mortgages and sells them to the public. (The company is not backed by the U.S. government).
Futures	Futures are contracts between two parties for the sale of a specified quantity of an asset at a particular price on a stipulated future date (the settlement date). Such contracts are binding on both parties to the agreement. Futures are standard contracts traded on capital markets.
G	
Ginnie Mae (GNMA)	A federal mortgage company. The bonds issued by GNMA are backed by the Government National Mortgage Association.
I	
Indebtedness	The Bank's loan exposures to a borrower or group of borrowers, including loans under the bank's responsibility, the bank's investments in the borrower's securities, commitments of the bank to pay money on a customer's behalf (including guarantees and Documentary Credit) and transactions in over the counter (OTC) derivatives. Indebtedness is calculated according to the provisions of Proper Conduct of Banking Business Directive No. 313 of the Banking Supervision Department.
Interest Rate Risk	The risk of loss or impairment as a result of changes in interest rates across various currencies.

Internal Capital Adequacy Assessment Process (ICAAP)	The capital adequacy assessment process is aimed at calculating the capital required to support the various risks to which the Group is exposed in order to ensure that the Group's effective capital exceeds the capital requirements at any time.
Internal Rate of Return (IRR)	A measure used to estimate the profitability of potential investments. This metric is an indicator of the efficiency and quality of a specific investment in relation to the net present value, which is an indicator of the value and size of the investment. The Internal Rate of Return is the interest rate that discounts the expected cash flow from a financial instrument to its balance in the Bank's balance sheet.
L	
Leverage Ratio	Defined as the measured capital (the numerator) divided by the measured exposure (the denominator), with the ratio expressed as a percentage.
Linkage Base and Exchange Rate Exposure	The exposure to the basis risk is the potential loss as a result of changes in the consumer price index and exchange rates due to the difference between the value of assets and the value of liabilities, including the impact of future transactions in each of the linkage bases. The exposure to basis risks is measured as a percentage of the Group's exposed capital. At the Bank level, the exposed capital includes common equity and certain provisions, net of property, plant and equipment and investments in investees.
Liquidity Coverage Ratio	Liquidity Coverage Ratio examines a time-horizon of 30 days under a stress scenario, and is intended to ensure that a bank has an inventory of high-quality liquid assets that is able to cover the corporation's liquidity requirements in this time horizon.
Liquidity Risk	Liquidity Risk is the risk arising from uncertainty regarding the possibility of raising resources and/or disposing of assets, unexpectedly and within a very short time, without incurring a substantial loss.
Loan-to-Value (LTV) Ratio	The ratio of a bank loan to the value of a purchased asset. LTV reflects one aspect of the loan risk; a higher LTV reflects a higher risk to the lending bank.
Loss Given Default (LGD)	This is the percentage out of a borrower's total Exposure at Default (EAD), which the Bank is expected to lose on default.
M	
Market Risks	Market Risk is defined as the risk of loss in balance sheet and off-balance sheet positions as a result of a change in the fair value of a financial instrument due to change in market conditions (i.e., changes in: price levels in various markets; interest rate volatility; foreign exchange rates; inflation rates; share and commodity prices, as well as in other economic measures).

Mortgage-Backed Securities (MBS)	Bonds which are backed by financial assets, the principal and interest payments of which are based on a cash flow from repayment of loans collateralized by financial assets. The collateral assets may be pools of loans, including housing mortgages or other financial assets.
N	Impaired non-accruing loans.
Net Interest Margin (NIM)	Ratio between net interest income and the average balance of interest-bearing assets.
Net Stable Funding Ratio (NSFR)	The purpose of NSFR is to improve the long-term liquidity ratio profile of banking corporations by requiring them to maintain a stable funding ratio according to the composition of their assets and off-balance-sheet activities. The ratio limits banking corporations' over-relyance on wholesale short-term financing. Measurement - both for consolidated and separate reporting purposes - is made each quarter and the requirement is to comply with a 100 percent rate.
Non-Performing Credit	On-balance sheet credit that is assessed on a case by case basis and which - based on present circumstances and information - it is probable that the Bank will be unable to collect the full amounts payable (principal plus interest) under the contractual terms of the debt agreement. A debt which is assessed on a case by case basis shall be classified as non-performing whenever the principal or interest has been past due for a period of 90 consecutive days or more, unless it is both well secured and in the process of collection. Off-balance sheet credit is classified as non-performing if it is at least reasonably possible that the contingent liability in respect of the off-balance sheet item will materialize, and if the debts that may result from the materialization of the contingent liability should be classified into this category. Furthermore, a non-performing debt which is assessed on a specific basis and whose terms were changed due to restructuring of a troubled debt will also be considered as non-performing loans.
Non-Performing Loan (NPL)	Non-accrual impaired debt.
O	
OECD	An international organization whose members are developed countries that accept the principles of liberal democracy and free market. The organization is a platform for discussing policy, benchmarking, identifying solutions to difficulties and drawing up codes, guiding principles and shared standards for the implementation of domestic economic and social policies. Each member state can make a significant contribution to the organization’s policy and development of shared policies.

Off-Balance Sheet Exposures	These exposures arise from the Bank's undertakings to its borrowers that have not yet been realized/utilized by the borrowers as of the reporting date and therefore have not yet been recorded as a balance sheet asset or liability. Such exposures include, among other things: Unutilized undertakings to extend loans; • Unutilized credit facilities; • Undertakings pursuant to guarantee agreements; • Undertakings pursuant to an approval in principle where the Bank is committed to maintain the interest rate over a certain period, • and more.
On-call Credit	Loan granted for several days and repaid on call, in accordance with the conditions of the agreement between the Bank and the customer.
Operational Risk	Operational Risk is the risk of loss as a result of inadequate, or failure of, internal processes, people and systems, or external events. This definition includes legal risk, but does not include strategic risk and reputational risk.
Option Contract/Option	There are two types of Option Contracts: an option to buy (call option) or an option to sell (put option). A call option is the right to buy a specified asset at an agreed price (strike price) up to (American-style option) or on (European-style option) a stipulated date. A put option is the right to sell a specified asset at an agreed price (strike price) up to (American-style option) or at (European-style option) a stipulated date.
P	
Performance Stock Units (PSU)	Performance Stock Unit awards are restricted shares and depend on the bank's future performance.
Pillar 1	The allocation of minimum capital against credit, market and operational risks, using a method that correlates the scope of exposure to the various risks and Regulatory Capital requirement. The Pillar 1 Directives set by BCBS were adopted as part of Proper Conduct of Banking Business Directives No. 201 to No. 209; these directives set a supervisory method for calculation of risk-weighted assets and calculation of the capital requirements in respect of such risk-weighted assets.

Private Individuals	Persons who are not corporations (whether registered or non-registered) and who are not engaged in business activity. According to the directives of the Bank of Israel, private persons are defined such that this category includes non-business loans to individuals who are classified into the private individuals sector according to uniform definitions of the Central Bureau of Statistics including households and private banking.
Probability of Default (PD)	A financial term describing the likelihood of borrower default within a given period of time from the date on which rating is issued. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations.
R	
Regulatory Capital	Capital used to calculate the Bank's capital adequacy ratio and other regulatory ratios (such as: leverage ratio, credit concentration and more). Accounting capital components and other qualifying Regulatory Capital instruments (such as subordinated notes that qualify as Regulatory Capital).
Repurchase Agreement or Reverse Repurchase Agreement	These repo agreements are agreements for the purchase or sale of securities in consideration for cash or securities; when entering into these agreements, the seller and the buyer agree to enter into a reverse transaction at a predetermined date and price.
Reputational Risk	The risk that the publication or public disclosure of a customer-related transaction or practice, as well as the Group's business results and events relating thereto will have an adverse effect on the public's trust in the Group or reduce its customer base or that the Group will incur high legal costs or that its revenues will decline.
Residual Risk	Residual Risk is the risk of loss remaining after all other specific risks have been factored in. For example: when a person purchases an asset, he is exposed to various risks. Many of these risks are not unique to the purchased asset, but rather reflect broader scenarios, such as increase or decrease in share prices, increase or decrease in interest rates or change in growth rate of a specific economy or industry. The exposure to this risk can be reduced by diversification.
Restricted Share Units (RSUs)	An ordinary share whose issuance terms restrict its tradability over a certain period or until the occurrence of a certain event where the period has not yet elapsed and/or the event has not yet occurred.
Restructuring of Troubled Debt	A debt, for which the Bank, whether for economic or legal reasons related to financial difficulties of the borrower, grants the borrower a waiver by changing the terms of the debt, in order to enable the borrower to repay the cash payments in the short term or by accepting other assets as debt repayment.

Return on Equity	Net income less dividend for preferred shares which was not recorded as an expense in profit or loss and was declared in the reported period only, divided by the average common equity.
Rate of Return on Equity (ROE)	The ratio between a business's return (net income) and its common equity. This rate measures the Bank's ability to generate profit from its net assets and illustrates how efficiently the Bank operates to utilize further investments in order to increase its revenues. Return on Equity in banks is reflected in the following ratios: • Net income attributed to bank's shareholders net of dividend distributed in respect of preferred shares which was not recorded as an expense in profit or loss and was declared during the reporting period, divided by the average common equity; Net income attributed to bank's shareholders net of dividend distributed to preferred shares which was not recorded as an expense in the income statement and was declared during the reporting period, divided by the average common equity net of average balance of preferred shares that were included in common equity.
Return on Risk-Adjusted Capital (RORAC)	A Rate of Return measure used to compare returns on various investments taking into account the risk. Actual return is adjusted by measuring the asset's exposure to risk and curtails the return on higher-risk assets. The method's effectiveness depends on the accuracy of the risk associated with different assets and on the extent to which the "sanction" imposed on higher-risk assets does, indeed, reflect each investor's risk aversion. Risk assessment of new types of assets, such as financial derivatives, involves high levels of uncertainty due to the actual behavior of their prices.
Risk-Weighted Assets (RWA) or Risk Assets	Risk-Weighted Assets reflect balance sheet and off-balance sheet exposures arising from the Bank's activities and weighted by their level of credit, market and operational risk according to Proper Conduct of Banking Business Directives No. 203 to No. 209. Such Risk Assets are designed to reflect the weighted risk in respect of which the Bank is required to comply with the Regulatory Capital Requirement as part of the Capital Adequacy requirements.
S	
Securitization	A process whereby bank loans and credit are pooled to create a long-term loan through bonds.

Securitization Structures	Structures created in order to transfer cash flows from other instruments or assets to bondholders, for which a Special-Purpose Entity (SPE) is set up that pools the underlying cash flow-generating assets that are transferred by the originator and forwards the cash-flows to the bondholders according to a structure agreed upon with the bondholders in accordance with the seniority of the different series of bonds (tranches). Such assignment of rights creates a legal structure in which the assets of the transferring entity will not be accessible to creditors of the SPE and the creditors will not be exposed to the risks associated with other activities of the transferring entity. The sole function of the SPE is to receive the said cash flows and transfer them to the bondholders.
Small Business Administration (SBA)	A U.S. government agency that supports small businesses in the U.S.A.
Special Mention Loan	Loan under Special Supervision is credit for which there are potential weaknesses which should be monitored closely by the Bank's management. Off-balance sheet loan is classified as loan under special supervision if the materialization of the contingent liability in respect of the item is defined as "reasonably possible" and if the debts that may be recognized as a result of the materialization of the contingent liability meet the criteria for classification into this category.
Standby Letter of Credit (SBLC)	A Standby Letter of Credit is a bank guarantee in the format of a commercial letter of credit, whose main goal is to secure a payment. A Standby Letter of Credit is similar to a guarantee in the sense that it constitutes an undertaking by the Bank to pay the amount specified therein against a payment demand by the beneficiary, whereas in the case of a commercial letter of credit one is required to present various documents in order to secure the payment by the Bank in respect of the guarantee.
Specific Provision	A provision that is determined specifically for each debt, excluding housing loans (including any restructuring of troubled debt subject to specific assessment according to the Bank's policy). The provision amount is estimated according to the projected cash flows which are discounted at the debt's original effective interest rate or, when the debt is defined as a debt whose collection is contingent on collateral or when an asset is expected to be seized - according to the fair value of the collateral net of disposal costs and after appropriate cushions are utilized. In order to determine the appropriate provision, the Bank assesses the relevant borrowers on an ongoing basis and according to procedure.

Strategic Risk	A business risk that includes current and future adverse effects on capital, profits, reputation or standing as a result of erroneous business decisions, inappropriate implementation of the decisions or lack of response to industry-specific, economic, regulatory and technological changes.
Subordinated Notes	Bonds the interests in which are subordinate to the claims of all other creditors of the bank, excluding other bonds of the same type.
Substandard Loan	A loan which is insufficiently guaranteed by the current sound worth and repayment capacity of a borrower or a pledged collateral, if any. Balance sheet credit risk that has been classified in this manner should have a well-defined weakness or weaknesses, which jeopardize the repayment of the debt. Loan, in respect of which a collective loan loss provision is recorded, shall be classified as a Substandard Loan when it has been past due for 90 days or more.
Supervisory Review Process (SREP)	The processes intended to ensure that banks have adequate capital to support all the risks associated with their business and also to encourage banks to develop and use better risk management techniques in monitoring and managing their risks. As part of the process, the Banking Supervision Department assesses a bank's risk profile and its internal process for assessing the adequacy of the regulatory capital it maintains against the exposures. This process is designed to provide regulators with tools for independent assessment of the Bank's risk profile and risk management and to enable early intervention in order to prevent compromising the Bank's financial stability.
Swap	A series of forward contracts or a series of futures contracts for several stipulated periods in which two parties agree to exchange cash flows on a notional amount.
Syndication	A transaction in which several lenders share extending a loan to a single borrower, but each borrower extends a loan at a certain amount to a borrower and has the right to be repaid by that borrower. Often, groups of lenders finance such loans together, with the amount extended greater than any single lender is willing to lend.
Synthetic Collateralized Debt Obligation (SCDO)	An agreement backed by a portfolio of (derivative) collateralized debt securities of various seniority levels.
T	
The Economic Capital Model	The Bank uses the Economic Capital Model, which is based on the borrowers' rating, in order to assess the overall credit risk of the entire loan portfolio and portions thereof.

Tier 2 Capital	A tier of capital included in the calculation of qualifying regulatory capital. Tier 2 capital (also known as "gone concern capital") is a substandard component of the Bank's capital; it mainly comprises qualifying instruments previously issued by the Bank and included in Tier 2 capital pursuant to the transitional provisions for the implementation of Basel III Directives as well as the new qualifying capital instruments that constitute the Bank's Contingent Convertible (CoCo) capital instruments issued by the Bank and which will be converted into the Bank's shares if the Bank reaches the point of non-viability. In addition, this Tier 2 capital also includes items, such as: a collective loan loss provision before the relating tax effect up to a ceiling of 1.25 percent of total credit risk assets
Total Indebtedness	A customers' total debts to the bank.
Treasury Shares	Shares directly held by the company. These shares do not have equity or voting rights.
V	
Value at Risk (VaR)	A model for measuring the maximum potential loss as a result of market risks materialization in a set time period and given a predetermined statistical probability. This method requires the revaluation of all of the corporation's positions based on the fair value of the assets and liabilities. The model's objectives are to estimate the risks to which financial institutions are exposed, stemming from materialization of market risks in various activities.